Focused on the Future

2016 Annual Report

Scotiabank®

Scotia Group Jamaica Limited

Contact us

Call us at
1-888-429-5863 or 1-888-4-SCOTIA

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

Visit our website at
www.jamaica.scotiabank.com

Visit our facebook page at
https://www.facebook.com/ScotiaGroupJM

Follow us on twitter
@ScotiabankJM

Visit us at
instagram.com/ScotiabankJM

Corporate Data

SECRETARY

Julie Thompson-James
Vice President, Business Support
& Company Secretary

The Bank of Nova Scotia
Jamaica Limited
Executive Offices
Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

REGISTERED OFFICE

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

Telephone:
(876) 922.1000

Fax: (876) 922.6548

Website: www.jamaica.scotiabank.com

Telex: 2297

SWIFT Bic Code: NOSCJMKN

AUDITORS

KPMG
6 Duke Street
Kingston
Jamaica

Telephone:
(876) 922.7198
(876) 922.4500

REGISTRAR

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

Telephone:
(876) 932.8337

Office: (876) 922.6230

Fax: (876) 967.9467

Website: http://www.pwc.com/jm

Contents

Ten Year Statistical Review
- Scotia Group Jamaica Limited

	2016	2015	2014 (restated)
BALANCE SHEET DATA - $000			
TOTAL ASSETS	477,391,654	432,931,945	407,030,262
PERFORMING LOANS	162,446,895	149,997,313	140,829,220
NON-PERFORMING LOANS	4,379,885	4,502,060	4,902,782
INVESTMENTS & OTHER EARNING ASSETS	249,802,716	229,603,523	216,747,750
DEPOSITS BY THE PUBLIC	248,416,381	209,461,602	190,726,667
SECURITIES SOLD UNDER REPURCHASE AGREEMENT	31,634,237	39,832,452	47,840,197
STOCKHOLDERS' EQUITY	91,855,773	85,257,232	76,484,253 *
PROFITS AND DIVIDENDS - $000			
PROFIT BEFORE TAX	16,640,943	14,244,136	14,357,886 *
NET PROFIT AFTER TAX ATTRIBUTABLE TO STOCKHOLDERS	11,300,599	9,921,429	10,457,709 *
DIVIDENDS PAID AND PROPOSED	5,320,815	5,040,748	4,978,516
NUMBER OF STOCK UNITS AT YEAR END	3,111,573	3,111,573	3,111,573
FINANCIAL RATIOS			
EARNINGS PER STOCK UNIT - $	3.63	3.19	3.36 *
PRICE EARNINGS RATIO	8.67	8.43	5.72 *
DIVIDENDS PER STOCK UNIT - $	1.71	1.62	1.60
DIVIDEND YIELD (1)	5.53%	7.01%	8.08%
DIVIDEND PAYOUT RATIO	47.08%	50.81%	47.61% *
RETURN ON AVERAGE EQUITY	12.65%	12.32%	14.23% *
RETURN ON ASSETS AT YEAR END	2.37%	2.29%	2.57% *
OTHER DATA			
TIER 1 CAPITAL (Bank only) (1) $'000	27,391,052	23,332,290	19,401,181
RISK BASED CAPITAL ADEQUACY RATIO (Bank only) (1)	12.88%	11.50%	12.08%
STOCK PRICE AT THE YEAR END	31.48	26.87	19.23
PRICE CHANGE FROM LAST YEAR	17.16%	39.74%	-3.73%
CHANGE IN JSE INDEX FROM LAST YEAR	27.02%	83.05%	-12.36%
NUMBER OF STAFF	2,021	2,144	2,311
EXCHANGE RATE US$1.00 = J$	128.7033	119.5755	112.4939
INFLATION RATE YEAR OVER YEAR	1.78%	2.03%	8.09%

(1) Risk Based Capital Adequacy Ratio and Tier 1 Capital are calculated per Bank of Jamaica Regulations.

* Effective November 1, 2014 the Group adopted IFRIC 21, Levies. These amounts were restated due to the change in accounting policy.

+ Effective November 1, 2013, the company adopted IAS 19 (Revised) Employee Benefits. The change in accounting policy was applied retroactively and these amounts were restated.

2013 (restated)	2012 (restated)	2011	2010	2009	2008	2007
389,260,505	358,141,805 +	332,041,259	325,823,953	315,555,872	280,284,251	263,125,631
130,332,373	117,973,642	94,719,222	91,599,243	88,591,281	86,726,366	74,557,390
4,491,383	4,551,026	5,257,217	4,215,254	3,587,030	2,970,714	2,109,177
207,670,829	198,905,245	200,539,453	200,362,102	194,182,553	167,116,031	162,688,005
183,369,415	160,994,182	144,670,083	145,664,085	141,877,096	130,673,257	131,017,687
42,588,792	45,384,758	44,700,992	45,025,585	46,120,207	40,206,572	31,530,287
69,775,527 *	63,974,046 +	60,310,619	53,155,381	45,724,655	37,940,932	34,373,330
14,631,285 *	14,369,041 +	14,244,620	14,417,094	15,379,659	13,119,095	10,167,221
11,980,842 *	9,932,812 +	10,193,390	10,405,649	11,152,199	9,390,739	7,492,854
4,978,516	4,698,475	4,605,128	4,605,128	4,325,086	4,045,044	3,649,313
3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573
3.85 *	3.19 +	3.28	3.34	3.58	3.02	2.48
5.19 *	6.65 +	7.59	6.09	5.13	6.68	8.56
1.60	1.51	1.48	1.48	1.39	1.30	1.19
7.64%	6.69%	6.48%	7.08%	8.13%	5.58%	5.08%
41.55% *	47.30% +	45.18%	44.26%	38.78%	43.07%	47.26%
15.64% *	15.98% +	17.59%	20.78%	26.35%	25.28%	24.01%
3.08% *	2.77% +	3.07%	3.19%	3.53%	3.35%	2.85%
17,623,522	17,122,852	16,526,173	15,959,189	14,932,460	14,159,189	11,450,000
11.23%	11.75% +	14.95%	15.40%	17.84%	17.86%	16.29%
19.97	21.23	24.90	20.35	18.38	20.22	21.25
-5.91%	-14.76%	22.36%	10.72%	-9.08%	-4.85%	-3.67%
-8.89%	-5.72%	14.30%	3.46%	-14.06%	-5.85%	15.85%
2,326	2,315	2,337	2,283	2,273	2,235	2,190
104.6866	90.8050	86.2778	85.3825	89.1037	76.1253	71.0493
9.40%	6.17%	7.26%	10.37%	7.18%	25.34%	9.01%

Notice of Annual General Meeting
- Scotia Group Jamaica Limited

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SCOTIA GROUP JAMAICA LIMITED** (the "Company") will be held on **Thursday, March 9, 2017 at 10:30 a.m**. at the Montego Bay Convention Centre, Rose Hall, Montego Bay, St. James, to consider, and if thought fit, pass the following resolutions:

1. **Resolution No. 1 – Audited Accounts**

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

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

   i) Article 107 of the Company's Articles of Incorporation provides that at each Annual General Meeting all Directors for the time being shall retire from office. The retiring Directors are: Barbara Alexander, Anthony Chang, Jeffrey Hall, Antony Mark Hart, Charles Johnston, Brendan King, Andrew Mahfood, Joseph M. Matalon, Jacqueline Sharp and Evelyn Smith.

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

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

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

   c) " That retiring Director **Antony Mark Hart** be and is hereby elected a Director of the Company."

   d) " That retiring Director **Brendan King** be and is hereby elected a Director of the Company."

   e) " That retiring Director **Andrew Mahfood** be and is hereby elected a Director of the Company."

   f) " That retiring Director **Joseph M. Matalon** be and is hereby re-elected a Director of the Company."

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

   h) " That retiring Director **Evelyn Smith** be and is hereby re-elected a Director of the Company."

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

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

BY ORDER OF THE BOARD

Richard Fraser
Company Secretary
January 11, 2017

REGISTERED OFFICE
Scotiabank Centre
Duke & Port Royal Streets
Kingston

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

Directors' Report
- Scotia Group Jamaica Limited

The Directors submit herewith the Consolidated Statements of Revenues and Expenses, Comprehensive Income and Financial Position for the year ended October 31, 2016.

The Consolidated Statement of Revenue and Expenses reports pre-tax profit for the year of $16.6 billion from which there has been provided $5,050 million for corporate income tax, leaving a balance of $11.6 billion.

The appropriation of earnings detailed in the financial statements includes:-

A final dividend of 45 cents per stock unit payable to stockholders on record as at December 27, 2016 payable on January 18, 2017. This brings the total distribution for the year to $1.71 per stock unit compared with $1.62 per stock unit for the previous year.

Ms. Sylvia Chrominska retired as Chair of the Board of Directors effective March 4, 2016 and Mr. Bruce Bowen resigned from the Board of Directors on May 30, 2016. The Board would like to express its sincere appreciation to Ms. Chrominska and Mr. Bowen for their invaluable contribution to the Company and wish them well in their future endeavours.

The following directors were appointed to the Board on August 5, 2016: Messrs. A. Mark Hart, Brendan King and Andrew Mahfood.

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

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

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

On behalf of the Board

Jeffrey M. Hall
Chairman, Kingston, Jamaica
January 11, 2017

Chairman's Message to Shareholders
- Scotia Group Jamaica Limited

Dear Fellow Shareholders,
The 2016 financial year was another successful one for Scotiabank Group. We achieved solid results for all our stakeholders, while maintaining the right balance between the delivery of outstanding customer experience; strong leadership; and sound risk management.

Globally, Scotiabank has intensified the focus on digitization to position the Group for further success. The industry is experiencing rapid advances in technology which will fundamentally transform the way financial products and services are developed and delivered to customers. We have embraced these developments, and we aim to be a leader for our customers who increasingly aspire to do their banking securely with ease and convenience.

We are committed to investing in new technologies, evolving our business to enhance customer experience, deepening our leadership and talent pool, and becoming more efficient in our operations.

Strengthening Our Service Culture
While our customers have always been our top priority, we are making strides in shifting our culture to become even more customer-focused and performance-oriented. In that regard, we launched our renewed core values: **Passion, Accountability, Integrity** and **Respect** this year. These values are critical to our long term growth; and offer a solid foundation on which to strengthen service delivery and drive performance improvement.

Our unique culture and strong values have been the bedrock for our achievements, and we are confident that these values will help drive the successful execution of our strategy to become a better financial services provider.

Governance

The Board remains committed to the highest levels of oversight by adopting best practices in corporate governance, improving transparency and reviewing implementation of the Group's strategy, to ensure that the interests of our many stakeholders, including shareholders, customers, the broader community and our team members are protected.

There were several changes to the Board during the period under review. I was appointed Chairman to succeed Ms. Sylvia Chrominska who retired in March 2016, after serving five years as a Director and two years as Chair. We express our sincere gratitude to Ms. Chrominska for her invaluable contribution and sound guidance which ensured our sustained growth and profitability.

Mr. Bruce Bowen demitted office in May 2016 after eight years as a member of the Board of Directors; and a long and distinguished career with Scotiabank, particularly in the Caribbean. On behalf of all Scotiabankers, we thank Mr. Bowen for his inspired leadership and service.

Two of our Directors, Mr. Charles Johnston and Mr. Anthony Chang will be retiring at the upcoming Annual General Meeting, having served the maximum term under our Governance policy. We benefitted tremendously from the guidance and counsel of these Directors, and we record our appreciation for their strong commitment and contribution to the organization over the last 10 years.

In anticipation of their retirement, and to ensure effective succession, we welcomed four new Directors to the Board. Three of them – Mrs. Evelyn Smith, Mr. Andrew Mahfood and Mr. A. Mark Hart – bring to the Group a wealth of experience and expertise in business management and consumer insights across different business sectors in Jamaica. The fourth new member, Mr. Brendan King, is Senior Vice President, International Banking, Scotiabank. Mr. King's extensive expertise spans the key areas of commercial banking, risk management and corporate finance, some of which was developed while working in the Caribbean.

Achievements

Determined execution of our strategic imperatives resulted in the achievement of several important milestones during the financial year.

Scotiabank was again named the 2016 World's Best Consumer Digital Bank by Global Finance Magazine. The prestigious award covers not only our Jamaican operations, but also several operations in the Scotia network across South America, the Caribbean and in Canada. We are honoured by this acknowledgement, which affirms our thrust to create a more efficient operating platform that meets the needs of our customers. And, we are mindful that the ongoing review and upgrading of our operations have enhanced the ability of the Group to deliver positive shareholder returns and maintain its competitive advantage.

We have been acclaimed the 'Best Foreign Exchange Provider' (2017) in Jamaica by Global Finance, marking the 8th year of recognition over the past nine years. The selection criteria was predicated on transaction volumes, share of market, scope of global coverage, customer service, competitive pricing and innovative technologies.

In addition, our focus on service excellence earned recognition for our Group, both in the global banking industry and in the local financial services sector. Scotiabank Jamaica is the joint winner of the Private Sector Organisation of Jamaica and the Jamaica Customer Service Association's Service Excellence Award 2016 in the Large Business Category. The Group was also recognized for excellence in the areas of leadership, strategy and complaints management.

Corporate Social Responsibility

We continue to create lasting social value in communities across our country, because community involvement is not something we simply talk about. We deem our contribution as being integral to national development; and, therefore, it is an important part of the way we LIVE, WORK and DO BUSINESS.

During the past year, ScotiaVolunteers donated 12,790 hours to community service; and the ScotiaFoundation provided funding to 31 charitable projects and activities benefitting over 13,000 children over the year. We expanded our initiatives to improve the quality of life for members of the community through contributions in the areas of education, healthcare, sports and community development.

We are tremendously proud of our role as a leading corporate citizen; and our aim is to build a brighter future for our children; as well as, to help to alleviate the challenges faced by the economically and socially disadvantaged.

Acknowledgements

I especially thank our loyal and valued customers for their trust and consistent support to the Scotiabank Group. We salute our President & CEO, as well as, the exceptional members of the Scotiabank team whose efforts have enabled our Group to continue to deliver strong financial results and meaningful value for customers.

I also express appreciation to my fellow Board members for their confidence in me as Chair, and look forward to their continued guidance and commitment to the success of Scotiabank Group.

The Board remains exceedingly confident that Scotiabank Group is well positioned to build on our legacy of generating long-term value to shareholders.

Jeffrey M. Hall
Chairman

President and CEO's Message to Shareholders

- Scotia Group Jamaica Limited

Dear Fellow Shareholders,

We are pleased to announce a very strong performance for Scotiabank Group in 2016. Our performance was the direct result of all-around revenue growth, prudent risk management and operational efficiency improvements to reduce expense growth.

During the year, we recorded strong growth in our loan and deposit portfolios and increased non-interest revenues, including higher volume-driven fee income, foreign exchange trading revenues, and higher insurance premium income. We continued to acquire new customers across all our business lines and build deeper relationships with existing customers. All this was achieved against the backdrop of a highly competitive environment and shrinking margins.

The Group recorded net income after tax (NIAT) of $11.6 billion, an increase of $1.46 billion or 14.4% relative to the previous year. Earnings per share were $3.63, representing a growth of 13.8% and we continue to return shareholder value with increased dividends. In addition, our return on equity (ROE) was solid at 12.65%, and we maintained robust capital levels with all operating subsidiaries exceeding prudential requirements.

These results reflect our consistently disciplined approach to strategy execution and the gains of a diversified business model. We maintained focus on our strategic imperatives to grow market share in our core business-lines; leveraging our expertise to deliver the right financial advice and solutions to our customers, while exploring opportunities to structurally optimise our operations.

Positive Economic Trends

The Jamaican economy showed signs of improvement during the year, recording positive growth in the last four quarters ending September 30, 2016. The country experienced historically low inflation rates and gradual reductions in domestic interest rates.

The fiscal trajectory remained on the path to sustainability, with the Government recently meeting the 13th quarterly targets under its Medium Term Economic Programme. A new 36-month Precautionary Standby Arrangement with the IMF, to commence in 2017, has since been signed with the Fund. In addition, business and consumer confidence recovered strongly driving healthy growth in local credit demand.

However, on the downside, while the country fared better overall, consumers continued to be impacted by slow improvement in the job market, and the continued devaluation of the Jamaican dollar versus the US dollar affecting their purchasing power.

Business Lines

During the year, we experienced heightened competitive pressures, with new entrants into the market and rivals aggressively vying for market share.

We however successfully navigated these business challenges; and explored new opportunities as we continued to build on the Scotiabank legacy of strength and stability, to create long-term value for our shareholders.

Our diversified business model and strong capital position enabled us to record sustainable earnings in all of our core business lines. Our retail loan portfolio increased by $11.1 billion or 12.2% year over year. In particular, our residential mortgage portfolio grew by 19.7% due to a series of well executed initiatives and targeted sales efforts to acquire new customers and deepen our share of wallet. Over the year, we increased our residential mortgage market share from 20.6% to 21.8%.

The commercial lending portfolio, including Small and Medium Enterprises (SMEs), grew by $1.2 billion due to strong asset growth in selective sectors. Additionally, we provided technical advice, training and capacity building programmes for SMEs to assist them to expand their businesses. The Group has, since 2011, been engaged in supporting the growth of businesses in Jamaica, and is committed to capacity-building efforts for the SME sector given its significance to the country's growth prospects and employment generation.

Having rationalised our suite of deposit products to better align with our customers' unique spending and saving habits, we experienced strong improvement in our deposit base which increased by 18.6%.

At Scotia Insurance, we are reaping the benefits of restructuring done in 2015 to create a more efficient platform for growth. Sales productivity improved with Gross Premium Income per sales agent growing year over year, while operating expenses were contained. We maintained our dominance in the Retirement Scheme market, with our ScotiaBRIDGE Fund growing to $6 billion, illustrating the unremitting confidence of our customers in this product to grow their retirement savings.

The quest for innovative solutions at Scotia Investments resulted in the launch of the Scotia Premium US Dollar Indexed Fund (SPUDIF) during the year. This new product complements our suite of Mutual Fund/Unit Trust products; and offers investors protection against exchange rate devaluation. The SPUDIF closed the year with a net asset value of $2.19 billion, exceeding target by 177%. Overall, assets under management by this subsidiary grew by 17.3%.

Over the last few years, the financial services industry has experienced substantial margin compression due to the reduction in asset yields. Therefore, judicious management of our margins and expenses were critical components of our performance in 2016. We leveraged our size, and culture of cost management to effectively contain expense growth through effective procurement practices, process re-engineering and consolidation of support functions.

Convenient Banking Options

We strengthened our efforts during the past year to identify alternative means to serve our customers faster, better, and at lower cost, without compromising our standard of service excellence. Accordingly, we launched our first Scotiabank Express Kiosk at MegaMart, Kingston in December 2015. The Kiosk offers customers the convenience of longer opening hours; and allows for simple, secure and real-time transactions, outside of a branch. By October 31, 2016 we had opened 5 kiosks in locations across Kingston and St. Andrew.

We reconfigured the former Scotiabank Premier Branch location to accommodate a new Scotiabank Express Banking Centre. This is part of the Group's continued focus on providing numerous touch points, which facilitate convenient and efficient banking options for customers. The centre is equipped with eight ATMs, tablets for access to Scotia OnLine and free WiFi to expedite banking transactions. The Premier Express Centre also offers weekend banking and extended opening hours, allowing customers to embrace more flexible alternatives.

The Group unveiled new technological initiatives, particularly in the extension of digital capabilities during the year. In September, we launched our enhanced online and mobile banking platform which offers several benefits for customers, including:-

- The ability to perform key transactions more simply, conveniently and with fewer steps;
- A device-adaptive design, which allows for a more consistent experience across all online banking channels;
- Many other new features, such as the ability to capture customer feedback; greater transaction search capabilities; and expanded help features, including "how to" videos.

In October, we introduced tablets to sales officers who work outside of our branches, allowing officers in the field to generate a fully digital application, including a digital image and signature. This significantly improves cycle times for customers thereby contributing to an enhanced customer experience.

We are confident that our increased efforts to create a seamless banking experience for customers, improved process management in various areas of the business, combined with our focus on deepening existing relationships, will provide a solid base for increasing shareholder returns.

The Way Forward

Rapidly evolving customer expectations, emerging digital technologies and new service models are expected to remain the major factors influencing the fundamental shift in the financial industry in the year ahead. These, together with the highly competitive and uneven local economic environment, are expected to pose challenges for our operations.

However, the Scotiabank Group is adapting to these conditions. In an effort to promote further growth and reduce our structural costs, we are investing in technology to transform and streamline the customer experience. To this end, leveraging the Scotiabank global support and services, we will roll out various initiatives to enhance digital capabilities and make banking easier for our customers.

We are optimistic about the future and, by focusing on our key priorities, the Group will continue creating good shareholder value over the long term. Our customers are at the centre of our business – our processes and day-to-day decision making. We believe that by maintaining our customer-centric approach and leveraging our expertise in banking, insurance and investments, we are well-positioned to provide solutions which will assist them to achieve their financial objectives.

To increase productivity across the Group, we will continue to optimise our distribution network. We will also continue to consolidate support functions across the Group; and concentrate on end-to-end process improvements.

Investment in our people remains a priority in our strategy to ensure that we maintain the best team to execute our strategic plans. Scotia Group's history of strong performance is hinged on our winning culture, collaborative spirit, strong and ethical leadership, and a commitment to offer the best experience to our customers. We are building a better bank and will live our core values: **Passion, Accountability, Integrity** and **Respect.**

As we focus on the future, we will leverage our biggest strength – that of being part of a global brand with an international footprint – to meet the challenges and opportunities. Moreover, our strong capital base positions us strategically to take advantage of growth opportunities as they arise.

In closing, we thank our valued customers for their loyalty and business; and we commend all Scotiabankers for their passion, commitment and contribution to the continued success of the Group; as well as, our supportive shareholders for their unwavering confidence in this great institution.

Jacqueline Sharp
President & CEO

Corporate Governance
- Scotia Group Jamaica Limited

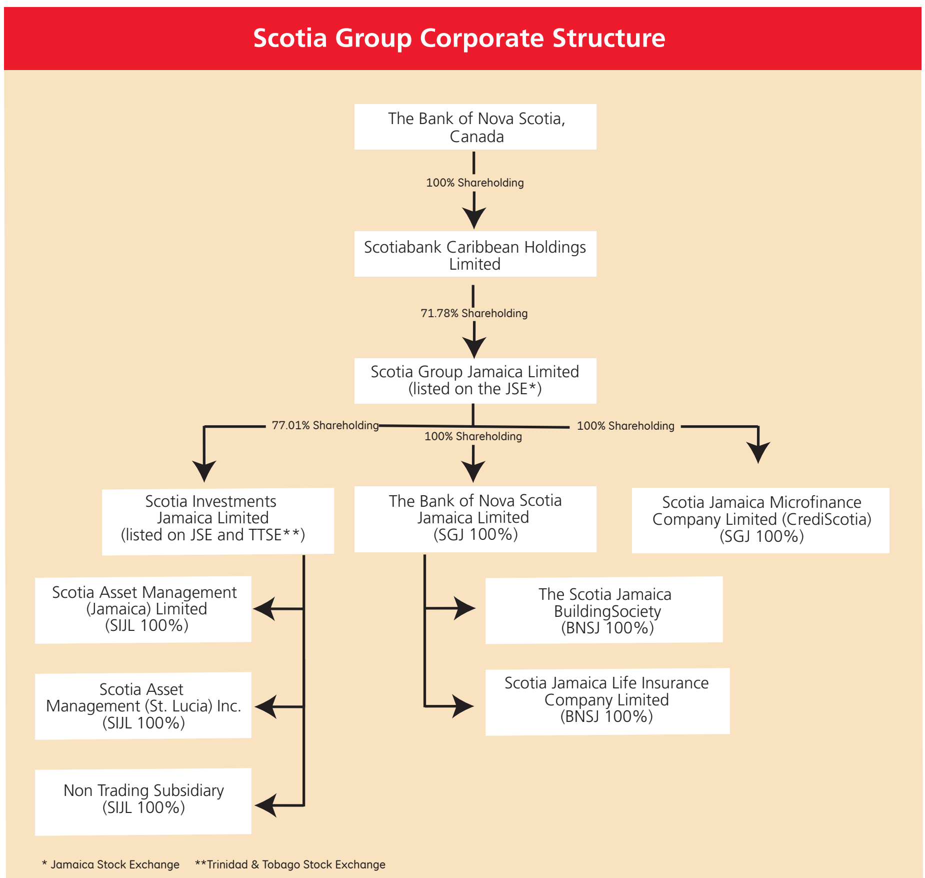
GROUP CORPORATE STRUCTURE

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

Scotia Group is the financial holding company for several entities operating within the financial sector. The Bank of Nova Scotia Jamaica Limited (BNSJ), which is a duly licensed commercial bank, has two (2) active subsidiaries: The Scotia Jamaica Building Society (SJBS) and Scotia Jamaica Life Insurance Company (SJLIC).

Julie Thompson-James
Vice President, Business Support
& Company Secretary

Scotia Investments Jamaica Limited (Scotia Investments), is licensed as a Member Dealer by the Jamaica Stock Exchange; a Securities Dealer by the Financial Services Commission; and an Authorised Cambio by the Central Bank. Scotia Investments is a publicly traded company on the Jamaica Stock Exchange and the Trinidad & Tobago Stock Exchange. Its two (2) active subsidiaries are: Scotia Asset Management Jamaica Limited (SAMJ), a licensed Securities Dealer and Scotia Asset Management (St. Lucia) Inc. Scotia Jamaica Microfinance Company Limited (CrediScotia) is the microfinance subsidiary of Scotia Group.

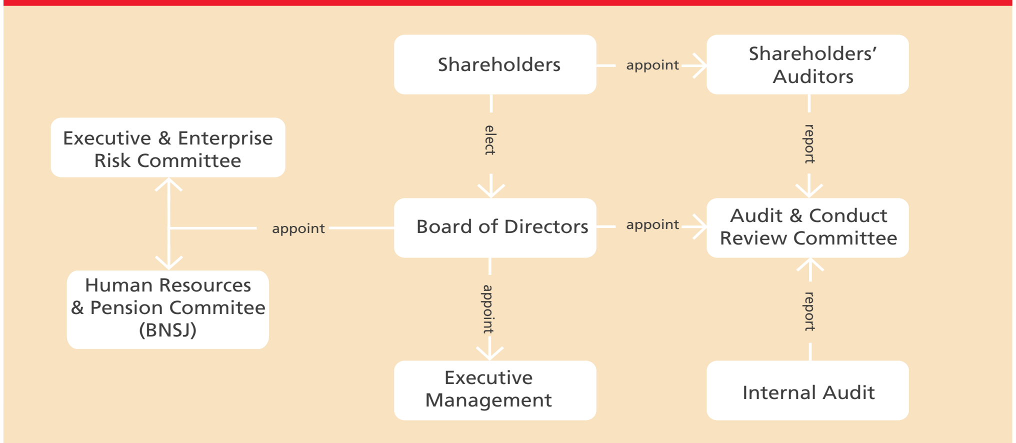


CORPORATE GOVERNANCE

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

The Group's Corporate Governance Policy is consistent with applicable legal and regulatory requirements for the financial sector, the PSOJ Corporate Governance Code and International Best Practices. The Board reviews the Governance Policy annually and the latest version is available on our website at www.scotiabank.com.

Scotia Group Corporate Governance Structure



- Identify the principal business risks, review and approve key risk management policies and practices and oversee themimplementation of appropriate systems to enable compliance with such policies;
- Oversee the integrity of the Group's internal controls and management information systems;

The Board of Directors

The Board of Directors provides advice and counsel to management, oversees the Company's performance relative to established Board approved policies and tracks execution of the Group's strategic imperatives.

Board Responsibility

While management undertakes the day-to-day functions of the Group's operations, it is the Board of Directors which remains ultimately accountable to the Company's stakeholders for the Company's performance and adherence to applicable laws and sound business practices.

The Board is therefore responsible for the following key duties and functions (as outlined in an approved Board mandate):-

- Develop the Group's approach to corporate governance principles and guidelines;
- Oversee and approve the Group's strategic direction, the organizational structure and succession planning of senior management;
- Evaluate the actual operating and financial results of the Group against the Group's business objectives, business strategy and plans;
- Identify, evaluate and select candidates for the Group;
- Establish committees of the Group and subsidiary Boards with appropriate delegated responsibilities.

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

Board Operations

The Board is encouraged to meet with the key business line heads in addition to the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer (CRO) and Auditors. A standard feature of the Agendas of the Audit & Conduct Committee and the Risk Committee include time for independent directors to meet exclusively with CRO, Internal and External Auditors. This facilitates open discussion with the Board and the key risk vanguards of the business and lends itself to Directors being educated on new and emerging risks. Another standard feature on the Board Agenda is time for Directors to collaborate exclusively on a range of matters impacting or potentially impacting the operations.

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

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

Corporate Governance (cont'd)

- Scotia Group Jamaica Limited

The Table below highlights independent and non-independent Directors and their respective skill sets.

Board Expertise	Independent (I)/ Non-Independent (N)	General Management	Finance & Audit	Strategic Management	Banking	H.R. & Education	Legal	Risk Management
Jeffrey Hall	I	✓	✓	✓			✓	✓
Barbara Alexander	I	✓	✓	✓		✓	✓	✓
Bruce Bowen**	NI	✓	✓	✓	✓			✓
Anthony Chang, CD	I	✓	✓	✓				✓
Sylvia Chrominska***	NI	✓	✓	✓	✓	✓		✓
A. Mark Hart*	I	✓	✓	✓				✓
Charles Johnston, CD	I	✓	✓	✓				✓
Brendan King*	NI	✓	✓	✓	✓			✓
Joseph Matalon, CD	I	✓	✓	✓	✓			✓
Andrew Mahfood*	I	✓	✓	✓				✓
Jacqueline Sharp	NI	✓	✓	✓	✓			✓
Evelyn Smith****	I	✓	✓	✓				✓

* Appointed August 5, 2016 **Resigned May 30, 2016 *** Resigned March 4, 2016 **** Appointed December 2, 2015

The flow of information between the Board, the Company Secretary and Management is facilitated through a secure electronic Board Reporting Portal. The Agendas for the Meetings are discussed with the Chairmen of the respective Committees, the Board Chair, the CEO and the Company Secretary to ensure that the Board receives adequate and pertinent information, in addition to information required to be provided pursuant to legal and regulatory requirements.

Board Composition

As at October 31, 2016, the Board comprised of ten (10) Directors chaired by Mr. Jeffrey Hall, an Independent Chairman.

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

Eight (8) of our ten (10) Directors are independent of the Company, its parent, subsidiaries and affiliates and nine (9) Directors of the Board are Non-Executive Directors.

Committees of the Group and Subsidiary Boards

The Board has delegated certain responsibilities to its Audit & Conduct Review Committee and its Executive & Enterprise Risk Committee. The Bank of Nova Scotia Jamaica Limited, which is the main hiring arm of the Group, has a Human Resource & Pension Committee to which functions are also delegated.

Audit and Conduct Review Committee

The Charter of the Group's Audit and Conduct Review Committee is reviewed by the Committee and approved by the Board. The Committee has oversight responsibility for the Group and its subsidiaries in relation to the following areas:-

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

The Audit & Review Conduct Committee reviewed and recommended for approval (where relevant) the following items during the year:-

- Management Financial Statements;
- Audited Financial Statements;
- Internal Audit Plan;
- Engagement Letter of the External Auditors;
- External Audit Fees;
- Internal Audit Reports;
- Regulatory Examination Reports and Management Response;
- Major Litigation;
- Connected Party List & Transactions;
- Compliance Reports;
- External Auditors' Management Letter;
- Appointment of External Auditors;
- Committee Charter.

Executive & Enterprise Risk Committee

In accordance with its Charter, the Executive & Enterprise Risk Committee has oversight of the following areas for the Group and its subsidiaries:-

- Corporate Strategy and Annual Profit Plans;
- Review of Board nominees prior to appointment;
- Review of the Corporate Governance Policy & Committee Charter;
- Enterprise Risk management;
- Review of Board performance.

