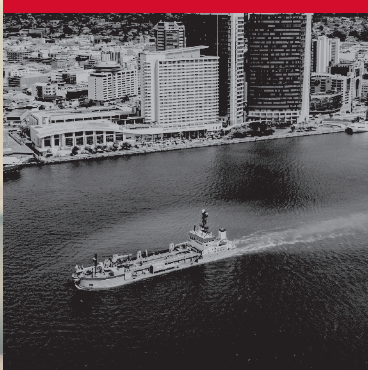
2021 ANNUAL REPORT

SCOTIA GROUP JAMAICA LIMITED

Scotiabank

WHAT'S INSIDE



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

Scotia Group Jamaica Limited (SGJL) offers a diverse range of products and services including personal, commercial, and small business banking, wealth management, insurance, and mortgages. Our expert team of Scotiabankers are committed to assisting our customers to achieve their financial goals.

SGJL is an award winning institution having been named on numerous occasions as the Bank of the Year and Best Bank in Jamaica by international financial publications – The Banker, Latin Finance, Euromoney, and Global Finance magazines. SGJL has $585.4 billion in assets as at October 31, 2021.

CORPORATE DATA

SECRETARY

Richard Fraser
Vice President,
Senior Legal Counsel &
Corporate Secretary

AUDITORS

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Kingston, Jamaica

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http://www.pwc.com/jm

2021 HIGHLIGHTS

Mobile App **RANKED #1** in the market

Credit quality **remains strong**

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

Total Assets
$585.4 BILLION

373,485 customers enrolled
in online and mobile banking

Strong Capital Position

TEN YEAR STATISTICAL REVIEW

Consolidated Balance Sheet	2021	2020 (Restated)	2019 (Restated)	
Balance Sheet Data - $000				
Total Assets^	**585,444,271**	543,239,648	535,507,538	
Performing Loans	**202,493,442**	215,961,142	201,902,111	
Non-Performing Loans	**6,029,612**	4,765,692	3,723,273	
Investments & Other Earning Assets^	**270,990,941**	224,970,252	221,439,836	
Deposits by the Public	**378,473,110**	336,660,438	312,968,147	
Securities Sold Under Repurchase Agreement	**-**	-	-	
Stockholders' Equity	**113,603,050**	110,755,634	118,114,076	
Profits and Dividends - $000				
Profit Before Tax	**12,669,179**	13,397,088	18,482,724	
Net Profit After Tax Attributable to Stockholders	**8,410,244**	9,052,047	13,190,054	
Dividends Paid And Proposed	**4,511,810**	4,822,969	14,811,171	
Number of Stock Units at Year End	**3,111,573**	3,111,573	3,111,573	
Financial Ratios				
Earnings Per Stock Unit	**2.70**	2.91	4.24	
Price Earnings Ratio	**13.14**	15.42	12.96	
Dividends Per Stock Unit	**1.45**	1.55	4.76	**
Dividend Yield	**3.49%**	3.11%	8.61%	**
Dividend Payout Ratio	**53.65%**	53.28%	112.29%	**
Return on Average Equity	**7.28%**	7.99%	11.25%	
Return on Assets at Year End^	**1.44%**	1.67%	2.46%	
Other Data				
Tier 1 Capital (Bank Only) (1) $000	**47,958,609**	47,954,917	47,931,662	
Risk Based Capital Adequacy Ratio (Bank Only) (1)	**16.28%**	15.58%	16.04%	
Stock Price at Year End	**35.48**	44.88	54.95	
Price Change from Last Year	**(20.95%)**	(18.33%)	2.29%	
Change In JSE Index from Last Year	**7.62%**	(24.20%)	35.62%	
Number of Staff	**1,490**	1,611	1,650	
US Exchange Rate $1.00 = J$	**154.6673**	145.1010	138.9420	
Inflation Rate Year Over Year	**8.51%**	5.00%	3.26%	

(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 Group adopted IAS 19 (Revised) Employee Benefits. The change in accounting policy was applied retroactively and these amounts were restated.
** Includes special dividends of $2.68 paid in 2019.
^ Effective 1 November 2020, Total Assets, Investments & Other Earning Assets for the years 2012 to 2020 were restated given the derecognition of Guarantees and Letters of Credit. Consequently, the Group's return on assets were also restated.

2018	2017	2016	2015	2014	2013	2012	
508,629,891	478,654,013	466,919,326	422,238,030	399,399,298	382,086,891	351,808,478	+
178,919,287	161,979,917	162,446,895	149,997,313	140,829,220	130,332,373	117,973,642	
3,687,971	4,513,674	4,379,885	4,502,060	4,902,782	4,491,383	4,551,026	
230,860,468	229,671,461	239,330,388	218,909,608	209,116,786	200,497,215	192,571,917	
287,948,379	260,559,467	248,416,381	209,461,602	190,726,667	183,369,415	160,994,182	
31,152	20,666,065	31,634,237	39,832,452	47,840,197	42,588,792	45,384,758	
115,647,730	102,431,566	91,855,773	85,257,232 *	76,484,253 *	69,775,527 *	63,974,046	+
18,292,628	18,201,458	16,640,943	14,244,136 *	14,357,886 *	14,631,285 *	14,369,041	+
12,770,916	12,174,742	11,300,599	9,921,429 *	10,457,709 *	11,980,842 *	9,932,812	+
6,067,607	5,694,214	5,320,815	5,040,748	4,978,516	4,978,516	4,698,475	
3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	3,111,573	
4.10	3.91	3.63	3.19 *	3.36 *	3.85 *	3.19	+
13.09	13.10	8.67	8.43 *	5.72 *	5.19 *	6.65	+
1.95	1.83	1.71	1.62	1.60	1.60	1.51	
3.66%	4.28%	5.53%	7.01%	8.08%	7.64%	6.69%	
47.51%	46.77%	47.08%	50.81% *	47.61% *	41.55% *	47.30%	+
11.54%	12.58%	12.65%	12.32% *	14.23% *	15.64% *	15.98%	+
2.51%	2.54%	2.42%	2.35% *	2.62% *	3.14 *	2.82	+
39,909,535	33,900,498	27,391,052	23,332,290	19,401,181	17,623,522	17,122,852	
16.91%	15.28%	12.88%	11.50%	12.08%	11.23%	11.75%	+
53.72	51.25	31.48	26.87	19.23	19.97	21.23	
4.82%	62.83%	17.16%	39.74%	(3.73%)	(5.91%)	(14.76%)	
24.66%	75.64%	27.02%	83.05%	(12.36%)	(8.89%)	(5.72%)	
1,727	1,876	2,021	2,144	2,311	2,326	2,315	
127.9971	126.6851	128.7033	119.5755	112.4939	104.6866	90.8050	
4.72%	4.68%	1.78%	2.03%	8.09%	9.40%	6.17%	

NOTICE OF ANNUAL GENERAL MEETING

SCOTIA GROUP
JAMAICA LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SCOTIA GROUP JAMAICA LIMITED** (the "Company") will be held on Friday, March 11, 2022 at 10:00 a.m. via virtual means to consider and, if thought fit, pass the following resolutions. Further information to join the meeting will be available on the following website: https://jm.scotiabank.com/about-scotiabank/investor-relations.html.

1. **Resolution No. 1 – Audited Accounts**
   That the Directors' Report, the Auditors' Report and the Financial Statements of the Company for the year ended October 31, 2021 previously circulated be and are hereby received.

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

   A. Barbara Alexander
   B. Eric Crawford
   C. Angela Fowler
   D. Jeffrey Hall
   E. A. Mark Hart
   F W. David McConnell
   G. Leslie Reid
   H. Audrey Richards
   I. Anya Schnoor
   J. Evelyn Smith
   K. Audrey Tugwell Henry

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

BY ORDER OF THE BOARD

Richard Fraser
Company Secretary
December 10, 2021

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 Statement of Consolidated Revenue, Expenses, Unappropriated Profits, Assets and Liabilities of the Group for the year ended October 31, 2021.

The Consolidated Statement of Revenue and Expenses reports pre-tax profit for the year of $12.67 billion from which there has been provided $4.26 billion for corporate income tax, leaving a balance of $8.41 billion.

The appropriation of earnings detailed in the financial statements includes:

A final dividend of 35 cents per stock unit payable to stockholders on record as at December 30, 2021 payable on January 21, 2022. This brings the total distribution for the year to $1.45 per stock unit compared with $1.55 per stock unit for the previous year.

The Auditors, KPMG, Chartered Accountants, have signified their willingness to continue in office and the directors have recommended their reappointment.

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

ON BEHALF OF THE BOARD

Jeffrey Hall
Chairman
Kingston, Jamaica
December 10, 2021

Jeffrey Hall
Chairman of the
Board of Directors

Dear Shareholders,

Scotia Group continued to deliver commendable results for 2021 despite the significant ongoing impact of the COVID-19 pandemic and resulting mitigation measures. We remain resolute in assisting our customers to achieve their financial objectives while maneuvering the current economic challenges. We continue to make strides in this area, leveraging our investments in digital technology to improve service levels and deliver greater convenience, increased options and innovative solutions for our customers.

CUSTOMER FOCUS

Digital banking remains a key component of our strategy to be the leading bank in the region and our customers continue to opt for the convenience of digital channels. In-line with these trends, we made changes to our retail banking network during the year, changing the operating model of 6 locations to digital branches. These branches service cash and many simpler transactions at our upgraded Automated Banking Machines, while branch staff assist with more complex solutions as well as engaging customers around financial planning and solutions. This is aligned with our vision for retail banking where the nature of branch banking is less transactional and more focused on fulsome financial advice related to banking, insurance and investments. The impact of these changes has been highly positive, with branches scoring higher for customer experience and improved wait times.

SOCIAL IMPACT

During the year, Scotiabank globally adopted a new philanthropic focus dubbed ScotiaRISE, which aims to promote economic resilience among disadvantaged groups. Through ScotiaRISE, Scotiabank will support programmes and partner with organizations that provide the tools people need to improve their education and employment prospects and increase the likelihood of financial success. Donations were made to the Women's Centre of Jamaica in March to purchase tablets for teen mothers allowing them to participate in online classes as well as ongoing payments to our Scotia Shining Star scholarship awardees in August.

In October the Scotia Foundation launched a free online Caribbean Secondary Education Certificate (CSEC) examination preparation programme to assist 1,000 students to be successful in their secondary school examinations. The programme was highly successful and gave much needed support to students who have been disadvantaged by school closures due to the COVID-19 pandemic.

We also made donations in the areas of healthcare to support the ongoing fight against the pandemic as well as to various community outreach projects across the island.

GOVERNANCE

The Board continues its commitment to ensuring adherence to the highest levels of oversight and corporate governance, by applying local and international best practices in the adoption and administration of its policies and internal controls to assist the Group in achieving its strategy. The Board provides insight, counsel and guidance to Management to assist in enterprise risk management, mitigation and compliance to ensure that its operations remain fully aligned with the values of the Group. We are focused on balancing and representing the interests of all the Group's stakeholders.

ACKNOWLEDGEMENT

As we look forward to 2022, I must thank all of our customers across the Group for choosing us as their financial partner, I would also like to thank the staff for continuing to deliver for our customers every day and my fellow members of the Board for their commitment to excellence and sound governance. We are optimistic about the year ahead and about the future of the company as we continue to invest and deliver for every customer and for every future.

Jeffrey Hall

PRESIDENT AND CEO'S MESSAGE TO SHAREHOLDERS

Audrey Tugwell Henry
President and Chief Executive Officer

Dear Shareholders,

Scotia Group Jamaica Limited delivered a strong performance for the 2021 fiscal year. We continued our focus on delivering high quality financial services to our customers, through a winning team of professional Scotiabankers while supporting the communities in which we do business. We are proud of our 132 years of unbroken financial services to Jamaica and we remain fully committed to providing expert advice and financial products and services to assist our customers to navigate the challenges of the ongoing pandemic.

As we withstood the second year of the pandemic, we found new ways of connecting with customers, reaching tens of thousands of them via various platforms including free online seminars, financial advice articles in the print media, radio programmes and one-on-one customer education sessions in our branches on Saturdays. Our aim is to provide our customers with the best solutions to enable them to be successful and to help Jamaicans regroup and rebuild even stronger than before the pandemic.

We are very proud of our team of Scotiabankers and the unwavering dedication to our customers. Our branch and support teams ensured that we continued to deliver service to customers despite prevailing restrictions and health concerns throughout the year. We continue to support our employees with health and wellness initiatives by providing them with a safe working environment.

We redoubled our efforts with our community support by not only making donations to some healthcare and community initiatives, but also creating a bespoke programme to address one of the educational gaps caused by the pandemic. Approximately 1,000 students recently benefitted from the Scotia Foundation's online Caribbean Secondary Education Certificate (CSEC) examination preparation course which aimed at providing remedial help to students most affected by school closures.

FINANCIAL PERFORMANCE

Our business lines continued to offer high quality financial solutions. We noted a steady demand for home ownership, and we satisfied this demand with our mortgage offering, resulting in a year over year growth of 14% in our mortgage portfolio. Deposits for the fiscal year increased by 12% over the prior year which continued to signal customers' confidence in the Scotia Group.

Scotia Investments delivered excellent returns to clients, with two of our funds, the Scotia Premium Growth Fund and the Scotia Premium USD Indexed Fund delivering the top performances in their respective categories among local funds for 2021. The Capital Markets Team continued to build momentum supporting several clients with financing options. We see significant opportunities in this area which will provide solutions that will create capacity for investment and growth as the economy begins to recover.

Gross Premiums at Scotia Jamaica Life Insurance increased by 4% YoY, partly due to increased uptake of our Approved Retirement Scheme product, Scotia Bridge. Our insurance products will continue to be key drivers for the Group next year as we continue to promote the importance of protection as part of a sound financial plan for our customers especially in periods of uncertainty.

Scotia Group continues to be a well capitalized institution, with adequate levels of liquidity and a growing asset base that gives us options to provide financial solutions for our customers. Based on our prudent management, the confidence of our customers in making us their financial partner of choice and the professional conduct and hard work of the team of Scotiabankers, we are pleased that we have continued to declare dividends every quarter with payments totalling $1.45 per share for the 2021 fiscal year.

CUSTOMER FIRST

Scotiabank has built its reputation on the trust and relationships with our customers. Helping customers at every stage of life to achieve their financials goals. Our objective for the past several months has been to provide sound advice and solutions despite the current uncertainty. We ramped up public education initiatives for customers across the Group with sessions covering topics including digital banking, home ownership, retirement planning, investment planning and growth opportunities in the business landscape.

We continue to make it easier for customers to conduct transactions with significant investments in technology to improve all our customer channels and touch points. Over the past five years, there has been a seismic shift in customer behaviour and trends with a clear preference for digital and self-service channels emerging.

We have approximately 375,000 customers enrolled on our online and mobile banking application. As at October 31, 2021, only 4% of our total transactions were conducted in branch with online and electronic channels accounting for the remaining 96%. In line with these trends, we continue to invest in technology to offer increased convenience, efficiency and safety to our customers.

During the year, we invested in replacing and adding new ABMs to our fleet bringing our total number of machines to 280 including 102 Intelligent Deposit Machines (IDMs) with increased functionality to give customers more opportunities to transact business outside of regular banking hours. Our online and mobile banking platforms were upgraded twice during the year to add more products, services and security features. Our personal banking customers now have the convenience of opening deposit accounts on the Scotia Mobile App. During the year our customers opened a total of over 31,000 accounts using the Scotia Mobile App. This made banking very easy for our customers as it takes less than 5 minutes to open the account.