The principal activities undertaken by the Committee during the year included the review and recommendation to the Board of the following matters:-

- Annual Profit Plan;
- Evaluation of Board performance & Action Plan;
- Quarterly Press Releases on financial results;
- Market, Operational, Credit and Liquidity Risk Reports;
- Risk Management Policies and Limits.

Human Resources and Pension Committee

In accordance with its Charter the Human Resources and Pension Committee has oversight responsibility for the following staff welfare and compensation matters:-

- Staff compensation, including compensation policy and incentive programmes;
- Senior level organisational structure and staffing needs;
- Mandates for the negotiation of collective bargaining agreements;
- Performance of the Executive Team and Board appointed officers;
- Pension Plan design and Investment policies;
- Monitoring Pension Plan Fund performance against its policies, objectives and strategies;
- Appointment and/or removal of the Sponsor Trustees of the Pension Fund;
- Review of actuarial reports, audited financial statements of the Fund and proposed changes to the Pension Plan Rules and benefits.

During the year, the Committee reviewed and recommended to the Board for approval, where necessary, the following matters:-

- Pension Fund Administrative and Fund Management fees;
- Committee charter;
- Collective Bargaining Strategy for 2016;
- Overall Pension Fund performance;
- Senior Management changes;
- Executive Team's performance;
- Annual Incentive Plan and Compensation Policy.

Directors Orientation & Training Opportunities

The Board of Directors are exposed to continuous training and education about the Group, the business line segments, products, legal and regulatory changes impacting the operations. Below are training opportunities made available to the Directors during the year:-

- **Board Presentations**

  On a quarterly basis, presentations are made to the Board of Directors by senior management officers on core business lines, economic updates, and key legislative and regulatory changes.

- **Web Based Training**

  Web Based Training Modules and testing in the following areas:-
  - Reducing the Risk–Anti Money Laundering;
  - Integrity in Action;
  - Anti-Corruption – Doing Business the Right Way;
  - Managing Operational Risk;
  - Information Security & Privacy;
  - Cyber Security Governance.

- **Internal Seminar**
  - Enterprise Risk
- **External Seminar**
  - Financial Services Commission - "Corporate Accountability: The Role of Ethics, Risk and Governance."

The Members of the Committee and their attendance at Committee meetings is reflected in the Table of Attendance below.

Attendance Record for Directors

	Annual General Meeting (SGJL)	Board Meeting (SGJL)	Audit & Conduct Review (SGJL & BNSJ)	Executive & Enterprise Risk (SGJL & BNSJ)	Human Resources & Pension (BNSJ)
Number of Meetings	1	5	4	4	4
Jeffrey Hall	1	5	4	2	4
Barbara Alexander	1	5	4		4
Bruce Bowen**	1	2		2	2
Anthony Chang, CD	1	5	3	3	
Sylvia Chrominska***	1	2		2	
A. Mark Hart*		2			
Charles Johnston, CD	1	5	3	4	
Brendan King*		2			
Joseph Matalon, CD	1	4		3	
Andrew Mahfood*		2			
Jacqueline Sharp	1	5		4	4
Evelyn Smith****	1	4			2

Audit & Conduct Review Committee Chairman; Human Resources & Pension Committee Chairman; Executive & Enterprise Risk Committee Chairman

* Appointed August 5, 2016 ** Resigned May 30, 2016 *** Resigned March 4, 2016 **** Appointed December 2, 2015

Strategic Planning Conference

The Board played an active role in the Group's Annual Strategic Planning Conference. Through this process, Directors were made aware of key trends in the global and local financial services industry, as well as key challenges and opportunities that the Group could face in the next few years.

Appointment, Term, Election & Retirement of Directors

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

Subject to annual retirement, Directors appointed to the Board may serve on the Board until the earlier of age 70 or the completion of a 15 year term from the date of their first appointment to the Board of The Bank of Nova Scotia Jamaica Limited. Where a Director is first appointed to the Board at an age over 60 he or she may serve the earlier of a term of 10 years or age 75. A Director appointed prior to March 1, 2013 who has attained the age of over 70 but who has not completed a 15 year term from the date of first appointment may serve the unexpired period of the 15 year term.

Upon the recommendation of the Executive & Enterprise Risk Committee or any sub-committee of the Board charged with corporate governance, the Board may:-

1. in extenuating circumstances, consider and approve the extension of a Director's term beyond the stipulated period as is considered appropriate;
2. reserve the right not to recommend a Director with an unexpired term to the shareholders for re-election at the Annual General Meeting.

.

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

Any Director employed to the Company shall cease to be a Director upon termination of any employment contract with the Company.

The compensation structure for Directors include an annual retainer fee and per meeting fees as reflected in the Table of Fees below.

Fee Structure		Per Meeting				Per Meeting Fee
	Annual Retainer	Board	Audit & Conduct Review	Executive & Enterprise Risk	Annual Retainer	Human Resources & Pension
Expressed in JMD	SGJL				BNSJ	
Board Chairman	$2,700,000				**$250,000**	
Deputy Board Chairman	$2,400,000				**$187,500**	
Committee Chair (other than Audit Chair)	$1,500,000				**$125,000**	
Audit Committee Chair	$1,800,000				**$125,000**	
Audit Committee Members	$1,200,000				**$125,000**	
Other Directors	$1,020,000				**$125,000**	
All Directors		$60,000	$72,000	$54,000		**$54,000**

Director Compensation

The Board determines the form and amount of Director compensation based on peer reviews, with the aim of recruiting and retaining qualified and experienced candidates. Directors who are employees of any of the subsidiary companies are not compensated in their capacity as Directors.

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

Guidelines for Business Conduct

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

The Guidelines for Business Conduct outline the Group's rules and expectations regarding proper business conduct and ethical behaviour of directors, officers and employees of the subsidiaries, including:-

- following the law wherever the Group and its subsidiaries do business;
- avoiding putting themselves or any of the subsidiaries in a conflict of interest;
- conducting themselves honestly and with integrity;
- keeping the subsidiaries' transactions, communications and information accurate, confidential and secure, and all customers' assets safe; and
- treating everyone fairly and equitably - whether customers, suppliers, employees or others who deal with the Group and its subsidiaries.

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

Board Annual Self Evaluation

The Group's Board and the Boards of its subsidiaries conduct an annual self-evaluation of performance during the year. Directors are required to complete a questionnaire which tests a wide range of issues regarding the effectiveness of the Board governance. The issues include the quality of the information provided by management, the effectiveness of the operation of any Committee and a performance assessment of the Board and Chairman during the year.

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

The results of the Questionnaire are reviewed by the Executive and Enterprise Risk Committee and appropriate action taken to remedy any areas of concern. The process has been invaluable to the continuous improvement of the governance process.

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

Board of Directors
- Scotia Group Jamaica Limited

Jeffrey M. Hall
Chairman

Mr. Jeffrey Hall is the newly-appointed Chairman of Scotia Group Jamaica Limited since March 4, 2016 and The Bank of Nova Scotia Jamaica Limited since March 3, 2016. He has been a Director of both companies since November 26, 2007. He also serves as Chairman of Scotia Investments Jamaica Limited. In addition, he is the Chairman of the Bank's Human Resources & Pension Committee; a member of the Bank's and Group's Audit & Conduct Review Committee; and the Executive & Enterprise Risk Committee.

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

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

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

Charles H. Johnston, CD
Deputy Chairman

Mr. Charles Johnston was appointed Deputy Chairman of Scotia Group Jamaica Limited on May 24, 2013; and is the Chairman of the Executive & Enterprise Risk Committee and a member of the Audit & Conduct Review Committee.

He is the Chairman and Managing Director of Jamaica Fruit and Shipping Company Limited, Chairman of Jamaica Producers Group and Seaboard Jamaica Limited. Mr. Johnston also serves as a Director on the Boards of the Jamaica Public Service Company Limited, Kingston Wharves Limited and Kingston Logistics Limited.

In 2006, Mr. Johnston, who has given some 40 years' service to the shipping and banana industries, was conferred with the Order of Distinction, Commander Class, by the Government of Jamaica; and was inducted into Jamaica College's Hall of Fame. In 2008. He was also inducted into the Private Sector Organisation of Jamaica's (PSOJ) Hall of Fame, which includes some of Jamaica's most outstanding businessmen.

Mr. Johnston is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania, USA.

Barbara A. Alexander

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

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

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

Anthony V. Chang, CD

Mr. Anthony Chang has served as a Director of The Bank of Nova Scotia Jamaica Limited since February 5, 2001. He is the Chairman of the Audit & Conduct Review Committee and a member of the Executive & Enterprise Risk Committee of the Board.

Mr. Chang is also a Board member of Scotia Group Jamaica Limited, Chairman of Scotia Jamaica Life Insurance Company Limited and a Director of Scotia Investments Jamaica Limited.

He brings extensive business experience to these Boards as he is a Director of several prominent companies, including LASCO Distributors Limited, Digicel Jamaica and Consolidated Bakeries Jamaica Limited.

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

A. Mark Hart

Mr. Anthony Mark Hart was appointed to the Boards of Directors of Scotia Group Jamaica and The Bank of Nova Scotia Jamaica Limited on August 5, 2016.

He is a founder, Executive Chairman and controlling shareholder of Caribbean Producers (Jamaica) Limited, a leading, fast growing food service distributorship, which is listed on the Junior Market of the Jamaica Stock Exchange.

Mr. Hart led the Hart Family Group of Companies and was subsequently appointed Chairman, which positioned him to build his business management expertise. He is a member of several Boards including: We Care of Cornwall Regional Hospital, Itel-BPO Solutions, and Alpha Angels Investor Group.

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

Brendan G. J. King

Mr. Brendan King was appointed to the Boards of Directors of Scotia Group Jamaica and The Bank of Nova Scotia Jamaica Limited on August 5, 2016. He also serves as Chairman, Scotiabank Trinidad & Tobago Limited.

His career started with The Bank of Nova Scotia (Canada) in 1990 in Commercial Banking. Following assignments in branch banking and risk management, he joined the International Banking Division in 1994; and he subsequently held senior posts in The Cayman Islands, Trinidad and Tobago, and the Bahamas. In 2004, he was assigned to the Asia Pacific Region as Country Head for Greater China; and led the Thanachart Bank investment in 2007. He also supervised the acquisition of Siam City Bank in 2010; and was appointed Senior Vice President & Deputy CEO of the combined bank, Thailand's 5th largest.

Mr. King is currently the Senior Vice-President, International Banking, The Bank of Nova Scotia (Canada). In this post, he has responsibility for Scotiabank's personal, commercial, wealth management and insurance operations in all countries in the Spanish and English-speaking Caribbean, Central America and Uruguay. In addition, he oversees operations in Thailand; and has responsibility for the Bank's investment in Bank of Xian, China.

He holds an MBA in Finance and International Banking; a BA in Business & Economics from York University, Toronto, Canada; and a Diploma in General Management from the Canadian Bankers Association; as well as, a Marketing Certificate from Queen's University, Kingston, Ontario.

Andrew J. Mahfood

Mr. Andrew Mahfood was appointed to the Boards of Directors of Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited on August 5, 2016; as well as, the Audit & Conduct Review Committee.

He is the Chief Executive Officer of WISYNCO Group Limited, one of Jamaica's largest manufacturers and distributors of beverages and other consumer products. Prior to that appointment he was WISYNCO'S Group Finance Director and Financial Controller.

Mr. Mahfood has demonstrated a deep and abiding interest in philanthropy in Jamaica. He serves as Chairman of Food for the Poor Jamaica; and he is a member of the Board of Trustees of Campion College.

He holds a Bachelor of Science (BSc) degree in Finance, Economics and Computer Science from Boston College, Chestnut Hill, Massachusetts, USA; and is a member of the Institute of Chartered Accountants of Ontario, Canada.

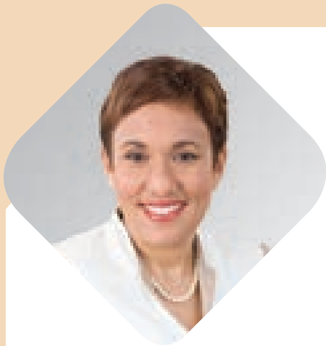
Joseph M. Matalon, CD

Mr. Joseph M. Matalon is Chairman of ICD Group Limited and the Development Bank of Jamaica. He is also Chairman of British Caribbean Insurance Company Limited and holds directorships on a number of other Boards, including the Gleaner Company Limited, CGM Gallagher Group, West Indies Home Contractors Limited, WIHCON Properties Limited, Canadian-based Advantage Communications Inc, Prime Asset Management Limited and Matalon Homes Limited.

Mr. Matalon also serves as Honorary Chairman of St. Patrick's Foundation, Chairman of YUTE Limited, and as Director of the Multicare Foundation, all of which support social development activities in inner-city communities. He is also Chairman of the Board of Governors of Hillel Academy, a Director of the National Integrity Action Limited and the US-based International Youth Foundation (IYF).

He served as President of the Private Sector Organisation of Jamaica (PSOJ) during the period 2009 to 2012, and has also served on a number of national committees established to advise the Government on financial and economic matters.

Mr. Matalon is a graduate of the London School of Economics and Political Science and holds a Bachelor of Science (BSc) Honours degree in Economics.



Jacqueline T. Sharp

Mrs. Jacqueline Sharp has been the President & CEO of Scotia Group Jamaica Limited since September 1, 2013. Prior to her appointment, she was the Executive Vice President, Chief Financial Officer & CAO for the Group, with responsibility for financial and regulatory reporting, financial risk management, strategic planning, legal, compliance and oversight of the Systems Support Centre.

Since joining the Group in 1997, she has had an extensive range of experience, including establishing the Private Banking Unit; and successfully leading Scotia Jamaica Life Insurance Company Limited.

In April, 2016, Mrs. Sharp assumed additional responsibilities as Senior Vice President & Head of the Caribbean North & Central. In this capacity, she has oversight for six additional territories in the English-speaking Caribbean.

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

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

Mrs. Evelyn R. D. Smith

Mrs. Evelyn Smith was appointed to the Boards of Directors of Scotia Group Jamaica and The Bank of Nova Scotia Jamaica Limited on December 2, 2015. She also serves on the Bank's Human Resources & Pension Committee.

Mrs. Smith has been actively involved in the tourist industry since the late 1980s, and is a Past President of the Jamaica Hotel and Tourist Association (JHTA). She currently serves on the Board of the Caribbean Hotel and Tourist Association (CHTA). She has also been a Director of The Jamaica Tourist Board (JTB), Jamaica Vacations (JAMVAC), the Tourism Enhancement Fund (TEF), the Advisory Council of the Passport Immigration and Citizen Agency (PICA) and the Negril Chamber of Commerce.

She is a graduate of the prestigious Wellesley College in Massachusetts, USA, where she received a Bachelor's degree with majors in French and Spanish; and she also holds an MBA with honours from Nova Southeastern University, USA.

Mrs. Smith was the recipient of the JHTA's Hotelier of the Year Award in 2008; and she was also awarded the Prime Minister's Medal of Appreciation for service to Tourism, in 2013.

Presently, she manages the Tensing Pen Hotel in Negril, one of Jamaica's leading character hotels.

Scotiabank Group Head, International Banking & Digital Transformation, Ignacio Deschamps (3rd left), was on the island for a brief visit. Here he stands with some members of the boards, from left, Barbara Alexander, Anthony Chang, Jacqueline Sharp, Evelyn Smith, Jeffery Hall, Angela Fowler, Brendan King and Carol Archer.

Executive Management Team
- Scotia Group Jamaica Limited

Jacqueline Sharp
President & CEO

Jacqueline Sharp has been President & CEO of Scotia Group Jamaica Limited since September 1, 2013. Prior to her appointment, she was the Executive Vice President, Chief Financial Officer & CAO for the Group, with responsibility for financial and regulatory reporting, financial risk management, strategic planning, legal and compliance; as well as, oversight of the Systems Support Centre.

She has acquired a wide range of experience within the Group, which she joined in 1997. Under her tenure, the Private Banking Unit was established and she successfully led Scotia Jamaica Life Insurance Company Limited from 2003 to 2008.

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

Ronald Bourdeau
Chief Risk Officer

Ron Bourdeau has worked with Scotiabank for over 26 years in Canada and various international Scotiabank subsidiaries including Argentina, Chile and the Bahamas. His past posts included positions in branches in Toronto in Small Business and Commercial Banking as well as in Global Risk Management. He was appointed Chief Risk Officer in 2015 with responsibility for Enterprise Risk which includes Credit, Market and Operational Risk for Jamaica and other countries in the English Caribbean region.

He also serves as a member of the Board of Directors for Scotiabank (Bahamas) Limited.

Ron holds a Bachelor of Commerce (Finance) from Concordia University in Montreal and a Master of Business Administration (International Business) from the Rotman School of Management, University of Toronto. He has also completed the Ivey Executive Program at the Richard Ivey School of Business, The University of Western Ontario.

Yanique Forbes-Patrick
Vice-President, Marketing

Yanique Forbes-Patrick is an experienced Marketing professional with over 15 years' experience in advertising and marketing. She worked across a wide range of specialty areas in the competitive telecommunications industry for 10 years before joining Scotiabank in 2015, in the role of Vice-President, Marketing. In this role, Yanique manages all elements of marketing, communications and corporate affairs in Jamaica, Belize and Haiti. She also has oversight responsibility for the operations of the ScotiaFoundation. Yanique is also a member of the Group's Asset and Liability Committee (ALCO), serves on the Service Management Committee and is a Director of the ScotiaFoundation.

She holds a Bachelor of Science (BSc) degree with Honours from the University of the West Indies,and a Master of Business Administration (MBA) with Distinction from the University of Sheffield in England.

Donovan A Hanson Snr.
Vice-President, Human Resources

Donovan Hanson has worked with Scotiabank for more than 30 years. During his tenure he has worked in various areas including Branch Banking, Operations Management, and Project Management. He has also successfully led the Loan Fulfilment Unit for Retail and Small Business Banking and Corporate & Commercial Business Service Centre, and was Vice President of Lending Services.

Donovan was appointed to his current role in March 2016; and serves on the Board of Trustees and Investment committee for The Pension Plan of The Bank of Nova Scotia Jamaica Limited. In his role as Vice President Human Resources, he is responsible for overseeing the development of, and implementation of human resources policies, programmes and services to meet the organisation's business objectives.

He holds a Master's (MBA) degree in Finance from Manchester Business School, in the United Kingdom; and has also completed Leadership Courses from the University of New Orleans, USA. He is a trained Mediator and a Justice of the Peace for the Parish of St Andrew.

Executive Management Team (cont'd)
- Scotia Group Jamaica Limited

Patsy Latchman-Atterbury
Executive Vice-President, Retail Banking

Patsy Latchman-Atterbury has oversight for the development and maintenance of the Retail Banking, Small Business and Microfinance portfolios, as well as Non-Branch Sales and Service and Scotia Jamaica Building Society.

With 13 years of General Management experience, she joined Scotiabank in September 2007 and was appointed Vice-President in charge of Small & Medium Enterprises (SMEs). Under her stewardship, the Bank has positioned itself as a leading provider of financing and capacity- building opportunities for SMEs.

In 2014, she was promoted to the position of Executive Vice-President, Retail Banking and is responsible for driving sales and customer experience throughout the Scotiabank branches; and for promoting a Sales and Service culture throughout the organisation.

Patsy holds a Bachelor of Science (BSc) Degree in Management Studies (Honours) and graduated at the top of her EMBA Cohort with a Distinction in Business Administration from the University of the West Indies, Mona Campus.

Horace (Craig) Mair
Senior Vice-President, Corporate & Commercial Banking (CCBC)

Craig Mair has more than 20 years' experience in Corporate Banking. He joined Scotiabank in 2006 as a Senior Relationship Manager, later served as Assistant General Manager and Vice-President, Commercial Banking before assuming his role of Senior Vice-President, Corporate & Commercial Banking in November 2014.

In his current role, he is responsible for the overall growth and profitability of the Corporate & Commercial Business line in Jamaica, while providing oversight and guidance to Corporate and Commercial Business lines in Belize and Haiti.

Prior to joining Scotiabank, Craig held positions at Citibank Jamaica with his last assignment being that of Resident Vice-President, Relationship Management.

He is a member of the Group's Asset & Liability (ALCO) Committee as well as Scotia Jamaica Life Insurance Company Limited's Investment Advisory Committee.

Craig has a Bachelor of Science (BSc) degree in Management from the University of Miami and holds a Master's degree in Business Administration, (MBA) from Florida International University, USA.

Lissant Mitchell
Senior Vice-President, Wealth Management
& Chief Executive Officer, Scotia Investments Jamaica Limited

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

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

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

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

Julie Thompson-James
Vice President, Business Support & Company Secretary

Julie Thompson-James was appointed Vice President, Business Support and Company Secretary of Scotia Group Jamaica Limited and its subsidiaries, on March 3, 2016.

In this role, Julie will oversee and guide key administrative functions to ensure the delivery of quality, cost-effective support services to the Group from various support functions including internal and external service providers and is responsible for the implementation the Operational Risk Action Plan.

Julie has a Bachelor of Laws (LLB) degree with Honours from the London School of Economics, London, England, Certificate of Legal Education (1999) from the Norman Manley Law School, University of the West Indies, and a Bachelor of Arts degree in Economics & Business Administration (Honours) (1993) from Howard University, Washington, D.C., U.S.A.

Julie is a member of the Commercial Law Committee of the Jamaican Bar Association, the Public Policy and Legislative Committee of the Jamaica Bankers Association, of Caribbean Corporate Counsel.

Rosemarie Pilliner
Executive Vice-President, Operations & Shared Services

Rosemarie Pilliner currently holds the position of Executive Vice-President, Operations and Shared Services. She has responsibility for Lending Services, Operations and Shared Services. Rosemarie has extensive knowledge of Scotiabank's core operations.

Her wide-ranging expertise spans varying positions within the organization, including management positions in central operations, Branch Manager and Assistant General Manager of the System Support Centre.

Rosemarie has benefited from several management training courses to hone her credit, leadership, operations and organization developmental skill sets. She is a member of the Board of the ScotiaFoundation.

Gary-Vaughn White
Vice-President, Treasury

Gary-Vaughn White was appointed Vice-President, Treasury effective February 1, 2012. In this role, he is responsible for the strategic management of the Group's treasury operations, investment and trading activities, foreign exchange trading, and treasury risk management. He also serves on the Asset and Liability Committees (ALCO), as well as Investment Committees within the Group.

Gary-Vaughn is a career Scotiabanker who has worked in several subsidiaries across the Group. He has been the Senior Financial Analyst at Scotia Jamaica Life Insurance Company Limited; Manager in charge of Finance and Operations at The Scotia Jamaica Building Society; and Director, Treasury & Foreign Exchange Trading for The Bank of Nova Scotia Jamaica Limited.

He holds a Bachelor of Science (BSc) degree in Actuarial Science, and a Master of Science (MSc) degree in Economics from The University of the West Indies.

Gladstone Whitelocke
Senior Vice-President Non-Branch Sales &
General Manager, Scotia Jamaica Building Society

Gladstone Whitelocke has worked with Scotiabank for more than 30 years, and his career has spanned Retail Banking, Loan Recoveries, Project Management and Residential Mortgages. He also received extensive training in the areas of Retail & Commercial Lending and Mortgages.

In his current role, Gladstone is responsible for the Group's mortgage loan business; and retail business development in non-branch delivery channels. He also serves on the Asset and Liability Committee of Scotia Group Jamaica Limited.

Gladstone holds a Master's (MBA) degree in Finance from Manchester Business School, in the United Kingdom; he has completed courses in Banking and Finance at the University of Technology, Jamaica; and he has received certificates in Project Management and Sales Management from the University of New Orleans, USA.

Frederick Williams
Vice-President & Chief Financial Officer

Frederick Williams provides leadership and oversight for finance functions within the Group, where he ensures the integrity of financial reporting framework through the implementation of adequate internal controls, performance measurement and monitoring tools.

He has been the Chief Financial Officer since 2013, and has held several senior management positions within Scotia Group and its subsidiaries covering finance, investment management, risk management, strategy and business intelligence since joining the organization in 1999.

He serves as a member of the Boards of Scotia Jamaica Microfinance Company Limited, Scotia Asset Management Jamaica Limited, Scotia BRIDGE and FINBIZ Processing Jamaica Limited.

Frederick holds a Bachelor of Science (BSc) degree with Honours in Accounting from the University of the West Indies, and is a Fellow of the Association of Certified Chartered Accountants (FCCA) and a member of the Institute of Chartered Accountants of Jamaica.

Management's Discussion and Analysis

- Scotia Group Jamaica Limited

INTRODUCTION

Scotia Group Jamaica Limited (Scotia Group) has delivered more than 127 unbroken years of high quality financial services to Jamaica. Today we are supported by a network of 32 banking and investment branches, and 2,021 employees. We provide a broad range of financial services through our main subsidiaries to a wide base of personal, commercial, corporate and government clients across Jamaica.

Subsidiary	Services Provided
The Bank of Nova Scotia Jamaica Limited	Deposits, Lending, Foreign Exchange and Payments
Scotia Jamaica Life Insurance Company Limited	Credit and Life Insurance, Retirement Accumulation and Payout
Scotia Investments Jamaica Limited	Investments, Structured Financing
The Scotia Jamaica Building Society	Mortgage Lending, Deposits
Scotia Jamaica Microfinancing Company (CrediScotia)	Micro-Lending, Consumer Finance

OUR ENVIRONMENT

Improving economic conditions

During the financial year, the local economic landscape maintained its positive momentum with real GDP growth amounting to 1.4% (2015: 1.0%) for January to September 2016. Notably, growth in the third calendar quarter of the year reached 2.2%, the highest since the second calendar quarter of 2002. Inflation rates remained low with an annual rate of 1.8% (2015: 2.0%) as at October 2016, amid relatively low international oil prices and better weather conditions. This enabled the Central Bank to retain its accommodative stance with interest rates trending gradually lower during the year.

The Government of Jamaica's (GOJ) commitment to fiscal consolidation prevailed, under the new administration, and the GOJ successfully met all targets under its Extended Fund Facility (EFF) with the International Monetary Fund (IMF). The GOJ has since received approval from the IMF Executive Board for the implementation of a new Standby Agreement to replace the EFF. This new agreement is expected to have a stronger tilt towards growth oriented measures. Over the period, the country's debt profile showed progression with debt-to-GDP ratio falling from 135% in FY2014/15 to 120% in FY2015/16. The country's credit rating also improved - Moody's rating agency lifted Jamaica's rating two notches from Caa2 to B3 which brought them close in line with the other two major rating agencies, S&P and Fitch.

Business and consumer confidence continued recovery, as businesses remained optimistic on future prospects and relatively lower oil prices helped to ease the burden on consumers. This improved confidence and coupled with the low interest rate environment drove healthy demand for credit. On the downside, slow improvement in employment levels continued to impact consumers' purchasing power.

Financial Sector Performance

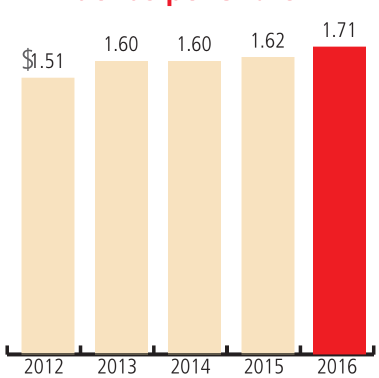
The financial sector had accelerated growth this year. Loans grew 19.9% up to June 2016 vs. 4.8% last year, while credit quality continued to improve. Deposits grew 17.6% vs. 6.8% last year. Total assets grew 17.7% compared to 4.8% last year. In the commercial banking sector, loans to the private sector (ex-financial institutions) increased by 14.0 % or $25.2 billion (8.1% or $13.6 billion in 2015) driven by growth in the utilities and tourism sectors; while consumer loans improved year over year by $27.3 billion or 14.2% ($15.4 billion or 8.7% last year) as at September 2016. Credit quality for the sector continued to improve with non-performing loans representing 3.5% of total loans as at June 2016, below the 4.4% recorded in 2015.

The Collective Investment Scheme industry (unit trusts and mutual funds) grew by 19.2% to US$1.6 billion during the year ended October 2016, as investors continued to reposition from repurchase agreements into these investment vehicles. Meanwhile, gross life insurance premiums sold in the industry increased by 9.9% for the year.

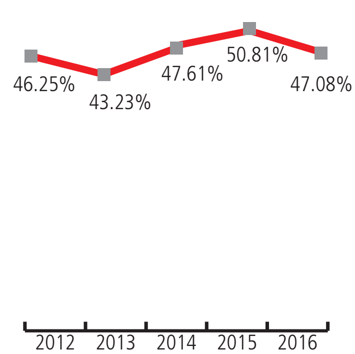
OVERVIEW OF FINANCIAL RESULTS

Scotia Group's net profit attributable to common shareholders for 2016 was $11.6 billion, representing a return on equity of 12.7%. These results translate to earnings per share of $3.63, up from $3.19 last year. Dividend per share was $1.71, representing a 47.1% dividend payout ratio.

Dividends per Share



Dividend Payout Ratio



Financial Highlights

	31-Oct-16	31-Oct-15
	$millons	$millons
Total Assets	**477,392**	432,932
Investments	**165,087**	160,471
Loans (net of provisions for losses)	**166,827**	154,499
Deposits by the public	**248,416**	209,462
Liabilities under repurchase agreements and other client obligations	**46,986**	52,547
Policyholders' Fund	**44,764**	43,112
Shareholders' equity	**91,856**	85,257
Net Profit after tax	**11,591**	10,134
Total Comprehensive Income	**12,163**	13,988
Return on Equity	**12.65%**	12.32%
Productivity Ratio	**53.38%**	57.25%
Operating Leverage	**7.17%**	-4.28%
Earnings per share (cents)	**363**	319
Dividend per share (cents)	**171**	162

Our results were achieved from our diversified business lines, as we continue to develop sustainable revenue streams, while exercising prudent risk management. Our core business is performing well, with strong growth in loan volumes contributing to the increase in net interest income, despite lower margins; and solid performance from our Treasury and Asset Management business lines that boosted our non-interest revenues. We grew our revenues while keeping expenses flat, resulting in an improvement in our productivity ratio (total expenxes as a percentage of total revenues) from 57.25% to 53.38%.

Scotia Group is one of the largest banking and financial services organizations in Jamaica, with assets of $477 billion and customer deposits of $248 billion as at October 31, 2016. Our growth was achieved through client acquisition and deepening relationships across all customer segments: consumer, micro financing, small and medium enterprises, corporate and commercial. The quality of our loan portfolio improved, with non-accrual loans as a percentage of Gross Loans falling to 2.6% from 2.9% last year.

Our Asset Management business in Scotia Investments continued to grow, with the total value of clients' funds in Collective investment Schemes growing by $9.1 billion for the year. Scotia Life Insurance Company saw growth in its flagship ScotiaMint product and had overall growth of 8.7% in Gross Premium Income.

Scotia Group's capital base continued to strengthen, growing by $6.6 billion year over year, and exceeding the increase in capital requirements from our growing business. This further solidified our resilience to the anticipated increase in capital adequacy requirements, and places us on a firm footing to support our strategic initiatives.

OUR STRATEGY

Our strategic journey is well defined, consisting of five pillars, deeply focused on our customers and built on a strong risk management culture. We have re-shaped our strategic priorities to more closely align with our business objectives. Our five strategic pillars keep the focus on balancing key growth opportunities and structural transformation while delivering a superior experience to customers. These are the mainstays we believe will have the greatest impact in driving long-term value creation for all stakeholders.

Customer Focus:

We want to deepen primary relationships with our customers by placing them at the centre of everything we do.

Our customers are our top priority and are placed at the centre of the decision-making process throughout our organisation. We take pride in understanding and anticipating their needs in order to provide them with the best advice, solutions and options. We continue to execute strategies to deepen our relationship with customers, and equip our employees to effectively resolve customer concerns at the first point of contact. We are committed to providing a superior and seamless customer experience through the enhancement of our distribution channels to better suit all client segments. Scotia Group remains focused on maintaining the trust and confidence of customers, while helping them to become financially better off.

Digital Transformation:

We are re-imagining the customers' experience through innovation to make it easier for them to do business with us.