To ensure that customers became comfortable with our new technology, we launched an initiative dubbed "Scotia Digital Saturdays" to help all customers, especially our senior customers to become more comfortable with the changes through one on one educational sessions on a Saturday in selected branch locations.

During the year, we also expanded our Customer Experience Unit and we will be placing even more emphasis on customer satisfaction at all of our touch points. As we strive to be the Bank for every future, advisory services will be a key area of focus as we help customers in all segments to position themselves for future success.

BUILDING A WINNING TEAM

We are very proud of the work of our employees who give of their best every day to deliver high quality financial services to help make our customers realize their financial objectives.

We continue to support our dedicated employees by creating a positive, safe and inclusive work environment, allowing them to be their best selves. We have set a goal to become the workplace of choice in Jamaica and we continue to make strides in this area.

We have used international best practice in all our locations to ensure that we maintain a safe environment and minimise the potential for the spread of COVID-19 in our workspaces. We also held vaccine drives to allow staff and their families to access COVID-19 vaccines in a convenient and comfortable setting.

Our biannual employee surveys are a critical tool to help keep our fingers on the pulse of our organization. We have increased the frequency and consistency of employee communication as we work to maintain an engaged workforce. We have placed even more emphasis on diversity and inclusion as we work to build and sustain an inclusive workplace where employees have a sense of belonging and feel very comfortable being their authentic selves. We are proud of the opportunities that we have created for continued learning and development through our Scotia Academy. We have continued to focus on employee health and wellness as we recognize and understand the challenges of working through a pandemic, as our employee health and well-being is of paramount importance.

SOCIAL IMPACT

An important aspect of our mandate as we continue on our path to growth and recovery is to ensure that we help to enable and propel those in the communities in which we live and work. Scotiabank has been a longstanding supporter of social causes; however, we have taken our efforts a step further by not only making donations but also sponsoring and developing sustainable social impact programmes. Our global philanthropy umbrella, ScotiaRISE seeks to build economic resilience and remove barriers to success for our youth. Our goal is to support as many students, as we can to complete secondary education and go on to post secondary studies.

Support for educational initiatives during the year included donations to:

- The Women's Centre of Jamaica to provide tablets for teen mothers still in secondary school
- Scotiabank Shining Star scholarship awards for high school students
- UWI Scotia Toronto Gala bursary awards
- Junior Achievement Innovation Camp
- United Way of Jamaica to assist 50 early childhood institutions with school supplies
- Free online CSEC tutorial programmes for 1,000 students (with 750 spots allotted for students receiving government assistance)

In support of healthcare, donations were made to:

- The University Hospital of the West Indies for oxygen therapy equipment in support of their efforts to treat COVID-19 patients

Community development projects included donations to:

- The Salvation Army Kettle for food hampers for families in need

- South St Catherine Chamber of Commerce to renovate the Old Harbour Market
- The United Way of Jamaica to help with refurbishing of the Catadupa Health Clinic, Green Island High School and Lucea Infant School

FUTURE OUTLOOK

Jamaica's macroeconomic performance during 2021 continued to be negatively impacted by the COVID-19 pandemic partly due to the retightening of containment measures as the country experienced peaks in cases associated with some of the new variants. Notwithstanding the negative headwinds, economic output for the latter part of the calendar year 2022 is expected to improve.

Scotia Group Jamaica remains a financial fortress with robust capital and liquidity to support the demands of our customers as Jamaica emerges stronger from the pandemic and returns to growth. The expertise of our team, along with a strong risk management framework and sound governance have positioned us to support our customers and manage the challenges brought on by the pandemic. We are optimistic for the year ahead and confident that through the resilience of the Jamaican people and markets, Jamaica is poised for recovery.

As we look forward to 2022, we will continue to execute on our strategic imperatives by putting our customers first, delivering high quality financial products and services through our winning team of Scotiabankers supported by our robust digital solutions.

Our investment in technology and digital transformation supports our long-term strategy for Scotia Group, and we remain committed to providing best-in-class financial services to meet the changing needs of our customers.

I would like to thank all our staff for another year of unwavering dedication and hard work, our Board for their insightful support and guidance, our shareholders for placing their trust in us and our customers for continuing to make the Scotia Group their financial partner of choice.

Audrey Tugwell Henry

CORPORATE GOVERNANCE

GROUP CORPORATE STRUCTURE

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

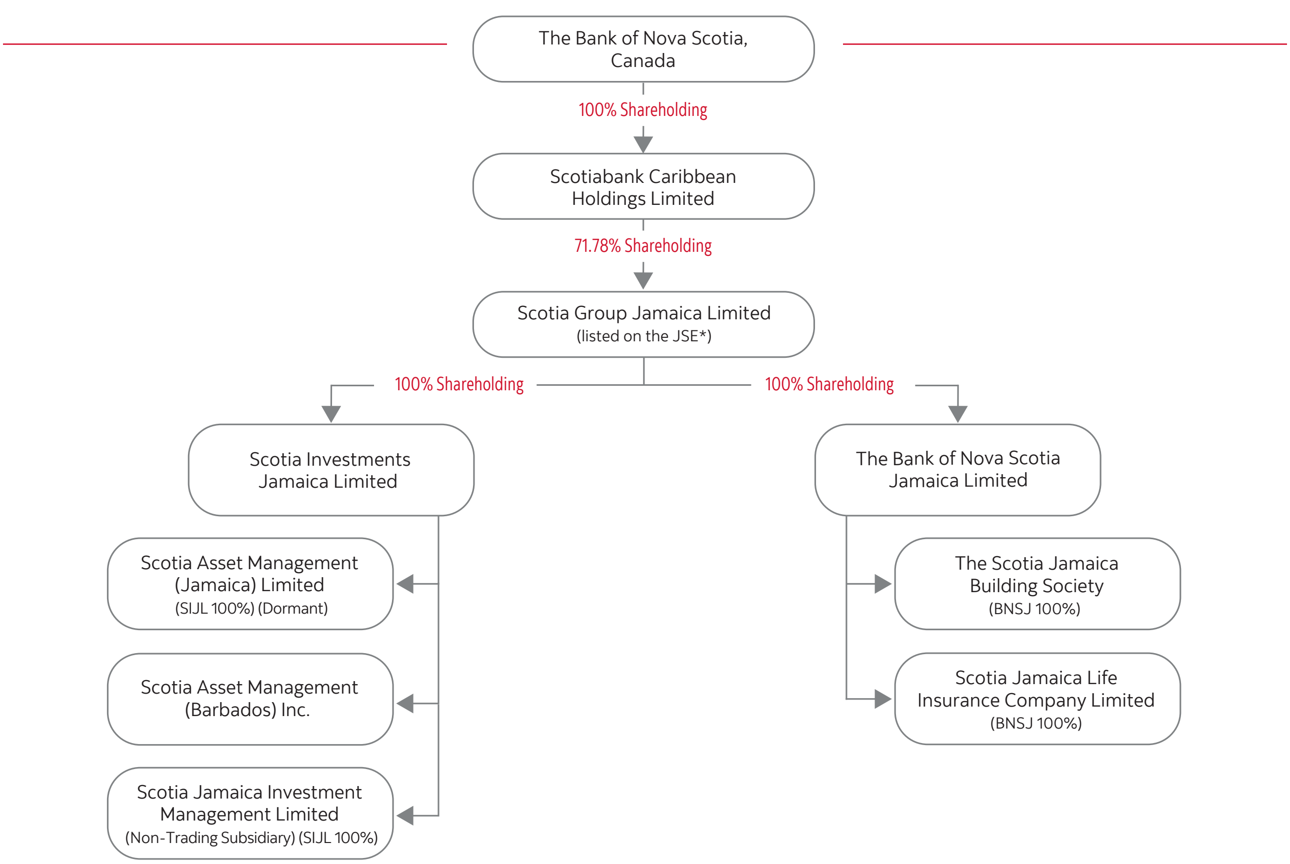
Scotia Group is the financial holding company for several entities operating within the financial sector. The Bank of Nova Scotia Jamaica Limited (BNSJ), which is its wholly owned subsidiary, is a duly licensed commercial bank and has two active subsidiaries: The Scotia Jamaica Building Society (SJBS)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

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

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

THE ROLE AND RESPONSIBILITY OF THE BOARD DIRECTORS

The role of the Board of Directors is to supervise and monitor management's performance against the Board approved parameters and compliance with applicable legal and regulatory requirements. Additionally, the Directors provide advice and counsel to management to ensure that the key strategic objectives of the business are achieved.



* Jamaica Stock Exchange

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

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

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

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

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

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

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

BOARD COMPOSITION

As at October 31, 2021, the Board comprised of eleven 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 recognized as strong leaders in their respective fields of work and experience.

BOARD SKILLS & EXPERTISE	Independent (I)/Non-Independent (NI)	Leadership	Strategic Formation	Governance	Risk Management	Financial Services	Human Resources & Compensation	Legal/Compliance & Regulatory Skills
Jeffrey Hall	I	X	X	X				X
Barbara Alexander	I	X		X		X	X	X
Eric Crawford	I	X	X			X	X	
Angela Fowler	I	X		X			X	X
A. Mark Hart	I	X	X	X			X	
W. David McConnell	I	X	X	X			X	
Leslie Reid	NI	X	X	X		X		X
Audrey Richards	I	X	X	X		X		X
Anya Schnoor	NI	X	X	X	X	X	X	X
Evelyn Smith	I	X	X	X	X		X	X
Audrey Tuwell Henry	NI	X	X	X	X	X		

Eight of our eleven Directors are independent of the Company, its parent, subsidiaries and affiliates and ten Directors of the Board are Non-Executive Directors.

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

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

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

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

EXECUTIVE AND ENTERPRISE RISK COMMITTEE

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

- Corporate Strategy and Annual Profit Plans
- Review of Board nominees prior to appointment
- Review of the Corporate Governance Policy
- Enterprise and Operational Risk Management
- Review of Board performance

HUMAN RESOURCES AND PENSION COMMITTEE

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

- Staff compensation, including 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

BOARD EFFECTIVENESS DURING COVID-19

Like all businesses, the Bank has been faced with challenges since the onset of COVID-19. The Board has met the challenge and exercised new muscles in order to keep focus and honour its mandate. The Board has not wavered and has held all its meetings virtually and within schedule adapting to the "new normal" of doing business.

DIRECTORS' ORIENTATION AND TRAINING OPPORTUNITIES

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

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

BOARD TRAINING & PRESENTATIONS

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

- Global Mandatory AML & Compliance Training which included:
  - Tactical Compliance
  - Risk Culture
  - AML/ATF
  - Privacy, Digital & Cyber Security
- Board Succession Planning & Skills Matrix
- Cyber Awareness Training
- International Financial Reporting Standards – IFRS 17
- Diversity & Inclusion Education Programme - see further details below

APPOINTMENT, TERM, ELECTION AND RETIREMENT OF DIRECTORS

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

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

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

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

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

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

A Director shall resign from the Board of Directors upon the expiration of the respective term (including any variation of the term recommended by the 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.

DIRECTORS' COMPENSATION

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

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

Fee Structure	Annual Retainer	Annual Meeting Fee			Annual Retainer	Annual Meeting Fee
		Board	Audit & Conduct Review	Executive & Enterprise Risk		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	
All Directors	$1,020,000				$125,000	
Other Directors		$360,000	$288,000	$216,000		$216,000

SCOTIABANK CODE OF CONDUCT

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

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

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

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

BOARD ANNUAL SELF-EVALUATION

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

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

Additionally, the Chairperson of the Board and the Chairman of the Executive & Enterprise Risk Committee conduct 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 & 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.

POLICIES IMPLEMENTED DURING THE YEAR

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

- Amended Corporate Governance Policy
- Enterprise Risk Management Framework
- Enterprise Compliance Risk Management & Risk Culture Policy
- Enterprise Fraud Policy
- Enterprise AML/ATF Policy
- Enterprise Sanctions Policy
- Establishment of a Customer Experience Council – see further details below:

CUSTOMER EXPERIENCE COUNCIL

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

DIVERSITY & INCLUSION EDUCATION PROGRAMME FOR DIRECTORS

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

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

WHISTLEBLOWER POLICY

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

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

SCOTIABANK'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH

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

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

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

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

In Jamaica we have implemented the Environmental Risk Management Framework as well as undertaken various Diversity & Inclusion initiatives with all staff and Directors.

BOARD OF DIRECTORS

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1. Jeffrey M. Hall

Jeffrey Hall is the Chief Executive Officer and a Director of the Jamaica Producers Group. He serves as Chairman of Kingston Wharves Limited and Lumber Depot Limited and is a director of Blue Power Group Limited and a Vice-President of the Private Sector Organisation of Jamaica. Mr. Hall has served as a director of the Bank of Jamaica, the Jamaica Stock Exchange, JAMPRO, the National Housing Trust and the Institute of Jamaica.

Mr. Hall received his Juris Doctorate degree, with honours, from Harvard University and practiced banking and securities law at Davis Polk and Wardwell in New York. He holds a Master of Public Policy degree from Harvard University and a Bachelor of Arts degree in Economics from Washington University.

Scotiabank Board Details:-

- Chairman: Scotia Group Jamaica Limited (SGJ) since March 4, 2016; The Bank of Nova Scotia Jamaica Limited (BNSJ) since March 3, 2016; (Director of both companies since November 26, 2007); Scotia Investments Jamaica Limited (SIJL) since November 27, 2014; BNSJ & SGJ Executive & Enterprise Risk Committee since March 8, 2017; Scotia Jamaica Life Insurance Company Limited, Conduct Review Committee, since May 9, 2018
- Director: Scotia Jamaica Life Insurance Company Limited, since May 9, 2018
- Member: BNSJ & SGJ Audit & Conduct Review Committee; SIJL Audit & Conduct Review Committee, SJLIC: Audit Review Committee; Investment, Loan & Risk Committee, and Conduct Review Committee

2. Barbara A. Alexander

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

Ms. Alexander serves on the Board of Governors of the United Way of Jamaica, chairs the Board of the Arts Foundation of the Edna Manley College and is the President of Jamaica Forum of the International Women's Forum. She is a member of the Jamaica Bar Association and the Law Society of England, United Kingdom.

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

Scotiabank Board Details:-

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

3. Eric Crawford

Eric Crawford is one of four Commissioners appointed, by the Governor General to serve on the Integrity Commission of Jamaica, an amalgamation of three legacy anti-corruption agencies. He is the Chairman of the Jamaica International Financial Services Authority (JIFSA), and immediate past president of the Public Accountancy Board.

He has had a distinguished career in public accounting, having been a partner with PricewaterhouseCoopers (PwC) Jamaica for 26 years where he led the firm's local and Caribbean region tax practices.

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

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Scotiabank Board Details:-

- Chairman: BNSJ Audit & Conduct Review Committee
- Director: Scotia Group Jamaica Limited (SGJ) since June 8, 2017 and The Bank of Nova Scotia Jamaica Limited (BNSJ) since June 8, 2017

4. Angela Fowler

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

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

Scotiabank Board Details:-

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

5. Antony Mark Hart

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

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

Scotiabank Board Details:-

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

6. Anya Schnoor

Anya Schnoor was appointed the Executive Vice President, Caribbean, Central America & Uruguay for International Banking in October 2020. In this role, Anya leads the development of the overall strategic direction for the Bank's personal, commercial, corporate, wealth, and insurance operations in the regions.

Ms. Schnoor joined Scotiabank in Jamaica in 2006, and has held progressively senior roles across the bank, including her most recent role as the Executive Vice President, Retail Products in Canadian Banking. Her experience in the financial services sector in the Caribbean spans more than 28 years in the areas of wealth management, insurance and banking.