We have been rolling out our Digital Roadmap with the objective of differentiating and enhancing our customers' experience at all touch points. As digital trends and changing customer preferences re-shape the financial services industry, we are introducing more digital capabilities so that our customers can conduct business with us how, when and where they want. We are heightening efforts to drive digital and mobile banking as well as other innovative solutions to improve outcomes for our customers.

Leadership and Employee Engagement:

We are committed to creating and maintaining an inclusive environment, demonstrated through people and our practices that allows us to build leadership capacity and bench strength.

Developing and nurturing our talented employees is a high priority for Scotiabank. Our robust recruitment practices are designed to attract a diverse pool of high potential team members; and the required knowledge and skills are honed through our strong onboarding programmes. We remain committed to strengthening our leadership capability by grooming and growing talent from within to ensure the Group has the right people to drive superior performance. We are increasing our focus on performance management by enhancing our learning and development, coaching and performance measurement processes so that employees can reach their full potential. We consistently reinforce our culture of openness, collaboration, accountability, and personal development to maintain strong engagement and ensure that the Group continues to deliver the best results for all stakeholders.

Structural Cost Transformation:

We are optimizing our operations to be able to better serve our customers and lower costs.

To build a more efficient, agile and better bank we are investing in levers such as technology, process improvements and organizational design to reduce complexity and improve productivity. We also maintain our thrust of identifying synergies and leveraging opportunities for regional partnerships to improve our performance. Scotiabank recognizes our customers' need for convenience and speed and we will continue to optimize our distribution channels. Over the long-term, our intention is to lower operating costs while delivering a superior experience to customers and generate enhanced shareholder value.

Business Mix Alignment:

We are focused on knowing our customers so well as to be able to anticipate and proactively provide value-added advice and solutions.

At the heart of Scotiabank's strength and success are its customers and its diverse business model. This diversity provides our customers with a wide-ranging product and service suite and allows us to devise and execute solutions to meet their unique and evolving needs. We continue to enrich and build on a culture of cross-group collaboration through stronger sales processes, improved performance measurements and comprehensive training of the sales force. Employees work cohesively across our core business-lines of Retail and Commercial Banking, Insurance and Wealth Management to provide our customers with superior and holistic financial solutions.

Scotia Group continues to operate at the highest standard of business ethics and remains compliant with all laws and regulations. The Group has benefited from a strong tradition of internal audit and compliance procedures, as well as, a comprehensive, well-articulated Risk Appetite Framework. Our strategy continues to help us remain strong, stable and competitive, benefiting customers and ensuring that we provide solid returns to shareholders.

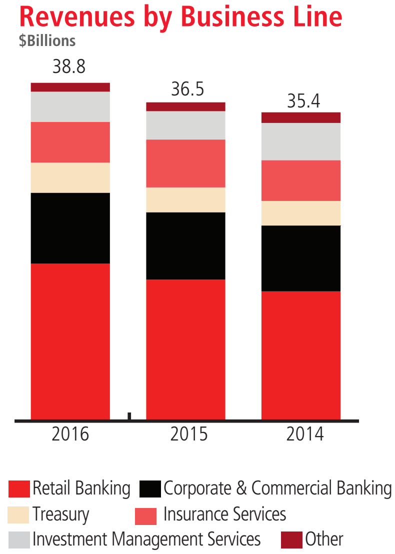
GROUP FINANCIAL PERFORMANCE

Total Revenue

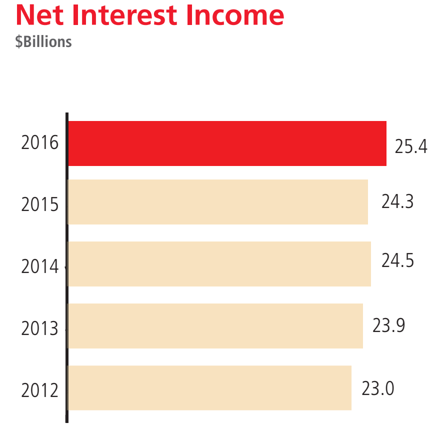
Total revenue was $38,770 million in 2016, compared to $36,501 million for 2015. We achieved revenue growth in our retail, commercial, investment management and treasury business lines.

- **Retail (+11.1%):** Loan growth was led by residential mortgages which grew by 19.7% or $4.5 billion. Our overall retail loan book grew by $11.1 billion or 12.2%.
- **Commercial (+5.8%):** Loan balances grew 1.9% year over year, with increases in our merchant services volumes contributing to revenue growth.
- **Insurance (-15.8%):** The reduction in revenue was mainly due to the one-time release of accumulated actuarial provisions booked in 2015 caused from the changes in the insurance tax regime.
- **Investment Management (+9.6%):** Despite the reduction in interest income, overall revenue in the investment management segment grew due to the growth in the Asset Management funds under management and higher gains from trading activities. This is consistent with our strategy to grow our Asset Management segment and reduce exposure to the inherent risks of an on-balance sheet business model.
- **Treasury (+22.7%):** Higher foreign exchange trading volumes through coordinated efforts among the various channels, was the main driver behind the year over year increase in revenues.

Revenues by Business Line



Net Interest Income



Net Interest Income

Loan volumes improved across our business lines, and countered the effect of lower asset yields on our loans and investments this year. As a result, we recorded net interest income of $25.4 billion in 2016, up $1.10 billion from last year. The Group's average earning assets increased by 7.8%, while the net interest margin (net interest income as a percentage of average earning assets) declined relative to the previous year by 19 basis points. Average yields on earning assets were lower by 51 basis points as a result of lower market rates and competitive pressures. Year over year, the growth in volumes contributed a positive $1.93 billion to net interest income, offsetting the negative impact from declining yields of $827 million.

Net Interest Margin Analysis ($'000s)

	2016	2015
Rate Variance	**(826,965)**	(1,231,754)
Volume Variance	**1,928,035**	996,250
Net Interest Income	**1,101.073**	**(235,504)**

Other Income

Other income, defined as all income other than interest income, was $13.4 billion for this year, up $1.16 billion or 9.6% from last year.

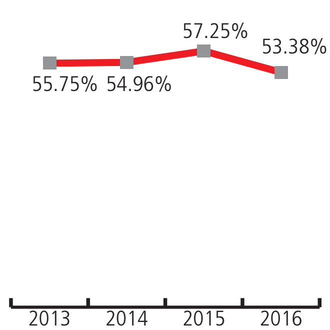
- Fees and Commissions ($7.02 billion vs. $6.49 billion) were driven by higher transaction volumes and the growth in our credit card, merchant services, and asset management businesses.
- Foreign Exchange revenues grew ($3.63 billion vs. $2.20 billion) due to higher trading volumes.
- Trading revenues from securities were up ($345 million vs. $293 million) due to higher volumes from increased market activity.
- These were offset by a decrease in Insurance revenues ($2.37 billion vs. $3.20 billion), due to one-off actuarial releases in 2015 related to the change in the tax regime for Insurance Companies.

Non-Interest Expenses

Non-Interest expenses for the year totaled $20.7 billion, down $199 million or 1.0% compared to last year. The decline was partially due to the reduction in asset tax for the insurance business to 0.25% from 1.00% in 2015, and the success of measures implemented to improve operating efficiency. Salaries and employee benefits which represent 50% of our operating costs, declined by 2.1%. Property, marketing and communication expenditures also declined year over year.

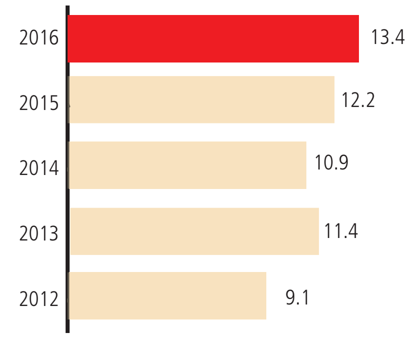
Our productivity ratio (total expenses as a percentage of total revenue) improved from 57.25% in 2015 to 53.38% in 2016, due to our efforts to grow revenues across all business lines while keeping expenses flat.

Productivity Ratio

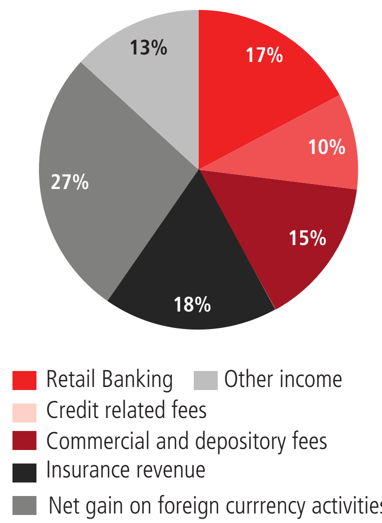


Other Income

$Billions

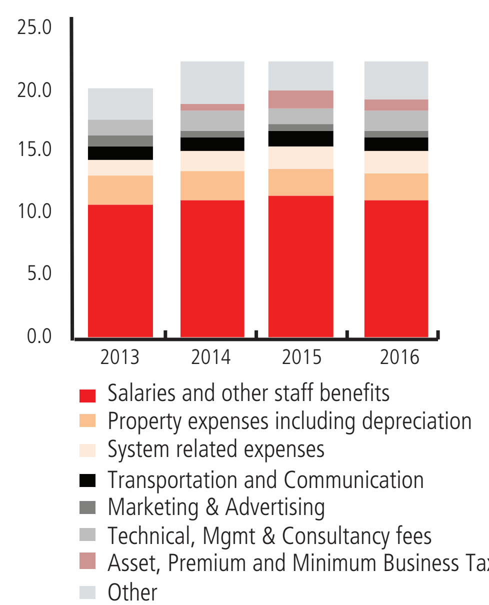


Sources of Non-Interest Revenue



Non-Interest Expenses

$Billions



Taxes

In 2016, our income tax expense was $5.05 billion, up $940 million or 22.9% from last year, as our pre-tax profits grew by $2.40 billion or 16.8%. Our effective income tax rate increased to 30.3% from 28.9% as a result of the relative growth in net revenues of those group businesses that are in the 33.33% tax bracket. When Asset Tax of $956 million is added, the tax expense for the year (excluding irrecoverable GCT) equated to 36% of our pre-tax income.

Taxation Charge ($'000s)

	2016	2015	2014
Profit Before Taxes	16,640,943	14,244,136	14,357,886
Current Income Tax:			
Income tax at 33 1/3%	3,600,792	2,875,095	2,627,437
Income tax at 30%	491,071	466,696	357,965
Income tax at 25%	933,259	829,157	145,040
Investment Income tax at 15%	-	-	315,641
Adjustment for (over)/under provision of prior years' charge	(11,603)	58,974	(7,025)
	5,013,519	4,229,922	3,439,058
Deferred Income Tax	36,822	(119,791)	93,400
Taxation Charge	5,050,341	4,110,131	3,532,458
Effective Tax Rate	30.3%	28.9%	24.6%

In 2015, the change in the corporation tax regime for insurance companies was gazetted and was effective for the Tax Year of Assessment 2015. The changes included:

a) the elimination of 3% premium tax on gross premium income

b) the elimination of 15% investment income tax on investment income

c) the introduction of 25% corporate income tax on statutory income

The one-time release of accumulated actuarial provisions made in respect of the change in the tax regime for life assurance companies was excluded from taxable income in 2015.

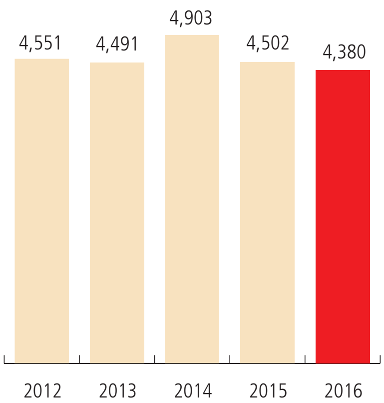
Credit Quality

Impairment losses on loans were $1,432 million, up $70 million from last year, due to growth in the loan portfolio and higher write-offs on our unsecured portfolio. Impairment losses as a percentage of the loan portfolio declined to 0.85% in 2016. The quality of both our retail and commercial credit portfolio generally improved with total non-accrual loans (NALs) as at October 31, 2016 at $4,380

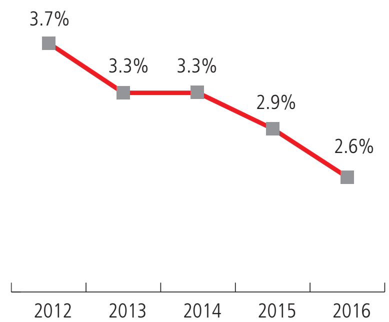
Loan Loss Provision Analysis ($'000s)

	2016	2015	2014
Gross Loans	168,734,577	156,402,493	147,649,649
Non Accrual Loans	4,379,885	4,502,060	4,902,782
IFRS Loan Loss Provisions	1,907,797	1,903,120	1,917,647
Loan Loss Reserve	3,143,875	3,204,491	3,202,002
Total Regulatory Loan Loss Provision	5,051,672	5,107,611	5,119,649
IFRS Loan Loss Provision as a % of Gross Loans	1.13%	1.22%	1.30%
IFRS Loan Loss Provision as a % of Non Accrual Loans	43.56%	42.28%	39.11%
Total Regulatory Loan Loss Provision as a % of Gross Loans	3.0%	3.3%	3.5%
Total Regulatory Loan Loss Provision as a % of Non Accrual Loans	115.34%	113.72%	104.42%
Total Assets	477,391,654	432,937,283	407,030,262
Net Loans (after LLP)	166,826,780	154,499,373	145,732,002
NAL : Gross Loans	2.6%	2.9%	3.3%
NAL : Net Loans	2.63%	2.90%	3.30%
NAL : Total Assets	0.92%	1.00%	1.20%

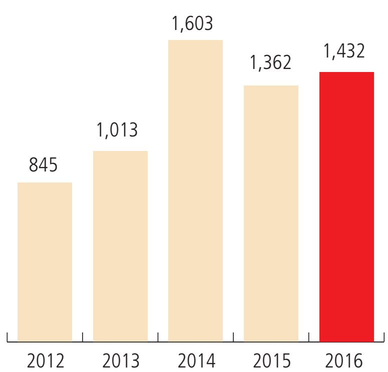
Non-Accrual Loans
$ Millions



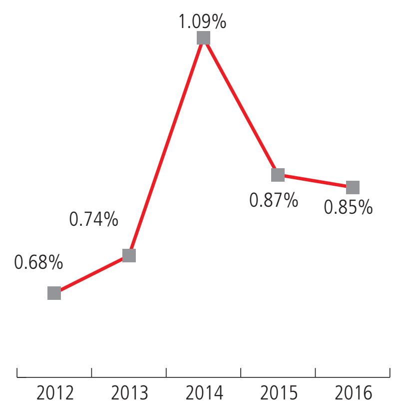
Non-Accrual Loans To Total Loans



Impairment Losses
$ Millions



Impairment Losses to Total Loans



million, down $122 million from October 2015. This represented 2.6% of total loans and 0.9% of total assets down from 2.9% and 1.0%, respectively last year. Retail NALs were flat, while there was a net reduction in Commercial NALs. The Group's NALs as a percentage of Gross Loans and as a percentage of Total Assets remain well below the industry average.

The total allowance for loan losses reflects the higher levels of IFRS and Regulatory provisions. Losses which fall within the IFRS provisions are charged to the income statement, while those which meet the regulatory requirements but exceed the IFRS standards are credited to a non-distributable loan loss reserve.

GROUP FINANCIAL CONDITION

Assets

Total assets increased by $44.4 billion or 10.3% to $477.4 billion as at October 31, 2016. Loans grew by $12.3 billion during the year and our stock of investment assets grew by $4.6 billion.

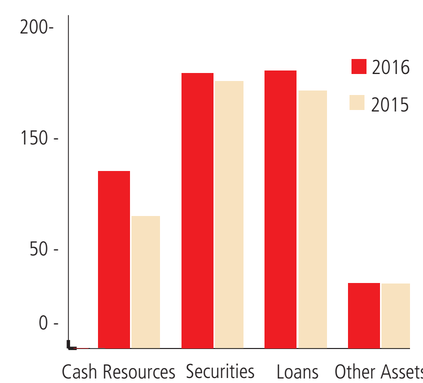
Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $106.3 billion, up from $79.2 billion last year due to increased liquidity from inflows of retail and commercial deposits and the general increase in market liquidity. We continued to maintain adequate liquidity levels to enable us to respond effectively to changes in cash flow requirements.

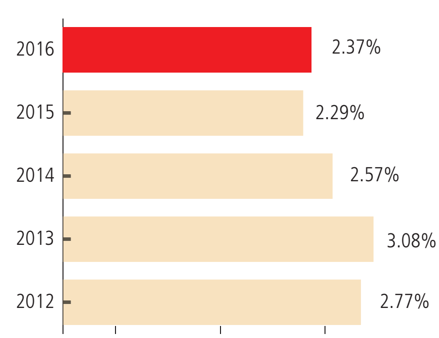
Securities

Total investment securities, including pledged assets, increased by $4.6 billion to $165.1 billion as we deployed more of our excess liquidity to this asset class.

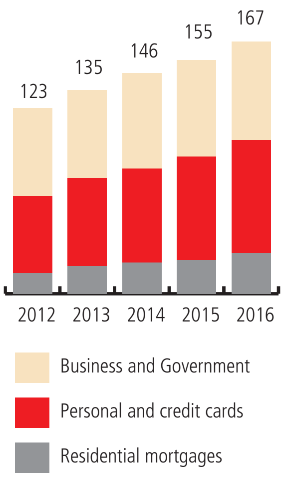
Total Assets
$Billions



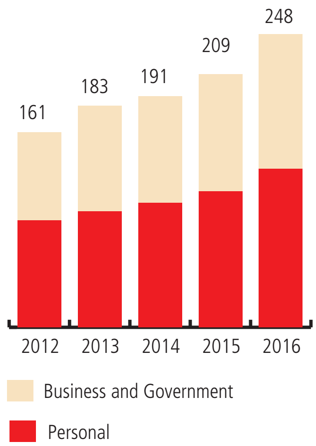
Return on Average Assets



Loan Portfolio
$Billions



Deposit Portfolio
$Billions



Loans
Our loan portfolio grew by 10.3% or $12.3 billion this year, with loans, after allowance for impairment losses, increasing to $166.8 billion. All business lines showed solid improvement with commercial and government moving up by 1.9%, personal and credit cards by 9.7% and residential mortgages by 19.7%.

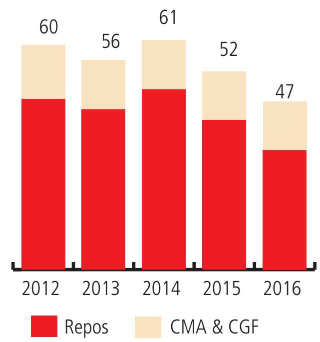
Liabilities
Total liabilities were $381.9 billion as at October 31, 2016, an increase of $37.7 billion or 10.9% from last year, driven by increases in our retail and commercial customer deposit base.

Deposits
Deposits by the public increased to $248.4 billion, up from $209.5 billion in the previous year. This $38.9 billion growth in core deposits was reflected in higher inflows from our retail and private sector portfolio as we expanded our customer base and deepened relationships with customers.

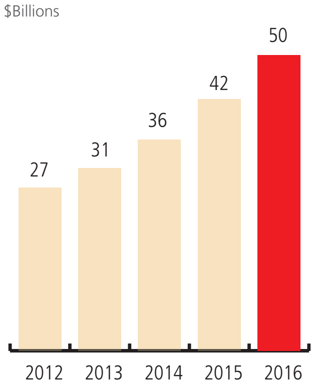
Obligations related to repurchase agreements, capital management and government securities funds
This mainly represents investments by clients of Scotia Investments, in addition to other wholesale funding. These obligations decreased by $5.6 billion or 10.6% during the year as SIJL clients reduced repurchase agreement holdings and increased their investment in the unit trusts and mutual funds offered by the company. Consequently, our fund and asset management portfolios grew by $7.3 billion, and we remain a dominant player in the collective investment scheme industry.

Policyholders' Fund
The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund grew 3.8% to $44.8 billion.

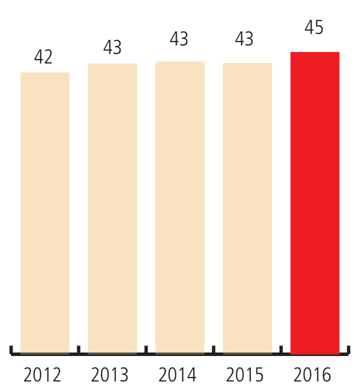
Repurchase Agreements and Capital Management Accounts
$Billions



Funds Under Management Unit Trust & Mutual Funds
$Billions



Policyholders' Fund
$Billions



Shareholders' Equity

Total shareholders' equity rose to $91.8 billion in 2016, $6.6 billion more than the prior year fuelled by retained earnings.

Shareholders' Return

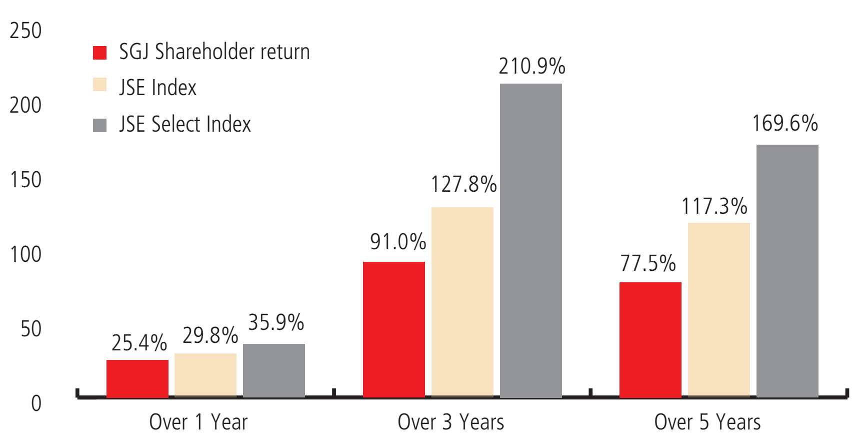
Our total shareholders' return was 25.4% for fiscal 2016 (including both dividends and change in price of the Group's common shares). Returns this year followed the record growth in the market in 2015 to yield 91.0% over the last 3 years. The 5 year returns were 77.5% due to the weakness in the market in 2013 and 2014.

Shareholders' Returns

FOR THE YEAR ENDED	2016	2015	2014
CLOSING MARKET PRICE ($)	31.50	26.17	19.60
DIVIDENDS PAID ($)	1.71	1.62	1.60
DIVIDEND YIELD	5.42%	7.01%	8.08%
CHANGE IN SHARE PRICE	20.37%	33.52%	-2.00%
TOTAL ANNUAL SHAREHOLDER RETURN	25.41%	43.46%	6.17%

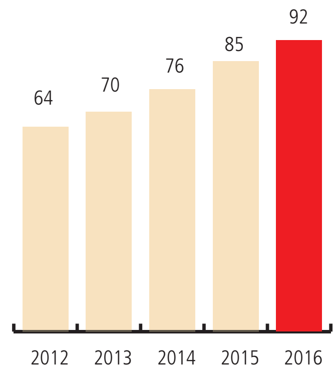
Shareholders' returns for the 3 and 5 year horizons were largely influenced by the 83.1% rise in the Jamaica Stock Exchange (JSE) Index in the 2015 financial year. Scotia Group's share price grew by 20.4% in 2016. Our consistent dividend policy also continues to be a key component of shareholders' return. While 80% of the 25.4% shareholders' return this year came from share price appreciation, 65% of the returns over the last 5 years (of 77.5%) came from dividends. We remain focused on achieving sustainable, long-term earnings growth and maintaining stable dividend income streams to our shareholders.

Shareholders' Returns

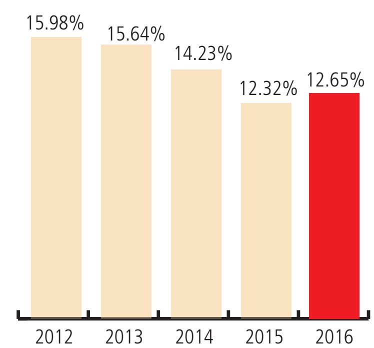


Shareholders' Equity

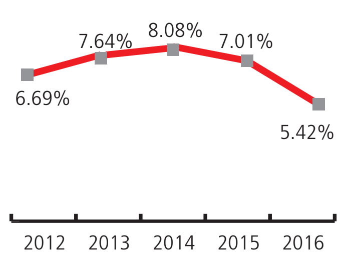
$Billions



Return on Equity



Dividend Yield



Capital Adequacy

	2015 Capital Adequacy Ratio	Increase in Capital Requirement ('000s)	Increase in Capital Base ('000s)	2016 Capital Adequacy Ratio	Regulatory Requirement	Excess over Regulatory Requirement
Banking and Building Society	12.8%	1,137,590	4,244,867	14.0%	10.0%	4.0%
Investment Management	47.0%	530,188	317,611	40.6%	10.0%	30.6%
Life Insurance	647.0%	51,959	44,133	627.0%	150.0%	477.0%

Capital Management

Scotia Group is committed to retaining a strong capital base to support the risks associated with its business lines, ensuring the safety of customers' funds and fostering investor confidence. This policy also allows the Group to take advantage of growth opportunities as they arise and invest further in our core business to enhance shareholder returns. The Group's capital management framework includes a capital adequacy assessment process to ensure that the Group can mitigate current and future risks and achieve its strategic objectives.

Regulatory capital

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

During the year, the total capital base grew beyond the increase in capital requirements for the Group and remained well in excess of regulatory requirements. It is expected that capital adequacy requirements will increase with the implementation of additional rules under the Banking Services Act surrounding holding companies.

BUSINESS OUTLOOK

There have been good signs of growth and projections for future growth in the local economy. Jamaica's fiscal trajectory continues to head in the right direction with the signing of new 36-month Standby Agreement with the IMF. Inflation levels remain manageable and the rate of depreciation of the exchange rate has slowed. These favourable indicators are contributing to increased business and consumer confidence and augurs well for customers and the growth in all business lines of the Group.

The improving macro-economic environment, low levels of inflation, and the Central Bank's accommodative monetary policy posture are likely to keep interest rates low and put further pressure on interest margins. Additionally, the slow improvement in the job market is likely to weigh on the spending power of our customers. These conditions drive aggressive competition for profitable customers in the market. Asset taxes will also continue to negatively impact our expenses.

Our response to our operating environment is largely embedded in our strategy as we will, deepen our relationships with our customers and ultimately broaden the range of products and services we provide to them. We will continue to optimize our operations to deliver services to our customers in a more efficient way, and via more convenient channels. Our people remain our key strategic resource and we will continue to invest in talent and sharpen our focus on performance management.

We anticipate that Commercial and Small Business activities will benefit from the higher levels of business confidence and an improving macro-economic backdrop. We will therefore continue to position ourselves to provide competitive lending and payment solutions. We will also leverage our regional and international network to provide tailored solutions to our customers. Our Small Business customers will continue to reap the rewards of our ongoing capacity-building programmes and more customized solutions that meet their needs.

In light of the heightened competition in retail banking, we will focus on providing a superior customer experience and serving all the financial needs of customers with the full product suite across all our business lines. We will enhance speed, convenience and the quality of the customer experience by improving the efficiency of our retail network and delivering more of our services through digital and alternate channels. Our Insurance and Asset Management businesses, innovative service delivery and product development will be ramped up to drive further growth.

We are optimistic about our business prospects in the year ahead and confident that with continued discipline we will remain on course to meet our long-term strategic objectives. The Group is well positioned to support the growth of our economy and to capitalize on the opportunities that will be created. Moreover, as part of a growing global footprint with an excellent brand and reputation, we are able to tap into an international network of expertise for the benefit of customers, and also to play an important role in the effective execution of our business strategy.

In the year ahead, we will maintain our emphasis on generating shareholder value and delivering a superior customer experience through delivery of a full range of solutions by our team of expert professionals as we continue our quest to help customers become financially better off.

RETAIL BANKING

Our Retail Banking Division comprises personal banking, retail mortgages and non-branch sales. It is responsible for the effective operation of the retail network across the island and the delivery of customer service consistent with Scotiabank's Service Promise, and in keeping with our Service and Complaints' Resolution Standards and Procedures.

2016 Achievements

Transforming the Retail Distribution Network

- Launched five new Scotiabank Express locations to provide convenient service with extended banking hours
- Increased ATM footprint across the island by 5%
- Recorded an increase of 4% and 34%, respectively, in ATM and OnLine Express Banking transactions
- Achieved 36% increase YOY in ATM deposits following successful roll-out of our Cash Back feature

Enhanced Customer Experience

- Improved the customer experience with the Phase 1 upgrade of our OnLine and Mobile Banking Platforms
- Developed and tested a new complaints management system which will facilitate improved recording, reporting and responsiveness to customer complaints
- Maintained strong levels of customer loyalty, with consistently high ratings on our customer loyalty surveys

Product Enhancements

- Expanded our lending programmes to meet a wide cross section of our customer base
- Launched several attractive campaigns for different products to boost customer acquisition and remain competitive in the marketplace
- Waived fees for Visa Classic Card in March 2016; and increased portfolio by 38% with attractive rewards on card products
- Simplified our deposit product offering to allow for more targeted conversation with customers

Expert Team of Sales Officers:

- More focused and robust onboarding, training, coaching and accreditation for the Retail Sales teams by providing online access to product knowledge and selling techniques

STRATEGY & OUTLOOK

As our customers rapidly change their expectations, preferences and behaviours in an increasingly digital business environment, we continue to optimize the distribution network to make banking more convenient. It is expected that the industry will face even more aggressive competition in 2017, with the addition of two new commercial banks. We will:

- Enhance the customer experience by offering more efficient, customer-friendly channels for transaction, and transforming branches to deliver the best advice and solutions
- Increase our profitable primary customer relationships by providing comprehensive financial solutions to meet their needs
- Grow digital adoption to simplify the customer experience and drive efficiency

2017 Priorities:

- Strengthen expertise of sales officers to facilitate customer conversations across the lifecycle needs and the four cornerstones of banking
- Increase profitable primary customer base
- Encourage greater use of alternate channels, including Scotiabank Express
- Enhance OnLine and Mobile Banking platforms to enable personalized marketing and improved customer service
- Increase our segment specific customer offers
- Improve the efficiency and footprint of the non-branch sales team
- Launch EMV Chip to improve card security and reduce fraudulent activity at POS

FINANCIAL PERFORMANCE

RETAIL BANKING

	2016	2015	2014
REVENUES	17,924	16,131	15,020
EXPENSES	(12,642)	(12,304)	(11,912)
PROFIT BEFORE TAXES	5,282	3,827	3,108
AVERAGE ASSETS	111,979	98,162	90,019
AVERAGE LIABILITIES	143,285	121,932	111,114

Patsy Latchman-Atterbury, Executive Vice President, Retail Banking (right) joins members of the team as they try out the tablets at the newly opened Scotia Premier Express location.

SCOTIA JAMAICA BUILDING SOCIETY (SJBS)

Scotia Jamaica Building Society (SJBS), a wholly owned subsidiary of Scotiabank, ranks as the third largest residential mortgage provider in Jamaica. Through its team of specialists across the branch network, SJBS provides residential mortgage and enhanced deposit solutions, anchored by excellent service delivery to its customers.

2016 Achievements

Strong Portfolio Growth

- Achieved 20% growth in our residential mortgage portfolio
- Increased market share by 126 basis points to 21.8%
- Leveraged professional alliances to help drive business growth
- Partnered with several Realtors and Real Estate Developers in hosting Open Houses
- Successfully launched the "Get a mortgage that fits" campaign through our retail branch network and electronic media

STRATEGY & OUTLOOK

At SJBS, providing practical advice, competitive mortgage rates and efficient turn-around times is at the heart of how we operate. We will continue helping our customers to improve their financial status by ensuring that the solutions we recommend are best suited to their needs.