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

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

Scotiabank Board Details:-

- Director: Scotia Group Jamaica Limited (SGJ) since November 1, 2020. The Bank of Nova Scotia Jamaica Limited (BNSJ) since November 1, 2020
- Member: BNSJ & SGJ Executive & Enterprise Risk Committee

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7. William David McConnell

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

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

Scotiabank Board Details:-

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

8. Audrey Tugwell Henry

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

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

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

Scotiabank Board Details:-

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

9. Leslie Reid

Leslie Reid is the Vice President, AML and Internal Controls, International Banking, The Bank of Nova Scotia (Canada) with responsibility for the strategic direction, leadership and oversight for AML & Internal Controls (Non-Financial Risks) ensuring business strategies, plans and initiatives are supported in compliance with governing regulations, internal policies and procedures across the Caribbean, Central America, and Uruguay.

Mrs. Reid's career started with The Bank of Nova Scotia (Canada) in 1987 in Retail Banking. She has held numerous positions including senior roles in Canadian Banking before joining International Banking in 2005. She moved to Puerto Rico in 2010 to lead the integration of the acquisition of RG Premier Bank into Scotia Bank de Puerto Rico. Since returning to Canada in 2012, she has held leadership roles in Integration and Change and Operations and Shared Services.

She holds an M.B.A. in Business Administration from Dalhousie University.

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Scotiabank Board Details:-

- Director: Scotia Group Jamaica Limited and The Bank of Nova Scotia Jamaica Limited since May 4, 2018

10. Audrey Richards

Audrey Richards is a Consultant with the Development Bank of Jamaica, with responsibility for the development of the ecosystem for Venture Capital and Private Equity in Jamaica. She has held executive leadership positions in the Jamaican capital markets and has consulted for both private and public sector institutions, including the Inter-American Development Bank, Bank of Jamaica, Jamaica Stock Exchange, and the Financial Services Commission.

Mrs. Richards sits on the Boards of British Caribbean Insurance Company Limited, Caribbean Mezzanine Fund 1, St. Andrew High School Foundation and the Board of Governors of the St. Andrew High School.

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

Scotiabank Board Details:-

- Chair: Scotia Jamaica Life Insurance Company Limited (SJLIC), since August 16, 2018; Scotia Investments Jamaica Limited, SJLIC, Investment, Loan & Risk Committee, since May 9, 2018 and Audit & Conduct Review Committee, since April 5, 2017
- Director: Scotia Investments Jamaica Limited (SIJL), since April 5, 2017; Scotia Group Jamaica Limited & The Bank of Nova Scotia Jamaica Limited, since May 4, 2018
- Member: BNSJ & SGJ Audit & Conduct Review Committee; SJLIC, Audit Committee and Conduct Review Committee

11. Evelyn Smith

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

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

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

Scotiabank Board Details:-

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

EXECUTIVE/SENIOR MANAGEMENT TEAM

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1. Audrey Tugwell Henry
President and
Chief Executive Officer

2. Makeba Bennett-Easy
Senior Vice President,
Human Resources

3. Tricia Davies
Vice President,
Business Support

4. Yanique Forbes-Patrick
Vice President,
Public Affairs and
Communications

5. Richard Fraser
Vice President,
Senior Legal Counsel &
Corporate Secretary

6. Perrin Gayle
Senior Vice President,
Retail Banking

7. Morris Nelson
Senior Vice President,
Corporate and
Commercial Banking

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8. Marcette McLeggon
Chief Risk Officer

9. Tonya Russell
Head of Marketing

10. Adrian Stokes*
Senior Vice President, Head of Insurance and Wealth Management

11. Gary-Vaughn White
Senior Vice President, Treasury

12. Naadia White
Vice President, Compliance

13. Shelee Wilkie Channer
Chief Auditor

14. Michelle Wright
Chief Financial Officer

*Adrian Stokes resigned effective February 18, 2022

MANAGEMENT DISCUSSION & ANALYSIS

INTRODUCTION

Scotia Group Jamaica Limited (Scotia Group), established in 1889 and headquartered in Kingston is one of the largest banking and financial service organizations in Jamaica, with assets in excess of $585 billion. We provide a diversified range of financial services through our subsidiaries to a wide base of personal, commercial, corporate and government clients across all sectors within the Jamaican economy, supported by a network of 29 branches, 280 ATMs, 1,490 team members and a best-in-class online and mobile banking platform.

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

Today, Scotia Group continues to stay focused on evolving with Jamaica by building on 132 years of unbroken service to our customers in Jamaica as we continue to leverage our strength, experience and resilience while executing our strategic plans to support our customers and build a bank for the future.

OUR OPERATING ENVIRONMENT

MACROECONOMIC ENVIRONMENT

For financial year 2021, Scotia Group has ensured the continuity of all activities despite the COVID-19 pandemic which has impacted economies globally. Price pressures have become more persistent and widespread encompassing not just the goods category, but also services, influencing prices and have led to elevated inflation expectations. Point-to-point inflation breached the upper level of the Bank of Jamaica's (BOJ's) targeted range of 4%-6% for three consecutive months to October. As at October 31, 2021 the outturn was 8.5% according to the Statistical Institute of Jamaica (STATIN) and was the highest outturn in seven years. The movement was due largely to inflationary pressures from the '*Food and Non-Alcoholic Beverages*' (11.8%), '*Transport*' (13.5%) and '*Housing, Water, Electricity, Gas and Other Fuels*' (5.3%) Divisions underpinned by rising global commodity prices as well as unfavorable weather conditions. Inflation is anticipated to steer above or very close to the upper limit of the targeted range over the next two years.

Prior to the COVID-19 pandemic Jamaica's fiscal economic reform was ingrained in macroeconomic stability demonstrated by low unemployment rate, single digit inflation rates and a declining debt-to-GDP ratio. Today, the economy continues to reap the rewards from the economic reform implementation with strong rebounds in the severely impacted sectors which are key factors to sovereign credit metric. In October 2021, Standard & Poor (S&P) upgraded Jamaica to B+ with a stable outlook, citing that economic recovery will strengthen and government finances will return to surplus.

The relaxation of the COVID-19 measures positively impacted most sectors, and as such improvements were noted in some macroeconomic results. Gross Domestic Product (GDP) for the quarter ended June 2021 recorded an expansion of 14.2% compared to the 18.4% decline recorded for the same period last year. This increase was driven by the Services and Goods Producing Industries. The near-term outlook for real GDP is 7.0% – 10.0% for FY2021/22, given improvements in the economies of Jamaica's major trading partners, and is expected to moderate in the range of 2% to 4% for FY2022/23. The unemployment rate as at July 2021 was 8.5% compared to 12.6% for the same period last year during the early stages of the pandemic.

Business and consumer confidence indices declined as at September 2021 due to COVID-19 related fears, as well as general uncertainties in the economy. Consumers and businesses shared similar sentiments and have shown pessimism regarding the economy. Businesses were concerned about the outlook for inflation while consumers cited concerns about further economic hardships due to the fallout from COVID-19 resulting in fewer households receiving remittances.

FINANCIAL SECTOR PERFORMANCE

Inflation levels have breached the BOJ's target range three consecutive months to October 2021, due to continued inflationary pressures from food, electricity and transport prices. As such, the Central Bank implemented measures aimed at moderating inflation expectations. One such measure was the tightening of monetary policy rate which sets the tone for market interest rates including the cost for government securities. The Central Bank increased the policy interest rate by 100 basis points to 1.50 per cent per annum in October 2021. In support of economic growth the BOJ has kept the policy rate at a historic low since 2019, however, with the onset of COVID-19, and some macroeconomic indicators trending outside of the BOJ's targeted range, the BOJ has increased the policy rate with the expectation that this will impact interest rate spread and thus improve the macroeconomic indicators.

As at June 2021 the overall growth in loans in the Financial Sector was 11.3% compared to 13.8% for the comparative period in 2020. Deposits grew 17.0% in 2021 vs. 10.6% for 2020. Total assets expanded 15.0% compared to 8.0% for 2020. Additionally, as at June 2021, commercial banking sector loans to the private sector increased by 8.8% or $34 billion (2020: 17.1% or $56 billion), due mainly to growth in the Professional & Other Services, Tourism, Transport and Distribution sectors. Credit quality for the sector declined slightly with non-performing loans representing 3.0% of total loans as at June 2021, relative to 2.7% for the comparative period in 2020 due to the impact of the COVID-19 pandemic.

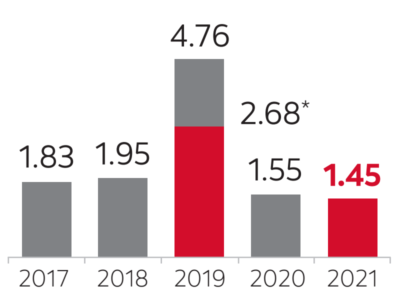
The Collective Investment Scheme industry (unit trusts and mutual funds) increased by 3.0% to US$2.4 billion for the year ended October 31, 2021, due to increases in client assets underpinned by an uptick in economic activities. Of note, gross life insurance premiums sold in the industry as at August 2021, were higher by $6.9 billion or 23.4% year over year.

OVERVIEW OF FINANCIAL RESULTS

TOTAL REVENUE

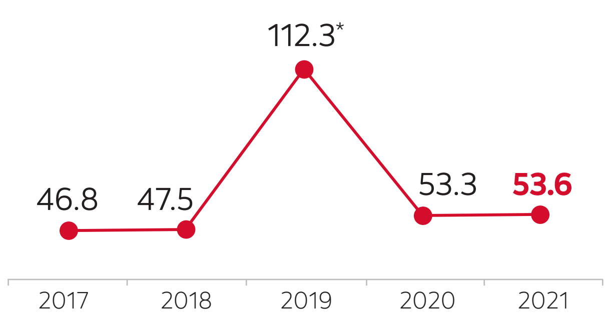
Scotia Group's net profit attributable to common shareholders was $8.4 billion, representing a return on equity of 7.28%. These results translated to earnings per share of $2.70, a reduction from prior year amount of $2.91. The dividend per share was $1.45, representing a dividend payout ratio of 53.6%. Of note, the results for this year include a one-time restructuring charge to support our business transformation strategy. Additionally, the COVID-19 global pandemic continued to disrupt economic activities in an unprecedented manner. Scotia Group delivered a commendable performance for 2021 in the face of a very challenging macroeconomic landscape locally, and subsequent containment measures further marred by second and third waves of the virus which resulted in revenue contraction, particularly with respect to net interest income, and fees and commissions.

Dividends per Share ($)



* Special dividends of $2.68 paid in 2019

Dividend Payout Ratio (%)



* Special Dividend Payout ratio of 49.7% excluding special dividends of $2.68

Our results were achieved from the strong performance of our diversified business lines through unprecedented challenges. We continue to bring value to our customers through the offering of products and solutions designed to assist them in achieving their financial goals. The Group displayed resilience during the on-going pandemic, which reflects the benefits from our investments in our assets, people, technology and distribution. Our core business remains strong and continues to perform well with strong growth in the demand for mortgage loans although impacted by contracting margins. Additionally, our Treasury, Investment and Insurance business lines were impacted by lower economic activities resulting from the crisis. There was a marginal 1.4% increase in our expenses associated with continued execution of our digital transformation strategy in the context of technology investments, and servicing and maintaining our Automated Teller Machines (ATMs), as our digital channels became the primary customer-engagement model since the start of the pandemic.

Scotia Group is one of the largest banking and financial services organizations in Jamaica, with assets of $585.4 billion, and customer deposits of $378.5 billion as at October 31, 2021. The growth in our asset base was achieved through client acquisition and deepening relationships across all customer segments; corporate and commercial, consumer, as well as small and medium sized enterprises. Non-accrual loans as a percentage of gross loans increased from 2.1% last year to 2.8% due to the impact of the COVID-19 global pandemic and subsequent impact on customers inability to service loan obligations. In response, the Bank implemented several de-risking initiatives to mitigate against these risks.

Financial Highlights	31-Oct-21 $millions	31-Oct-20 $millions
Total Assets	**585,444**	543,240
Investments	**160,968**	138,364
Loans (net of expected credit losses)	**208,523**	220,727
Deposits by the Public	**378,473**	336,660
Liabilities under repurchase agreements and other client obligations	**18,808**	19,158
Policyholders' Fund	**45,865**	45,300
Shareholders' Equity	**113,603**	110,756
Profit after Tax	**8,410**	9,052
Total Comprehensive Income	**7,670**	-2,224
Return on Average Equity	**7.28%**	7.99%
Productivity Ratio	**61.9%**	56.3%
Operating Leverage	**-9.1%**	-5.4%
Earnings per share (cents)	**270**	291
Dividend per share (cents)	**145**	155

The total value of clients' funds in the Collective Investment Schemes in Scotia Investments increased by $5.1 billion to $74.7 billion over prior year, due to an uptick in economic activities.

Against the backdrop of the ongoing global pandemic, underpinned by uncertainties, the Bank remains well capitalized to support its strategic growth plans and the maximization of returns to shareholders. This solidifies the resilience of our business and our ability to withstand market volatility, and further provides our valued customers and shareholders with confidence, that we are well positioned for continued success while building for the future.

OUR STRATEGY

Our strategic priorities have been the roadmap for our continued success, which consist of three pillars, deeply focused on our customers and built on a strong risk culture. Our strategic pillars keep the focus on balancing key growth opportunities and structural transformation while delivering an elevated service experience to our customers.

These are the mainstays we believe will have the greatest impact and will drive long-term value creation for all stakeholders.

2022 STRATEGIC FOCUS

Customer First: We will continue to deepen our primary relationships with our customers by providing relevant and personalized product offerings to fulfil their financial needs.

Our valued customers are our top priority and are placed at the center of the decision-making processes throughout our organization. We endeavour to make banking with us even more convenient for our customers in order to help them manage through unprecedented times and enable them to succeed. We continue to make substantial investments in our people, processes and technology to ensure our customers have a great experience, the right tools and advice to succeed and become financially better off. Additionally, we continue to invest in our digital platforms in order to simplify the customer experience, implement the highest level of security standards, and improve stability. We introduced strategies to deepen our relationship with customers and equip our employees to effectively resolve customer concerns to make it easy for them to do business with us. We believe in our commitment to deliver best in class customer experience through the enhancement of our distribution channels, to better serve our client segments as our customers' banking needs are evolving. The Pulse, our customer feedback system continues to yield positive results and has indicated our customers' growing preference for the convenience of our digital channels which offer a more cost effective and convenient way to conduct transactions. Scotia Group remains focused on being the most trusted bank wherever we operate and as such, maintaining the trust and confidence of customers remain paramount in everything that we do.

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

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

Lead in the Region: We are re-imagining the customers' experience through our digital solutions to better serve our customers and outperform others.

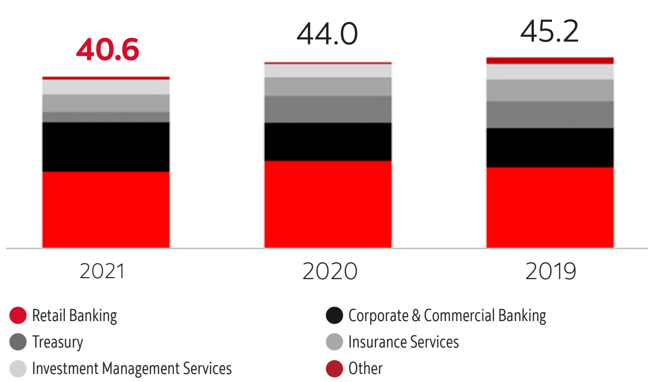
We continue to make investments in our digital platforms and ABM network in order to provide customers with convenient, affordable choices to conduct their banking transactions, while driving value creation. As evolving consumer demands heighten competition and significant advances in technology continue to re-shape the financial services industry, we continue to operate at the highest standard with a winning mindset in all that we do. We have heightened our efforts to accelerate digital and mobile banking as well as other innovative solutions to continuously improve outcomes for our customers.

GROUP FINANCIAL PERFORMANCE

TOTAL REVENUE

Total revenue excluding expected credit losses was $40.6 billion in 2021, compared to $44.0 billion for 2020. Our revenues were impacted by lower transaction volumes resulting from the COVID-19 global pandemic and containment measures implemented by the government.

Revenues by Business Line
(excluding expected credit losses) $ Billions



- **Investment Management (+9%):** Revenues in our investment management portfolio grew year over year despite lower interest income. The growth noted was driven by fees from our Asset Management segment which increased by 5.0% year over year despite the challenging operating environment.
- **Commercial (-4%):** The reduction in revenues noted was primarily due to lower transaction volumes due to COVID-19 restrictions, coupled with lower yields arising from the lower interest rate environment in 2021.
- **Retail (-11%):** Loan growth was led by residential mortgages which grew $5.8 billion or 13.5% over prior year, off-set by Scotia plan loans which were lower by $6.4 billion or 7.7% due to the impact of COVID-19. Overall, our total retail loans amounted to $125.0 billion reflecting a marginal reduction of 0.5% over last year. The reduction in revenues was driven by lower

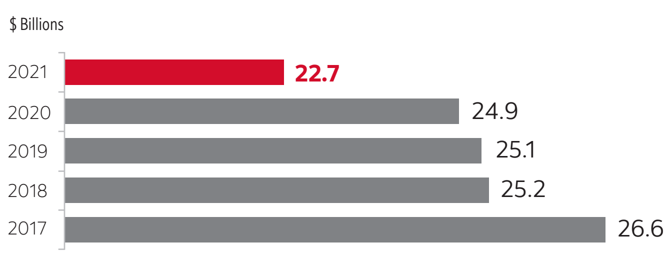
interest income due to lower balances and yields, and lower Fee and Commission due to lower transaction volumes resulting from the continued COVID-19 impact, and lower revenue from our strategic push to transition customers to our digital channels.

- **Treasury (-29%):** Lower interest rates as well as a reduction in realized securities' gains were the major drivers behind the reduction in our Treasury revenues. Interest rates continued to be adversely impacted by the prolonged global pandemic, whilst the reduction in investments sales was a direct result of the execution of the strategic objective of the Group.
- **Insurance Services (-5%):** The reduction in our insurance revenues was due to lower premium income year over year resulting from the continued effects of the global pandemic, in addition to one-off gains from actuarial reserves in the prior year not repeated. This was partially offset by higher net interest income and gains from foreign currency activities.

NET INTEREST INCOME

Loan volumes declined year over year impacted by repayments and lower loan demand resulting from the COVID-19 pandemic. Interest income was impacted by declining portfolio yields due to lower interest rates during the year. We recorded net interest income before expected credit losses of $22.7 billion, a reduction of $2.1 billion or 8.6% when compared to 2020. The Group's average earning assets increased by 5.4%, while the net interest margin (net interest income as a percentage of average earning assets) declined relative to the previous year by 69 basis points. Average yields on earning assets were lower by 82 basis points as a result of the lower interest rate environment throughout the year. The year over year growth in volumes contributed a positive $1.3 billion to net interest income, partially offsetting the negative impact from declining yields of $3.5 billion.

Net Interest Income



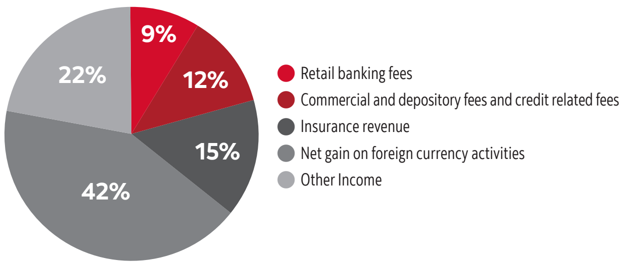
Net Interest Margin Analysis ($'000)	**2021**	2020
Rate Variance	**(3,456,155)**	(1,133,771)
Volume Variance	**1,310,040**	872,319
Net Interest Income	**(2,146,115)**	(261,452)

OTHER INCOME

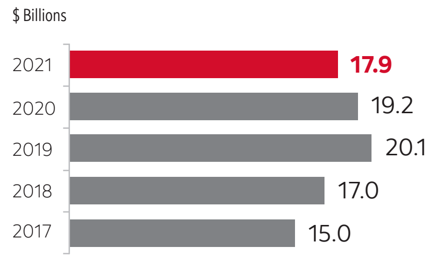
Other income, defined as all income other than interest income, was $17.9 billion for fiscal year 2021, down $1.3 billion or 6.7% from prior year.

- Net fees and commissions were down $1.1 billion or 15.0% compared to last year and totaled $6.1 billion. Lower net fees noted was primarily due to lower transaction volumes resulting from the COVID-19 pandemic, as well as the Group's strategic push to transition customers to digital channels. Throughout the year, the Group continued its drive to educate customers on these alternative channels which attract lower fees.
- Insurance other income was lower by 12.5% and amounted to $2.6 billion compared to $3.0 billion for 2020, due to the fall off in premium income as a result of the on-going global pandemic and lower actuarial reserve releases.
- Foreign exchange revenues amounted to $7.6 billion compared to $6.8 billion for 2020. The increase of $711.4 million or 10.4% was primarily due to increased trading volumes during the year.
- Net gains on financial assets amounted to $604.4 million, a year over year reduction of 336.4 million or 35.8% due to a reduction in investment sales volumes in line with the strategic objective of the Group.
- Other revenue amounted $1.0 billion compared to $1.2 billion last year, a reduction $207.8 million or 16.9%. The reduction noted was due primarily to lower gains realized on the extinguishment of debt arrangements.

Sources of Non-Interest Revenues (%)



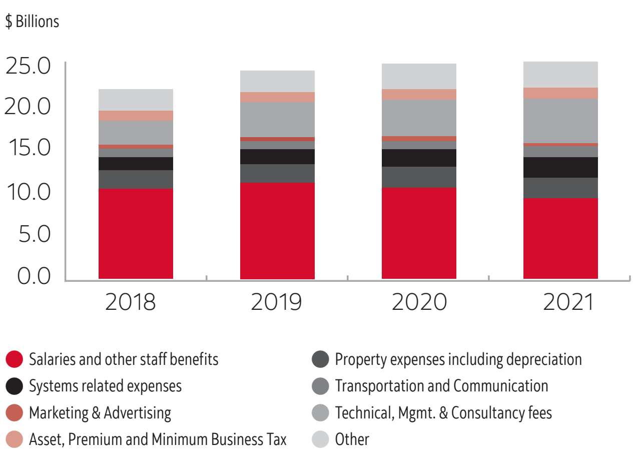
Other Income



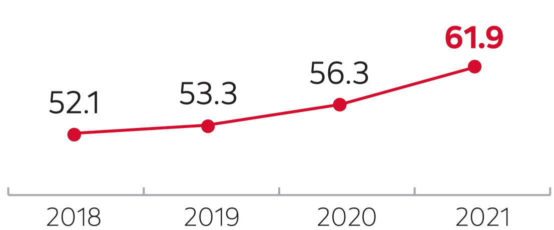
Non-Interest Expenses Non-Interest expenses for the year totaled $25.1 billion, up $338 million or 1.4% year over year. The increase noted in expenses was due to an increase in technology expenses as the Group continued to execute on its digital transformation strategy through the acceleration of significant investment in technology and transformation of our distribution network. Of note, restructuring expenses also contributed to the increase in operating expenses. These increases were partially offset by a reduction in salaries and employee benefits which represented 37.7% of our operating costs. The reduction in salaries of $1.1 billion or 10.8%, was primarily due to lower staff complement based on the execution of efficiency initiatives. The increase in other operating expenses was driven by higher technology investments based on our digital transformation strategy, and costs associated with the servicing and maintenance of our ABM due to the digitization of our distribution channels, and our customers shift to the usage of alternative channels.

Our productivity ratio, which is calculated as total expenses as a percentage of total revenue (excluding expected credit losses), increased to 61.9% from 56.3% in 2020, due primarily to margin compression and lower transaction volumes stemming from the COVID-19 pandemic, coupled with the increase in expenses associated with the continued execution of our digital transformation strategy.

Non-Interest Expenses



Productivity Ratio (%)



TAXES

For the year ended October 31, 2021 income tax expense totaled $4.3 billion, down $86.1 million or 2.0% from last year. Our effective income tax rate, however, increased to 33.6% from 32.4% as a result of higher taxable income in 2021. When Asset Tax of $1.2 billion is added, the tax expense for the year equated to 39.4% of our pre-tax income.

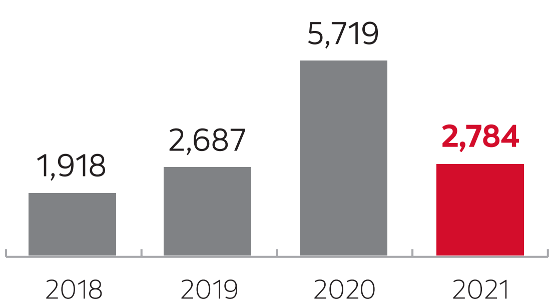
Taxation Charge ($'000)	2021	2020	2019
Profit Before Taxes	**12,669,179**	**13,397,088**	**18,482,724**
Current Income Tax:			
Income tax calculated at 33⅓%	2,056,513	3,245,090	3,777,626
Income tax calculated at 30%	630,854	672,242	522,179
Income tax calculated at 1%-25%	708,177	871,405	983,137
Adjustment for under/(over) provision of prior year's charge	89,194	–	(4,013)
	3,484,738	**4,788,737**	**5,278,929**
Deferred Income Tax	774,197	(443,696)	13,741
Taxation Charge	**4,258,935**	**4,345,041**	**5,292,670**
Effective Tax Rate	**33.6%**	**32.4%**	**28.6%**

CREDIT QUALITY

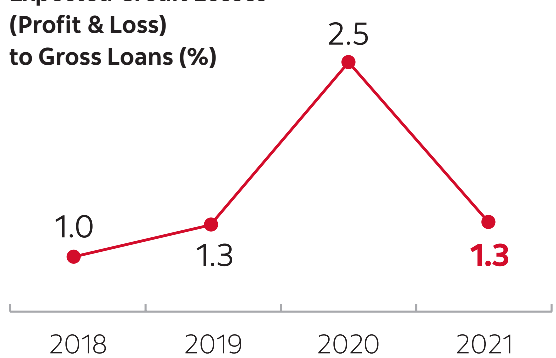
Expected credit losses on loans amounted to $2.8 billion and were down $3.0 billion or 51.3% year over year due to higher provisions in 2020 from the changing macroeconomic assumptions arising from the pandemic. Non-accruals loans (NALs) as at October 31, 2021 was $6.0 billion, up $1.3 billion or 27% compared to prior year. NALs currently represent 2.8% of gross loans and 1.0% of total assets as at year end October 31, 2021. The Group's NALs as a percentage of gross loans remain below the industry average of 3.0% reported as at June 2021.

Expected Credit Losses

$ Millions

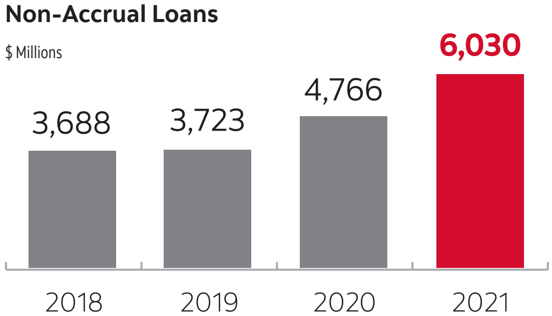


Expected Credit Losses (Profit & Loss) to Gross Loans (%)

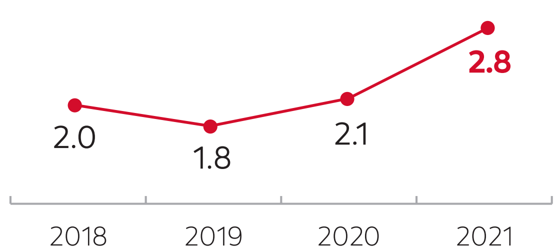


Non-Accrual Loans

$ Millions



Non-Accrual Loans to Gross Loans (%)



Credit Quality *(continued)*

The total expected credit losses reflect lower levels of IFRS provisions. Provisions which meet the regulatory requirements but exceed the IFRS standards are credited to a non-distributable loan loss reserve. The table below shows the IFRS and regulatory provisions for the past three years and the expected credit losses for 2021.

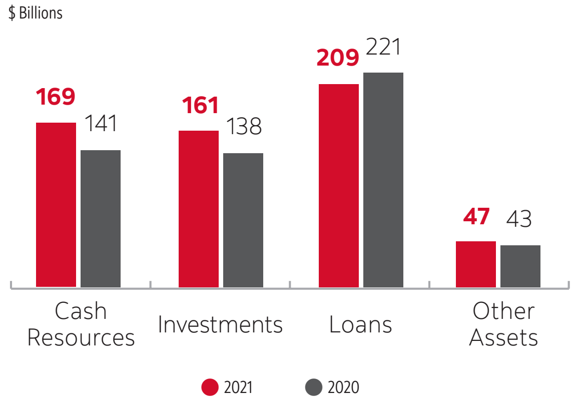
Loan Loss Provision Analysis ($'000)	**2021**	2020	2019
Gross Loans	**214,760,379**	228,703,117	209,775,324
Non Accrual Loans	**6,029,612**	4,765,692	3,723,273
Expected Credit Losses (IFRS 9)	**6,237,325**	7,976,283	4,149,910
Loan Loss Reserve	**334,797**	220,791	2,304,057
Total Regulatory Expected Credit Losses	**6,572,122**	8,197,074	6,453,997
IFRS Expected Credit Losses as a % of Gross Loans	**2.9%**	3.5%	2.0%
IFRS Expected Credit Losses as a % of Non Accrual Loans	**103.4%**	167.4%	111.5%
Total Regulatory Expected Credit Losses as a % of Gross Loans	**3.1%**	3.6%	3.1%
Total Regulatory Expected Credit Losses as a % of Non Accrual Loans	**109.0%**	172.0%	173.3%
Total Assets	**585,444,271**	543,239,648	535,507,538
Net Loans (after expected credit losses)	**208,523,054**	220,726,834	205,625,384
NAL : Gross Loans	**2.8%**	2.1%	1.8%
NAL : Net Loans	**2.9%**	2.2%	1.8%
NAL : Total Assets	**1.0%**	0.9%	0.7%

GROUP FINANCIAL CONDITION

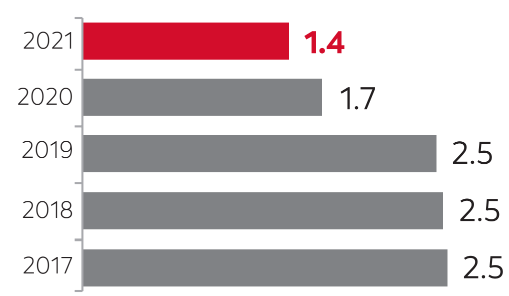
ASSETS

Total assets amounted to 585.4 billion an increase of $42.2 billion or 7.8% as at October 31, 2021. The increase noted in our asset base was driven by a $27.4 billion or 19.4% growth in our cash resources, a $22.6 billion or 16.3% growth in our investment securities portfolio as well as a $4.4 billion or 10.2% growth in other assets.