We will continue to

- Further enhance service delivery through even quicker processing times and automation, where possible
- Deepen our relationships with Realtors and Real Estate Developers
- Strengthen the SJBS brand as the preferred mortgage provider

2017 Priorities:

- Expand our Specialized Sales Force to meet the growing demand
- Forge more partnerships and strategic alliances with professional groups
- Extend our home ownership awareness drive

SMALL BUSINESS BANKING

The strategic direction of Scotia Group is reflected in the initiatives spearheaded by Small Business Banking to further engage customers, improve professionalism within our team and undertake continued assessment of our processes to promote greater efficiencies and customer value.

2016 Achievements

Customer Engagement and Capacity Building

- Increased customer visits and heightened engagement with customers by the Small Business Executive team to identify emerging needs and opportunities for improvement in our offerings
- Conducted a study through the Scotiabank Enterprise Wide Risk Management and Financing Management, (SERMAF), project on the extent to which psychometric factors such as personality, belief, and aptitude contribute to loss and business risk. The study will guide the delivery of credit to the SME sector
- Successfully funded another Scotiabank Vision Achiever programme through which 25 diverse small business owners pursued an intense, hands-on, 17-week programme which imparted fundamental strategies for growing successful businesses

Team Development

- Officers attended accredited training programmes which exposed them to specific small business disciplines and international best practices

Loan Portfolio Growth

- Recorded portfolio growth of 23% year-over-year, achieved through the guidance of the leadership team, dedication of Business Banking Officers and collaboration with key partners within the Group

Productivity

- Registered a 30% increase in the Scotia OnLine for Business (CMS) portfolio

Jackie Sharp President & CEO, Scotia Group is surrounded by participants of the 2016 Vision Achiever Programme for small and medium sized enterprises.

STRATEGY & OUTLOOK

Small Business Banking continues to consolidate its position as a market leader by:

- Providing innovative SME financial solutions with greater operating efficiency
- Deepening customer relationships and strengthening professional and strategic partnerships
- Maintaining the focus on capacity building activities for entrepreneurs
- Ongoing streamlining of operations to enhance the customer experience
- Commitment to the training and development of employees

2017 Priorities:

- Continued training of our Small Business team
- Increase awareness of Scotiabank's SME brand
- Ongoing promotion of Business Internet Banking, to enhance customers' operating efficiency
- Improve client experience through ongoing streamlining of our end to end processes
- Expand and deepen professional and strategic partnerships

SCOTIA JAMAICA MICROFINANCE COMPANY LIMITED (CREDISCOTIA)

CrediScotia's core mandate is to provide financing solutions to salaried consumers and business operators in the microfinance sector, in an environment characterised by customer service excellence. We remain committed to serving the microfinance sector in a sustainable and responsible manner, which will enable our customers to achieve sustained financial independence; as well as, providing employment opportunities.

2016 Achievements

Solid Financial Performance

CrediScotia reported strong earnings this year. This performance was driven largely by our focus on:

- Ensuring that our customers were the focal point in the design and execution of key strategic business initiatives
- Executing the company's resource optimisation and growth strategy which increased customer and other stakeholder value
- Serving our customers in a sustainable and responsible manner by maintaining a prudent expense and delinquency management philosophy
- Fostering a disciplined sales culture. This translated into a net portfolio growth and net income growth in excess of 76% and 143% respectively

Expansion

- A new office was opened in May Pen in line with our mandate to deepen market presence outside of the Corporate Area

STRATEGY & OUTLOOK

CrediScotia remains committed to maintaining its strong growth momentum by:

- Executing key strategic initiatives aimed at increasing market share
- Further enhancing the financial well-being and experience of our customers in a sustainable, responsible and friendly manner
- Positioning the company to embrace impending changes in the regulatory environment

2017 Priorities:

- Enhance the Company's operational infrastructure to facilitate future growth while mitigating key risks in the business
- Augment customer experience with a viable and robust model powered by a committed and inspired Team to support planned growth
- Ongoing investment in our people and continued strengthening of their skills and competencies to ensure effective execution of our strategies

ALL SMILES: Thanesha Reid (centre) happily collects her prize from Yvett Anderson (left), General Manager CrediScotia Jamaica. She was one of twelve winners in a recently concluded Promotion. Sharing in the moment is Marsharee Burrell-Johnson, Sales and Product Manager, CrediScotia.

CORPORATE AND COMMERCIAL BANKING

The Corporate and Commercial Banking Centre (CCBC), through our team of specialists, is committed to providing consistent and efficient support to our commercial and large corporate clients. CCBC offers industry expertise, innovative ideas and strategic solutions designed to create, protect and realise shareholder value.

2016 Achievements

Growth in Core Business

- Booked in excess of J$10 billion in new/supplemental loans through innovative loan structures and competitive financing
- Increased market share in the Tourism, Agriculture, Construction and Manufacturing sectors
- Grew commercial deposits by more than 15% year-over-year
- Recorded strong performances in our merchant and cash management service businesses

Enhanced Service Delivery

- Improved efficiency and experience for corporate customers through our convenient and cost effective Business Internet Banking platform
- Partnered with the Capital Markets Team to structure complex solutions for our customers

STRATEGY & OUTLOOK

The CCBC remains committed to improving its competitive position by:

- Providing timely, efficient and customized solutions to our customers
- Leveraging our international presence to extend tangible solutions to our customers with a regional footprint
- Investing in our people, and developing strategies to attract, nurture and engage future leaders

2017 Priorities:

- Strengthen alliance with the SME Team
- Deepen customer relationships and ensure retention through continued enhancement of the Bank's relationship coverage model
- Reinforce employee engagement and continue to foster a culture of collaboration
- Pursue prudent risk and expense management

FINANCIAL PERFORMANCE

CORPORATE BANKING

	2016	2015	2014
	$MILLIONS	$MILLIONS	$MILLIONS
REVENUES	8,154	7,707	7,518
EXPENSES	(6,034)	(6,001)	(5,682)
PROFIT BEFORE TAXES	2,120	1,707	1,836
AVERAGE ASSETS	73,075	72,867	69,792
AVERAGE LIABILITIES	136,252	116,919	104,573

Craig Mair (l), Scotiabank's Senior Vice President Corporate & Commercial, takes a moment to catch up with Donald Fung, Atlantic Hardware and Plumbing at the Scotiabank sponsored Billionaire Tour in February 2016.

TREASURY

The Treasury Division is responsible for the Bank's liquidity, funding, investment management and foreign currency trading functions. Treasury also manages correspondent banking relationships.

2016 Achievements

- Scotiabank's market share improved from 17% to 20% making Scotiabank the #1 provider of USD
- Named by Global Finance as the Best Foreign Exchange Provider in Jamaica for the eighth time in nine years
- Successfully piloted, and began roll out of electronic FX rate boards which improved customer experience and operational efficiencies within branches
- Supported growth in the J$ loan portfolios of the Corporate & Commercial and Small Business Units by collaborating to provide competitive and customised pricing arrangements
- Increased strategic visits to business customers to gain deeper insights into treasury needs; and provided solutions that added value to their banking relationships

STRATEGY & OUTLOOK

Treasury remains committed to:

- Providing service solutions which exceed our customers' expectations
- Ensuring that Scotia Group is entrenched as the premier financial institution by anticipating the needs of our customers and prospects for future growth

2017 Priorities:

- Increase market share in trading volumes
- Establish greater focus on liquidity and net interest margin management
- Expand business development, leadership and technical capacity

FINANCIAL PERFORMANCE

TREASURY	2016	2015	2014
	$MILLIONS	$MILLIONS	$MILLIONS
REVENUES	3,615	2,946	2,759
EXPENSES	(476)	(414)	(253)
PROFIT BEFORE TAXES	3,139	2,532	2,506
AVERAGE ASSETS	147,553	116,285	100,480
AVERAGE LIABILITIES	913	5,569	8,977

Scotiabank Executives share a laugh at 2016 AGM. From left Patsy Latchman Atterbury , EVP Retail, Gary Vaughn White, VP Treasury, and Dr. Wayne Henry, Director General, Planning Institute of Jamaica, PIOJ.

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED (SJLIC)

Scotia Insurance provides Life, Health and Retirement solutions to its customers. Our main product categories are credit insurance, critical illness life insurance, pension savings, immediate annuities and critical illness insurance.

2016 Achievements

Improved Performance in Core Business

- Recorded growth in excess of J$6 billion in the assets under management in our Approved Retirement Scheme, ScotiaBRIDGE
- Achieved double-digit percentage growth in investment premiums during the year

Improved Service Quality

- Significantly increased credit insurance coverage limits across the board
- Implemented numerous initiatives targeted to enhance customer experience

Improved Functionality and Efficiency

- Realised notable gains in overall productivity, as a result of our increased efforts to optimise our operations
- Boosted sales productivity and premium income performance by rationalising our existing sales force

David Reid, Director of Sales, Scotia Insurance is flanked by two scholarship winners in the Scotia Mint Education Wealth Plan promotion.

STRATEGY & OUTLOOK

SJLIC continues to improve its competitive position in the life insurance industry by focusing on its core purpose of protecting individual and family health and wealth. We will deliver on this mandate by:

- Building on our foundation of innovation and service to meet customer needs, and
- Delivering on our strategic priorities

2017 Priorities:

- Improve our market share for individual Life products by acquiring new customers and expanding our distributive capabilities across our various sales channels
- Focus on customers by delivering a consistent and seamless experience across all channels and deepening relationships to build loyalty and earn customer referrals
- Improve our productivity ratio and operational excellence by simplifying processes and implementing alternative service delivery strategies
- Continue to focus on further developing our exceptional team and design strategies to enhance employee engagement

FINANCIAL PERFORMANCE

INSURANCE SERVICES

	2016	2015	2014
	$MILLIONS	$MILLIONS	$MILLIONS
REVENUES	4,655	5,529	4,749
EXPENSES	(1,179)	(1,705)	(1,428)
PROFIT BEFORE TAXES	3,476	3,825	3,321
AVERAGE ASSETS	56,758	55,890	54,036
AVERAGE LIABILITIES	45,360	43,656	44,064

SCOTIA INVESTMENTS JAMAICA LIMITED (SIJL)

Scotia Investments Jamaica Limited offers wealth management products and services including unit trusts, mutual funds, brokerage products and asset management services to retail and institutional clients, using an advisory approach.

2016 Achievements

Strong Growth in Money Market Funds

- Launched in the first quarter of 2016, the Scotia Premium USD Indexed Fund recorded assets under management (AUM) in excess of $2 billion as at October 31, 2016
- Scotia Premium Money Market Fund AUM grew by 13%, surpassing the $14.7 billion mark, while Scotia Caribbean Income Fund AUM grew by 12% to close the year at US$118 million

Digital Transformation

- Implemented a new core operating system, which will empower our advisors to further improve service delivery to clients
- The new system will also ensure the benefits of a more robust operational framework are fully anchored

Customer Focus and Process Efficiency

- Made significant enhancements to the process and framework for reviewing clients' investment portfolios and providing more pro-active advice

Innovative Financing Solutions

- Capital Markets Unit raised the equivalent of US$75 million in financing for corporate clients
- Total deal size since inception of the Unit in 2011 now exceeds US$880 million
- The team strengthened its reputation as a regional dealmaker through its roles in successful transactions for clients in the English-Speaking Caribbean Market

STRATEGY & OUTLOOK

Scotia Investments remains very focused on delivering strong growth in its Asset Management and Brokerage business. This will be achieved by:

- Implementing the appropriate technology to support the aggressive growth of Asset Management in Jamaica and across the Caribbean Region
- Employing supporting tools to improve our advisors' interaction with our clients
- Delivering a high level of customer satisfaction and client experience through:
  - o A consistent set of client centric behaviours, and
  - o Product excellence
- Continuing to leverage Scotiabank's global execution platform and international partnerships with local talent and expertise

2017 Priorities:

- Continued enhancement of the product suite for retail and institutional clients
- Investment in technology to enhance efficiency and client experience for off-balance sheet portfolios
- Anchoring our new operating system

INVESTMENT MANAGEMENT SERVICES

	2016	2015	2014
	$MILLIONS	$MILLIONS	$MILLIONS
REVENUES	3,520	3,211	4,167
EXPENSES	(1,690)	(1,703)	(1,561)
PROFIT BEFORE TAXES	1,830	1,508	2,606
AVERAGE ASSETS	71,184	68,824	72,314
AVERAGE LIABILITIES	56,239	54,673	58,529
ASSET UNDER ADMINISTRATION	49,567	42,267	35,477
ASSET UNDER MANAGEMENT	180,148	157,587	138,167

Charles Johnston (right), Chairman Jamaica Producers Group (JPG) shows the listing strip that was added for trading the Group's J$1Bn in corporate bond on the Jamaica Stock Exchange to Lissant Mitchell (left), CEO Scotia Investments and Marlene Street Forrest (centre), General Manager Jamaica Stock Exchange. The listing was arranged and Brokered by Scotia Investments.

SCOTIA PRIVATE CLIENT GROUP (SPCG)

The Scotia Private Client Group (SPCG) offers clients a skillfully tailored and comprehensive suite of banking international investment advisory services, wealth structuring and customised borrowing solutions. This platform is augmented by a seamless delivery across product lines and an excellent customer experience.

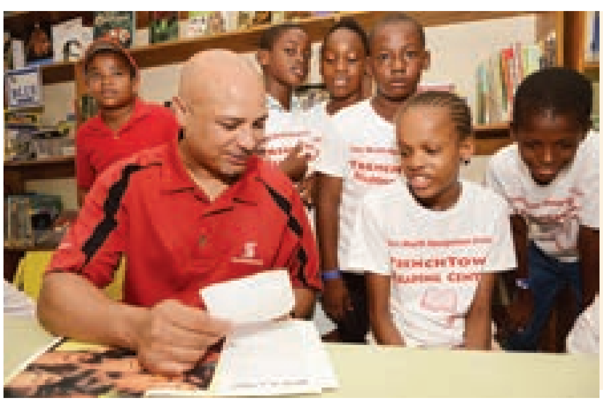
2016 Achievements

Focus on Customer:

- Executed a series of activities aimed at further deepening our relationship with customers
- Effected more competitive pricing on our product offerings
- Improved the alignment of our product offerings with our international and local partners

Organisational Effectiveness

- Reorganised our processes to improve operational efficiency
- Increased our cross selling efforts by making proactive referrals to the wider Scotiabank Group



Roger Grant, Director Scotia Private Client Group assist students to get ready for the annual Trench Town Spelling Bee sponsored by the Scotia Wealth Business Lines.

Madge Flake (right), Scotia Private Client Group, exchange cheers with William McConnell (left), at a client cocktail party.

STRATEGY & OUTLOOK

SPCG enjoys strong brand recognition in the high net worth market. We continue to build on this advantage by implementing innovative strategies to improve customer experience and ensure that we meet the complex financial needs of our customers. By leveraging this strength, in conjunction with our global reach, robust risk management and our unique Team of Experts Model, we will:

- Further deepen customer relationships and enhance service delivery
- Focus on our customer acquisition strategy
- Improve operational efficiency

2017 Priorities:

- Continue to grow our assets by offering more customised solutions for clients
- Execute on an innovative and targeted marketing plan catered to high-valued clients
- Continue to develop the skills of our team of experts to meet the complex and evolving financial needs of clients
- Provide portfolio strategies and more sophisticated investment options for our clients
- Embed the Group's referral strategy by targeting all business segments – Retail, Corporate Banking, Insurance and Wealth, to identify potential SPCG clients

RISK MANAGEMENT

The primary goals of Risk Management are to ensure that the outcomes of risk-taking activities are consistent with the Group's strategies and risk appetite, and that there is an appropriate balance between risk and reward to maximise shareholder returns.

Three Lines of Defence

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

1ST LINE OF DEFENCE **Business Line /Corporate Function**	• Owns the risks associated with business activities • Exercises business judgement to evaluate risk	• Ensures activities are within the Group's risk appetite and risk management policies
2ND LINE OF DEFENCE **Risk Management and Other Control Functions**	• Independently facilitates and monitors the implementation of effective risk management practices • Develops policies, measurement and reporting, limits and controls, oversight and monitoring	• Provides oversight and objective challenge to the first line of defence • Provides training, tools and advice to support policy and compliance
3RD LINE OF DEFENCE **Internal Audit**	• Independent monitoring and oversight function • Focus on governance framework and control systems	• Audit findings reported to management and Audit Committee

RISK MANAGEMENT FRAMEWORK

Scotiabank has a robust, disciplined risk management framework supported by a strong risk management culture where risk management is a responsibility shared by all of the Group's employees.

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

The Group's risk management framework consists of three key elements:

1 Risk Governance

2 Risk Appetite, and

3 Risk Management Techniques

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

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

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

Credit Risk

Credit Risk is the possibility of loss resulting from the failure of a borrower, or counterparty, to honour their financial or contractual commitments to the Group. Credit risk arises in the Group's direct lending operations, and in its funding,

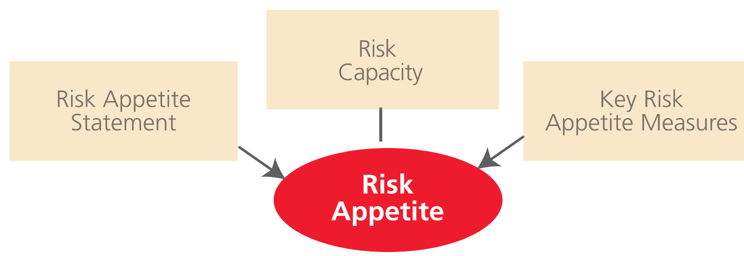
Credit risk is the biggest threat faced by the Group. It is managed by applying strategies, policies, and limits that are approved by the Board of Directors. Oversight for these credit risk elements is provided by the Credit Risk Management Department.

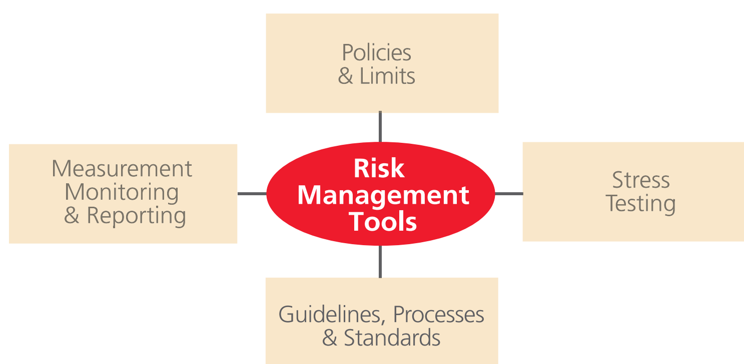
The credit risk strategy defines target markets and risk tolerances that are developed at the Group level, and then further refined to meet the requirements of the individual Business Lines. The objectives of the credit risk strategy are to ensure that:

- Target markets and product offerings are well defined,
- The risk parameters for new underwritings and for the portfolios as a whole are clearly specified, and
- Transactions, including origination and syndication, are managed in a manner that will ensure that the goals for the overall portfolios are met.

The Group's credit risk rating systems are designed to provide a meaningful differentiation of risk, and allow for reasonable estimation of loss characteristics at the portfolio and risk grade level. They also provide consistency in terms of: credit adjudication, minimum lending standards based on ratings, and reporting of credit risk. The Group periodically reassesses its rating methodologies and enhances them where and when necessary.

The methodologies guiding management of the Group's portfolio seek to facilitate consistent underwriting, early identification of problem loans, and timely escalation reporting of high risk exposures. The Retail and Commercial Collections Units are organised to support the efficient recovery of late payments and outstanding amounts on credit facilities which are in default. There is ongoing coordination between the Business Lines, Collections Areas, and Credit Risk Management.





Corporate And Commercial

Portfolio management objectives and risk diversification are key factors establishing policies and limits. Credit risk limits covering specified industries and exposures are reviewed and approved by the Board of Directors annually, and applied through the credit origination and review process.

Credit exposures are managed through limits, lending criteria and guidelines relevant to each particular risk type.

Borrower limits are based on established guidelines for individual borrowers, particular business segments, and types of lending, to ensure the Group does not have excessive concentration in any single borrower, or related group of borrowers. Through the portfolio management process, loans may be syndicated, or other options may be pursued to reduce overall exposure to a single borrower. The Group's credit risk limits to counterparties in the financial and government sectors are also managed centrally to optimise the use of credit availability and to avoid excessive risk concentration.

The decision-making process for corporate and commercial credit exposures ensures that risks are adequately assessed, properly approved, continually monitored and actively managed. All significant credit requests are processed through the Group's credit adjudication units.

The Group uses a dual risk rating system, which separately assesses the risk of borrowers, and their associated credit facilities. Borrower risk is evaluated using methodologies that are specific to particular industry sectors and/or Business Lines. The credit facilities of each borrower are assessed by considering their structural and collateral-related elements.

Borrower and facility risk ratings are assigned when a facility is first authorised, and are promptly re-evaluated and adjusted, if necessary, as a result of changes to the customer's financial status or business prospects. Re-evaluation is an ongoing process, and is done in the context of general economic changes, specific industry prospects, and event risks, such as revised financial projections, interim financial results and extraordinary announcements.

The risk ratings also determine the management level at which the facilities can be authorised or amended. Lower-rated credits require a higher level of senior management involvement.

Retail

Key factors considered in assessing the credit risk of an individual borrower include: the person's current and projected income; debt servicing commitments and credit record; as well as, economic trends. Based on this assessment, a risk rating is assigned and the appropriate amount and structure of credit to the individual is determined.

Individual credit exposures are regularly monitored by Business Line units for signs of deterioration. In addition, a review and risk analysis of each borrower is conducted annually, or more frequently, for higher-risk borrowers.

Portfolio reports reviewed by Credit Risk Management identify risk-related trends in the Group's portfolio. Lending programmes are discussed by the Business Lines and the Credit Risk Management Department to ensure a proper understanding of the level of risks involved and that reliable mitigating measures are embedded so that these programmes are consistent with the Group's Credit Strategy and Risk Appetite.

The credit risk exposure for the Group is summarized in Note 47 (b).

Market Risk

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

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

Areas of Market Risk Exposures

Types of Risk	Investment Activities	Trading Activities	Funding Activities
Interest Rate Risk	✓	✓	✓
Foreign Currency Risk	✓	✓	✓
Credit Spread & Equities Risk	✓	✓	

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

Investment and Funding Activities

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

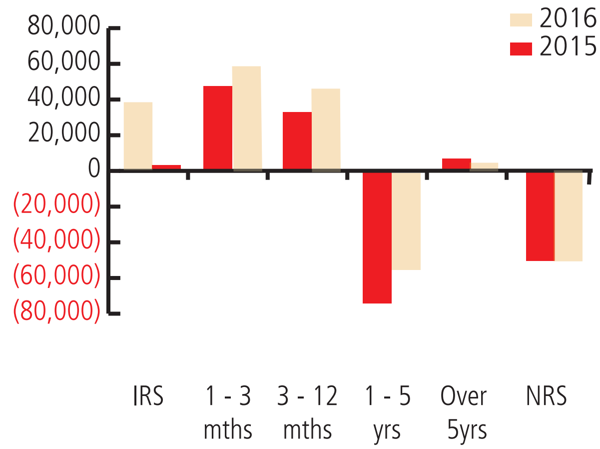
Interest Rate Risk

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

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

Further details on the interest rate risk exposure for the Group are summarized in Note 47 (c) (i).

Static Interest Rate Gap ($ Millions)



Foreign Currency Risk

Foreign currency risk arises from foreign currency operations.

The Group mitigates the effect of foreign currency exposures by financing its foreign currency assets with borrowings in the same currencies. The differences between foreign currency assets and liabilities are reflected in either positive or negative spot positions for which limits are approved by the Board at least annually. The ALCO reviews and manage these positions.

The foreign currency risk exposure for the Group is summarised in Note 47 (c) (ii).

Credit Spread and Equities Risk

The Group holds investment portfolios to meet liquidity and statutory reserve requirements and for investment purposes. These portfolios expose the Group to interest rate, foreign currency, credit spread and equity risks. Debt investments primarily consist of government and corporate bonds; while equity investments include common shares. The majority of these securities are valued using prices obtained from external sources. These portfolios are controlled by a Board-approved policy and limits.

Trading Activities

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

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

Liquidity Risk

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

Effective liquidity risk management is essential to maintain the confidence of depositors and counterparties; as well as, to enable the core businesses to continue to generate revenue, even under adverse circumstances.

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

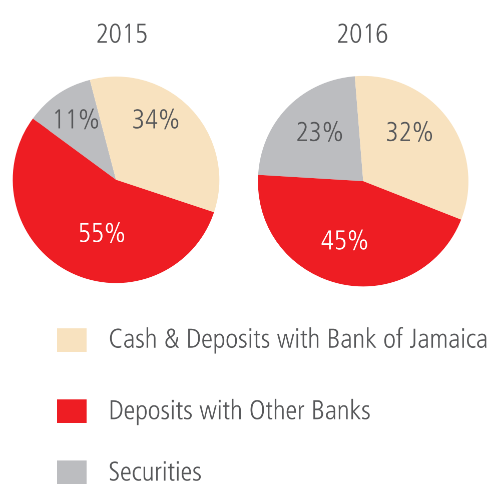
The key elements of the liquidity risk framework are:

- Measurement and Modeling – The Group's liquidity model measures and forecasts cash inflows and outflows, including off-balance sheet cash flows on a daily basis. Risk is managed by a set of key limits over the maximum net cash outflow by currency over specified short-term horizons (cash gaps) and a minimum level of core liquidity.
- Reporting – independent oversight and reporting of all significant liquidity risks through analysis, risk measurement, stress testing, monitoring and reporting.
- Contingency Planning – The Group maintains a Liquidity Contingency Plan that specifies an approach for analysing and responding to actual and potential iquidity events. The Plan outlines the governance structure for the management and monitoring of liquidity events, processes for effective internal and external communication, and identifies potential counter measures to be considered at various stages of an event. The Liquidity Contingency Plan is approved by the Board of Directors
- Funding Diversification: The Group actively manages the diversification of its deposit liabilities by source, type of depositor, instrument, and term
- Core Liquidity: The Group maintains a pool of highly liquid, unencumbered assets which can be readily sold, or pledged to secure borrowings, under stressed market conditions or due to company specific events

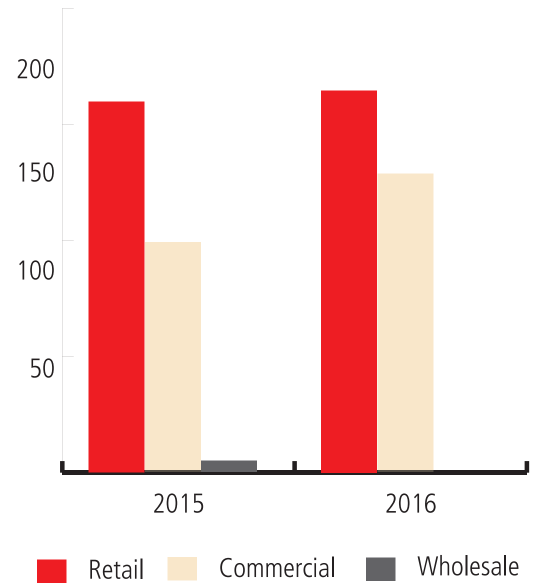
Liquidity Profile

The Group maintains holdings of liquid assets to support its operations. As at October 31, 2016 liquid assets were $120.2 billion or 25% of total assets, compared to $94.0 billion or 22% of total assets as at October 31, 2015. The mix of these assets, including statutory reserves maintained by the regulated entities, is as follows:

Liquid Assets



Funding Sources ($ Billions)



Funding

The Group ensures that its funding sources are well diversified. Funding source concentrations are regularly monitored and analysed. The principal sources of funding are capital, core deposits from retail and commercial clients through the branch network, and wholesale funding. To ensure that the Group does not place undue reliance on a single entity as a funding source, limits are maintained on the amount of deposits or client funding accepted from any one entity.

Capital Expenditures

Scotia Group has an ongoing programme of capital investment to provide the necessary level of technology and real estate resources to service our customers and meet new product requirements. All major capital expenditures go through a rigorous review and approval process.

There were no significant capital expenditures in 2016.

Operational Risk

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

Operational risk is difficult to quantify in a fulsome and accurate manner, as it is often included with or is a by-product of another form of risk and is not taken on intentionally.

The impact of operational risk may result in financial loss, as well as regulatory sanctions and damage to the Group's reputation. The Group has been successful at managing operational risk, and continues to safeguard client assets and preserve shareholder value.

There are developed policies, processes and assessment methodologies which ensure that operational risk is appropriately identified and effectively managed. The governing principles of the operational risk management programme include but are not limited to:

- The Three Lines of Defense Model which helps to ensure proper accountability and clearly defines roles and responsibilities at all levels of the Group;
- The Group's governance and organisational structure through which there is effective oversight, and through which operational risk is managed, in accordance with an established risk appetite. This also includes:
    - The Board of Directors who are responsible for sound corporate governance;
    - A senior level Operational Risk Committee which provides consistent, Group-wide oversight of operational risk management;

The Operational Risk Management Framework sets out an integrated approach to identify, assess, control, mitigate and report operational risks across the Group. The following are some key components of the Framework:

- A Risk and Control Assessment (RCSA) programme, which includes formal reviews of significant units, operations and processes. The RCSA ensures that key risks have been identified, and that controls are functioning effectively.

- The Group has a standard inventory of operational risks which are discussed and considered in each assessment.
- Operational risk reporting is provided to the Group's Senior Executive Management and the Board of Directors, and includes information relating to key events, results, trends and themes identified by the operational risk tools. The combination of these information sources provides both a backward and forward-looking view of operational risks which may arise.

Reputational Risk

Reputational risk relates to negative publicity regarding Scotiabank's conduct, business practices or associations, whether true or false, that will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity usually relates to questions of business ethics and integrity, or quality of products and services; and it often results from failure to effectively handle some other kind of risk.

Reputational risk is managed and controlled throughout the Group by Codes of Conduct, governance practices and risk management programmes, policies, procedures and training. Many relevant checks and balances are executed through the Group's well-established compliance and operational risk management programmes. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Scotiabank Guidelines for Business Conduct, and in a manner that minimizes reputational risk. The activities of the Legal, Corporate Secretary, Public, Corporate and Government Affairs and Compliance departments, are particularly oriented to mitigate this threat.

Environmental Risk

Environmental Risk refers to the possibility that environmental concerns involving Scotiabank or its customers could affect the Bank's financial performance.

The Group has a Board-approved Environmental Policy, which guides day-to-day operations, lending practices, supplier agreements, the management of real estate holdings, and external reporting methods. It is supplemented by specific policies and practices relating to individual Business Lines.

Strategic Risk

Strategic Risk is the likelihood that the Bank's business strategies are ineffective, poorly executed, or insufficiently resilient to changes in the business environment.

The Board of Directors is ultimately responsible for the oversight of strategic risk, by adopting a tactical planning process and annually approving a strategic plan for the Group.

The execution and evaluation of strategic plans is a fundamental element of the Group's Risk Management Framework. All employees have a responsibility to clearly understand the Group's direction and goals. On an ongoing basis, Business Lines and control units identify, manage, and assess the internal and external events and risks that could impede achievement of strategic objectives. The Executive Management Team regularly meets to evaluate the effectiveness of the Group's strategic plan, and consider what amendments, if any, are required.

Insurance Risk

Insurance Risk is the risk of potential financial loss due to actual experience being different from that assumed in the pricing process of insurance products.

Insurance risk identification, measurement and management are controlled by the Insurance Risk Policy and Insurance Risk Management Framework, which define the risk tolerance and set the limits and controls within which SJLIC can operate.

The Company's Board of Directors provides oversight and approval for SJLIC's activities and policies.

Human Resources
Managing Change for Enhanced Service Delivery
- Scotia Group Jamaica Limited

The year 2016 heralded a new era of change across Scotia Group Jamaica with a series of strategic initiatives implemented to support its objective of strengthening the customer-centric culture and enhancing performance across the board. Working in tandem with Business Lines and Units, the Human Resource (HR) Department successfully guided a seamless transition, with employee welfare consistently at the forefront of its activities.