Asset Mix



Return on Assets (%)



CASH RESOURCES

Cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $168.7 billion as at October 31, 2021, up $27.4 billion or 19.4% from $141.3 billion last year. The growth was due to increases in our core deposits. We continue to maintain adequate liquidity levels to enable us to respond effectively to changes in cash flow requirements.

INVESTMENTS

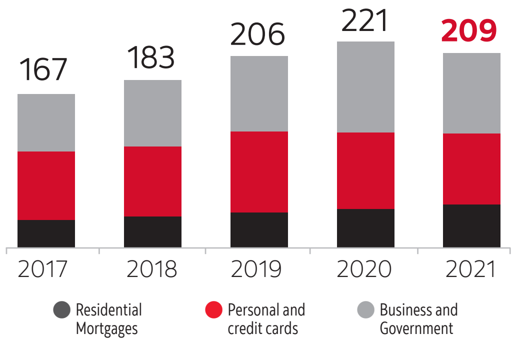
Total investment securities amounted to $161.0 billion, up $22.6 billion or 16.3% year over year due mainly to higher balances being held within the Group, arising from the purchase of additional investment securities with inflows from incoming deposits and proceeds from sales and maturities.

LOANS

Our loan portfolio declined by $12.2 billion or 5.5% for this financial year. After allowance for expected credit losses the loan portfolio stood at $208.5 billion. Our residential mortgages experienced solid growth of 13.5%. This increase was partially offset by declines in business and government by 12.3%, and personal and credit cards by 7.7% compared to 2020.

Loan Portfolio (net of expected credit losses)

$ Billions



LIABILITIES

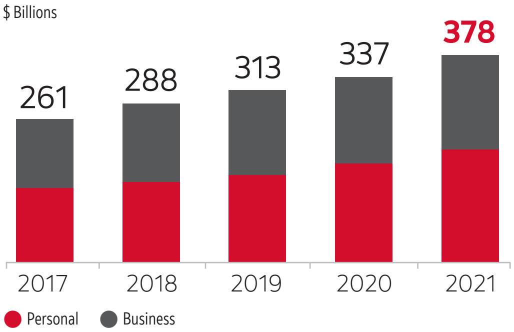
Total liabilities as at October 31, 2021 were $471.8 billion, an increase of $39.4 billion or 9.1%. The increase noted was driven mainly by increased customer deposits, deferred taxation and a higher retirement benefit obligation. These increases were partially offset by the reductions in other liabilities and capital management fund balances.

DEPOSITS

Deposits by the public increased to $378.5 billion, up from $336.7 billion in the prior year. This increase represents $41.8 billion or 12.4% growth in core deposits which was reflected in higher inflows from our retail and commercial portfolios, confirming our customers' confidence in the strength of the Group.

Deposit Portfolio

$ Billions

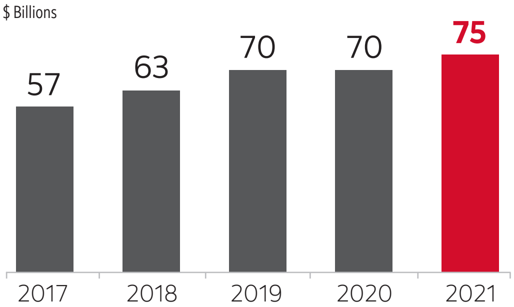


Obligations related to repurchase agreements, capital management and government securities funds

This mainly represents placements by clients of Scotia Investments in addition to other wholesale funding. Our strategic focus is to grow our mutual funds and unit trusts business lines, however, the net of these obligations decreased by $349.7 million or 1.8% compared to prior year. Of note, our Assets under administration including the company's custody book was $247.2 billion as at October 31, 2021, an increase of $13.8 billion or 5.9% year over year.

Funds Under Management
Unit Trusts & Mutual Funds

$ Billions

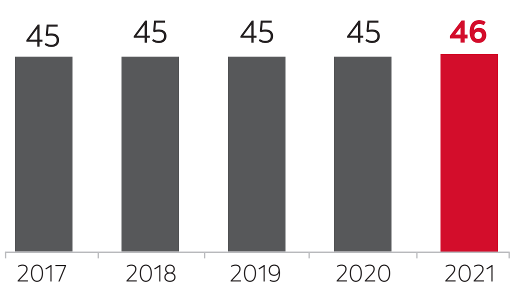


POLICYHOLDERS' FUND

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our ScotiaMINT product. As at October 31, 2021 the Fund stood at $45.9 billion, compared to $45.3 billion last year.

Policyholders' Fund

$ Billions



SHAREHOLDERS' EQUITY

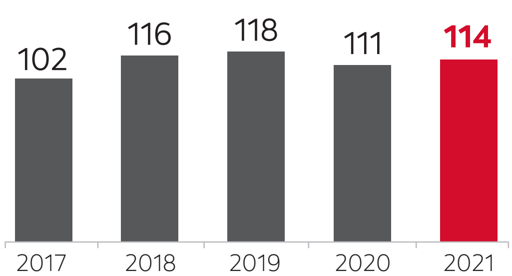
Total shareholders' equity grew to $113.6 billion in 2021, an increase of $2.8 billion or 2.6% year over year driven mainly by the re-measurement of the defined benefit pension plan assets as well as internally generated profits.

SHAREHOLDERS' RETURN

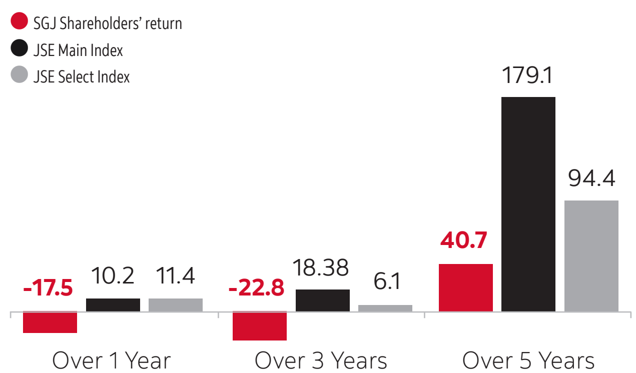
We remain focused on achieving sustainable long-term earnings growth, and a high return on equity for our shareholders. Shareholders continue to benefit from consistent quarterly dividends, which totaled $1.45 per share for the year, however, the downturn in economic activities caused by the COVID-19 global pandemic impacted the JSE Indices and curtailed Shareholders' return for the financial year 2021. Shareholders' return declined to -17.5% (including both dividends and change in the price of the Group's common shares). Returns this year declined to -22.8% over the last 3 years and grew 40.7% over the last 5 years.

Shareholders' Equity

$ Billions



Shareholders' Returns (%)



Shareholder returns for the 3 and 5 year horizons were largely influenced by the 24.7% and 27.0% increases in the Jamaica Stock Exchange (JSE) Index in the 2018 and 2016 financial years respectively. Scotia Group's closing share price declined by 20.95% to close the year at $35.48 per share. Our consistent dividend policy continues to be a key component of shareholder return.

Shareholders' Returns – For the years ended	2021	2020	2019
Closing Market Price ($)	**35.48**	44.88	54.95
Dividends Paid ($)	**1.45**	1.55	4.76*
Dividend Yield	**3.49%**	3.11%	8.61%*
Change in Share Price	**-20.95%**	-18.33%	2.29%
Total Annual Shareholder Return	**-17.46%**	-15.22%	10.90%

*Dividend Yield of 3.76% excluding special dividends of $2.68 paid in 2019

CAPITAL

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

CAPITAL MANAGEMENT

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

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

REGULATORY CAPITAL

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

Capital Adequacy	2021 Capital Adequacy Ratio	2020 Capital Adequacy Ratio	Regulatory Requirement	Excess over Regulatory Requirement
Banking and Building Society	17.4%	16.6%	10.0%	7.4%
Investment Management	43.6%	35.9%	10.0%	33.6%
Life Insurance	383.1%	493.0%	150.0%	233.1%

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

BUSINESS OUTLOOK

The Jamaican economy continues to rebound from the pandemic-induced contraction in 2020 subsequent to restrictions imposed at the start of the pandemic, as well as the reintroduction of lockdown measures following the second and third waves of the COVID-19 virus. Today, the Government of Jamaica (GOJ) continues to manage the macro-fiscal environment while gradually opening the economy and managing the virus. Despite signs of improvement in economic activities, the main risks likely to affect the pace of recovery remains the COVID-19 virus, which could lead to a more prolonged disruption of tourism, trade, and capital flows as well as rising global and local inflationary pressures driven by sharp rises in world food and energy prices as well as natural disasters. Though the country has a relatively low positivity rate, the low vaccination take-up among Jamaicans continue to be a challenge despite the government's push to get Jamaicans inoculated against the virus. With the emergence of the new more highly transmissible Omicron variant along with increased travel by tourists and Jamaicans, an anticipated fourth wave of the virus looms and new restrictions and recommendations are expected given these concerns. These uncertainties may result in the government continuing to maintain contact and mobility restrictions in order to contain the virus.

The GOJ is expected to continue building on its reform agenda to support economic recovery and ensure sustainable economic growth amidst a resurgence of the virus. Of note, most sectors hard hit by the global pandemic are expected to rebound when the crisis abates, however, lower Business and Consumer confidence signals driven mainly by uncertainties surrounding inflation prospects and the health of the economy, may adversely impact the climate for investment and expansion.

The Group understands the importance of steering though unprecedented times, from maintaining liquidity to re-adjusting operations to navigate safely through extraordinary times. We are aware that financial institutions are at the forefront of the economic disruptions brought on by COVID-19 and have an important responsibility in strengthening our operational resilience by recalibrating for the future. In response to these continuous industry shifts, we continue to make investments in our digital channels and ABM network in order to provide customers with convenient and affordable options to conduct their banking transactions. Our investment in technology and distribution transformation supports our long-term strategy for the Group, and we remain committed to providing best-in-class financial services to meet the changing needs of our customers. We are proud of our investments as we have seen a significant reduction in branch transactions which has been accelerated due to measures adopted to address the ongoing pandemic. Our focus will continue to be on our core business and utilizing our full range of products across our business lines to identify and provide enhanced solutions to satisfy our customers' needs, demands and expectations. We will continue to enrich the experience of our customers by offering them greater speed and convenience in our service delivery, as we continue to improve our operational efficiency through our digital and alternate banking channels.

Our Retail, Corporate & Commercial and Small Business customers are encouraged to continue to grow their operations as they seek to benefit from the Government's ongoing initiatives implemented to support and strengthen their businesses. We will capitalize on opportunities as they arise and continue to support our customers by assisting them to meet their financial objectives.

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

RISK MANAGEMENT

RISK MANAGEMENT FRAMEWORK

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

RISK MANAGEMENT PRINCIPLES

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

- **Risk and Reward** – aligning business decisions with risk strategies and risk appetite
- **Understand the Risks** – identifying and managing all material risks to which the Group is exposed including financial and non-financial
- **Forward Thinking** – emerging risks and potential vulnerabilities are proactively identified
- **Shared Accountability** – every employee is accountable for managing risk
- **Customer Focus** – understanding our customers and their needs are essential to all business and risk decision-making
- **Protect our Brand** – alignment of all risk-taking activities with the Group's risk appetite, Code of Conduct, Core Values and policy principles
- **Compensation** – performance and compensation structures underpin/support the Group's values and promote sound risk-taking behavior

Scotiabank has robust, disciplined risk management frameworks and policies supported by a strong risk management culture where risk management responsibilities are shared by all employees.

These frameworks and policies are evaluated constantly to ensure they meet the changes in the markets within which the Group operates, including regulatory standards and industry best practices. The Group's risk management frameworks and policies are applied on an enterprise-wide basis and consist of five key elements:

RISK GOVERNANCE

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

RISK APPETITE

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

RISK MANAGEMENT TOOLS

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

RISK IDENTIFICATION & ASSESSMENT

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

RISK CULTURE

The Group's risk culture is influenced by several factors including the interdependent relationship amongst the Group's risk governance structure, risk management frameworks, policies and organizational culture. Risks are managed as per the frameworks, policies and limits approved by the Board of Directors. The Board receives quarterly reports on risk exposures and performances against approved limits. Senior management committees meet regularly and provide oversight of various risks; while the Group's Risk Management Unit provide independent oversight of the significant risks.

THREE LINES OF DEFENCE

Successful risk management requires that every employee becomes a risk manager and takes responsibility for managing risks. Scotia Group's Risk Management Framework is grounded in the Three Lines of Defence model. Within this model:

- **First Line:** Business Lines identify, own, assess and manage risk.
- **Second Line:** Risk Management units and other control functions provide independent oversight and objective challenge to the first line of defence, as well as measuring, monitoring, reporting and managing risk.
- **Third Line:** Internal Audit Department provides assurance that control objectives are achieved by the first and second lines of defence.

PRINCIPAL RISK TYPES

FINANCIAL RISK

These risks are directly associated with the Group's primary business and revenue generating activities and are generally quantifiable. The Bank has a higher risk appetite for financial risks, which are an essential part of doing business; but only when they are well understood, within established limits, and meet the desired risk and return profile.

CREDIT RISK

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honor its financial or contractual obligations to the Group. Credit risk arises in the Group's direct lending operations and in its funding, investment and trading activities where counterparties have repayment or other obligations to the Group.

The Group's Risk Management Units develop the credit risk management Programme and credit risk policies that detail among other things; the credit risk rating systems and associated parameters, the delegation of authority for granting credit, the calculation of the allowance for credit losses, and the authorization of write-offs. The Board reviews and approves the Group's Credit Risk Policy and key credit risk related documents and limits. The Group's counterparty credit risk-taking activities include Securities Financing Transactions (SFTs), such as repurchase/reverse repurchase transactions for Treasury's liquidity management purposes and securities borrowing/lending. These types of risk-taking activities give rise to counterparty credit risk. The Counterparty Credit Risk Management Framework and Credit Risk Policy describe the approach taken to manage counterparty credit risk.

MARKET RISK

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

Market risk exposures primarily come from the Group's investment and funding activities with exposures managed through the Group's asset-liability management processes.

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

INTEREST RATE RISK

The Group actively manages its interest rate exposures, the objective being to enhance net interest income within established risk tolerances. Exposures are managed to control the impact of changes in interest rates on income and the economic value of shareholders' equity. Interest rate exposures in individual currencies are also controlled by gap limits. Interest rate risk exposure is generally based on the earlier of contractual re-pricing or maturity of the Group's assets and liabilities. Further details on the interest rate risk exposure for the Group are summarized in Note 46 (c) (i) of the Financial Statements.

FOREIGN CURRENCY RISK

This arises from foreign currency operations and is typically mitigated by financing foreign currency assets with borrowings in the same currencies.

The foreign currency risk exposure for the Group is summarized in Note 46 (c) (ii) of the Financial Statements.

CREDIT SPREAD RISK

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

EQUITY PRICE RISK

Equity price risk arises out of price fluctuations in equity prices. The risk arises from holding positions in either individual stocks (idiosyncratic risk) or in the market (systemic risk). The goal is to earn dividend income and realize capital gains to offset the interest foregone in holding such long-term positions. The equity price risk exposure for the Group is summarized in Note 46 (c) (iii) of the Financial Statements.

LIQUIDITY RISK

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

Effective liquidity risk management is essential in order to maintain the confidence of depositors and counterparties, and to enable the core businesses to continue to generate revenue, even under adverse circumstances. The key elements of the liquidity risk framework are:

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

NON- FINANCIAL RISK

Non-financial risks directly or indirectly affect the Bank's primary business and revenue- generating activities.