At the heart of the drive to become an even better bank was the renewed core values of Integrity, Respect, Passion and Accountability which were defined by team members who participated in "ScotiabankJam," an online discussion on the values which guide relationships with Scotiabank customers and also between members of the Group. The values have ignited a heightened sense of purpose among employees at all levels; and they are being reinforced across the Group network through a variety of information channels, including the Scotiabank Live website, CEO e-mail conversations, e-bulletins, communication ambassadors in the field, team leaders' meetings and the Executive Visitation Programme.

Embracing Technology

A new Global Human Resource Digital Platform – me@scotiabank – was launched during the year to facilitate automation of all HR-related functions and bring Scotia Group Jamaica in line with international best practices. It integrates information from multiple platforms, as well as paper-based forms and it is used in setting and monitoring performance goals, development planning, learning, and succession planning. This platform is geared at ensuring that all Scotiabank Employees globally enjoy an improved and consistent experience at Scotiabank. The HR Department is assisting employees to adjust to the new technological environment, and to understand the associated benefits. As part of the change management process, staff members were first introduced to a compliance module which sets out guidelines for business conduct; and sensitization continues with an emphasis on group meetings.

Leadership development is a major priority for the Scotia international network. As a part of our strategy, programmes are in place to support employees in identifying appropriate courses and resource material though our e-learning platform to strengthen their professional skills and online training is focused on Scotiabank's 10 core competencies..

Against the background of its consistent efforts to break new ground and to improve efficiency, as well as economies of scale, Scotia Jamaica achieved another first during the year under review with the establishment of a Regional HR Service Centre – the only facility of its type in the English-speaking Caribbean. The Centre, which will serve as a hub for HR processing and administrative services, currently is responsible for processing payroll for Scotiabank's operations in all the English Caribbean Countries; and over time, employee data management for all these territories will also be centralized.

Talent Management & Staff Engagement

Scotia Group Jamaica adopts a strategic approach in the identification and management of talent.
The process was streamlined in 2016 with the development of Talent Management Performance Standards which provide for collaboration with the heads of operational units and branches in identifying and developing key talent. The Standards detail selection criteria, monitoring activities, reporting frequency and responsibilities. A communication and implementation plan is being developed to ensure a consistent and focused approach to our talent management process

Effective communication is especially important in the face of fierce market competition and in the present changing environment; and consequently, employee engagement initiatives were escalated. These included increased interface between employees and managers, blogs, electronic messaging, competitions and impromptu activities which promote bonding. Staff engagement and the strengthening of rapport were also positively impacted by the staging of a successful Fun Day. Some 1,500 employees shared in this activity.

2017 Priorities

In the year ahead, the HR Department will continue to provide excellent support to its customers, with an emphasis on the increased use of technology, employee engagement, leadership development and promotion of discretionary effort to strengthen morale and enhance productivity. These are important elements in building a customer-focused and performance oriented culture undergirded by the ideals of the renewed core values of the Scotia Group.

Other priorities include a review of compensation packages to ensure they meet the needs of employees, remain competitive and are aligned with Business Strategy and Rewards principles globally; as well as continued HR Advisor visits and conversations with branch and unit leaders regarding career planning, development and performance, to keep staff engaged and motivated.

At the regional level, the Department will also work closely with Scotia partners particularly within the Caribbean Region to provide critical HR support and share best practices.

ScotiaFoundation

Enhancing Children's Quality of Life

- Scotia Group Jamaica Limited

The ScotiaFoundation maintained its strategic focus on enhancing the quality of life for the nation's children in 2016; and recorded some 12,790 volunteer hours on projects which promote education; child health and wellness; sports and community development; culture and protection of the environment. The 31 projects spearheaded by the Foundation positively impacted over 13,000 children.

Promoting Child Safety and Welfare

The national Child Month celebrations in May 2016 under the theme 'Healthy Children Build a Stronger Nation,' provided unique opportunities for the Foundation to support the educational process while also addressing other matters concerning children's welfare.

Some 205 ScotiaVolunteers headed by the President & CEO, Jacqueline Sharp, visited schools on National Teachers' Day and Read Across Jamaica Day on May 4th and 5th respectively. In addition to reading with the children, the volunteers also shared vital tips on health care and personal safety, consistent with the Foundation's sub-theme 'Missing Children'.

The reasons why children go missing, the impact on their peers, preventive tips and emergency numbers to call for help were among the issues addressed during the "Kids In A Bookstore" intervention in May. The project was hosted in association with Sangster's Book Stores which opened its Mall Plaza branch to 36 Grade 4 and 5 students and the Guidance Counsellor from Bamboo Primary School in St. Ann. Personnel from the Office of the Children's Registry assisted with the discussions; and at the end of an eventful day, the children, who had never visited a book store before, were allowed to select a book as a gift from the Scotia Foundation.

Also during the month, the Foundation, with the approval of Kingston & St. Andrew Corporation, added the names of 214 children, who were killed tragically island-wide, to the Crying Child Monument in the Secret Gardens, Downtown Kingston. Most of the names were boys between 15 and 16 years old.

Ever mindful of the link between nutrition and educational outcomes, the Foundation turned the spotlight on its rebranded Breakfast Programme with the staging of its own Nutrition for Learning Week. Some 1,545 children at the nine beneficiary schools in Kingston, St. Andrew, St. Ann and Portland enjoyed a double treat when national leaders, as well as, Senior Managers of the Bank and Directors of the Foundation, visited their schools, and prepared breakfast. The celebrity chefs included the Honourable Floyd Green, Minister of State in the Ministry of Education, Youth and Information; and the Honourable Desmond McKenzie, Minister of Local Government Community Development.

The emphasis on the importance of nutrition in the development of the nation's children was also highlighted on National Labour Day, when ScotiaVolunteers established vegetable gardens at several Children's Homes and Places of Safety managed by the Child Development Agency. The major project site was the

ENJOY! Jacqueline Sharp, President & CEO Scotia Group and Director, ScotiaFoundation serves breakfast to students at the Holy Family Primary and Infant School to the delight of principal Christopher Wright during the ScotiaFoundation's Nutrition For Learning Week in May, National Child Month. Also assisting is Rosemarie Voordouw, Director ScotiaFoundation.

HERE IT IS! Joylene Griffiths, Executive Director, ScotiaFoundation and the Honourable Floyd Green, Minister of State, Ministry of Education, Youth and Information show Nardia Campbell the name of her daughter Ananda Dean inscribed on the Crying Child Monument in the Secret Garden, Downtown Kingston during National Child Month. The occasion was the unveiling of an additional 214 names on the monument of children killed under tragic circumstances.

Homestead Place of Safety, in Stony Hill, which was among 16 facilities painted by the 396 ScotiaVolunteers.

Investment in Human Development

ScotiaFoundation continues to invest in education as one of the most powerful agents of social and economic transformation. Since its inception in 1999, the Shining Star Scholarships awarded to outstanding performers in the annual Grade Six Achievement Test (GSAT) has opened opportunities for educational advancement for many youngsters. Twenty-three students were recipients of ScotiaFoundation Shining Star Scholarships in 2016, including the two top girls and the top boy who had perfect scores in all subjects. Some 113 students are currently benefitting from ScotiaFoundation Shining Star Scholarships at the secondary and tertiary levels.

Early in the year, the ScotiaScholars Reunion brought together current and previous scholarship recipients – many of the latter now being adults. The forum provided motivational support for participants who were encouraged to be 'change makers' by adopting a proactive approach to life and by planning for the future.

The National Child Month celebrations under the theme 'Healthy Children Build a Stronger Nation,' provided unique opportunities for the Foundation to support the educational process

Capacity building and preparation for the working world is the ongoing focus of the GEMS (Girls Empowered for Motherhood and Success) programme, launched three years ago in association with Junior Achievement and the Women's Centre Foundation. This year, some 486 adolescent mothers were trained in work-readiness skills over an eight-week period. The classes were conducted by 140 ScotiaVolunteers who were coached by Junior Achievement prior to executing the programme. They covered such subjects as: Communication and Conflict Management, Critical Thinking, Collaboration and Creativity, as well as, the basics of Economics.

The training culminated with the GEMS Conference held on International Women's Day in March. Girls from the Women's Centres were joined by others from the Homestead Place of Safety and the Young Women's Christian Association (YWCA). In celebration of the achievements of women against many odds, the GEMS Award was presented to two former Women's Centre graduates who are now caring for their children and attending tertiary institutions. The Conference also provided an opportunity for the girls to discuss their concerns regarding sexual abuse and rape – crimes which have been perpetrated against several of them.

LOOK AT THIS! ScotiaVolunteer Claudine McCalla Miller (center) explains the impact of plastics on the environment to ScotiaScholars and young ScotiaVolunteers (L-R) Seana-Joy Irving, Deanna Miller, Gabrielle Absolam and Navardo Henry at the Hellshire Bay Beach, St. Catherine on International Coastal Clean-up Day October 17, 2016.

Support for Health Care

One of the key indicators of a nation's development is the health status of its people. ScotiaFoundation has consistently supported initiatives to improve access to quality health care facilities and treatment programmes. Among these is the Scoliosis and Spine Care programme which funds the cost of corrective spine surgery. During the year under review, the Foundation and its partner, Medical Technologies Limited, sponsored life-saving surgery for 10 youngsters between ages 14 and 18 at the Kingston Public Hospital. This brings to 75 the total number of beneficiaries since the start of the programme in 2006.

Committed to Environmental Protection

Pollution of the marine environment poses a serious threat to Jamaica's tourist industry and economy. Against this background, 140 ScotiaVolunteers assisted the National Environment and Planning Agency (NEPA) to remove garbage from the Hellshire Bay Beach in St. Catherine on September 17 – International Coastal Clean-up Day. The team included 35 ScotiaScholars. Under NEPA's Adopt-A-Beach programme, a section of the beach along the Palisadoes main road – the primary corridor to Kingston's

Norman Manley International Airport – was also adopted by Scotiabank, and volunteers will undertake regular clean-up activities at this site.

Traditional Culture in Focus

Story-telling; art projects; impromptu concerts; gungo, sorrel picking and gift-wrapping competitions among families, as well as a street parade with a Nativity scene were among the many and varied activities at Mary's House – the Bank's annual Christmas outreach held at Emancipation Park in December.

The one-week nightly event which focused on celebrating Jamaican Christmas traditions, exposed participants to their rich cultural heritage and highlighted the importance of bonding with family during the festive season. From their base on Mary's verandah, storytellers, Amina Blackwood-Meeks and Joan Andrea Hutchinson captivated both the youngsters and their relatives with their accounts of "Ole-time" Christmas celebrations.

Some 452 children participated in the fun-filled and educational experience which was supported by the Edna Manley College for the Visual and Performing Arts. Students from the College guided the youngsters in the production of Christmas cards and ornaments, researched and designed costumes for the Nativity street parade, conducted live painting demonstrations, and provided dancers and actors for the closing night concert.

Scotia Group President and CEO Jacqueline Sharp makes the first donation of $1,000,000 at the 2015 launch of the Salvation Army Christmas Kettle Appeal. Looking on are members of the Salvation Army Commissioner Gerrit Marseille (left), Major Carrell Wilkinson (centre) and students from the Salvation Army School for the Blind

Serving Our Community

The Foundation continues to respond to development needs in communities across the island. The Salvation Army's annual Christmas Red Kettle Drive is one of the Scotia Group's longest standing commitments, with support including collections in branches island-wide and assistance from volunteers who prepare food packages for the indigent.

Over the past year, 1,554 ScotiaVolunteers also supported the work of other Foundations and organisations which collected J$103 million for targeted charities. The entities/projects assisted included: the Shaggy Make a Difference Foundation for the Bustamante Hospital for Children; the Sigma Corporate Run which raised funds for cancer care and the Paediatric Unit at the Black River Hospital; the Jamaica Cancer Society's Relay for Life; the Kingston City Run for homeless persons; the Grace Education Fund Run to provide scholarships for inner-city youths; the CUMI Run for the rehabilitation of mentally ill persons in St. James; and the Montego Bay City Run for needy tertiary students in St. James.

Nurturing Sport Talent

The critical role played by sports in character-building and instilling vital life skills that will equip athletes to become responsible citizens of the future justifies the ongoing investment by the Scotia Group to nurture talent in this sector.

Some 580 boys and girls participated in the annual Scotia Kiddy Cricket programme in 2016. The programme, now in its 16th year, is aimed at developing the skills of promising young players aged 7-12, and promoting greater understanding of the game in the wider community. Consistent with the mandate to increase public support for this sport, special games were organized during the season in high traffic locations such as Devon House, Kingston and the Urban Development Corporation (UDC) Hospital Park, Montego Bay. The young players also had the opportunity to showcase their skills during the 15 minute break intervals on match days at the historic Sabina Park.

During the year under review, the Bank also maintained its sponsorship for Netball Jamaica, now in its tenth year. There was a first-time Netball Summer Camp for Under 14 and Under 16 players at the National Indoor Sports Centre; and the Under 16 team maintained its dominance in the Caribbean by winning the Jean Pierre Tournament in Barbados for the 11th consecutive year.

Our Mission

We are committed to being the institution of choice in the financial sector, providing superior products and services and being a good corporate citizen to the benefit of our customers, shareholders and staff.

Our Vision

To be the institution of choice by exceeding our customers' expectations, emphasizing convenience, professionalism, product innovation and diversification as we grow shareholder value.

Our Values

RESPECT

We respect diverse backgrounds and experiences, and treat everyone with dignity.

How We ENGAGE

INTEGRITY

We behave honourably to earn the trust of our customers and each other.

How We ACT

PASSION

We serve customers with enthusiasm and pride, with the courage to listen, learn, innovate and win.

How We DELIVER

ACCOUNTABILITY

We take responsibility for our work, commitments and actions with customers and each other.

How We COMMIT

Our Awards

BEST FX PROVIDER AWARD 2017
GLOBAL FINANCE

Global Finance - 2017
Best FX Provider

BEST DIGITAL BANKS 2016
GLOBAL FINANCE

Global Finance - 2016
World's Best Consumer Digital Bank

Scotiabank Recognised by PSOJ / JaCSA for Excellence in Customer Service

Large Business-to -Consumer Award
Raymond Samuels, Head of Retail at Rubis, presents the Large Business-to-Consumer Award to Scotia Group Jamaica's Director of Customer Experience Rosemarie Voordouw and team members Simone Burton and Diana Deer at the Jamaica Pegasus Hotel.

Shareholdings
- Scotia Group Jamaica Limited
As at 31 October 2016

TOTAL SHAREHOLDINGS (UNITS)

DIRECT (UNITS)

CONNECTED PARTIES (UNITS)

Top Ten Shareholders

1	SCOTIABANK CARIBBEAN HOLDINGS LIMITED	2,233,403,384
2	SAGICOR POOLED EQUITY FUND	59,192,292
3	NATIONAL INSURANCE FUND	57,924,069
4	SJIML A/C 3119	55,725,439
5	NCB INSURANCE CO. LTD A/C WT109	26,291,176
6	RESOURCE IN MOTION	25,366,155
7	SDBG A/C 560-01	21,264,519
8	GRACEKENNEDY LIMITED PENSION SCHEME	17,138,543
9	SDBG A/C 560-03	13,236,347
10	JCSD TRUSTEE SERVICES LIMITED- SIGMA OPTIMA	10,904,470

Directors

	TOTAL SHAREHOLDINGS (UNITS)	DIRECT (UNITS)	CONNECTED PARTIES (UNITS)
ALEXANDER, BARBARA	124,652	108,000	16,652
CHANG, ANTHONY	3,274	3,274	0
HALL, JEFFREY MCGOWAN	40,000	0	40,000
HART, ANTONY MARK*	124,960	24,960	100,000
JOHNSTON, CHARLES	12,128	2,328	9,800
KING, BRENDAN*	0	0	0
MAHFOOD, ANDREW *	356,872	0	356,872
MATALON, JOSEPH	4,566,394	0	4,566,394
SHARP, JACQUELINE	190,010	52,010	138,000
SMITH, EVELYN**	0	0	0

* Appointed August 5, 2016
**Appointed December 2, 2015

Senior Managers & Connected Parties

	TOTAL SHAREHOLDINGS (UNITS)	DIRECT (UNITS)	CONNECTED PARTIES (UNITS)
BOURDEAU, RONALD 'RON'	0	0	0
BRIGHT, ALSTON CARL	123,300	123,300	0
DISTANT, STEVE	125,029	125,029	0
FORBES-PATRICK,YANIQUE	0	0	0
HANSON, DONOVAN	188,995	0	188,995
HARVEY, VINCENT	13,945	9,045	4,900
HEYWOOD, NADINE	0	0	0
LATCHMAN-ATTERBURY, PATSY	191,576	191,576	0
MCANUFF-JONES, MICHAEL	410,241	314,191	96,050
MAIR, HORACE CRAIG	24,741	24741	0
MCLEGGON, MARCETTE	196,165	196,165	0
MILLER, HUGH G	71,876	71,876	0
MITCHELL, LISSANT	4,500	0	4,500
NELSON, MORRIS	0	0	0
PILLINER, ROSEMARIE	146,674	74,216	72,458
ROPER, GEORGE	0	0	0
SADLER, TAMIKO	55,360	39,530	15,830
SHARP, JACQUELINE	190,010	52,010	138,000
STOKES, ADRIAN	0	0	0
SYLVESTER, COURTNEY	352,247	227,483	124,764
THOMPSON-JAMES, JULIE	7,800	0	7,800
WALTERS, DUDLEY	1,787	1,787	0
WHITE, GARY-VAUGHN	73,711	73,711	0
WHITELOCKE, GLADSTONE	143,987	54,000	89,987
WILKIE -CHANNER, SHELEE*	96,992	76,944	21,048
WILLIAMS, FREDERICK	175,138	128,985	46,153
WRIGHT, MICHELLE	0	0	0
WRIGHT, SALIANN	433,857	31,169	402,688

* Appointed Chief Auditor September 1, 2016

KPMG
Chartered Accountants
P.O. Box 76
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640

firmmail@kpmg.com.jm

IINDEPENDENT AUDITORS' REPORT

To the Members of

SCOTIA GROUP JAMAICA LIMITED

Report on the Financial Statements

We have audited the financial statements, comprising the separate financial statements of Scotia Group Jamaica Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 57 to 144, which comprise the Group's and Company's statements of financial position as at October 31, 2016, the Group's andCompany's statements of revenue and expenses, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

KPMG

Report on the Financial Statements, continued

Auditors' Responsibility (continued)

In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on additional matters as required by The Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

December 7, 2016

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Revenue & Expenses
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Net interest income and other revenue			
Net interest income:			
Interest from loans and deposits with banks		22,116,030	20,918,141
Interest from securities		8,158,034	9,122,947
Total interest income	6	30,274,064	30,041,088
Interest expense	6	(4,898,163)	(5,766,260)
Net interest income		25,375,901	24,274,828
Impairment losses on loans	23	(1,432,420)	(1,361,874)
Net interest income after impairment losses on loans		23,943,481	22,912,954
Other revenue:			
Fee and commission income	7	12,488,592	10,893,694
Fee and commission expense	7	(5,472,547)	(4,402,849)
		7,016,045	6,490,845
Net gains on foreign currency activities	8	3,632,779	2,205,454
Net gains on financial assets	8	344,816	293,415
Insurance revenue	9	2,369,309	3,203,932
Other revenue	10	30,763	32,877
Total other revenue		13,393,712	12,226,523
		37,337,193	35,139,477
Expenses			
Salaries, pensions and other staff benefits	11	10,428,959	10,654,035
Property expenses, including depreciation		2,021,790	2,049,666
Amortisation and impairment of intangible assets	28	127,006	102,344
Asset tax		956,448	1,286,208
Other operating expenses		7,162,047	6,803,088
	12	20,696,250	20,895,341
Profit before taxation	13	16,640,943	14,244,136
Taxation	14	(5,050,341)	(4,110,131)
Profit for the year		11,590,602	10,134,005
Attributable to:			
Equity holders of the company		11,300,599	9,921,429
Non-controlling interest		290,003	212,576
Profit for the year		11,590,602	10,134,005
EARNINGS PER STOCK UNIT (expressed in $ per share) **attributable to stockholders of the company**	15	3.63	3.19

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

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Comprehensive Income
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Profit for the year		11,590,602	10,134,005
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plan asset and obligations	29	(251,970)	5,665,043
Taxation	36	83,990	(1,890,379)
		(167,980)	3,774,664
Items that are or may be reclassified to profit or loss:			
Unrealised gains on available-for-sale financial assets		989,915	68,672
Realised gains on available-for-sale financial assets transferred to profit		(15,302)	(45,359)
Amortisation of fair values on financial instruments on reclassification to loans and receivable		-	15,297
		974,613	38,610
Taxation	36	(234,649)	40,504
		739,964	79,114
Other comprehensive income, net of tax		571,984	3,853,778
Total comprehensive income		12,162,586	13,987,783
Attributable to:			
Stockholders of the company		11,825,603	13,751,528
Non-controlling interest	45	336,983	236,255
Total comprehensive income		12,162,586	13,987,783

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

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Financial Position
October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
ASSETS			
Cash resources			
Cash and balances at Bank of Jamaica	16	38,876,946	31,581,674
Government and bank notes other than Jamaican	19	839,283	596,190
Due from other banks	17	35,699,443	25,114,056
Accounts with parent and fellow subsidiaries	18	30,860,816	21,937,122
	19	106,276,488	79,229,042
Financial assets at fair value through profit or loss	20	554,034	844,397
Pledged assets	21	46,591,509	54,040,788
Loans, after allowance for impairment losses	22	166,826,780	154,499,373
Investment securities	24	117,121,153	105,436,140
Government securities purchased under resale agreements	25	820,146	150,058
Other assets			
Customers' liabilities under acceptances, guarantees and letters of credit		10,472,328	10,693,915
Taxation recoverable		2,275,813	3,238,782
Sundry assets	26	2,331,282	1,523,568
Property, plant and equipment	27	5,476,590	5,337,996
Goodwill and intangible assets	28	1,208,425	1,218,517
Retirement benefits asset	29	17,366,400	16,690,244
Deferred taxation	36	70,706	29,125
		39,201,544	38,732,147
		477,391,654	432,931,945

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

Consolidated Statement of Financial Position (Continued)
October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
LIABILITIES			
Deposits by the public	30	248,416,381	209,461,602
Due to other banks and financial institutions	31	5,904,813	5,254,508
Due to ultimate parent company	32	5,069,935	5,707,556
Due to fellow subsidiaries	33	172,086	65,209
		259,563,215	220,488,875
Other liabilities			
Cheques and other instruments in transit	19	1,928,340	2,417,824
Acceptances, guarantees and letters of credit		10,472,328	10,693,915
Securities sold under repurchase agreements		31,634,237	39,832,452
Capital management and government securities funds	34	15,352,087	12,714,643
Other liabilities	35	7,509,536	5,228,905
Taxation payable		1,727,158	1,448,959
Deferred tax liabilities	36	5,760,074	5,531,012
Retirement benefits obligations	29	3,191,557	2,735,526
		77,575,317	80,603,236
Policyholders' liabilities	37	44,764,585	43,112,279
EQUITY			
Share capital	38	6,569,810	6,569,810
Reserve fund	39	3,249,976	3,248,591
Retained earnings reserve	40	24,791,770	20,591,770
Capital reserve	41	11,340	9,383
Cumulative remeasurement gains from available-for-sale securities	42	868,236	175,252
Loan loss reserve	43	3,143,875	3,204,491
Other reserves	44	9,964	12,892
Unappropriated profits		53,210,802	51,445,043
Total equity attributable to equity holders of the Company		91,855,773	85,257,232
Non-controlling interest	45	3,632,764	3,470,323
Total equity		95,488,537	88,727,555
Total equity and liabilities		477,391,654	432,931,945

The financial statements on pages 57 to 144 were approved for issue by the Board of Directors on December 7, 2016 and signed on its behalf by:

Jeffrey M Hall Director

Jacqueline T Sharp Director

Anthony V. Chang Director

Julie Thompson-James Secretary

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

Consolidated Statement of Changes in Stockholders' Equity
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Cumulative remeasurement result from available for sale financial assets	Loan loss reserve	Other reserves	Unappropriated profits	Total	Non controlling interest	Total equity
		Attributable to equity holders of the Company										
Balances at October 31, 2014		6,569,810	3,248,591	16,591,770	9,383	101,566	3,202,002	12,892	46,748,239	76,484,253	3,409,194	79,893,447
Profit for the year		-	-	-	-	-	-	-	9,921,429	9,921,429	212,576	10,134,005
Other comprehensive income:												
Remeasurement of defined benefit plan/obligations		-	-	-	-	-	-	-	3,774,664	3,774,664	-	3,774,664
Unrealised gains on available-for-sale securities, net of taxes		-	-	-	-	75,205	-	-	-	75,205	24,030	99,235
Realised gains on available-for-sale securities transferred to profit or loss		-	-	-	-	(27,624)	-	-	-	(27,624)	(2,696)	(30,320)
Amortisation of fair value reserve on financial instruments reclassified to loans and receivables		-	-	-	-	7,854	-	-	-	7,854	2,345	10,199
Total other comprehensive income		-	-	-	-	55,435	-	-	3,774,664	3,830,099	23,679	3,853,778
Total comprehensive income		-	-	-	-	55,435	-	-	13,696,093	13,751,528	236,255	13,987,783
Transfer to loan loss reserve		-	-	-	-	-	2,489	-	(2,489)	-	-	-
Transfer to retained earnings reserve		-	-	4,000,000	-	-	-	-	(4,000,000)	-	-	-
Transfer to unappropriated profits		-	-	-	-	18,251	-	-	(18,251)	-	-	-
Transactions with owners of the company:												
Dividends paid	53	-	-	-	-	-	-	-	(4,978,549)	(4,978,549)	(175,126)	(5,153,675)
Net movement for the year		-	-	4,000,000	-	18,251	2,489	-	(8,999,289)	(4,978,549)	(175,126)	(5,153,675)
Balances at October 31, 2015		6,569,810	3,248,591	20,591,770	9,383	175,252	3,204,491	12,892	51,445,043	85,257,232	3,470,323	88,727,555
Profit for the year		-	-	-	-	-	-	-	11,300,599	11,300,599	290,003	11,590,602
Other comprehensive income:												
Remeasurement of defined benefit plan/obligations		-	-	-	-	-	-	-	(167,980)	(167,980)	-	(167,980)
Unrealised gains on available-for-sale securities, net of taxes		-	-	-	-	698,948	-	-	-	698,948	49,765	748,713
Realised gains on available-for-sale securities transferred to profit or loss		-	-	-	-	(5,964)	-	-	-	(5,964)	(2,785)	(8,749)
Total other comprehensive income		-	-	-	-	692,984	-	-	(167,980)	525,004	46,980	571,984
Total comprehensive income		-	-	-	-	692,984	-	-	11,132,619	11,825,603	336,983	12,162,586
Transfer to loan loss reserve		-	-	-	-	-	(60,616)	-	60,616	-	-	-
Transfer to retained earnings reserve		-	-	4,200,000	-	-	-	-	(4,200,000)	-	-	-
Movement in reserves due to the dissolution of subsidiary		-	1,385	-	1,957	-	-	(2,928)	-	414	584	998
Transactions with owners of the Company:												
Dividends paid	53	-	-	-	-	-	-	-	(5,227,476)	(5,227,476)	(175,126)	(5,402,602)
Net movement for the year		-	1,385	4,200,000	1,957	-	(60,616)	(2,928)	(9,366,860)	(5,227,062)	(174,542)	(5,401,604)
Balances at October 31, 2016		6,569,810	3,249,976	24,791,770	11,340	868,236	3,143,875	9,964	53,210,802	91,855,773	3,632,764	95,488,537

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

SCOTIA GROUP JAMAICA LIMITED
Consolidated Statement of Cash Flows
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities			
Profit for the year		11,590,602	10,134,005
Adjustments for:			
Taxation charge	14	5,050,341	4,110,131
Depreciation	27	511,389	516,603
Amortisation of intangible asset	28	127,006	102,344
Impairment allowances on loans	23	2,958,360	2,791,292
Gain on sale of property, plant and equipment	10	-	(7,513)
Write-off of property, plant, equipment and intangibles	27,28	-	3,494
Increase in retirement benefit asset/obligations		(387,943)	(42,088)
		19,849,755	17,692,444
Interest income	6	(30,274,064)	(30,041,088)
Interest expense	6	4,898,163	5,766,260
		(5,526,146)	(6,582,384)
Changes in operating assets and liabilities			
Loans		(15,254,743)	(11,497,334)
Deposits by the public		41,571,644	18,415,991
Deposits with Bank of Jamaica maturing after ninety days		1,360,351	(1,740,000)
Policyholders' liabilities		1,652,306	(197,292)
Sundry assets, net		(809,004)	(176,628)
Other liabilities, net		2,283,171	1,066,501
Due to parent company and fellow subsidiaries		(524,876)	(536,407)
Amounts due from other banks		-	4,574,389
Accounts with parent and fellow subsidiaries		8,601,079	(2,667,830)
Financial assets at fair value through profit or loss		290,363	134,301
Taxation recoverable		962,970	(968,755)
Retirement benefits asset/obligations		(84,152)	(60,615)
Amounts due to other banks and financial institutions		633,041	656,535
Statutory reserves at Bank of Jamaica		(4,317,480)	(2,757,538)
Securities sold under repurchase agreements		(8,132,434)	(7,765,516)
		22,706,090	(10,102,582)
Interest received		30,302,834	30,250,916
Interest paid		(4,931,969)	(5,987,150)
Taxation paid		(4,735,320)	(3,414,748)
Net cash provided by operating activities (carried forward to page 63)		43,341,635	10,746,436

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, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities (brought forward from page 62)		43,341,635	10,746,436
Cash flows from investing activities			
Investment securities		(10,722,939)	(21,873,442)
Pledged assets		6,016,672	6,299,795
Proceeds from disposal of property, plant and equipment		-	9,013
Purchase of property, plant and equipment	27	(650,820)	(573,166)
Intangible assets	28	(116,914)	(44,890)
Net cash used in investing activities		(5,474,001)	(16,182,690)
Cash flows from financing activities			
Dividends paid to stockholders	53	(5,227,476)	(4,978,549)
Dividends paid to non-controlling interest in subsidiary	53	(175,126)	(175,126)
Net cash used in financing activities		(5,402,602)	(5,153,675)
Effect of exchange rate changes on cash and cash equivalents		1,477,649	1,560,499
Net increase/(decrease) in cash and cash equivalents		33,942,681	(9,029,430)
Cash and cash equivalents at beginning of year		36,354,598	45,384,028
Cash and cash equivalents at end of year	19	70,297,279	36,354,598

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

SCOTIA GROUP JAMAICA LIMITED
Statement of Comprehensive Income
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Net interest income and other revenue			
Interest from deposit with banks		86,446	48,743
Interest from securities		4,233	218,630
	6	90,679	267,373
Net gains on foreign currency activities		784,279	715,784
Net gains on financial assets	8	-	2,752
Dividend income		2,907,040	586,604
		3,691,319	1,305,140
Total income		3,781,998	1,572,513
Expenses			
Asset tax		200	200
Other operating expense		34,297	35,934
	12	34,497	36,134
Profit before taxation	13	3,747,501	1,536,379
Taxation	14	(14,050)	(57,815)
Profit for the year		3,733,451	1,478,564
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Unrealised gains on available-for-sale financial assets		1,237	-
Realised gains on available-for-sale financial assets transferred to profit		-	(2,080)
		1,237	(2,080)
Taxation (charge)/credit	36	(309)	520
Other comprehensive income/(loss), net of tax		928	(1,560)
Total comprehensive income for the year		3,734,379	1,477,004

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

SCOTIA GROUP JAMAICA LIMITED
Statement of Financial Position
October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
ASSETS			
Cash resources			
Accounts with subsidiaries	19	9,905,585	12,675,188
Loans to subsidiary	22	230,000	155,000
Investment securities			
Available-for-sale	24	1,210,742	-
Investment in subsidiaries, at cost		9,532,408	9,532,408
Other assets			
Taxation recoverable		297,246	363,047
		21,175,981	22,725,643
LIABILITES			
Accrued expenses and other liabilities		8,809	10,080
Taxation payable		9,662	69,654
Deferred tax liabilities	36	6,400	1,702
		24,871	81,436
EQUITY			
Share capital	38	6,569,810	6,569,810
Cumulative remeasurement gains from available-for-sale securities	42	928	-
Unappropriated profits		14,580,372	16,074,397
Total stockholders' equity		21,151,110	22,644,207
Total liabilities and equity		21,175,981	22,725,643

The financial statements on pages 57 to 144 were approved for issue by the Board of Directors on December 7, 2016 and signed on its behalf by:

Jeffrey M Hall — Director

Jacqueline T Sharp — Director

Anthony V. Chang — Director

Julie Thompson-James — Secretary

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

SCOTIA GROUP JAMAICA LIMITED
Statement of Changes in Stockholders' Equity
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Cumulative remeasurement result from available for sale financial assets	Unappropriated profits	Total
Balances at October 31, 2014		6,569,810	1,560	19,574,382	26,145,752
Profit for the year		-	-	1,478,564	1,478,564
Other comprehensive income:					
Realised gains on available for sale sale securities, net of tax		-	(1,560)	-	(1,560)
Total comprehensive income		-	(1,560)	1,478,564	1,477,004
Transaction with owners:					
Dividends paid	53	-	-	(4,978,549)	(4,978,549)
Balances at October 31, 2015		6,569,810	-	16,074,397	22,644,207
Profit for the year		-	-	3,733,451	3,733,451
Other comprehensive income:					
Unrealised gains on available for sale sale securities, net of tax		-	928	-	928
Total comprehensive income		-	928	3,733,451	3,734,379
Transaction with owners:					
Dividends paid	53	-	-	(5,227,476)	(5,227,476)
Balances at October 31, 2016		6,569,810	928	14,580,372	21,151,110

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

SCOTIA GROUP JAMAICA LIMITED
Statement of Cash Flows
Year ended October 31, 2016

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	2016	2015
Cash flows from operating activities			
Profit for the year		3,733,451	1,478,564
Adjustments for:			
Interest income	6	(90,679)	(267,373)
Taxation	14	14,050	57,815
		3,656,822	1,269,006
Changes in operating assets and liabilities			
Loan to subsidiary		(75,000)	(85,000)
Other assets, net		65,800	27,672
Account with fellow subsidiary		4,099,953	(753,251)
Other liabilities		(1,271)	110
		7,746,304	458,537
Interest received		73,123	314,968
Taxation paid		(69,653)	(97,096)
Net cash provided by operating activities		7,749,774	676,409
Cash flow from investing activity			
Investment securities		(1,199,460)	4,765,586
Cash flows from financing activity			
Dividends paid, being net cash used in financing activity	53	(5,227,476)	(4,978,549)
Net increase in cash and cash equivalents		1,322,838	463,446
Cash and cash equivalents at beginning of year		562,703	99,257
Cash and cash equivalents at end of year	19	1,885,541	562,703

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

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

The Company is the parent of The Bank of Nova Scotia Jamaica Limited, ("the Bank") which is licensed under the Banking Services Act, 2014, Scotia Investments Jamaica Limited ("SIJL"), which is licensed under the Securities Act, and Scotia Jamaica Microfinance Company Limited. The Company is listed on the Jamaica Stock Exchange and SIJL is listed on the Jamaica Stock Exchange and the Trinidad and Tobago Stock Exchange.