They are inherent to the Group's businesses and if not managed properly, could have significant operational, strategic, business and/or reputational consequences. Unlike financial risks, these core risks are unpredictable and difficult to define and measure. The Bank mitigates these core risks through robust internal controls and processes, while ensuring alignment with its low risk.

OPERATIONAL RISK

Operational risk is the risk of loss, resulting in inadequate or failed internal processes, people and systems, or external events. Operational risk exists in some form within each of the Group's business and support activities and can result in financial loss, regulatory sanctions and damage to the Group's reputation. These losses can be catastrophic and as such require close monitoring. To this end, the Group has frameworks, policies, processes and assessment methodologies to ensure that operational risks are identified, managed and supported by robust controls.

The Operational Risk function within the Group's risk management unit oversees the identification, assessment, monitoring and analysis of operational risks and reports loss events. Oversight of the Group's non- financial risks is reinforced by a Non-Financial Risk and Internal Controls Committee chaired by the Group's Chief Risk Officer.

TECHNOLOGY, INFORMATION AND CYBER SECURITY RISK

Information Technology (IT) risk is the likelihood of failures or deficiencies related to the IT environment that may result in loss or other negative impact to the Group. Cybersecurity refers to the protection of information assets by addressing threats to information processed, stored and transported by internet-worked information systems.

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

DATA RISK

The risk, whether direct or indirect, to data that is used to support the Group's ability to make informed decisions and develop accurate reporting and analytics for the Group, including the Board, senior management and regulators, or for customer facing and/or marketing purposes. These risks include data management, data taxonomy, metadata breaches or data that is incomplete, inaccurate, invalid, untimely and/or inaccessible.

To ensure robust governance and oversight, the Group has a Data Governance Framework and policy which ensures that the outcomes of the data management activities fulfill all regulatory requirements, align to industry best practices, and enable the Group to manage the key components of data governance used to support decision-making.

ENVIRONMENTAL RISK

The risk that environmental concerns involving the Group, or its customers could affect the Bank's financial performance.

The Group's Environmental Risk Management Framework outlines key principles that the Group uses when managing matters relating to potential or emerging environmental risks and considerations. The Environmental Risk framework instructs lending practices, supplier agreements, the management of real estate holdings and external reporting practices.

Environmental risks associated with the business operations of each borrower and any real property offered as security are considered in the Bank's credit evaluation procedures. This includes an environmental risk assessment where applicable, as well an assessment of the potential impact of climate change (including physical and transition risks) on the borrower.

In the area of project finance, the Equator Principles have been integrated into the Bank's internal processes and procedures since 2006. The Equator Principles help financial institutions determine, assess, manage and report environmental and social risk for projects where capital costs exceed US$10 million.

INSURANCE RISK

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

Scotia Jamaica Life Insurance Company (SJLIC), the Group's insurance subsidiary, engages in insurance underwriting activity. These activities are guided by an Insurance Risk Policy and Insurance Risk Management Framework, which influences and guides SJLIC in its governance and risk management practices. SJLIC's Board of Directors provide oversight and approval of the SJLIC's insurance risk policies and risk appetite statement.

REPUTATIONAL RISK

The risk that negative publicity regarding the Group's conduct, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

The Group's Reputational Risk Policy, and applicable procedures are used to manage suitability risk, reputational and legal risk specific to structured finance transactions. Throughout the enterprise, reputational risks are managed and controlled using codes of conduct, governance practices, risk management Programmes, policies, procedures and training. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Group's Code of Conduct and in a manner, which minimizes reputational risk. The activities of the Legal, Corporate Secretary, Public, Corporate Affairs and Compliance departments are geared towards the management of reputational risk.

STRATEGIC RISK

The risk that the enterprise, business lines or corporate functions will make strategic choices that are poorly executed and/or ineffective, or insufficiently resilient to changes in the business environment.

The ultimate responsibility for the oversight of strategic risks lies with the Board of Directors. On an annual basis, the Group engages in its robust strategic planning and approval process to formulate its strategic objectives. On an ongoing basis, Heads of Business Lines and Control Functions identify, manage and assess the internal and external risks which could impede the achievement or progress of strategic imperatives. The executive management team meets regularly to evaluate the effectiveness of the Group's strategic plan and where necessary, make amendments.

SHAREHOLDINGS

Scotia Group Jamaica Limited – As at 31 October 2021

TOP TEN LARGEST SHAREHOLDERS*

Rank	SHAREHOLDER	Holdings*
1	SCOTIABANK CARIBBEAN HOLDINGS LIMITED	2,233,403,384
2	SAGICOR POOLED EQUITY FUND	63,241,902
3	NATIONAL INSURANCE FUND	57,924,069
4	SJIML A/C 3119	55,725,439
5	RESOURCE IN MOTION	31,000,000
6	NCB INSURANCE CO. LTD A/C WT109	24,291,176
7	GRACEKENNEDY PENSION FUND CUSTODIAN LTD	23,080,094
8	ATL GROUP PENSION FUND TRUSTEES NOMINEE LTD	16,078,432
9	SIJL A/C 560-03	14,625,866
10	SAGICOR SELECT FUNDS LIMITED - (CLASS B' SHARES) FINANCIAL	12,578,986

*As at 31 October 2021

SHAREHOLDINGS OF DIRECTORS, SENIOR MANAGERS AND CONNECTED PARTIES*

DIRECTORS	TOTAL SHAREHOLDINGS (Units)	DIRECT (Units)	CONNECTED PARTIES (Units)
ALEXANDER, BARBARA OLIVE LOUISE	108,000	108,000	0
CRAWFORD, ERIC	45,000	45,000	0
FOWLER, ANGELA	47,760	0	47,760
HALL, JEFFREY MCGOWAN	40,000	0	40,000
HART, ANTONY MARK DESNOES	24,960	24,960	0
MCCONNELL, WILLIAM DAVID	265,248	0	265,248
REID, LESLIE	0	0	0
RICHARDS, AUDREY	12,000	12,000	0
SCHNOOR, ANYA	264,213	264,213	0
SMITH, EVELYN	0	0	0
TUGWELL HENRY, AUDREY	29,996	0	29,996
SENIOR MANAGERS			
ANDERSON, YVETT	163,463	109,340	54,123
BENNETT-EASY, MAKEBA	0	0	0
BUCKNOR, DAYNE	20,445	20,445	0
DANIEL, KIYOMI	0	0	0
DAVIES, TRICIA	464	464	0
FORBES-PATRICK, YANIQUE	2,000	0	2,000
FRASER, RICHARD	0	0	0
GAYLE, PERRIN	2000	0	2,000
HARVEY, VINCENT AGUSTUS	20,416	15,516	4,900
HEYWOOD, NADINE	44,261	42,261	2,000
MAIR, HORACE NEIL CRAIG	146,317	144,317	2,000
MCLEGGON, MARCETTE	297,109	297,109	0
NELSON, MORRIS	16,050	16,050	0
SPENCE, DEBRA	0	0	0
STOKES, ADRIAN	0	0	0
SYLVESTER, COURTNEY A.	499,427	337,167	162,260
WHITE, GARY-VAUGHN	176,138	176,138	0
WHITE, NAADIA	9,814	9,814	0
WILKIE-CHANNER, SHELEE NADINE	201,245	180,197	21,048
WRIGHT, MICHELLE	119,213	119,213	0

*As at 31 October 2021

SUPPORTING OUR COMMUNITIES

Over the past year, Scotiabank has continued to play a vital role in assisting the ongoing recovery efforts from the COVID-19 pandemic. While doing this, the Bank via the Scotiabank Jamaica Foundation also embarked on a new journey to foster and promote economic resilience within our communities.

HEALTHCARE

Equipment for the University Hospital of the West Indies

A donation of $2,500,000 was made to the University Hospital of the West Indies (UHWI), Kingston, Jamaica for the purchase of non-invasive ventilation equipment (Bi-level Positive Airway Pressure (BiPAP) Systems). The UHWI is one of only two hospitals in Jamaica designated to treat COVID-19 patients in the Kingston, St. Andrew and St. Catherine metropolitan area.

ScotiaRISE

Over the past year, we were pleased to adopt the bank-wide global philanthropic focus called ScotiaRise, which is designed to mobilize funding for and to address critical societal issues that affect the achievement of economic resilience within communities. Going forward, we will be focused on three primary issues including enabling students to successfully complete high school education, removing barriers to success for disadvantaged persons and supporting initiatives geared at ending gender-based violence.

EDUCATION

Tablets for Online Learning

The Bank also presented a donation of $2 million to assist the Women's Centre of Jamaica Foundation (WCFJ) in its ongoing efforts to provide remote learning opportunities for its students, many of whom have been disenfranchised due to the COVID-19 pandemic. With the funds, sixty-six (66) 10-inch tablets were procured and distributed to adolescent and expectant mothers who are schooled by the organization. The Women's Centre of Jamaica Foundation is a public body that is mandated to provide adolescent mothers with continuing education during the birth of their babies.

Scholarships

Through the Scotiabank/UWI Toronto Gala Scholarship programme , the Bank provided tuition grants for fifteen students currently pursuing studies at the University of the West Indies in various disciplines.

$2.4 million was also disbursed to 25 fifth and sixth form students attending various high schools across the island under the Scotia Jamaica Foundation Shining Star Scholarship programme.

Extra Lessons Programme for CSEC Students

Hundreds of students preparing for the Caribbean Secondary Examination Council (CSEC) examinations in 2022 benefited from an investment from the Bank of $7.5 million in an online-based exam preparation programme offered by One on One Educational Services Ltd. 75% of the spaces were allotted for students whose families receive government assistance via the PATH programme. The programme offered live classes in seven subject areas, past paper reviews, video-based tutorials and academic coaching. This initiative helped to mitigate the impact that the ongoing COVID-19 pandemic has on the education of secondary level students.

COMMUNITY OUTREACH & DEVELOPMENT

The Bank continued a long-standing partnership with the Salvation Army of Jamaica through a donation of $1 million to the annual Christmas Kettle Drive which provides critical supplies for the less fortunate.

The Bank also contributed $950,000 towards community beautification and enrichment projects carried out in rural parishes by the United Way of Jamaica and the South St. Catherine Chamber of Commerce. The projects completed included the painting of the Catadupa Health Clinic in St. James, painting of the perimeter wall of the Green Island High School in Hanover and the main building of the Lucea Infant School and the construction of sanitary facilities at the Old Harbour Market.

SUPPORTING OUR COMMUNITIES

Audrey Tugwell Henry (left) , President & CEO of the Scotia Group Jamaica greets one of the many talented artists who participated in the 'Paint the City' project for which Scotiabank was a corporate partner. The 'street art' programme was commissioned by the Kingston Creative, a non-governmental organisation in partnership with the Tourism Enhancement Fund (TEF) and Sherwin-Williams.

Craig Richards (right), Branch Manager , May Pen examines repair work done at the Old Harbour Market with the assistance of Scotiabank. With him is Treacha Reid-MCalla (left), President of the South St Catherine Chamber of Commerce.

Alterine Shaw-Grant and her family smile broadly after they were presented with a gift of $60,000 in grocery vouchers, two laptops and a tablet during the Love Scotiabank Christmas initiative hosted by the Bank in December 2020.

Perrin Gayle (left), Senior VP Senior VP, Retail & Small Business Banking, Caribbean North & Central at Scotiabank and Claudine Murray (right), Senior Credit Solutions Manager assist Ivaline Nickie (centre), Manager for the Annie Dawson Home for Girls to sort through grocery items donated to the home by the Corporate and Commercial Banking team at Scotiabank.

Scotiabank Jamaica Foundation Directors Nadine Heywood (left) and Debra Lopez – Spence (right) flank three of the top prize recipients - 5th form students (L-R), Aliah Porter, Nathan Morrison and Marthena Guscolt - who were awarded prizes of laptops and tablets in the Scotiabank Jamaica Foundation CSEC Examination Preparation Programme.

WINNING TEAM HIGHLIGHTS

Our greatest asset is our cadre of dedicated, experienced staff. We continue to invest in our people and to develop purpose-driven teams committed to delivering results in an inclusive and high-performance culture. Our efforts in this area were again acknowledged internationally as Scotiabank Jamaica was certified a Great Place to Work by the Great Place to Work Institute for the second year in row.

SAFETY FIRST

Scotiabankers and their families were given the opportunity to get vaccinated with ease and convenience while having a little fun at two specially organized vaccination blitzes held in Kingston and Montego Bay.

CONTINUOUS EDUCATION

All staff members have access to LinkedIn Learning - an on-demand learning solution designed to help team members gain new skills and advance their careers through high quality, data-driven personalized content. Over 13,000 video tutorials are also available covering a wide range of business creative and technology topics.

INCREASED COMMUNICATION

Increased communication was an important tool used to maintain synergy despite the restrictions caused by the pandemic. Several virtual meetings and engagement sessions were held with staff and the senior leadership team to ensure that everyone was clear on our strategy and their role in achieving it.

CELEBRATING EXCELLENCE

Employee recognition was a major initiative and we had no shortage of opportunities to highlight staff members going above and beyond to serve our customers during this challenging period. We hosted our annual Best of the Best initiative designed to recognize and reward our very best employees with Top Individual Performance and Culture Catalyst Awards.

WORK-LIFE BALANCE

The Scotia Wellness Team empowered employees throughout the year with weekly wellness activities focusing on areas such as stress management, work-life balance, resilience, mindfulness, mental health and financial wellbeing. Monthly webinars, in-branch activations and newsletters have been well received and commended by employees.

CUSTOMER FIRST HIGHLIGHTS

Our customers are at the heart of everything that we do. We are continuously reviewing our processes, services, products and platforms to exceed our customers' expectations. Significant investments were made throughout the fiscal year to improve our physical and digital infrastructure. We also took steps to improve customer engagement and financial education activities.

FINANCIAL ADVICE & EDUCATION

Several free virtual sessions were held throughout the year offering customers useful advice and insights from team members throughout Scotia Group as well as industry experts. Topics included: Retirement Planning, Building and Maximising Wealth, Mortgage Advice and Digital Banking.

EXPANDED CUSTOMER EXPERIENCE UNIT AND COMPLAINT MANAGEMENT SYSTEM

Our Customer Experience department was recently expanded to support our branches and call centre to ensure that all customer concerns are addressed and resolved in the shortest possible time. We saw a significant increase in problem resolution capacity as a result of the newly established Customer Support Unit successfully closing 94% of all complaints received during the year.

SCOTIABANK VISION ACHIEVER

Scotiabank Vision Achiever, our transformational business action coaching programme offered in collaboration with internationally renowned business coaches, Action Coach was launched in March. This is the 10th staging of this 17-week programme which continues to deliver exceptional value for participants. Approximately 300 business customers have completed the course over the life of the programme and through it, the Bank has invested over $30 million in support of the growth and development of our Small and Medium-sized Enterprise (SME) sector. The course was modified to a virtual format and incorporates strategies to assist businesses to withstand the financial impact of the pandemic. Modules include sales, systemising business processes, marketing, and understanding business financials. Participants in the Scotiabank Vision Achiever also benefit from one-on-one business consultations.

CUSTOMER FIRST HIGHLIGHTS

DIGITAL SATURDAYS

In order to assist customers, particularly our senior customers with all the upgrades to our electronic channels, the Bank launched an initiative called Digital Saturdays. Our banking halls were opened up on Saturdays solely to provide customer education on using our digital channels and to ensure that all our customers were comfortable using new digital options as we continue to transition to a more digital ecosystem.