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

Subsidiaries	Principal Activities	Holding by Company	Holding by Subsidiary	Financial Year-End
The Bank of Nova Scotia Jamaica Limited and its subsidiaries:	Banking	100%		October 31
The Scotia Jamaica Building Society	Mortgage Financing		100%	October 31
Scotia Jamaica Life Insurance Company Limited	Life Insurance		100%	December 31*
Scotia Investments Jamaica Limited and its subsidiaries:	Investment Banking	77.01%		October 31
Scotia Asset Management Jamaica Limited	Unit Trust and Fund Management		100%	October 31
Scotia Jamaica Investment Management Limited	Non-trading		100%	October 31
Scotia Asset Management (St. Lucia) Inc	Funds Management		100%	October 31
Scotia Jamaica Microfinance Company Limited	Micro-financing	100%		October 31

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

*The statements included in the consolidation are audited financial statements as at and for the year ended October 31, 2016.

Winding up of subsidiaries

Brighton Holdings Limited, Scotia Jamaica Financial Services Limited, DB&G Corporate Services Limited and Billy Craig Investments Limited, all wholly owned subsidiaries, were wound up on September 30, 2016. Brighton Holdings Limited, Scotia Jamaica Financial Services Limited, DB&G Corporate Serviced Limited and Billy Craig Investments contributed profit before tax of $32,172; $4,577; $1,694 and $243 respectively to the Group for the year.

2. Summary of significant accounting policies

(a) Basis of preparation

(i) Statement of compliance

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

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

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

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

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

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

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

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

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

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

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

(i) Statement of compliance (continued)

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

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

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

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

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

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

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

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

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

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

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

(i) Statement of compliance (continued)

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

- Amendments to IFRS 11, *Accounting for Acquisitions of Interests in Joint Operations,* effective for accounting periods beginning on or after January 1, 2016 require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value but previously held interests will not be remeasured.

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

- IAS 19, *Employee Benefits,* effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid. Consequently, the depth of the market for high-quality corporate bonds should be assessed at the currency level and not the country level.

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

- Amendments to IAS 16 and IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortisation,* effective for accounting periods beginning on or after January 1, 2016, has been amended to clarify or state the following:

  - The amendment to IAS 16, *Property, Plant and Equipment* explicitly states that revenue-based methods of depreciation cannot be used. This is because such methods reflect factors other than the consumption of economic benefits embodied in the assets.
  - The amendment to IAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods is inappropriate for intangible assets.

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

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

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

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

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

(i) Statement of compliance (continued)

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

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

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

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

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

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

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

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

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

(i) Statement of compliance (continued)

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

IFRS 12 was amended to clarify that the relevant disclosure requirements in the standard apply to an investment entity in which all of its subsidiaries are measured at fair value through profit or loss.

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

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

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

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

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

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

(a) Basis of preparation (continued)

(i) Statement of compliance (continued)

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

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

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

(b) Basis of consolidation

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

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

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

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

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

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

(b) Basis of consolidation (continued)

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

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to, and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision maker. All transactions between business segments are conducted on an arms length basis, with inter-segment revenue and costs eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

(d) Foreign currency translation

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

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

Foreign currency gains and losses resulting from the settlement of foreign currency transactions and from the translation at the reporting date of foreign currency monetary assets and liabilities are recognised in the statement of revenue and expenses.

(e) Revenue recognition

(i) Interest income

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

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(i) Interest income (continued)

Where collection of interest income is considered doubtful, or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. The difference between the amounts recognised under the banking regulations and such amounts as would have been determined under IFRS is considered to be immaterial.

(ii) Fee and commission income

Fee and commission income are recognised on the accrual basis when service has been provided. Origination fees for loans are recognised in profit or loss immediately, as they are not considered material for deferral.

Portfolio and other management advisory and service fees are recognised based on the applicable service contracts. Asset management fees are recognised over the period the service is provided. The same principle is applied for financial planning and custody services that are continuously provided over an extended period of time.

Fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Premium income

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

(iv) Dividend income

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

(f) Interest expense

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

(g) Claims

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

(h) Reinsurance contracts held

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

2. Summary of significant accounting policies (continued)

(i) Taxation

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

(i) 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.

(ii) Deferred income tax

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

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

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

(j) Insurance contracts

(i) Classification

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

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Group defines insurance risk as significant if an insured event could cause an insurer to pay significant additional benefits in a scenario that has a discernible effect on the economics of the transactions. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits, at the occurrence of an insured event, that are at least 10% more than the benefits payable if the insured event did not occur.

(ii) Recognition and measurement

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

2. Summary of significant accounting policies (continued)

(j) Insurance contracts (continued)

(ii) Recognition and measurement (continued)

Under contracts that bear an investment option, the investment portion of insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by interest credited and are decreased by policy administration fees, mortality charges and any withdrawals or surrenders; the resulting liability is the policyholders' fund. Income consists of fees deducted for mortality, policy administration, withdrawals and surrenders. Interest credited to the policy and benefit claims in excess of the cash surrender value incurred in the period are recorded as expenses in the statement of revenue and expenses.

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

(k) Policyholders' liabilities

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

(ii) Annuities

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

(l) Financial assets and liabilities

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

(i) Recognition

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

(ii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset have expired, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

(iii) Measurement

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

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

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

(m) Financial assets

(i) Classification

The Group classifies its financial assets as financial assets as fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

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

This category includes financial assets held for trading. A financial asset is classified in this category at inception if acquired principally for the purpose of selling in the short term or if so designated by management. These assets are measured at fair value and all related gains and losses are included in profit or loss.

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(i) Classification (continued)

(2) Loans and receivables

See details at note 2(q).

(3) Held-to-maturity

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

(4) Available-for-sale

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

(ii) Identification and measurement of impairment

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

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

2. Summary of significant accounting policies (continued)

(m) Financial assets (continued)

(ii) Identification and measurement of impairment (continued)

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

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

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

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

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

(n) Embedded derivatives

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

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

2. Summary of significant accounting policies (continued)

(n) Embedded derivatives (continued)

Separated embedded derivatives are measured at fair value, with changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(o) Investment in subsidiaries

Investments by the Group in subsidiaries are stated at cost less impairment losses.

(p) Repurchase and reverse repurchase agreements

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

(q) Loans and receivables and allowance for impairment losses

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

Loans are initially recorded at the fair value of the consideration given, which is the cash disbursed to originate the loan, including any transaction costs, and are subsequently measured at amortised cost.

The Group considers a loan to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the date of initial recognition of the loan and the loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated. An allowance for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original contractual terms of loans. Objective evidence is represented by observable data that comes to the attention of the Group and includes events that indicate:

i. significant financial difficulty of the borrower;
ii. default or delinquency in interest or principal amounts;
iii. the probability of the borrower entering a phase of bankruptcy or financial reorganisation;
iv. measurable decrease in the estimated future cash flows from the loan.

The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the impaired loans.

2. Summary of significant accounting policies (continued)

(q) Loans and receivables and allowance for impairment losses (continued)

Credit card loans are written off when payment of the contractual amounts are considered remote.

As required by statutory regulations, if a payment on a loan is contractually 90 days in arrears, the loan is classified as impaired. On classification as a non-performing loan, any interest that is contractually due but in arrears is reversed from the profit or loss, and interest is thereafter recognised on the cash basis. The regulations stipulate the criteria for specific provisions based on length of time in arrears, whether or not the loan is secured and the collateral held. The regulations also require a general provision of 1% be established for all loans excluding those with specific provisions.

The recognition of interest on impaired loans in accordance with the regulations differs from IFRS, which requires that interest on the impaired asset continues to be recognised through the unwinding of the discount that was applied to the estimated future cash flows. The difference is not considered material.

Statutory and other regulatory loan loss provisions that exceed the amounts required under IFRS are included in a non-distributable loan loss reserve as an appropriation of profits.

(r) Acceptances and guarantees

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

(s) Goodwill and intangible assets

(i) Intangible assets acquired separately

Intangible assets acquired separately are reported 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 life and amortisation method are reviewed at each reporting date, with the effect of any changes in estimate being accounted for prospectively.

(ii) 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 reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. Summary of significant accounting policies (continued)

(s) Goodwill and intangible assets (continued)

(iii) Impairment of tangible and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

(iv) Goodwill

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

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

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

(v) 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.

(vi) Contract-based intangible assets

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

2. Summary of significant accounting policies (continued)

(s) Goodwill and intangible assets (continued)

(vii) Licences

The asset represents the value of SIJL's Jamaica Stock Exchange seat, 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.

(viii) Tax shield

The asset represents the present value of tax saving on tax-free bonds held by SIJL recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefit. The carrying amount of the tax asset is reviewed at each reporting date and reduced to the extent that the benefit is already realised, or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The assets are measured at the tax rate that is expected to apply in the period in which the asset is realised, based on tax rates (and tax laws) that have been enacted by the reporting date.

(ix) 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.

(t) Leases

(i) As lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset and the present value of future minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged as an expense and included in profit or loss over the lease period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to profit or loss on the straight-line basis over the period of the lease.

(ii) As lessor

The present value of the lease payments under finance leases is recognised as a receivable. The difference between the gross payments receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease in a manner which reflects a constant periodic rate of return on the net investment in the lease.

2. Summary of significant accounting policies (continued)

(t) Leases (continued)

(ii) As lessor (continued)

Assets leased out under operating leases are included in property, plant and equipment. They are depreciated over their expected useful lives on a basis consistent with similar owned assets. Rental income is recognised on the straight-line basis over the lease term.

(u) Property, plant and equipment

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

Expenditure subsequent to acquisition is included in the asset's carrying amount or 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 expense in profit or loss during the financial period in which it is incurred.

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

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

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

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

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

(v) Employee benefits

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

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

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(i) 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 plan. 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 at the reporting date and the fair value of plan assets. Where a pension asset arises, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged as an expense in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year in accordance with IAS 19. Remeasurements comprising actuarial gains and losses change in the effect of asset ceiling are reported in other comprehensive income. The pension obligation is measured as the present value of the estimated future benefits of employees, 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 a plan are changed or when the plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

(ii) 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.

2. Summary of significant accounting policies (continued)

(v) Employee benefits (continued)

(iii) Other post-retirement obligations

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

(iv) Equity compensation benefits

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

The amount contributed to the ESOP trust (note 54) 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.

(v) 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.

(vi) 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 to the scheme, 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.

(w) Borrowings

Borrowings are recognised initially at fair value of consideration received net of transaction costs incurred and are subsequently stated 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.

(x) Share capital

(i) Classification

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

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

2. Summary of significant accounting policies (continued)

(x) Share capital (continued)

(ii) 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.

(iii) Dividends

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

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

(y) 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.

(z) Cash and cash equivalents

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

(aa) Impairment of non-financial assets

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

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

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.

(i) Impairment losses on loans and advances

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

(ii) Income taxes

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

(iii) Estimate of future payments and premiums arising from long-term insurance contracts

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

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

These estimates are more fully described in note 37.

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

(iv) Pension and other post-employment benefits

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

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 rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liabilities. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation. Past experience has shown that the actual medical costs have increased on average by the rate of inflation. Other key assumptions for the pension and other post-employment benefit cost and credit are based, in part, on current market conditions.

(v) Recognition and measurement of intangible assets

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

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

(vi) Valuation of financial instruments

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

4. Responsibilities of the appointed actuary and external auditors

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

The stockholders, pursuant to the Companies Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

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, mortgages, and microfinance;

(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 – comprises the parent company and non-trading subsidiaries.

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

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

The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas represent less than 10% of the Group's operating revenue and assets.

5. Segmental financial information (continued)

	The Group 2016							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	18,745,095	7,037,818	4,129,824	3,479,616	4,527,416	849,844	-	38,769,613
Revenue from other segments	(820,631)	1,116,228	(514,326)	40,262	127,686	76,664	(25,883)	-
Total revenues	17,924,464	8,154,046	3,615,498	3,519,878	4,655,102	926,508	(25,883)	38,769,613
Total expenses and losses	(12,642,108)	(6,034,359)	(476,104)	(1,689,846)	(1,178,757)	(35,073)	(72,423)	(22,128,670)
Profit before tax	5,282,356	2,119,687	3,139,394	1,830,032	3,476,345	891,435	(98,306)	16,640,943
Taxation								(5,050,341)
Profit for the year								**11,590,602**
Segment assets	111,978,753	73,075,303	147,553,375	71,185,461	56,758,368	21,175,981	(24,022,088)	457,705,153
Unallocated assets								19,686,501
Total assets								**477,391,654**
Segment liabilities	143,284,990	136,252,383	913,049	56,239,395	45,360,140	24,872	(14,991,453)	367,083,376
Unallocated liabilities								14,819,741
Total liabilities								**381,903,117**
Other segment items:								
Capital expenditure	474,481	202,270	-	61,279	29,704	-	-	767,734
Impairment losses on loans	1,466,629	(18,959)	-	(15,250)	-	-	-	1,432,420
Depreciation and amortisation	327,206	164,635	-	136,377	10,177	-	-	638,395

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

	The Group 2015							
	Banking							
	Retail	Corporate and Commercial	Treasury	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	17,042,990	6,715,902	3,192,934	3,215,418	5,391,097	943,010	-	36,501,351
Revenue from other segments	(911,971)	991,410	(246,812)	(4,080)	138,320	61,423	(28,290)	-
Total revenues	16,131,019	7,707,312	2,946,122	3,211,338	5,529,417	1,004,433	(28,290)	36,501,351
Total expenses and losses	(12,304,486)	(6,000,734)	(414,263)	(1,703,436)	(1,704,806)	(37,257)	(92,233)	(22,257,215)
Profit before tax	3,826,533	1,706,578	2,531,859	1,507,902	3,824,611	967,176	(120,523)	14,244,136
Taxation								(4,110,131)
Profit for the year								**10,134,005**
Segment assets	98,162,976	72,867,345	116,285,242	68,824,215	55,890,030	22,926,630	(20,512,341)	414,444,097
Unallocated assets								18,487,848
Total assets								**432,931,945**
Segment liabilities	121,933,084	116,918,702	5,568,900	54,673,212	43,655,947	140,685	(11,796,798)	331,093,732
Unallocated liabilities								13,110,658
Total liabilities								**344,204,390**
Other segment items:								
Capital expenditure	325,372	251,691	-	25,149	15,844	-	-	618,056
Impairment losses on loans	1,306,402	58,346	-	(2,874)	-	-	-	1,361,874
Depreciation and amortisation	332,463	165,842	-	110,287	10,355	-	-	618,947

6. Net interest income

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Interest income:				
Deposits with banks and other financial institutions	484,017	427,556	65,008	40,351
Investment securities	8,142,952	9,092,512	4,233	218,630
Financial assets at fair value through profit or loss	1,329	2,738	-	-
Reverse repurchase agreements	13,753	27,697	-	-
Loans and advances	21,632,013	20,490,585	21,438	8,392
	30,274,064	30,041,088	90,679	267,373
Interest expense:				
Banks and customers	1,792,744	2,014,677	-	-
Repurchase agreements	1,348,077	1,987,156	-	-
Policyholders' liabilities	1,677,680	1,763,998	-	-
Other	79,662	429	-	-
	4,898,163	5,766,260	-	-
Net interest income	25,375,901	24,274,828	90,679	267,373

7. Net fee and commission income

	The Group 2016	The Group 2015
Fee and commission income:		
Retail banking fees	4,602,567	4,145,262
Credit related fees	1,301,595	1,162,437
Commercial and depository fees	5,189,489	4,327,090
Insurance related fees	168,392	181,180
Trust and other fiduciary fees	52,518	48,810
Asset management and related fees	1,174,031	1,028,915
	12,488,592	10,893,694
Fee and commission expenses	(5,472,547)	(4,402,849)
	7,016,045	6,490,845

8. Net gains on foreign currency activities and financial assets

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

(b) Net gains on financial assets:

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Gains on securities held for trading	323,722	224,407	-	-
(Losses)/gains on available-for-sale investments, loans and receivable securities	(56,947)	4,119	-	2,752
Gains on equities	78,041	64,889	-	-
	344,816	293,415	-	2,752

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

	The Group	
	2016	2015
Gross premiums		
Individual life	789,737	871,398
Group life	1,265,152	1,221,841
	2,054,889	2,093,239
Reinsurance ceded	(1,465)	(953)
	2,053,424	2,092,286
Changes in actuarial reserves	315,885	1,111,646
	2,369,309	3,203,932

10. Other revenue

	The Group	
	2016	2015
Gain on sale of property, plant and equipment	-	7,513
Dividend and other income	30,763	25,364
	30,763	32,877

11. Salaries, pensions and other staff benefits

	The Group	
	2016	2015
Wages and salaries	8,515,190	8,441,067
Statutory payroll contributions	742,411	744,833
Other staff benefits	1,536,281	1,401,708
	10,793,882	10,587,608
Post-employment benefits		
Pension credit on defined benefit plan [note 29(a)(v)]	(809,624)	(515,661)
Pension costs on defined contribution plans	23,020	24,339
Other post-retirement benefits [note 29(b)(ii)]	421,681	557,749
	(364,923)	66,427
Total (note 12)	10,428,959	10,654,035

12. Expenses by nature

	The Group		The Company	
	2016	2015	2016	2015
Salaries, pension contributions and other staff benefits (note 11)	10,428,959	10,654,035	-	-
Property expenses, including depreciation	2,021,790	2,049,666	-	-
Amortisation and impairment of intangible assets	127,006	102,344	-	-
Systems related expenses	1,613,405	1,784,753	-	-
Insurance claims and benefits	168,465	184,713	-	-
Transportation and communication	998,861	1,107,799	3,075	4,241
Marketing and advertising	585,371	577,552	-	-
Professional, Legal and Consultancy fees	543,376	529,441	28,881	29,806
Technical and support services	1,463,149	1,172,011	-	-
Deposit insurance	347,217	318,257	-	-
Stationery	405,121	400,489	2,024	859
Asset tax	956,448	1,286,208	200	200
Licensing and other regulatory fees	113,675	104,327	-	-
Other operating expenses	923,407	623,746	317	1,028
	20,696,250	20,895,341	34,497	36,134

13. Profit before taxation

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

	The Group		The Company	
	2016	2015	2016	2015
Auditors' remuneration	54,142	48,847	5,589	4,336
Depreciation of property, plant and equipment	511,389	516,603	-	-
Amortisation and impairment of intangible assets	127,006	102,344	-	-
Directors' emoluments:				
Fees	29,832	26,135	13,649	13,430
Management remuneration	56,637	53,725	-	-
Operating lease rentals	443,090	409,819	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

14. Taxation

(a) Taxation charge

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

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Current income tax:				
Income tax at 33⅓%	3,600,792	2,875,095	-	-
Income tax at 30%	491,071	466,696	-	-
Income tax 25%	933,259	829,157	9,661	69,714
Investment income tax at 15%	-	-	-	-
Adjustment for (over)/under provision of prior year's charge	(11,603)	58,974	-	-
Deferred income tax (note 36)	36,822	(119,791)	4,389	(11,899)
	5,050,341	4,110,131	14,050	57,815

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

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Profit before taxation	16,640,943	14,244,136	3,747,501	1,536,379
Tax calculated at 25%	-	-	936,875	384,095
Tax calculated at 33⅓%	5,546,981	4,748,045	-	-
Adjusted for the tax effects of:				
Different tax regimes applicable to the life insurance and mortgage financing subsidiaries and non-regulated entities	(607,428)	(810,887)	-	-
Interest /dividends from tax free investments	(261,531)	(273,447)	(726,760)	(146,651)
Expenses not deductible for tax purposes	302,909	246,190	65	65
Other charges and allowances	81,013	141,256	(196,130)	(179,694)
Prior period (over)/under provision	(11,603)	58,974	-	-
	5,050,341	4,110,131	14,050	57,815
Effective tax rate	30.35%	28.85%	0.37%	3.76%

(c) Change in tax rate:

With effect from 1 January 2015, the tax regime of life insurance companies was changed to withdraw the investment income tax at 15% and the 3% tax on gross premiums. The new regime provides for Income Tax at 25% upon all chargeable income, profits or gains, including any reduction in the actuarial reserves but excluding releases of accumulated actuarial reserves that were made in respect of premium taxes and investment taxes in the accounts of life assurance companies prior to January 1, 2015. In addition, insurance companies may exclude from chargeable income, premiums received as (i) contributions to approved superannuation funds or approved retirement schemes; or (ii) payment in respect of annuities purchased from the company by any such fund or scheme; and any amounts or earnings arising from the investment of any funds-derived from the sale of the annuities and deposited in a separate account established solely for that purpose.

15. Earnings per stock unit

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

	2016	2015
Profit for the year attributable to stockholders of the Company	11,300,599	9,921,429
Weighted average number of ordinary stock units in issue ('000)	3,111,573	3,111,573
Basic earnings per stock unit (expressed in $ per share)	3.63	3.19

16. Cash and balances at Bank of Jamaica

	The Group 2016	The Group 2015
Statutory reserves – interest-bearing	314,686	7,807,661
Statutory reserves – non interest bearing	26,780,021	14,969,566
Total statutory reserves (note 19)	27,094,707	22,777,227
Cash in hand and other balances at Bank of Jamaica	11,782,239	8,804,447
	38,876,946	31,581,674

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

Relevant legislation	Entity	Reserve percentage Jamaican 2016	Jamaican 2015	Foreign currency 2016	Foreign currency 2015
Banking Services Act, Section 14(i)	BNSJ	12%	12%	10%	9%
Building Society Regulations Section 31	SJBS	1%	1%	1%	1%

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

17. Due from other banks

	The Group 2016	The Group 2015
Items in course of collection from other banks	747,067	475,529
Placements with other banks	34,952,376	24,638,527
	35,699,443	25,114,056

18. Accounts with parent and fellow subsidiaries

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

19. Cash and cash equivalents

	The Group		The Company	
	2016	2015	2016	2015
Cash resources	106,276,488	79,229,042	9,905,585	12,675,188
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(27,094,707)	(22,777,227)	-	-
Other balances at Bank of Jamaica	(379,649)	(1,740,000)	-	-
Cheques and other instruments in transit	(1,928,340)	(2,417,824)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	(8,005,723)	(18,084,451)	(8,005,723)	(12,105,676)
Accrued interest	(36,035)	(38,445)	(14,321)	(6,809)
	68,832,034	34,171,095	1,885,541	562,703
Add other cash equivalent balances:				
Repurchase agreements less than ninety days	820,000	150,000	-	-
Pledged assets less than ninety days (Note 21)	645,245	2,033,503	-	-
	70,297,279	36,354,598	1,885,541	562,703
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	11,402,590	7,064,446	-	-
Government and bank notes other than Jamaican	839,283	596,190	-	-
Amounts due from other banks	35,699,443	25,114,056	-	-
Accounts with parent and fellow subsidiaries	22,855,093	3,852,672	1,899,862	569,512
Repurchase agreements	820,000	150,000	-	-
Pledged assets	645,245	2,033,503	-	-
Accrued interest	(36,035)	(38,445)	(14,321)	(6,809)
	72,225,619	38,772,422	1,885,541	562,703
Cheques and other instruments in transit	(1,928,340)	(2,417,824)	-	-
	70,297,279	36,354,598	1,885,541	562,703

20. Financial assets at fair value through profit or loss

	The Group	
	2016	2015
Government of Jamaica Securities	200,058	539,731
Unit trusts	353,976	304,666
	554,034	844,397

SCOTIA GROUP JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2016
(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Pledged assets

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

	The Group	
	2016	2015
Investment securities pledged as collateral for securities sold under repurchase agreements	34,234,338	44,707,784
Capital Management and Government Securities funds	11,466,273	8,620,151
Securities with regulators, clearing houses and other financial institutions	890,898	712,853
	46,591,509	54,040,788

Included in pledged assets are the following categories of assets:

	The Group	
	2016	2015
Deposits with financial institutions	4,199,302	2,392,727
Government issued securities:		
Available-for-sale	29,287,728	36,573,186
Held-to-maturity	3,041,044	3,778,032
Loans	796,209	814,695
Unitised funds:		
Available-for-sale	45,394	1,079,386
Other:		
Available-for-sale	9,221,832	9,402,762
	46,591,509	54,040,788

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

	The Group	
	2016	2015
Debt securities and other investments with an original maturity of less than ninety days (note 19)	645,245	2,033,503

(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Loans, after allowance for impairment losses

	The Group		The Company	
	2016	2015	2016	2015
Business and Government	65,310,804	64,110,604	230,000	155,000
Personal and credit cards	75,201,665	68,574,645	-	-
Residential mortgages	27,131,580	22,657,740	-	-
Interest receivable	1,090,528	1,059,504	-	-
	168,734,577	156,402,493	230,000	155,000
Less: Allowance for impairment losses (note 23)	(1,907,797)	(1,903,120)	-	-
	166,826,780	154,499,373	230,000	155,000

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

	The Group	
	2016	2015
Neither past due nor impaired	147,250,848	139,525,063
Past due but not impaired		
Past due 1-30 days	11,235,416	7,034,820
Past due 31-60 days	2,863,745	2,795,037
Past due 61-90 days	1,914,155	1,486,009
	16,013,316	11,315,866
Impaired:		
Past due more than 90 days	4,379,885	4,502,060
Interest receivable	1,090,528	1,059,504
Gross loan portfolio	168,734,577	156,402,493
Less: Allowance for impairment losses	(1,907,797)	(1,903,120)
Loans, after allowance for impairment losses	166,826,780	154,499,373

There were no financial assets other than those listed above that were individually impaired at the reporting date.

(ii) Repossessed collateral

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

23. Impairment losses on loans

	The Group	
	2016	2015
Total impaired loans	4,379,885	4,502,060
Allowance at beginning of year	1,903,120	1,917,647
Provided during the year	2,958,360	2,791,292
Bad debts written off	(2,953,683)	(2,805,819)
Allowance at end of year (note 22)	1,907,797	1,903,120
Provided during the year	2,958,360	2,791,292
Recoveries of bad debts	(1,525,940)	(1,429,418)
Impairment losses reported in profit for the year	1,432,420	1,361,874

A loan is classified as impaired if its book value exceeds the present value of the expected cash flows from interest payments, principal repayments, guarantees, and proceeds of liquidation of collateral. As at October 31, 2016, provisions for credit losses are made on all impaired loans. Uncollected interest not accrued on impaired loans was estimated at $1,893,910 (2015: $2,031,754) for the Group.

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

	The Group	
	2016	2015
Allowance based on IFRS - [see (a) below]	1,907,797	1,903,120
Additional allowance based on BOJ regulations [see (b) below]	3,143,875	3,204,491
	5,051,672	5,107,611

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

(b) This represents the additional allowance to meet the Bank of Jamaica loan loss provisioning requirement. A non-distributable loan loss reserve was established to represent the excess of the provision required by BOJ over the IAS 39 requirements (note 43).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

24. Investment securities

	The Group		The Company	
	2016	2015	2016	2015
Available-for-sale (AFS)				
Quoted shares	275,706	102,000	-	-
Unquoted shares	5,105	5,240	-	-
Government of Jamaica securities	69,949,821	61,204,196	1,200,698	-
Bank of Jamaica securities	7,056,502	208,502	-	-
Treasury bills	2,410,672	265,603	-	-
Corporate bonds	29,694,342	27,957,563	-	-
Other	707,603	3,539,611	-	-
Interest receivable	931,884	875,127	10,044	-
	111,031,635	94,157,842	1,210,742	-
Held-to-Maturity (HTM)				
Government of Jamaica securities	5,911,000	11,029,900	-	-
Interest receivable	178,518	248,398	-	-
	6,089,518	11,278,298	-	-
Total investments securities	117,121,153	105,436,140	1,210,742	-

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of $90,000 (2015: $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.

The debt securities include fixed rate and variable rate instruments. The Group did not reclassify any HTM Securities (measured at amortised cost) to AFS securities (measured at fair value), during the year.

25. Government securities purchased under resale agreements

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

	The Group	
	2016	2015
Reverse repurchase agreements with an original maturity of less than 90 days (note 19)	820,000	150,000
Interest receivable	146	58
	820,146	150,058

The fair value of collateral held pursuant to reverse repurchase agreements is $876,084 (2015: $157,500).

26. Sundry assets

	The Group	
	2016	2015
Accounts receivable and prepayments	321,506	250,910
Deferred charges	1,302,031	1,038,984
Other	707,745	233,674
	2,331,282	1,523,568

27. Property, plant and equipment

	The Group				
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work- in-Progress	Total
Cost					
October 31, 2014	3,388,734	507,973	5,451,637	984,084	10,332,428
Additions	5,300	8,551	51,079	508,236	573,166
Disposals	(21,600)	-	(8,498)	-	(30,098)
Transfers	806,179	2,717	447,466	(1,256,362)	-
Write-offs	-	-	-	(3,494)	(3,494)
October 31, 2015	4,178,613	519,241	5,941,684	232,464	10,872,002
Additions	54,066	8,190	72,235	516,329	650,820
Disposals	-	(35,270)	(6,617)	-	(41,887)
Transfers	65,079	6,101	176,991	(248,171)	-
October 31, 2016	4,297,758	498,262	6,184,293	500,622	11,480,935
Accumulated depreciation					
October 31, 2014	585,887	455,660	4,004,454	-	5,046,001
Charge for the year	86,870	24,857	404,876	-	516,603
Eliminated on disposals	(20,100)	-	(8,498)	-	(28,598)
October 31, 2015	652,657	480,517	4,400,832	-	5,534,006
Charge for the year	89,816	23,321	398,252	-	511,389
Eliminated on disposals	-	(35,270)	(5,780)	-	(41,050)
October 31, 2016	742,473	468,568	4,793,304	-	6,004,345
Net book values					
October 31, 2016	3,555,285	29,694	1,390,989	500,622	5,476,590
October 31, 2015	3,525,956	38,724	1,540,852	232,464	5,337,996
October 31, 2014	2,802,847	52,313	1,447,183	984,084	5,286,427

28. Goodwill and intangible assets

	The Group						
	Customer Relationships	Contract-Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Cost							
October 31, 2014	1,382,582	348,987	49,470	692,466	136,892	287,781	2,898,178
Additions during the year	-	-	-	-	-	44,890	44,890
Disposals	-	-	-	-	-	(27,949)	(27,949)
October 31, 2015	1,382,582	348,987	49,470	692,466	136,892	304,722	2,915,119
Additions during the year	-	-	-	-	-	116,914	116,914
Disposals	-	-	-	(692,466)	-	-	(692,466)
October 31, 2016	1,382,582	348,987	49,470	-	136,892	421,636	2,339,567

(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Goodwill and intangible assets (continued)

	The Group						
	Customer Relationships	Contract-Based Intangibles	License	Tax Benefits	Goodwill	Computer Software	Total
Amortisation							
October 31, 2014	671,715	71,574	5,333	681,118	40,229	152,238	1,622,207
Amortisation for the year	88,492	-	-	11,348	-	2,504	102,344
Eliminated on disposals	-	-	-	-	-	(27,949)	(27,949)
October 31, 2015	760,207	71,574	5,333	692,466	40,229	126,793	1,696,602
Amortisation for the year	88,492	-	-	-	-	38,514	127,006
Eliminated on disposals	-	-	-	(692,466)	-	-	(692,466)
October 31, 2016	848,699	71,574	5,333	-	40,229	165,307	1,131,142
Net book values							
October 31, 2016	533,883	277,413	44,137	-	96,663	256,329	1,208,425
October 31, 2015	622,375	277,413	44,137	-	96,663	177,929	1,218,517
October 31, 2014	710,867	277,413	44,137	11,348	96,663	135,543	1,275,971

29. Retirement benefits asset/obligations

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

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

	The Group	
	2016	2015
Defined benefit pension plan	17,366,400	16,690,244
Other post retirement benefits	(3,191,557)	(2,735,526)
	14,174,843	13,954,718

(a) Defined benefit pension plan

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

	The Group	
	2016	2015
Present value of funded obligations	(27,555,249)	(25,031,046)
Fair value of plan assets	50,685,637	45,447,182
	23,130,388	20,416,136
Limitation of economic benefit	(5,763,988)	(3,725,892)
Asset in the statement of financial position	17,366,400	16,690,244

29. Retirement benefits asset/obligations (continued)

(a) Defined benefit pension plan (continued)

(ii) Movement in the amounts recognised in the statement of financial position

	The Group	
	2016	2015
Balance at beginning of year	16,690,244	11,679,613
Contributions paid	500	500
Pension income recognised in profit or loss	809,624	515,661
Remeasurement recognised in other comprehensive income	(133,968)	4,494,470
Balance at end of year	17,366,400	16,690,244

(iii) Movement in the present value of obligation

	The Group	
	2016	2015
Balance at beginning of year	(25,031,046)	(21,557,388)
Current service costs	(593,951)	(497,228)
Interest cost	(2,216,053)	(2,011,014)
Employees' contribution	(512,313)	(505,035)
Benefits paid	1,186,368	1,015,266
Actuarial gains arising from:		
Experience adjustments	(388,254)	440,326
Changes in financial assumptions	-	(1,956,846)
Changes in demographic assumptions	-	40,873
Balance at end of year	(27,555,249)	(25,031,046)

(iv) Movement in fair value of pension plan assets

	The Group	
	2016	2015
Fair value of plan assets at beginning of year	45,447,182	40,881,324
Contributions	512,813	505,535
Benefits paid	(1,186,368)	(1,015,266)
Interest income on plan assets	4,072,336	3,866,105
Administrative fees	(117,378)	(115,991)
Remeasurement gain on plan assets included in other comprehensive income:	1,957,052	1,325,475
Fair value of plan assets at end of year	50,685,637	45,447,182

29. Retirement benefits asset/obligations (continued)

(a) Defined benefit pension plan (continued)

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

Plan assets consist of the following:

	The Group	
	2016	2015
Government stocks and bonds	34,590,590	31,780,306
Quoted equities	10,093,701	6,387,526
Reverse repurchase agreements	170,000	2,084,007
Certificate of deposits	907,630	921,092
Real estate	3,041,339	2,810,192
Net current assets	1,882,377	1,464,059
	50,685,637	45,447,182

(v) Components of defined benefit credit recognised in profit and loss for the year

	The Group	
	2016	2015
Current service costs	593,951	497,228
Interest cost on obligation	2,216,053	2,011,014
Interest income on plan assets	(4,072,336)	(3,866,105)
Interest on effect of asset ceiling	335,330	726,211
Administrative fees	117,378	115,991
	(809,624)	(515,661)

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

	The Group	
	2016	2015
Remeasurement of defined benefit obligations	388,254	1,475,647
Remeasurement of plan assets	(1,957,052)	(1,325,475)
Change in effect on asset ceiling	1,702,766	(4,644,642)
	133,968	(4,494,470)

SCOTIA GROUP JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2016
(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(a) Defined benefit pension plan (continued)

(vii) Sensitivity analysis on projected benefit 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 date would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	The Group			
	2016		2015	
	1 % Decrease	1 % Increase	1 % Decrease	1% Increase
Discount rate	4,699,000	(3,694,000)	4,404,000	(3,448,000)
Future pension increases	(2,238,000)	2,638,000	(2,036,000)	2,402,000
Future salary increases	(1,203,000)	1,368,000	(1,177,000)	1,344,000

(viii) Liability duration

The average liability duration are as follows

	The Group	
	2016	2015
Active members and all participants (years)	15.8	16.2

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

(x) The principal actuarial assumptions used were as follows

	The Group	
	2016	2015
Discount rate	9.00%	9.00%
Future salary increases	6.00%	6.00%
Future pension increases	4.25%	4.25%

(xi) Principal actuarial assumptions

In addition to the assumptions used for the pension plan that are relevant to the group health plan, the estimate assumes a long-term increase in health costs of 5.50% per year (2015: 5.5%).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(b) Medical and group life obligations recognised in the statement of financial position

(i) Movement in the present value of unfunded obligations

	The Group	
	2016	2015
Balance at beginning of year	(2,735,526)	(3,408,465)
Current service costs	(148,563)	(236,940)
Interest cost	(243,454)	(320,809)
Benefits paid	83,652	60,115
Past service costs	(29,664)	-
Actuarial gains arising from:		
Experience adjustments	64,833	173,776
Changes in financial assumptions	(182,835)	572,648
Changes in demographic assumptions	-	424,149
Balance at end of year	(3,191,557)	(2,735,526)

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

	The Group	
	2016	2015
Current service costs	148,563	236,940
Interest on obligation	243,454	320,809
Past Service Costs	29,664	-
	421,681	557,749

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

	The Group	
	2016	2015
Experience adjustments	(64,833)	(173,776)
Changes in financial and demographic assumptions	182,835	(996,797)
	118,002	(1,170,573)

(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 5.5% (2015:5.5%) per year.

(v) Sensitivity analysis on projected benefits obligation

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

	The Group			
	2016		2015	
	1 % Increase	1 % Decrease	1 % Increase	1% Decrease
Discount rate	(470,000)	604,000	(410,000)	527,000
Future pension increases	552,000	(436,000)	500,000	(391,000)
Future salary increases	12,000	(11,000)	11,000	(10,000)

29. Retirement benefits asset/obligations (continued)

(c) Medical and group life obligations recognised in the statement of financial position (continued)

(vi) Liability duration

The average liability duration are as follows:

	The Group	
	2016	2015
Active members and all participants (years)	17.5	17.8

30. Deposits by the public

	The Group	
	2016	2015
Personal	130,920,312	112,607,373
Business	117,384,936	96,763,781
Interest payable	111,133	90,448
	248,416,381	209,461,602

Deposits include $NIL (2015: $291,556) held as collateral for irrevocable commitments under letters of credit.

31. Due to other banks and financial institutions

These represent deposits by other banks and financial institutions, as well as funds for on-lending to eligible customers, in the normal course of business.

32. Due to ultimate parent company

	The Group	
	2016	2015
The Bank of Nova Scotia:		
Facility I	2,216,137	2,573,707
Facility II	2,789,001	3,062,329
	5,005,138	5,636,036
Interest payable	62,988	69,056
	5,068,126	5,705,092
Deposits held with Bank	1,809	2,464
	5,069,935	5,707,556

(i) Facility I is a US$ denominated twelve (12) year non-revolving loan from the ultimate parent company, for on-lending. The repayment of the principal commenced May 2012, after a four year moratorium period, to be completed by August 2020 and is subject to a fixed interest rate of 5.63% per annum.

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

The above loan facilities are insured by the Multilateral Investment Guarantee Agency.

33. Due to fellow subsidiaries

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Capital Management and Government Securities funds

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

35. Other liabilities

	The Group	
	2016	2015
Accrued staff benefits	1,577,102	1,548,109
Prepaid letters of credit	-	291,556
Provisions	519,493	342,098
Accrued liabilities	5,412,941	3,047,142
	7,509,536	5,228,905

36. Deferred tax assets and liabilities

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

Scotia Group Jamaica Limited at 25%;
The Bank of Nova Scotia Jamaica Limited at 33⅓%;
Scotia Investments Jamaica Limited at 33⅓%;
The Scotia Jamaica Building Society at 30%;
Scotia Jamaica Life Insurance Company Limited at 25% and;
Other unregulated subsidiaries at 25%

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

	The Group		The Company	
	2016	2015	2016	2015
Balance at beginning of year	(5,501,887)	(3,771,803)	(1,702)	(14,121)
Recognised in the profit for the year (note 14)	(36,822)	119,791	(4,389)	11,899
Recognised in other comprehensive income				
Remeasurement of defined benefits asset/ obligations	83,990	(1,890,379)	-	-
Available-for-sale investments				
- fair value remeasurement	(239,008)	30,563	(309)	-
- transfer to profit	4,359	9,941	-	520
	(150,659)	(1,849,875)	(309)	520
Balances at end of year	(5,689,368)	(5,501,887)	(6,400)	(1,702)

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

	The Group		The Company	
	2016	2015	2016	2015
Pension benefits	(5,790,831)	(5,565,446)	-	-
Other post retirement benefits	1,063,852	911,842	-	-
Available-for-sale investments	(240,238)	(6,178)	(309)	-
Vacation accrued	127,327	114,084	-	-
Accelerated tax depreciation	(126,914)	(175,925)	-	-
Impairment losses on loans	(533,184)	(565,273)	-	-
Interest receivable	(282,407)	(265,018)	(6,091)	(1,702)
Other	93,027	50,027	-	-
Net deferred income tax liability	(5,689,368)	(5,501,887)	(6,400)	(1,702)

36. Deferred tax assets and liabilities (continued)

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

	The Group		The Company	
	2016	2015	2016	2015
This is comprised of:-				
Deferred income tax asset	70,706	29,125	-	-
Deferred income tax liability	(5,760,074)	(5,531,012)	(6,400)	(1,702)
	(5,689,368)	(5,501,887)	(6,400)	(1,702)

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

	The Group		The Company	
	2016	2015	2016	2015
Accelerated tax depreciation	(53,384)	(25,683)	-	-
Pensions and other post retirement benefits	157,365	6,176	-	-
Allowance for loan impairment	(32,935)	(48,027)	-	-
Unrealised foreign currency gains	-	(12,188)	-	-
Vacation accrued	(13,243)	5,904	-	-
Interest receivable	17,463	25,327	4,389	(11,899)
Unrealised foreign exchange gains	(38,444)	(71,300)	-	-
	36,822	(119,791)	4,389	(11,899)

37. Policyholders' liabilities

(a) Composition of policyholders' liabilities

		The Group	
		2016	2015
Policyholders' fund		49,956,739	48,106,599
Benefits and claims payable		170,182	197,069
Unprocessed premiums		(9,427)	19,445
Annuity fund		374,283	199,953
Insurance risk reserve	- Individual life	(6,607,512)	(6,225,838)
	- Individual accident and sickness	333,780	275,106
	- Group life	569,872	577,510
	- Whole life	(23,332)	(37,565)
		44,764,585	43,112,279

(b) Movement in policyholders' liabilities:

	The Group	
	2016	2015
Policyholders' fund:		
At beginning of year	48,106,599	47,293,055
Gross premium	5,872,835	5,151,521
Disbursements	(5,700,375)	(6,101,975)
Interest credited	1,677,680	1,763,998
At end of year	49,956,739	48,106,599

37. Policyholders' liabilities (continued)

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

	The Group 2016	The Group 2015
Benefits and claims payable:		
At beginning of year	197,069	148,338
New claims and benefits made during the year	141,578	233,444
Benefits and claims paid	(168,465)	(184,713)
At end of year	170,182	197,069
Unprocessed premiums:		
At beginning of year	19,445	4,999
Premiums received	8,113,102	7,455,327
Premiums applied	(8,141,974)	(7,440,881)
At end of year	(9,427)	19,445
Annuity fund:		
At beginning of year	199,953	163,864
Issue of new annuities	182,290	39,188
Payments	(21,487)	(11,943)
Interest credited	13,527	8,844
At end of year	374,283	199,953

The Group 2016	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(5,988,297)	577,510	(5,410,787)
Changes in assumptions	(334,725)	(4,493)	(339,218)
Normal changes	25,958	(3,145)	22,813
At end of year	(6,297,064)	569,872	(5,727,192)

2015	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(4,849,700)	549,015	(4,300,685)
Changes in assumptions	119,059	1,780	120,839
Changes to tax regime	(1,375,890)	(1,398)	(1,377,288)
Normal changes	118,234	28,113	146,347
At end of year	(5,988,297)	577,510	(5,410,787)

SCOTIA GROUP JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2016
(Expressed in thousands of Jamaican dollars unless otherwise stated)

38. Share capital

	Number of Units ('000) 2016	Number of Units ('000) 2015	Carrying value 2016	Carrying value 2015
Authorised:				
Ordinary shares of no par value	10,000,000	10,000,000		
Issued and fully paid:				
Ordinary stock units	3,111,573	3,111,573	6,569,810	6,569,810

The holders of the ordinary stock units are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

39. Reserve fund

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

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

40. Retained earnings reserve

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

41. Capital reserve

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

42. Cumulative remeasurement gains from available-for-sale securities

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

43. Loan loss reserve

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

44. Other reserves

This represents reserves arising on consolidation of subsidiaries.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Non-controlling interest

The following information relates to the Group's subsidiary, Scotia Investments Jamaica Limited that has a non-controlling interest (NCI), before any initial Group eliminations.

	The Group 2016	2015
Share of non-controlling interest	22.99%	22.99%
Statement of financial position		
Total assets	71,185,461	68,848,222
Total liabilities	(56,239,395)	(54,697,220)
Net assets	14,946,066	14,151,002
Carrying amount of NCI	3,632,764	3,470,323
Statement of revenue and expenses		
Total operating income	3,535,128	3,214,212
Profit for the year	1,349,927	1,024,491
Other comprehensive income	204,348	102,993
Total comprehensive income	1,554,275	1,127,484
Profit allocated to NCI	290,003	212,576
Other comprehensive income allocated to NCI	46,980	23,679
	336,983	236,255
Statement of cash flows		
Cash flow from operating activities	581,737	168,625
Cash flow from investing activities	114,790	(413,428)
Cash flow from financing activities	(175,126)	(175,126)
Net increase/(decrease) in cash and equivalents	521,401	(419,929)
Dividends paid to NCI	175,126	175,126

46. 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 and 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, management fees, guarantee fees, centralised computing and other service fees. The related party balance with the parent is the amount due to the parent company as set out in note 32.

46. Related party transactions and balances (continued)

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

Related party transactions with the ultimate parent company comprise the payment of dividends, management fees, guarantee fees, centralised computing and other service fees. There was no balance due to the ultimate parent company, other than the loans payable set out in note 32. No impairment losses have been recognised in respect of loans made to related parties.

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 2016	2015
Loans						
Balance at October 31	-	-	602,841	2,307,386	2,910,227	1,096,994
Interest income earned	-	-	48,361	116,466	164,827	83,832
Deposits						
Balance at October 31	5,005,138	-	522,608	3,301,383	8,829,129	8,396,962
Interest expense on deposits	321,426	-	207,416	25,852	554,694	416,326
Investments/Repurchase agreements						
Securities sold under repurchase agreements	-	-	(7,109)	(135,243)	(142,352)	(150,810)
Interest paid on repurchase agreements	-	-	(125)	(2,758)	(2,883)	(2,720)
Other investments	-	707,603	(87,019)	-	620,584	3,458,721
Interest earned on other investments	-	-	(96)	-	(96)	124,297
Deposits with Banks						
Due from banks and other financial institutions	366,386	34,665,185	-	-	35,031,571	24,318,741
Interest earned from banks and other financial institutions	177	158,922	-	-	159,099	442,159
Other						
Fees and commission earned	-	-	114	12,160	12,274	15,451
Insurance products	-	-	21,148	-	21,148	32,810
Technical fees (paid)/received	(1,193,899)	-	-	-	(1,193,899)	(1,240,355)
Other operating (expense) /income	(819,896)	152,090	-	-	(667,806)	(348,404)

	The Group 2016	2015
Key management compensation		
Salaries and other short term benefits	883,450	763,003
Post-employment benefits	(104,068)	(335,271)
	779,382	427,732

47. 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 transacting financial instruments include credit risk, market risk and liquidity risks. 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 operate, 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 is measured, monitored and reported to ensure consistency against desired goals.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

(i) Board Audit Committee

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

(ii) Executive and Enterprise Risk Committee

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

47. Financial risk management (continued)

(a) Overview and risk management framework (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, liquidity risk, market risk, insurance risk and operational risk. Market risk includes currency risk, interest rate risk and other price risk.

(b) Credit risk

(i) Credit Risk Management

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

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 and corporate and personal guarantees.

In addition, the Group will seek additional collateral from the counterparty as soon as impairment indicators are observed for the relevant individual loans.

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

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

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

(iii) Credit quality

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

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

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

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

- Excellent
- Good
- Higher Risk

47. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

The following table shows the percentage of the loan portfolio as at the reporting date relating to loans and credit commitments for each of the internal rating categories:

	The Group Loans and credit commitments 2016 (%)	2015 (%)
Excellent	26.6	26.5
Very Good	4.0	4.8
Good	24.4	24.2
Acceptable	9.3	7.3
Higher Risk	35.7	37.2
	100.0	100.0

Under the Bank of Jamaica Credit Classification, Provisioning and Non Accrual Requirements, the following classifications are used:

Standard – loans where the financial condition of the borrower is in no way impaired, and appropriate levels of cash flows or income flows are available to meet debt payments.

Special Mention – loans where credit is currently up to date and collateral values protect the Group's exposure. However, there exists evidence to suggest that certain factors could, in future, affect the borrower's ability to service the credit properly or impair the collateral.

Sub-standard – loans with well-defined credit weakness or weakness in the sector of the borrower such that cash flows are insufficient to service debt as arranged.

Doubtful – loans where collection of the debt in full is highly questionable or improbable.

Loss – loans considered uncollectible due to insolvency of the borrower. The borrower's financial position is insufficient to service or retire outstanding debt.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Using these classifications to rate credit quality, the credit profile of the Group's loan portfolio would be as set out in the following table:

	The Group	
	2016	2015
	%	%
Standard	88.7	87.2
Special Mention	8.6	9.9
Sub-Standard	1.3	1.3
Doubtful	0.3	0.4
Loss	1.1	1.2
	100.0	100.0

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

	The Group		The Company	
	2016	2015	2016	2015
AAA to AA+	8,144,386	4,424,078	-	-
AA to A+	18,100,779	16,703,133	-	-
A to A-	10,445,859	12,839,440	-	-
BBB+ to BB+	5,188,203	2,957,300	-	-
BB to B-	119,508,029	118,497,114	1,210,742	-
Unrated	-	1,001,303	-	-
	161,387,256	156,422,368	1,210,742	-

	The Group		The Company	
	2016	2015	2016	2015
Classified as follows:				
Deposits with Bank of Jamaica	7,390,719	5,555,901	-	-
Financial assets at fair value through profit and loss	200,058	539,731	-	-
Investment securities				
Held-to-maturity	6,089,518	11,278,298	-	-
Available-for-sale	110,043,221	93,475,842	1,210,742	-
Pledged Assets, Capital Mangement and Government Security Funds:				
Held-to-maturity	3,041,044	3,778,032	-	-
Available-for-sale	34,622,696	41,794,564	-	-
	161,387,256	156,422,368	1,210,742	-

47. Financial risk management (continued)

(b) Credit risk (continued)

(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 decision and pricing. In the event of default the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group and excess value is returned to the borrower.

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

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $128,575,911 (2015: $121,302,503) for the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure to credit risk

(1) Loans and customer liabilities under acceptances, guarantees and letters of credit

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

	The Group			
	Loans and leases	Acceptances, guarantees and letters of credit	Total 2016	Total 2015
Agriculture, fishing and mining	1,008,535	287,784	1,296,319	1,057,034
Construction and real estate	2,883,670	232,978	3,116,648	3,974,576
Distribution	13,862,038	1,217,964	15,080,002	14,030,386
Financial institutions	3,493,252	704,104	4,197,356	4,795,922
Government and public entities	17,222,767	1,664,973	18,887,740	18,262,147
Manufacturing	6,565,433	184,140	6,749,573	7,170,265
Transportation, electricity, water and other	6,199,098	177,531	6,376,629	6,826,819
Personal	102,200,454	4,736,234	106,936,688	94,782,942
Professional and other services	8,268,950	1,105,027	9,373,977	9,502,075
Tourism and entertainment	5,939,852	161,593	6,101,445	5,634,738
Interest receivable	1,090,528	-	1,090,528	1,059,504
Total	168,734,577	10,472,328	179,206,905	167,096,408
Total impairment allowance (note 23)			(1,907,797)	(1,903,120)
			177,299,108	165,193,288

(2) Debt securities and amounts due from other banks

The following table summarises credit exposure for debt securities and amounts due from other banks at their carrying amounts, categorised by issuer:

	The Group		The Company	
	2016	2015	2016	2015
Government of Jamaica	106,603,177	109,480,259	1,210,742	-
Bank of Jamaica	42,151,725	28,436,296	-	-
Financial institutions	76,341,158	58,694,904	9,905,585	12,675,188
Corporates and other	39,468,555	37,515,765	-	-
	264,564,615	234,127,224	11,116,327	12,675,188

Other than exposure on Government of Jamaica securities, there is no significant concentration of credit risk related to debt securities. For securities purchased under resale agreements, titles to securities are transferred to the Group for the duration of the agreement.

47. Financial risk management (continued)

(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 and simulation modeling and gap analysis. The Board reviews results from these metrics quarterly.

The management of the individual elements of market risks – interest rate, currency and other price risk – is 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.

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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

	The Group						
	2016						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	12,303,763	48,639,026	8,205,372	-	-	37,128,327	106,276,488
Financial assets at fair value through profit or loss	-	-	-	200,058	-	353,976	554,034
Pledged assets	100	27,844,811	6,245,282	10,742,989	1,339,233	419,094	46,591,509
Loans (1)	13,480,688	74,837,070	24,239,288	43,492,216	8,579,610	2,197,908	166,826,780
Investment securities (2)	-	54,685,676	19,487,458	35,192,976	5,664,647	2,090,396	117,121,153
Securities purchased under resale agreements	820,000	-	-	-	-	146	820,146
Other assets	-	-	-	-	-	39,201,544	39,201,544
Total assets	26,604,551	206,006,583	58,177,400	89,628,239	15,583,490	81,391,391	477,391,654
Deposits, due to banks, parent company and fellow subsidiaries(3)	234,868,438	9,724,925	8,146,626	5,770,600	307,805	744,821	259,563,215
Securities sold under repurchase agreements	872,712	28,090,513	2,527,338	-	-	143,674	31,634,237
Capital Management and Government Securities funds	15,350,881	-	-	-	-	1,206	15,352,087
Policyholders' liabilities	35,353,281	3,190,453	11,413,004	-	-	(5,192,153)	44,764,585
Other liabilities	-	-	-	-	-	30,588,993	30,588,993
Stockholders' equity	-	-	-	-	-	95,488,537	95,488,537
Total liabilities and stockholders' equity	286,445,312	41,005,891	22,086,968	5,770,600	307,805	121,775,078	477,391,654
Total interest rate sensitivity gap	(259,840,761)	165,000,692	36,090,432	83,857,639	15,275,685	(40,383,687)	-
Cumulative gap	(259,840,761)	(94,840,069)	(58,749,637)	25,108,002	40,383,687	-	-
	2015						
Total assets	14,955,863	190,238,992	59,683,537	94,261,020	8,334,379	65,458,154	432,931,945
Total liabilities and stockholders' equity	(239,431,167)	53,465,106	21,238,059	5,834,438	803,460	112,159,715	432,931,945
Total interest rate sensitivity gap	(224,475,304)	136,773,886	38,445,478	88,426,582	7,530,919	(46,701,561)	-
Cumulative gap	(224,475,304)	(87,701,418)	(49,255,940)	39,170,642	46,701,561	-	-

47. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

	The Group					
	2016					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	1.15	0.99	1.27	-	-	1.05
Securities purchased under repurchase agreements	6.50	-	-	-	-	6.50
Financial assets at fair value through profit or loss	-	-	-	7.14	-	7.14
Loans (1)	14.25	17.01	11.90	13.72	9.36	14.77
Investment securities (2)	-	5.58	5.16	4.27	9.37	5.29
Pledged assets	12.75	5.88	4.21	3.74	9.63	5.26
LIABILITIES						
Deposits (3)	0.59	1.47	2.81	4.97	6.12	0.79
Securities sold under repurchase agreements	4.78	3.93	1.88	-	-	3.79
Capital Management and Government Securities fund	0.10	-	-	-	-	0.10
Policyholders' liabilities	3.07	3.94	3.99	-	-	3.34

	2015					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	1.55	0.63	0.74	-	-	0.58
Securities purchased under repurchase agreements	-	7.00	-	-	-	7.00
Financial assets at fair value through profit or loss	-	-	-	7.25	-	7.25
Loans (1)	14.33	17.13	12.02	14.26	9.45	15.01
Investment securities (2)	-	6.39	5.71	3.44	10.60	5.51
Pledged assets	6.33	6.09	7.28	3.35	10.98	5.45
LIABILITIES						
Deposits (3)	0.75	2.34	2.07	5.26	6.00	1.03
Securities sold under repurchase agreements	1.10	4.82	1.77	-	-	4.48
Capital Management and Government Securities fund	0.15	-	-	-	-	0.15
Policyholders' liabilities	3.56	4.18	4.23	-	-	3.77

(1) Yields are based on book values, net of allowance for credit losses 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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

The Company 2016	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,885,541	-	8,005,723	-	-	14,321	9,905,585
Loans (1)	-	22,500	67,500	140,000	-	-	230,000
Investment in subsidiaries	-	-	-	-	-	9,532,408	9,532,408
Investment securities (2)	-	-	1,200,698	-	-	10,044	1,210,742
Other assets	-	-	-	-	-	297,246	297,246
Total assets	1,885,541	22,500	9,273,921	140,000	-	9,854,019	21,175,981
Other liabilities	-	-	-	-	-	24,871	24,871
Stockholders' equity	-	-	-	-	-	21,151,110	21,151,110
Total liabilities and stockholders' equity	-	-	-	-	-	21,175,981	21,175,981
Total interest rate sensitivity gap	1,885,541	22,500	9,273,921	140,000	-	(11,321,962)	-
Cumulative gap	1,885,541	1,908,041	11,181,962	11,321,962	11,321,962	-	-
2015							
Total assets	562,703	35,000	12,225,676	-	-	9,902,264	22,725,643
Total liabilities and stockholders' equity	-	-	-	-	-	22,725,643	22,725,643
Total interest rate sensitivity gap	562,703	35,000	12,225,676	-	-	(12,823,379)	-
Cumulative gap	562,703	597,703	12,823,379	12,823,379	12,823,379	-	-

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

The Company 2016	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	0.41	-	1.15	-	-	1.01
Investments (2)	-	-	5.59	-	-	5.59
Loans (1)	-	8.75	8.75	8.75	-	8.75
2015	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	0.41	-	0.45	-	-	0.45
Loans (1)	-	9.00	9.00	-	-	9.00

(1) Yields are based on book values, net of allowance for credit losses 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.

47. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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 2015.

The Group	2016	2015
	Increase/decrease	Increase/decrease
JMD Interest rates	by 200bps	by 300bps
USD Interest rates	by 75bps	by 50bps

	The Group 2016	The Group 2015	The Company 2016	The Company 2015
Effect on profit or loss	1,236,941	1,484,617	155,177	336,889
Effect on stockholders' equity	3,308,414	3,375,942	27,280	40,827

(ii) Currency risk

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

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

JMD Equivalent

The Group 2016	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	29,871,536	67,247,244	3,221,826	5,299,232	542,678	93,972	106,276,488
Financial assets at fair value through profit or loss	554,034	-	-	-	-	-	554,034
Pledged assets	30,318,978	15,999,829	86,122	186,580	-	-	46,591,509
Loans	140,736,006	26,047,672	22,920	4	20,178	-	166,826,780
Investment securities	81,368,754	35,471,241	281,158	-	-	-	117,121,153
Government securities	820,146	-	-	-	-	-	820,146
Other assets	34,398,382	4,669,110	27,944	(257)	106,365	-	39,201,544
	318,067,836	149,435,096	3,639,970	5,485,559	669,221	93,972	477,391,654
LIABILITIES							
Deposits	140,765,710	110,267,093	3,034,715	5,086,310	408,975	412	259,563,215
Other liabilities	24,022,583	6,176,924	89,710	54,690	236,052	9,034	30,588,993
Policy holders' liabilities	44,764,585	-	-	-	-	-	44,764,585
Securities under reseal	22,300,412	9,333,825	-	-	-	-	31,634,237
Capital managed	967,746	12,968,524	359,702	889,746	166,369	-	15,352,087
	232,821,036	138,746,366	3,484,127	6,030,746	811,396	9,446	381,903,117
NET POSITION	**85,246,800**	**10,688,730**	**155,843**	**(545,187)**	**(142,175)**	**84,526**	**95,488,537**

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

JMD Equivalent

	The Group						
	2015						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	23,375,940	46,504,311	2,884,833	5,978,680	435,953	49,325	79,229,042
Financial assets at fair value through profit or loss	844,397	-	-	-	-	-	844,397
Pledged assets	37,110,450	16,631,219	81,163	217,956	-	-	54,040,788
Loans	126,576,678	27,736,570	148,832	2	37,291	-	154,499,373
Investment securities	74,480,723	30,688,887	266,530	-	-	-	105,436,140
Government securities	150,058	-	-	-	-	-	150,058
Other assets	46,299,152	(7,649,541)	17,141	(49,767)	153,388	(38,226)	38,732,147
	308,837,398	113,911,446	3,398,499	6,146,871	626,632	11,099	432,931,945
LIABILITIES							
Deposits	124,913,853	86,564,179	5,518,809	3,032,221	459,407	406	220,488,875
Other liabilities	50,547,638	28,894,679	501,893	479,693	167,487	11,846	80,603,236
Policy holders' liabilities	43,112,279	-	-	-	-	-	43,112,279
	218,573,770	115,458,858	6,020,702	3,511,914	626,894	12,252	344,204,390
NET POSITION	90,263,628	(1,547,412)	(2,622,203)	2,634,957	(262)	(1,153)	88,727,555

The following significant exchange rates were applied during the period:

	Average Rate for the Period		Reporting Date Spot Rate	
	2016	2015	2016	2015
USD	124.6602	116.1969	128.7033	119.5755
CAD	93.2833	92.0075	95.1561	89.8687
GBP	170.1607	177.8415	155.7139	182.2461
EUR	136.9285	131.2166	141.0683	131.1022

Sensitivity to foreign exchange rate movements

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

Sensitivity to foreign exchange movements:

	The Group	
	2016 Increase/decrease	2015 Increase/decrease
USD	by 3.75%	by 3.00%
CAD	by 15.00%	by 5.50%
GBP	by 7.00%	by 8.00%
EUR	by 8.25%	by 8.25%

	2016	2015
Effect on profit and stockholders' equity	160,503	121,034

47. Financial risk management (continued)

(c) Market risk (continued)

(iii) Equity price risks

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.