SCOTIA PULSE

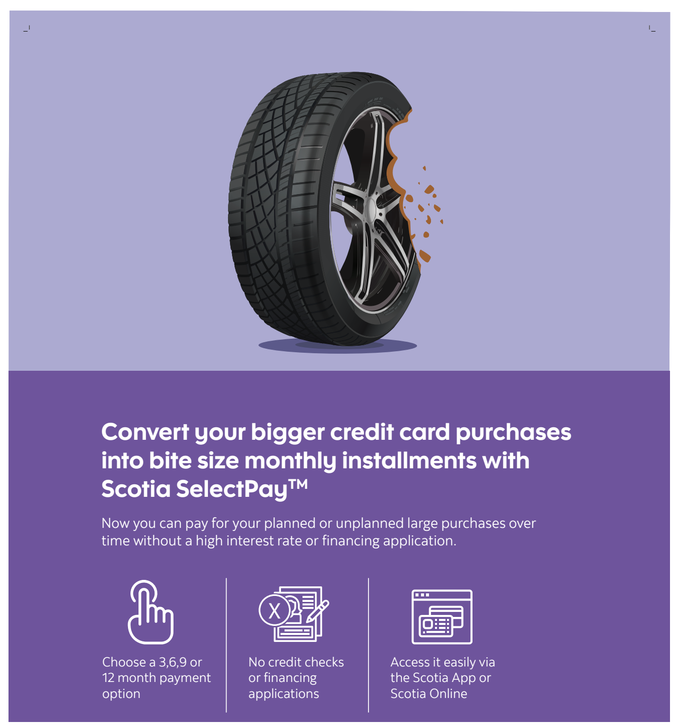
The Pulse is Scotiabank's customer survey and feedback system for measuring daily interactions across our main channels. It allows us to actively listen to our customers' real-time feedback and continuously take action to enhance their overall experience.

The Banks' Net Promoter score (NPS) increased by nearly 20% versus the previous year as we continue to make improvements in processes that mostly impact our customers.

SELECT PAY

In October, we launched Select Pay, a new installment plan for credit card customers. This feature gives customers the option to pay for any purchase of $40,000.00 or more over a period of 3 to 12 months at a reduced interest rate. The customer response since launch has been highly positive. Providing new solutions to address the current needs of the market is a top priority, and we look forward to introducing additional products in our Banking, Insurance and Investment businesses in the coming months.

*Conditions apply. ®Registered trademark of The Bank of Nova Scotia.



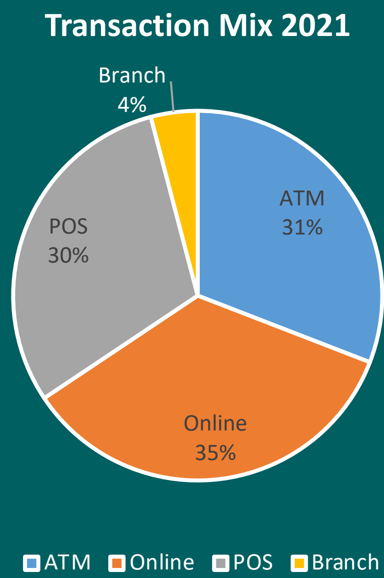
DIGITAL TRANSFORMATION HIGHLIGHTS

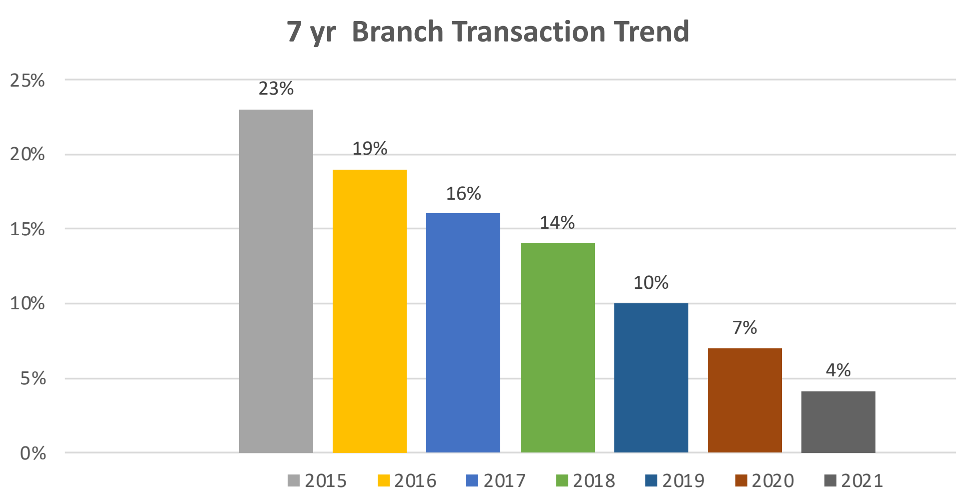
Our clearly defined strategy of investing in our people, processes, products and technology continues to drive the business forward. Our digital transformation is driven by our customers' changing needs and a clear preference for the convenience of our digital channels. We will continue to leverage technology to serve customers more efficiently and offer them more options to conduct their transactions in a fast, safe and efficient way.

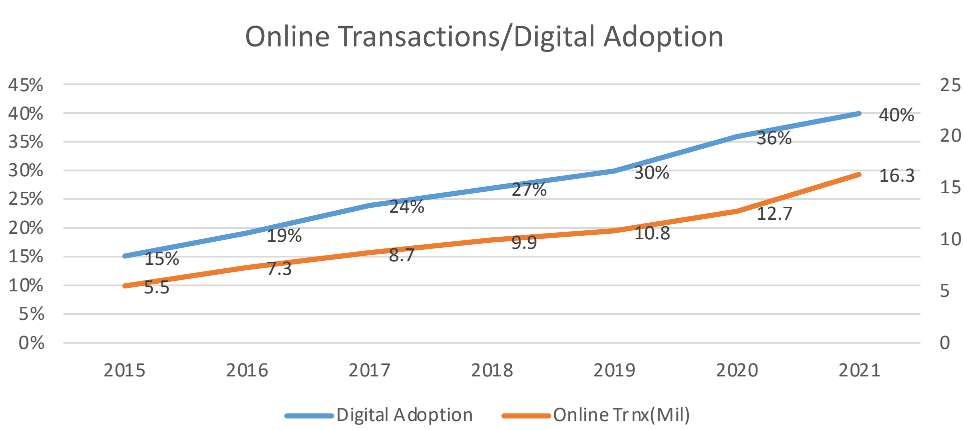
DIGITAL TRANSFORMATION HIGHLIGHTS

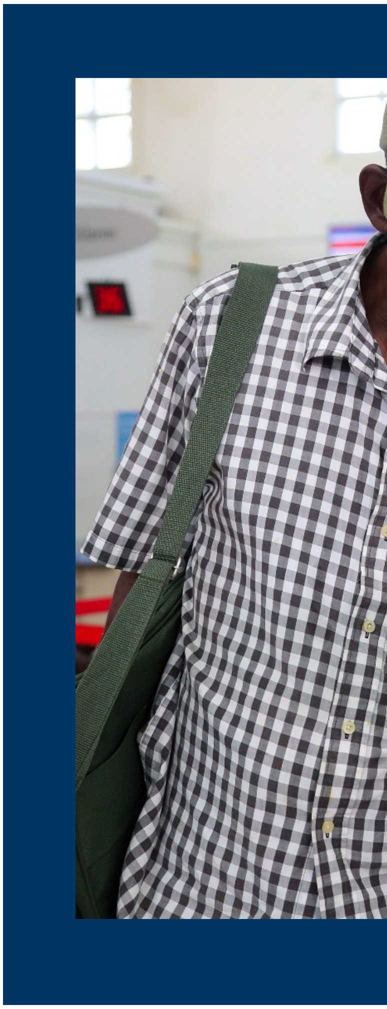
DIGITAL TRANSFORMATION TRENDS

- In branch transactions have declined from 23% of total transactions in 2015 to less than 4% at the end of 2021.
- Customer preference has shifted to Point of Sale (POS) and Online as the preferred channels.
- Active users of mobile/online banking increased from 15% in 2015 to 40.5 % at October 31,2021.



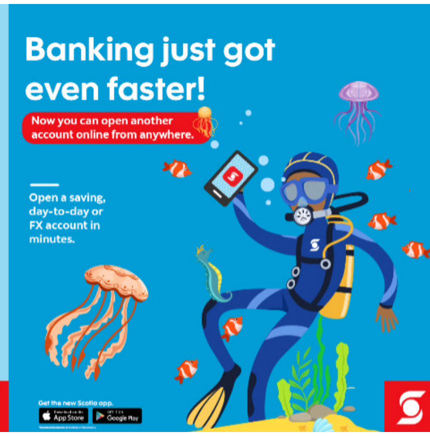






DIGITAL ACCOUNT OPENING

In March, we launched digital account opening for existing personal banking customers. Customers can now open a new deposit account in less than 5 minutes at any time of day using the online banking platform. Over 31,000 new accounts were opened between March and October 2021.



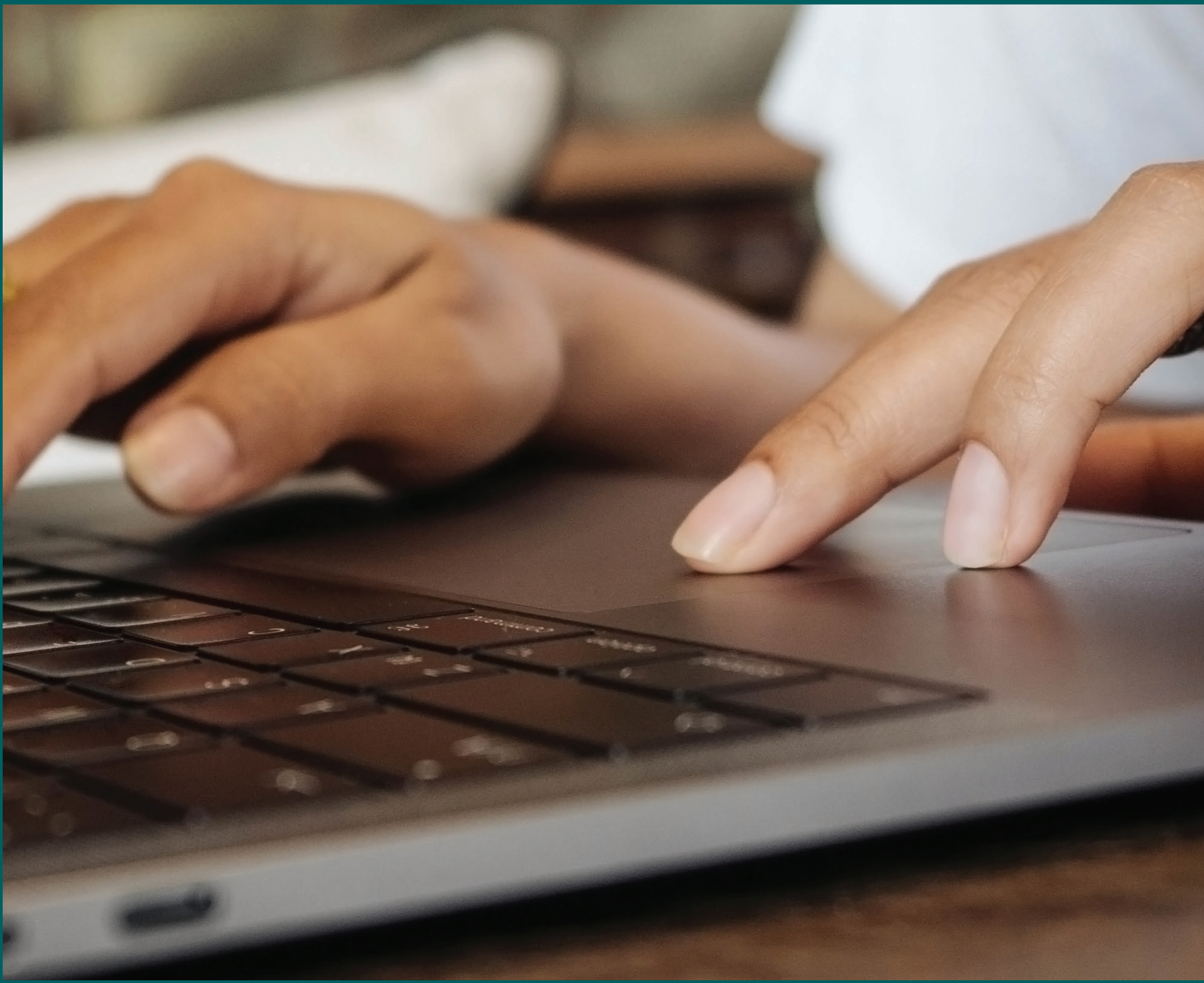
DIGITAL BANKING UPGRADES

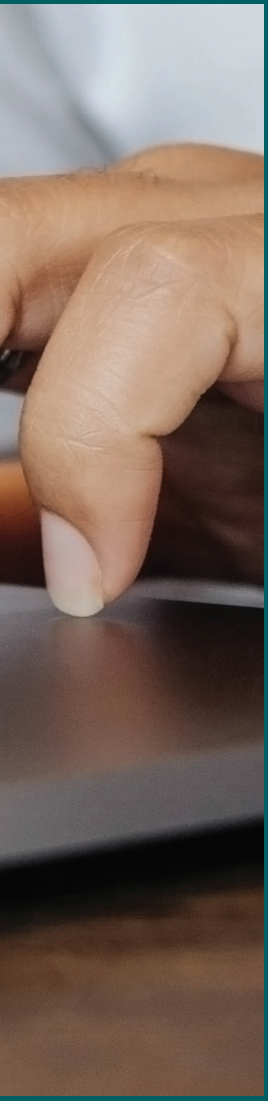
Our award-winning mobile banking app continues to be a significant convenience to our customers. During the year we made further enhancements to the app including:

- options to transfer funds to pay personal or third-party loans
- easier payment of credit cards,
- upgrades to our data encryption to further improve security
- options for customers to update contact information
- a new memo feature when making intra-bank transfers

CONSOLIDATED FINANCIAL STATEMENTS

of Scotia Group Jamaica Limited





CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Scotia Group Jamaica Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 72-159, which comprise the Group's and Company's statements of financial position as at October 31, 2021, the Group's and the Company's statements of revenue and expenses, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at October 31, 2021, and of the Group's and the Company's financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1. Expected credit losses

<table>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Loans, net of allowance for expected credit losses, represent 36% or $209 billion of the Group's total assets and financial investments subject to credit losses represent 27% or $156 billion of the Group's total assets. Allowance for credit losses on loans of $6 billion and a charge of $3 billion have been recognised by the Group.
The Group applies a three-stage approach to measure the allowance for credit losses, using an Expected Credit Loss (ECL) approach as required under IFRS 9 Financial Instruments. The Group's allowance for credit losses are outputs of complex models and there is a high degree of measurement uncertainty due to significant judgements inherent in the Group's methodology such as judgements about forward-looking information, including the impact of the COVID-19 pandemic. These judgements impact certain inputs, assumptions, qualitative adjustments or overlays, and the determination of when there has been a significant increase in credit risk.
[see notes 2(o), 3 and 23 of the financial statements]
</td><td>
Our procedures in this area included the following:

Testing the Group's controls related to data flows between source systems and the ECL models with the assistance of our Information Technology Specialists.
With the assistance of our Financial Risk Management Specialists:

- Testing model validation and/or performance monitoring controls to ensure key parameters [Probability of default (PD); Loss Given Default (LGD); Exposure at Default (EAD) and Significant Increase in Credit Risk (SIR)] used in the models are appropriate and reasonable.
- Testing management's control over the selection of macro-economic variables and assessing the reasonableness of these variables.
- Recalculating a sample of ECL calculations for each model.