At the reporting date, the Group's equity portfolio was classified as available for sale investments.

Sensitivity to equity price movements

Maximum changes observed in running 10-day periods during the financial year for the equity portfolio as at the reporting date would have increased or decreased equity by the amounts shown below:

This analysis is performed on the same basis as 2015. Prices used are the bid prices for the equities. A 10-day period is used to account for the liquidity of the local market equities.

	Equity	
	Maximum increase	Maximum decrease
October 31, 2016	27,571	(27,571)
October 31, 2015	10,200	(10,200)

(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.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(d) Liquidity risk (continued)

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
(v) Liquidity stress testing and contingency planning

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

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

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

Financial liabilities cash flows

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group 2016					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amounts
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	246,916,540	9,122,606	6,786,490	4,217,733	267,043,369	259,563,215
Securities sold under repurchase agreements	31,736,056	2,723,564	-	-	34,459,620	31,634,237
Capital Management and Government securities fund	15,352,087	-	-	-	15,352,087	15,352,087
Other liabilities	9,865,410	939,206	75,595	1,520,457	12,400,668	12,400,668
Policyholders' liabilities	39,032,163	11,587,607	-	-	50,619,770	44,764,585
Total liabilities	342,902,256	24,372,983	6,862,085	5,738,190	379,875,514	363,714,792

47. Financial risk management (continued)

(d) Liquidity risk (continued)

	2015					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amounts
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	201,784,125	6,913,819	7,085,095	4,828,698	220,611,737	220,488,875
Securities sold under repurchase agreements	38,753,714	4,053,062	-	-	42,806,776	39,832,452
Capital Management and Government securities fund	12,714,643	-	-	-	12,714,643	12,714,643
Other liabilities	9,060,517	2,140,397	726,466	1,184,359	13,111,739	13,111,739
Policyholders' liabilities	36,779,314	11,833,286	-	-	48,612,600	43,112,279
Total liabilities	299,092,313	24,940,564	7,811,561	6,013,057	337,857,495	329,259,988

(e) Insurance risk

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

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

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

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long-term insurance contracts (continued)

(1) Frequency and severity of claims

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

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

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

	The Group			
	Total benefits assured			
	2016		2015	
	Before and After Reinsurance	%	Before and After Reinsurance	%
Individual Life Benefits assured per life				
0 to 250,000	5,814,375	11	6,077,701	11
250,001 to 500,000	2,445,877	5	2,537,410	5
500,001 to 750,000	3,336,067	6	3,555,278	7
750,001 to 1,000,000	3,443,102	7	3,549,148	7
1,000,001 to 1,500,000	9,973,343	19	10,191,009	19
1,500,001 to 2,000,000	6,150,308	12	6,358,769	12
Over 2,000,000	21,127,992	40	20,540,167	39
Total	52,291,064	100	52,809,482	100

	Total benefits assured			
	2016		2015	
	Before and After Reinsurance	%	Before and After Reinsurance	%
Group Life Benefits assured per life				
0 to 250,000	11,584,736	14	10,946,669	14
250,001 to 500,000	4,855,451	6	5,678,235	7
500,001 to 750,000	5,539,289	7	6,685,841	9
750,001 to 1,000,000	4,541,009	5	5,554,896	7
1,000,001 to 1,500,000	15,877,647	20	18,096,804	23
1,500,001 to 2,000,000	11,889,056	15	11,921,091	16
Over 2,000,000	26,351,358	33	18,345,229	24
Total	80,638,546	100	77,228,765	100

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

46. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long term insurance contracts (continued)

(2) Sources of uncertainty in the estimation of future benefit payments and premiums

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

Estimates are made as to 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.

(3) Process used in deriving assumptions

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

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

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

(ii) Reinsurance Risk

Reinsurance risk is the risk that a reinsurer will default and not honour its obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the Group's liability as primary issuer. The Group 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.

47. Financial risk management (continued)

(e) Insurance risk (continued)

(ii) Reinsurance Risk (continued)

Retention limits represent the level of risk retained by the insurer. Coverage in excess of these limits is ceded to reinsurers up to the treaty limit. The retention programs used by the Group are summarized below:

Type of insurance contract	Retention
Individual, group & creditor life	maximum retention of $420 for a single catastrophe event; treaty limits apply
Group creditor life contracts	maximum retention of $15,000 per insured

(iii) Sensitivity analysis of actuarial liabilities

(1) Sensitivity arising from the valuation of life insurance contracts

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

In summary, the valuation of actuarial liabilities of life insurance contracts is sensitive to:
- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

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

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

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

- mortality and morbidity
- operating expenses and taxes
- lapse

SCOTIA GROUP JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2016
(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

(1) Sensitivity arising from the valuation of life insurance contracts (continued)

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

	The Group	
	2016	2015
Interest rates decrease by 1%	9,233	51,120
Interest rates increase by 1%	31,198	(6,663)
Mortality increases by 10%	429,266	406,077
Mortality decreases by 10%	(445,156)	(419,448)
Expenses increase by 10%	350,177	316,667
Expenses decrease by 10%	(346,269)	(313,369)
Lapses and withdrawals increase by 10%	261,517	294,501
Lapses and withdrawals decrease by 10%	(286,996)	(322,082)

48. Fair value of financial instruments

Determination of fair value

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

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

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

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

48. Fair value of financial instruments (continued)

Fair value hierarchy

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

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

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

Basis of valuation

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

(i) financial instruments classified as available-for-sale 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.

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

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

(iv) the fair value of demand deposits and savings accounts with no specific maturity is considered to be the amount payable on demand at the reporting date; the fair value of fixed-term interest bearing deposits is based on discounted cash flows using interest rates for new deposits;

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

(vi) the fair value of fixed rate loans is estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the allowance for credit losses from both book and fair values.

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

SCOTIA GROUP JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2016
(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Fair value of financial instruments (continued)

Accounting classifications and fair values:

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

	The Group 2016							
	Carrying amount				Fair value			
	Amortised cost	Available-for-sale	Fair value through profit or and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Quoted shares	-	275,706	-	275,706	275,706	-	-	275,706
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
GOJ securities	-	70,660,979	200,058	70,861,037	-	70,861,037	-	70,861,037
Bank of Jamaica securities	-	7,096,489	-	7,096,489	-	7,096,489	-	7,096,489
Treasury bills	-	2,410,672	-	2,410,672	-	2,410,672	-	2,410,672
Corporate bonds	-	29,875,081	-	29,875,081	-	29,875,081	-	29,875,081
Unitised funds	-	707,603	353,976	1,061,579	-	1,061,579	-	1,061,579
	-	111,031,635	554,034	111,585,669	275,706	111,304,858	5,105	111,585,669
Pledged assets measured at fair value								
GOJ securities	-	29,287,728	-	29,287,728	-	29,287,728	-	29,287,728
Corporate bonds	-	9,221,832	-	9,221,832	-	9,221,832	-	9,221,832
Unitised funds	-	45,394	-	45,394	-	45,394	-	45,394
	-	38,554,954	-	38,554,954	-	38,554,954	-	38,554,954
Financial assets not measured at fair value								
Loans and receivables	618,816,450	-	-	618,816,450	-	-	63,726,122	63,726,122

	The Company 2016							
	Carrying amount				Fair value			
	Amortised cost	Available-for-sale	Fair value through profit or and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Government securities	-	1,210,742	-	1,210,742	-	1,210,742	-	1,210,742

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued):

	The Group							
	2015							
	Carrying amount				Fair value			
	Amortised cost	Available-for-sale	Fair value through profit or and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Quoted shares	-	102,000	-	102,000	102,000	-	-	102,000
Unquoted shares	-	5,240	-	5,240	-	-	5,240	5,240
GOJ securities	-	61,869,384	539,731	62,409,115	-	62,409,115	-	62,409,115
Bank of Jamaica securities	-	209,948	-	209,948	-	209,948	-	209,948
Treasury bills	-	266,529	-	266,529	-	266,529	-	266,529
Corporate bonds	-	28,118,958	-	28,118,958	-	28,118,958	-	28,118,958
Credit linked notes	-	3,010,889	-	3,010,889	-	3,010,889	-	3,010,889
Unitised funds	-	574,894	304,666	879,560	-	879,560	-	879,560
	-	94,157,842	844,397	95,002,239	102,000	94,894,999	5,240	95,002,239
Pledged assets measured at fair value								
GOJ securities	-	36,573,186	-	36,573,186	-	36,573,186	-	36,573,186
Corporate bonds	-	9,402,762	-	9,402,762	-	9,402,762	-	9,402,762
Unitised funds	-	1,079,386	-	1,079,386	-	1,079,386	-	1,079,386
	-	47,055,334	-	47,055,334	-	47,055,334	-	47,055,334
Financial assets not measured at fair value								
Loans and receivables	48,367,947	-	-	48,367,947	-	-	50,535,132	50,535,132

Valuation Technique

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

49. Capital Risk Management

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

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

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

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

49. Capital Risk Management (continued)

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 and the Financial Services Commission, each regulated entity is required to:

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

Regulatory capital is divided into two tiers:

1. Tier 1 capital comprises share capital, reserve fund and reserves created by appropriations of retained earnings. The book value of goodwill is deducted in arriving at Tier 1 capital; and
2. Tier 2 capital comprises qualifies subordinated loan capital, collective impairment allowances and revaluation surplus on fixed assets.

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

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

The table below summarises the composition of regulatory capital, the ratios for each subsidiary and identifies the applicable regulator. During the year, the individual entities complied with all externally imposed capital requirements.

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2016	2015	2016	2015
Tier 1 Capital	31,971,052	27,612,290	13,609,908	13,336,023
Tier 2 Capital	1,494,189	1,460,177	24,615	24,615
	33,465,241	29,072,467	13,634,523	13,360,638
Less prescribed deductions	(220,000)	(242,093)	-	(43,726)
Total regulatory capital	33,245,241	28,830,374	13,634,523	13,316,912

(Expressed in thousands of Jamaican dollars unless otherwise stated)

49. 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 (continued).

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2016	2015	2016	2015
Risk weighted assets				
On-balance sheet	214,477,930	196,622,648	29,702,953	27,828,942
Off-balance sheet	21,150,865	26,370,560	-	-
Foreign exchange exposure	1,265,953	2,525,642	3,911,798	483,925
Total risk weighted assets	236,894,748	225,518,850	33,614,751	28,312,867
Actual regulatory capital to risk weighted assets	14.03%	12.8%	40.56%	47.0%
Regulatory requirement	10.0%	10.0%	10.0%	10.0%

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

[2] This relates to Scotia Investments Jamaica Limited.

Life insurance business

Capital adequacy is calculated by the Appointed Actuary and reviewed by executive management, the Audit Committee and the Board of Directors. The Group seeks to maintain internal capital adequacy levels higher than the regulatory requirements. To assist in evaluating the current financial strength, the risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and required by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%. The MCCSR for the insurance subsidiary as of October 31, 2016 and 2015 is set out below:

	2016	2015
Regulatory capital held	9,121,902	9,077,769
Minimum regulatory capital	1,455,883	1,403,924
Minimum Continuing Capital on Surplus Requirements Ratio	627%	647%

50. Commitments

	The Group	
	2016	2015
(a) Capital expenditure authorised and contracted	2,000	59,739
(b) Commitments to extend credit: Originated term to maturity of more than one year	22,043,607	21,283,775

50. Commitments (continued)

(c) Operating lease commitments:

Future aggregate minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2016	2015
Not later than one year	206,907	245,559
Later than one year and not later than five years	543,639	593,451
Later than five years	1,891,907	2,005,655
	2,642,453	2,844,665

51. Fiduciary activities

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

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

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

52. Litigation and contingent liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both its financial position and financial performance.

53. Dividends

(a) Paid

	The Group		The Company	
	2016	2015	2016	2015
Scotia Group Jamaica Limited				
Paid to stockholders:				
In respect of 2016	3,920,607	-	3,920,607	-
In respect of 2015	1,306,869	3,733,912	1,306,869	3,733,912
In respect of 2014	-	1,244,637	-	1,244,637
	5,227,476	4,978,549	5,227,476	4,978,549
Paid to non-controlling interest in a subsidiary	175,126	175,126	-	-
	5,402,602	5,153,675	5,227,476	4,978,549

(Expressed in thousands of Jamaican dollars unless otherwise stated)

53. Dividends (continued)

(b) Proposed

At the Board of Directors meeting on December 7, 2016, a dividend in respect of 2016 of $0.45 per share (2015: $0.42 per share) amounting to $1,400,208 (2015: $1,306,869) 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.

54. 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 fund 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 $30,878 (2015: $30,544).

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

	The Group	
	2016	2015
Number of shares	1,751,891	1,729,091
Fair value of shares $'000	54,423	46,452

Branches & Team Leaders

The Bank of Nova Scotia Jamaica Limited

BLACK RIVER
6 High Street
P. O. Box 27
Black River
St. Elizabeth

Mrs. K. Brown, Manager

BROWN'S TOWN
Main Street
P. O. Box 35
Brown's Town
St. Ann

Mrs. A. A. Douglas
Manager

CHRISTIANA
Main Street
P. O. Box 11
Christiana, Manchester

Mr. R. Hoilett, Manager

CONSTANT SPRING
132-132A Constant Spring Road
Kingston 8

Ms. M. A. Senior
Manager

Mr. A. Harvey
Premium Banking Manager

CORPORATE & COMMERCIAL BANKING CENTRE

Mr. D. M. Brown
Senior Relationship Manager Mid-Market

Miss S. Cousins
Relationship Manager

Mr. S. Dear
Senior Relationship Manager

Miss R. M. Dixon
Senior Manager
Credit Solutions

Mr. H. P. Ebanks
Senior Manager
Credit Solutions

Mrs. N.G. Heywood
Vice-President
Credit Solutions

Miss A. M. Jones
Manager
Client Portfolio Manager

Mrs E. Kepple
Relationship Manager

Mrs. S. Lue-Whittingham
Senior Manager
Credit Solutions

Miss C.S. Murray
Relationship Manager

Mr. M. S. A. Nelson
Vice-President - Commercial Banking

Mrs J.P. Powell
Senior Manager
Credit Solutions

Mr. K. E. Reese
Senior Relationship Manager

Mr. G. A. Smith
Senior Relationship Manager

Mr. H. D. Stephens
Senior Relationship Manager

Mrs. H Walker-Boyd
Relationship Manager

Mrs. G. Whylie
Senior Manager
Global Transaction Banking

Miss V. J. Williams
Senior Relationship Manager

Mr. C. M. Wisdom
Senior Manager
Credit Solutions

CROSS ROADS
86 Slipe Road
P. O. Box 2
Kingston 5

Mr. R. W. Bennett
Manager

FALMOUTH
Trelawny Wharf
P. O. Box 27
Falmouth
Trelawny

Mr. R. A. Wright, Relief Manager

FAIRVIEW FINANCIAL CENTRE
1 Port Avenue, Bogue,
Montego Bay #1 P.O. Box 11
St. James, Jamaica W.I

Mr. M. A. Elliott
Manager

Mrs C. A. Creary
Manager, Personal Banking

Miss L. A. M. Hosang
Asst. Manager
Service & Support

Mr. A. Thompson
Assistant Manager
Business Banking

HAGLEY PARK ROAD
128 Hagley Park Road
P. O. Box 5
Kingston 11

Mrs. D. R. Brown
Manager

Mr. V. L. Johnson
Assistant Manager
Business Banking

HALF-WAY-TREE
80 Half-Way-Tree Road
P. O. Box 5
Kingston 10

Mr. J. A. Clarke
Manager

Mr. B.O. Gray
Assistant Manager
Business Banking

Mrs F. Humphrey
Assistant Manager
Personal Banking

Miss F. D. Rowe
Assistant Manager
Service & Support

IRONSHORE SERVICE CENTRE
Shops 2 & 3, Golden Triangle
Shopping Centre
Ironshore
Montego Bay

Mr. R. Clarke
Manager

JUNCTION
Junction P. O.
St. Elizabeth

Mr. M. D. Greg
Manager

KING STREET
35-45 King Street
P. O. Box 511, Kingston

Mr. L. Reynolds,
Manager

Mrs. A. Y. Howard
Assistant Manager
Business Banking

Mrs. D. Jones-Daley
Assistant Manager
Service & Support

LIGUANEA
125-127 Old Hope Road
P. O. Box 45
Kingston 6

Mrs. C. A. Sanderson
Manager

Miss S. C. Munroe
Assistant Manager
Personal Banking

LINSTEAD
42 King Street
P. O. Box 19
Linstead
St. Catherine

Mrs. M. G. Lee-Gaynor
Manager

MANDEVILLE
1A Caledonia Road
P. O. Box 106
Mandeville, Manchester

Mr. E. A. Blake
Manager

Mrs. J. D. Billings - Frith
Assistant Manager
Business Banking

Mr. C. J. Samuels
Manager Personal Banking

Mrs. S. N. Gopall
Assistant Manager
Service & Support

Branches & Team Leaders (cont'd)

The Bank of Nova Scotia Jamaica Limited

MAY PEN
36 Main Street
P. O. Box 32
May Pen
Clarendon

Mr. L. V. Sutherland
Manager

MONTEGO BAY
6-7 Sam Sharpe Square
P.O. Box 311
Montego Bay
St. James

Mr G. Graham
Manager

MORANT BAY
23 Queen Street
P. O. Box 30
Morant Bay
St. Thomas

Mr. D. M. G. Watts
Relief Manager

NEGRIL
Negril Square
Negril P. O.
Westmoreland

Mrs. A. A. Rhule Hudson
Manager

NEW KINGSTON
2 Knutsford Boulevard
P. O. Box 307
Kingston 5

Miss P. J. Douglas
Manager

Mrs. T. Marshall
Assistant Manager
Business Banking

Mr. I. H. Green
Assistant Manager
Personal Banking

Ms. J. M. Thompson
Assistant Manager
Operations & Service

OCHO RIOS
Main Street
P. O. Box 150
Ocho Rios
St. Ann

Mr. P. O. Brown
Manager

Mrs. H. J. John Keith
Assistant Manager
Business Banking

OLD HARBOUR
4 South Street
P. O. Box 43
Old Harbour
St. Catherine

Mr. P. R. Fakhourie
Manager

OXFORD ROAD
6 Oxford Road
P. O. Box 109
Kingston 5

Mr. C. C. Wiggan
Manager

PORT ANTONIO
3 Harbour Street
P. O. Box 79
Port Antonio
Portland

Mr. A. Leach
Manager

PORT MARIA
57 Warner Street
P. O. Box 6
Port Maria
St. Mary

Mr. P. Wallace
Manager

PORTMORE
Lot 2 Cookson Pen
Bushy Park
P.O. Box 14
Greater Portmore
St Catherine

Mr. R. R. Reid
Manager

ST. ANN'S BAY
18 Bravo Street
P. O. Box 2
St. Ann's Bay
St. Ann

Mr. P. G. Mohan
Manager

SANTA CRUZ
77 Main Street
P. O. Box 20
Santa Cruz
St. Elizabeth

Mr. K. Burton
Manager

SAVANNA-LA-MAR
19 Great George's Street
P.O. Box 14
Savanna-La-Mar
Westmoreland

Mr. C. A. Dawes
Manager

Mr. L. Gordon
Assistant Manager
Business Banking

SCOTIABANK CENTRE
Cnr. Duke & Port Royal Streets
P. O. Box 59
Kingston

Mr. S. Thompson
Manager

Mrs. D. A. Maxwell
Asst. Manager
Business Banking

Mr. D. E. Black
Manager, Service & Support

Mr. J. M. Jarrett
Assistant Manager
Personal Banking

SPANISH TOWN
Shops 25 & 26
Oasis Shopping Plaza
6 March Pen Road
Spanish Town

Mr. C. Wright
Manager

UWI, MONA CAMPUS
Cnr. Ring Road & Shed Lane
Kingston 7

Mrs. R. Edwards
Manager

SUB-BRANCHES

CLAREMONT
(Sub to St. Ann's Bay)
Claremont P.O.
Claremont
St. Ann

FRANKFIELD
(Sub to Christiana)
Frankfield
Clarendon

PARK CRESCENT
(Sub to Mandeville)
17 Park Crescent
Mandeville
Manchester

Subsidiaries, Board Members & Senior Officers

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Head Office:
Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 709
Kingston, Jamaica

Board of Directors

J. M. Hall – Chairperson

Ms. S. Chrominska* Chairperson
A. V. Chang
B. F. Bowen**
Ms. B. A. Alexander
J. M. Matalon, CD
Mrs J. T. Sharp
Mrs. E. Smith
B. G. King
A. J. Mahfood
A. M. Hart

*Resigned, March 3, 2016
**Resigned, May 30, 2016

Senior Officers

Mrs J. T. Sharp
President & CEO

Mrs. P. Latchman Atterbury
Executive Vice-President, Retail Banking

Mrs. R. A. Pilliner
Executive Vice-President, Operations & Shared Services

F. A. Williams
Vice-President & Chief Financial Officer

SCOTIA JAMAICA LIFE INSURANCE COMPANY LIMITED (SJLIC)

5th Floor, Scotiabank Centre
Cnr. Duke & Port Royal Streets
Kingston, Jamaica

Board of Directors
A. V. Chang – Chairman
N. A. Foster
H. W. Powell
H. A. Reid*
L. Anderson
P. B. Scott**
Mrs. J. T. Sharp
Ms. C. Welling
O. Zimmerman
E. Erkelens

*Resigned, September 30, 2016
**Resigned, Septermber 1, 2016

Senior Officers

H. A. Reid
Senior Vice-President
Scotia Group, President
SJLIC

D. Reid
Director of Sales

Mrs. M. Scott
Senior Manager,
Finance & Investments

Mrs. M. Williams
Director, Operations

THE SCOTIA JAMAICA BUILDING SOCIETY

95 Harbour Street
P.O. Box 8463
Kingston, Jamaica

Board of Directors
Ms. B. A. Alexander
Chairperson
Dr. C. D. Archer
H. W. Powell
Mrs. J. T. Sharp
D. Walters
Mrs. P. Latchman-Atterbury

Senior Officers

G. F. Whitelocke
Senior Vice-President
Non-Branch Sales & Service
& General Manager, SJBS

D. Webb
Assistant General Manager,
SJBS Business Development
& Director, Non-Branch
Sales & Service

Ms. L. Fernando
Manager, Financial Reporting

SCOTIA JAMAICA MICROFINANCE CO. LTD.

12 Duke Street, Kingston,
Jamaica, W.I.

Board of Directors
H. W. Powell - Chairman
B. Callam
F. A. Williams
Mrs. M. Johnston
Ms. M. McLeggon
Mrs. J. T. Sharp
G. F. Whitelocke

Senior Officer

Mrs. Y. Anderson
General Manager

SCOTIABANK JAMAICA FOUNDATION

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

Board of Directors
H. W. Powell – Chairman
Mrs. Y. Forbes-Patrick
Ms. J. A. Griffiths
M. D. McAnuff-Jones
Dr. R. Moodie
Mrs. R. A. Pilliner
Mrs. J. T. Sharp
Mrs. R. Voordouw
F. A. Williams

Senior Officer

Ms. J. A. Griffiths
Executive Director

SCOTIA INVESTMENTS JAMAICA LIMITED

Head Office: 7 Holborn Road
Kingston 10, Jamaica

Board of Directors
J. M. Hall – Chairman
Ms. B. A. Alexander
A. V. Chang
Mrs. A. M. Fowler
L. L. Mitchell
Mrs. J. T. Sharp
W. D. McConnell
Ms. C. Welling

Senior Officers
L. L. Mitchell
Senior Vice-President
Wealth & Chief Executive
Officer, SIJL

Ms. M. Wright
Assistant Vice-President
Finance

H. G. Miller
Chief Operating Officer

SCOTIA ASSET MANAGEMENT (JAMAICA) LIMITED

1B Holborn Road, Kingston 10
Jamaica

Board of Directors

Ms. B. A. Alexander
Chairperson
Mrs. A. Fowler
L. L. Mitchell
Mrs. K. Bilyk-Mitchell*
Ms. A. Richards

F. A. Williams

*Resigned, April 19, 2016

Senior Officer

B. O. Frazer
Vice-President
Asset Management
& General Manager, Scotia
Asset Management Limited

SCOTIA JAMAICA INVESTMENT MANAGEMENT LIMITED

Scotiabank Centre
Cnr. Duke & Port Royal Streets
P.O. Box 627
Kingston, Jamaica

Board of Directors

H. W. Powell

L. L. Mitchell

H. G. Miller

Management Officers
(of the Group and its Subsidiaries)

EXECUTIVE OFFICERS

Mrs. Jacqueline Sharp
President & Chief Executive Officer

Mrs. Patsy Latchman Atterbury
Executive Vice-President, Retail Banking

Mrs. Rosemarie A. Pilliner
Executive Vice-President, Operations & Shared Services

Mr. Frederick A. Williams
Vice-President & Chief Financial Officer

Mr. Ronald Bourdeau
Chief Risk Officer

Mr. Donovan A. Hanson
Vice-President, Human Resources

Mr. Horace C. Mair
Senior Vice-President
Corporate & Commercial Banking

Mr. Lissant Mitchell
Senior Vice-President, Wealth &
CEO, Scotia Investment Jamaica Limited

Mr. Gladstone Whitelocke
Senior Vice-President, Non-Branch Sales & Service
& General Manager, SJBS

Mrs. Yanique Forbes-Patrick
Vice-President, Marketing

Mrs. Julie Thompson James,
Vice-President, Business Support
& Company Secretary

Mr. Gary-Vaughn White
Vice-President, Treasury

SENIOR MANAGEMENT OFFICERS

Audit

Mrs. Shelee Wilkie-Channer
Vice President & Chief Auditor

Business Support

Mrs. Julie Thompson James
Vice-President, Business Support
& Company Secretary

Compliance

Mr. George Roper
Vice-President, Compliance

Contact Centre

Mr. Reuben Canagaratnam
Vice-President

Mrs. Sheila Segree-White
General Manager

Corporate & Commercial Banking

Mrs. Nadine Heywood
Vice-President, Credit Solutions

Mr. Morris Nelson
President, Commercial Banking

Corporate Human Resources

Miss Suzanne Donalds
Director Staffing & Recruitment/Relationship
Management

Dr. Hopelin Hines
Director, Total Rewards & Evaluations

Credit Risk Management

Mrs. Marcette McLeggon
Vice President
Credit Risk Management

Mr. Lennox Elvy
Director, Retail Risk

Mr. Joseph Sinclair
Assistant General Manager
Credit Risk Management

SENIOR MANAGEMENT OFFICERS (cont'd)

Customer Experience

Mrs. Rosemarie Voordouw
Director

Finance

Mrs. Monique Anthony
Senior Manager,
Corporate Financial Analyst

Mrs. Dian McLean
Senior Manager
Financial and Regulatory Reporting

Marketing, Public & Corporate Affairs

Mrs. Yanique Forbes-Patrick
Vice-President, Marketing

Ms. Joylene A. Griffiths
Director, Corporate Social Responsibility
& Executive Director, Scotiabank Jamaica Foundation

Simone Walker*
Director, Marketing Programmes

Retail Banking & SME

Mr. D. E. Walters
Vice President, Small Business Banking

Mr. Carl Bright
District Vice-President, Metro East

Mr. Steve Distant
District Vice-President, Metro North

Mrs. Tamiko Sadler
District Vice-President, Metro West

Mr. Dean Webb
Assistant General Manager, SJBS Business Development
& Non-Branch Sales & Service

Miss Avril Leonce
Director, Professional Partnerships, SME

*Resigned, October 31, 2016

Shared Services

Mr. Wayne Latibeaudiere
Vice-President, Service & Support

Mr. Vincent Harvey
Vice-President, Lending Services

Mrs. Saliann Wright
Vice-President, Processing Support Centre

Mr. Wesley Carr
Senior Manager, Loan Adjudication
Retail Risk Assessment

Mrs. Sharon Colquhoun-Bailey
Director, Business Service Centre

Scotia Private Client Group

Mr. Roger Grant
Centre Director

Systems Support Centre

Mr. Adza Davis
Director
Systems Support Centre

Treasury

Mr. Gary-Vaughn White
Vice-President, Treasury

Mr. Adrian Reynolds
Director, Treasury & Foreign Exchange Trading

Notes

FORM OF PROXY

Scotia Group Jamaica Limited (the "Company")

I/We...
of...
in the parish of....................................being a Member of the above Company, hereby appoint the Chairperson of the Meeting or failing him/her (see Note 1) ....
of..
or failing them ....
of...
as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on the 9th day of March 2017 and at any adjournment thereof (the "Meeting").

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

ORDINARY BUSINESS		FOR	AGAINST
RESOLUTION 1	**Audited Accounts** That the Directors' Report, the Auditor's Report and the Statements of Account of the Company for the year ended October 31, 2016 previously circulated be and are hereby received.		
RESOLUTION 2	**Election of Directors** Article 107 of the Company's Articles of Incorporation provides that at each Annual General Meeting all Directors for the time being shall retire from office. The retiring Directors are: Barbara Alexander, Anthony Chang, Jeffrey Hall, Antony Mark Hart, Charles Johnston, Brendan King, Andrew Mahfood, Joseph M. Matalon, Jacqueline Sharp and Evelyn Smith. The proposed resolutions for election/re-election of Directors proposed by the Board of Directors of the Company are:-		
	a) "That retiring Director Barbara Alexander be and is hereby re-elected a Director of the Company."	1	
	b) "That retiring Director Jeffrey Hall be and is hereby re-elected a Director of the Company."	2	
	c) "That retiring Director Antony Mark Hart be and is hereby elected a Director of the Company."	3	
	d) "That retiring Director Brendan King be and is hereby elected a Director of the Company."	4	
	e) "That retiring Director Andrew Mahfood be and is hereby elected a Director of the Company."	5	
	f) "That retiring Director Joseph M. Matalon be and is hereby re-elected a Director of the Company."	6	
	g) "That retiring Director Jacqueline Sharp be and is hereby re-elected a Director of the Company."	7	
	h) "That retiring Director Evelyn Smith be and is hereby re-elected a Director of the Company."	8	
RESOLUTION 3	**Appointment of Auditors** That KPMG, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby appointed Auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.		

NOTES:

1. If you wish to appoint a proxy other than the Chairperson of the Meeting, please insert the person's name and address and delete (initialing the deletion) "the Chairperson of the Meeting".

2. To be valid, this form of proxy and the power of attorney or other authority (if any) under which it is signed must be lodged at the office of the Secretary of the Company, 9th Floor, Scotiabank Centre,Cnr. Duke & Port Royal Streets, Kingston, at least 48 hours before the time appointed for the holding of the Meeting.

3. To this form must be affixed a $100.00 stamp in payment of stamp duty.

4. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

5. To be effective, this form of proxy must be signed by the appointer or his/her attorney, duly authorised in writing or, if the appointer is a corporation, must be under its common seal or be signed by some officer or attorney duly authorised in that behalf.

Scotiabank®

Designed and produced by: Marketing, Public & Corporate Affairs Department
Scotiabank Group (Jamaica)

Scotia Group Jamaica Limited