</td></tr>
</table>

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1. Expected credit losses (continued)

The key audit matter (continued)	*How the matter was addressed in our audit (continued)*
	Our procedures in this area included the following (continued): • With the assistance of our Financial Risk Management Specialists (continued): - Reviewing, assessing and evaluating limitations of the models used. - Assessing the appropriateness of inclusion and the methodology to calculate management's qualitative adjustment overlay. - Testing controls over management's evaluation of actual ECL results. • Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to credit risk and measurement of allowance for credit losses.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Fair value of investments

The key audit matter (continued)	*How the matter was addressed in our audit (continued)*
Investment securities measured at fair value represent 27% of total assets of the Group. The valuation of the Group's investments requires significant estimation, as quoted prices are not available for some of these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. The COVID-19 pandemic has resulted in volatility of prices in various markets, the uncertainty of which has increased estimation risk for prices used in determining fair values. This could result in estimated fair values that are materially different from actual transaction values. *[see notes 2(l), 3(ii), 20, 24 and 47 of the financial statements]*	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values. • Challenging the reasonableness of the Group's yield curve by comparing yields/prices to independent third-party pricing sources. • Involving our own Financial Risk Management Specialists to determine/obtain yields/prices of specific securities and comparing these to management's estimates. • Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

3. Valuation of policyholders' liabilities

The key audit matter (continued)	*How the matter was addressed in our audit (continued)*
Policyholders' liabilities represent 10% or $46 billion of the Group's total liabilities. Determining the settlement value of long-term policyholders' liabilities is an area that requires significant judgment. It involves the use of economic assumptions such as investment returns and discount rates, morbidity and mortality assumptions, maintenance expenses, lapse and withdrawals as key inputs in estimating these actuarially determined liabilities. The combination of assumptions and judgements increases the risk that management's estimate could be materially misstated. *[see notes 2(j), 3(iii), 37, and 46(e), of the financial statements]*	Our procedures in this area included the following: • Assessing and testing the design and operating effectiveness of the Group's controls over the initiation of insurance products and disbursements. • Involving our own Information Risk Management Specialists to assess and test the controls related to the data file provided by management to the actuarial expert. • Selecting a sample of contracts and agreeing the terms to the data file provided by management to the actuarial expert. • Assessing the objectivity, qualification, and experience of management's actuarial expert. • Involving our own Actuarial Specialist to assess whether the liabilities as determined by management's actuarial expert, fall within a reasonable range of our expectations, the assumptions are appropriate, changes to the product features are confirmed and the actuarial valuation has been performed in accordance with accepted and commonly used actuarial systems, methodologies and practices. • Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to insurance risk.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

4. Valuation of retirement benefits asset and obligations

The key audit matter (continued)	*How the matter was addressed in our audit (continued)*
The Group operates a defined benefit retirement scheme and provides other unfunded retirement benefits. Significant estimates are made in valuing the Group's retirement benefits asset and obligations. The valuations are considered to be a significant risk, as given the size of the asset and liabilities, small changes in the assumptions can have a material financial impact on the Group's financial statements. The key assumptions involved in calculating retirement benefit asset and liabilities are discount rates, inflation and future increases in salaries and pensions. The use of significant assumptions increases the risk that management's estimate can be materially misstated. *[see notes 2(u), 3(iv) and 29 of the financial statements]*	Our procedures in this area included the following: • Comparing the discount and the inflation rates used to independent sources. • Recomputing interest income and costs associated with retirement benefits. • Testing the fair value computation of a sample of the scheme's assets. • Testing a sample of employee data provided by management to the actuarial expert. • Assessing the objectivity, qualification, and experience of management's actuarial expert. • Involving our own Actuarial Specialist to review assumptions used by management's actuarial expert. • Assessing whether disclosures in the financial statements are appropriate in respect of the Group's retirement benefit arrangements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 70-71, forms part of our auditors' report.

Report on additional matters as required by the Jamaican Companies Act

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

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

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

KPMG

Chartered Accountants
Kingston, Jamaica

December 20, 2021

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SCOTIA GROUP JAMAICA LIMITED

Appendix to the Independent Auditors' Report

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

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

Appendix to the Independent Auditors' Report (continued)

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

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

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

SCOTIA GROUP JAMAICA LIMITED

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

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

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

SCOTIA GROUP JAMAICA LIMITED

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

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

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

SCOTIA GROUP JAMAICA LIMITED

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

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

*See note 54

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

SCOTIA GROUP JAMAICA LIMITED

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

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

The financial statements on pages 72-159 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:

_______________ Director
Jeffrey Hall

_______________ Director
Audrey Tugwell Henry

_______________ Director
Eric Crawford

_______________ Secretary
Richard Fraser

*See note 54

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

SCOTIA GROUP JAMAICA LIMITED

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

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

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

SCOTIA GROUP JAMAICA LIMITED

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

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		8,410,244	9,052,047
Adjustments for:			
Taxation charge	14	4,258,935	4,345,041
Depreciation	27	744,455	766,328
Amortisation of right of use assets	27	185,691	186,187
Amortisation of intangible assets	28	97,672	117,562
Expected credit losses		3,649,249	6,470,352
Gain on sale of property, plant and equipment	10	(6,505)	(3,083)
Write-off of property, plant, equipment and intangibles	27	18,163	-
Increase in retirement benefits asset/obligations, net		(1,149,800)	(1,378,799)
Gain on extinguishment of liability	10	(953,779)	(1,177,215)
		15,254,325	18,378,420
Interest income	6	(24,567,824)	(27,228,861)
Interest expense	6	1,856,335	2,371,257
		(7,457,164)	(6,479,184)
Changes in operating assets and liabilities:			
Loans		7,814,096	(20,314,491)
Deposits by the public		41,475,091	22,588,918
Policyholders' liabilities		565,692	159,573
Sundry assets, net		(1,436,644)	(81,723)
Other liabilities, net		(613,770)	3,196,615
Due to parent company and fellow subsidiaries		(464,335)	(1,189,153)
Accounts with parent and fellow subsidiaries		(5,626,507)	(2,537,403)
Financial assets at fair value through profit or loss		(7,515)	(417,745)
Taxation recoverable		1,084,571	257,028
Retirement benefits asset/obligations		(123,170)	(107,221)
Amounts due to other banks and financial institutions		(1,336,613)	(2,376,061)
Statutory reserves at Bank of Jamaica		(2,960,183)	3,250,342
		30,913,549	(4,050,505)
Interest received		25,126,271	25,790,330
Interest paid		(1,842,890)	(2,394,409)
Taxation paid		(4,421,284)	(5,371,086)
Net cash provided by operating activities (carried forward to page 78)		49,775,646	13,974,330

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

SCOTIA GROUP JAMAICA LIMITED

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

	Notes	2021	2020
Cash flows from operating activities (brought forward from page 77)		49,775,646	13,974,330
Cash flows from investing activities			
Investment securities		(26,983,500)	3,170,429
Pledged assets		834,634	(961,140)
Proceeds from disposal of property, plant and equipment		6,505	3,455
Lease payments right of use assets	35(ii)(d)	(204,821)	(200,109)
Purchase of property, plant and equipment	27	(1,744,815)	(2,241,280)
Net cash used in investing activities		(28,091,997)	(228,645)
Cash flows from financing activity			
Dividends paid to stockholders, being net cash used in financing activity	52	(4,822,969)	(5,134,128)
Effect of exchange rate changes on cash and cash equivalents		5,057,398	3,432,427
Net increase in cash and cash equivalents		21,918,078	12,043,984
Cash and cash equivalents at beginning of year		105,494,541	93,450,557
Cash and cash equivalents at end of year	19	127,412,619	105,494,541

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

SCOTIA GROUP JAMAICA LIMITED

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

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

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

SCOTIA GROUP JAMAICA LIMITED

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

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

The financial statements on pages 72-159 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:

Director
Jeffrey Hall

Director
Audrey Tugwell Henry

Director
Eric Crawford

Secretary
Richard Fraser

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, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

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

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

SCOTIA GROUP JAMAICA LIMITED

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

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

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

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

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

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

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

2. Summary of significant accounting policies

(a) Basis of preparation

Statement of compliance

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

Amended standards that became effective during the year:

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

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

a) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.

b) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

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

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

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

- Assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.

- Assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark is not altered as a result of IBOR reform.

- Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.

- Apply the separately identifiable requirement only at the inception of the hedging relationship.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

- Prospectively cease applying the exceptions at the earlier of:

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

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

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

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

(a) Temporary exemption from IFRS 9:

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

• To qualify, a reporting company's activities need to be predominantly connected with insurance.

Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

(b) Overlay approach:

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

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

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

The practical expedient will only apply if:

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

Lessees applying the practical expedient are required to disclose:

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

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

The key principles in IFRS 17 are that an entity:

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

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

- Recognises and measures groups of insurance contracts at:

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

- Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

- For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

- In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

- Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

- In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

- For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

- There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

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

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

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(vi) Amendments to IAS 1 *Presentation of Financial Statements* (continued)

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

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

(b) Basis of consolidation

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

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

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

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

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

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

(c) Segment reporting

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

2. Summary of significant accounting policies (continued)

(d) Foreign currency translation

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

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

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

(e) Revenue recognition

Interest income

Interest income is recognised in the statement of revenue and expenses using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

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

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

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

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

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

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

Fee and commission income

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

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

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Fee and commission income (continued)

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

Performance obligations and revenue recognition policies:

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

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

Premium income

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

Dividend income

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

(f) Interest expense

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

(g) Insurance contracts

Classification

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

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

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

2. Summary of significant accounting policies (continued)

(g) Insurance contracts (continued)

Recognition and measurement

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

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

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

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

(h) Claims

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

(i) Reinsurance contracts held

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

(j) Policyholders' liabilities

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

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

(k) Taxation

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

Current income tax

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

2. Summary of significant accounting policies (continued)

(k) Taxation (continued)

Deferred income tax

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

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

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

(l) Financial assets and liabilities

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

Recognition

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

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

Classification and measurement

Classification and measurement of financial assets

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

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

Financial assets include both debt and equity instruments.

Debt instruments

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

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

Classification of debt instruments is determined based on:

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

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Business model assessment

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

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale. The Group assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Group takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to Group heads and other key decision makers within the Group's business lines;
- How compensation is determined for the Group's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual *cash flow characteristics assessment*

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

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

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

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

Debt instruments measured at amortised cost

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Debt instruments measured at amortised cost (continued)

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

Debt instruments *measured at FVOCI*

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

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

Debt *instruments measured at FVTPL*

Debt instruments are measured at FVTPL if assets:

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

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

Debt instruments designated at FVTPL

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

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

Equity instruments

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

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

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Equity instruments measured at FVTPL

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

Equity instruments measured at FVOCI

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

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

Classification and measurement of financial liabilities

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

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

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Financial liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in the consolidated statement of revenue and expenses as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortised cost

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

Financial liabilities designated at FVTPL

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

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

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Financial liabilities designated at FVTPL (continued)

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

Determination of fair value

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

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

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

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

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

Derecognition of financial assets and liabilities

Derecognition of financial assets

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

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition of financial assets (continued)

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

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

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

Derecognition of financial liabilities

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

(m) Embedded derivatives

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

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(n) Cash and cash equivalents

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

(o) Allowance for expected credit losses

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

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

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Expected credit loss impairment model

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

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

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

Measurement of expected credit loss

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

Details of these statistical parameters/inputs are as follows:

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

Forward-looking information

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

Macroeconomic factors

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

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Multiple forward-looking scenarios

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

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

Assessment of significant increase in credit risk (SIR)

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

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

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

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

Expected life

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

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

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

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

Modified financial assets

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

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

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

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

Definition of default

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

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

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

Write-off policy

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

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Purchased loans

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

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

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

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

(p) Repurchase and reverse repurchase agreements

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

(q) Acceptances and guarantees

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

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

(r) Property, plant and equipment

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

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

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

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

2. Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

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

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

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

(s) Investment in subsidiaries

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

(t) Goodwill and intangible assets

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

Impairment of tangible and intangible assets excluding goodwill

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

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

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

Goodwill

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

2. Summary of significant accounting policies (continued)

(t) Goodwill and intangible assets (continued)

Goodwill (continued)

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

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

Acquired customer relationships

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

Contract-based intangible assets

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

Licences

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

Computer software

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

(u) Employee benefits

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

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

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Pension obligations

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

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

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

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

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

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

Termination benefits

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

Other post-retirement obligations

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

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Equity compensation benefits

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

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

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

Annual leave

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

Defined contribution plan

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

(v) Borrowings

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

(w) Share capital

Classification

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

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

Share issue costs

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

Dividends

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

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

2. Summary of significant accounting policies (continued)

(x) Leases

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

(i) As a lessee

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

(x) Leases (continued)

(ii) *As a lessor*

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

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

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

Short-term leases and leases of low-value assets

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

(y) Impairment of non-financial assets

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

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

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

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

(z) Fiduciary activities

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

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

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

Estimates

i. Expected credit losses (ECL)

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

ii. Valuation of financial instruments

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

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

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

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

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

These estimates are more fully described in note 37.

iv. Pension and other post-employment benefits

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

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

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

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

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

v. *Recognition and measurement of intangible assets*

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

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

Judgements

i. Expected credit losses (ECL)

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

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

ii. Valuation of financial instruments

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

iii. Income taxes

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

4. Responsibilities of the appointed actuary and external auditors

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

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

5. Segmental financial information

The Group is organised into six main business segments:

(a) Retail Banking – this incorporates personal banking services, personal deposit accounts, credit and debit cards, consumer loans and mortgages.

(b) Corporate and Commercial Banking – this incorporates non-personal direct debit facilities, current accounts, deposits, overdrafts, loans and other credit facilities;

(c) Treasury – this incorporates the Group's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading activities;

(d) Investment Management Services – this incorporates investments, unit trusts, pension and other fund management, brokerage and advisory services, and the administration of trust accounts;

(e) Insurance Services – this incorporates the provision of life and medical insurance, individual pension administration and annuities;

(f) Other operations of the Group – this comprises the parent company and non-trading subsidiaries.

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

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

SCOTIA GROUP JAMAICA LIMITED

Notes to the Financial Statements (Continued)
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

5. Segmental financial information (continued)

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

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

7. Net fee and commission income

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

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	
	2021	2020
Gains on securities held for trading	464,871	878,908
Gains on securities at FVOCI	139,559	61,965
	604,430	940,873

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

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

10. Other revenue

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

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

11. Salaries, pensions and other staff benefits

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

12. Expenses by nature

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

13. Profit before taxation

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

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

14. Taxation

(a) Taxation charge

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

	The Group		The Company	
	2021	2020	2021	2020
Current income tax:				
Income tax at 33⅓%	2,056,513	3,245,090	-	-
Income tax at 30%	630,854	672,242	-	-
Income tax 25%	702,475	869,255	-	19,287
Other tax rates (1% to 5.5%)	5,702	2,150	-	-
Adjustment for under-provision of prior year's charge	89,194	-	9,213	-
Deferred income tax [note 36(a)]	774,197	(443,696)	6	(8,512)
	4,258,935	4,345,041	9,219	10,775

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

	The Group		The Company	
	2021	2020	2021	2020
Profit before taxation	12,669,179	13,397,088	4,571,699	4,152,049
Tax calculated at 33⅓%	2,871,681	3,002,177	-	-
Tax calculated at 30%	513,073	642,972	-	-
Tax calculated at 25%	862,686	901,992	1,142,925	1,038,012
Other tax rates (1% to 5.5%)	5,702	2,150	-	-
Income not subject to tax	(270,257)	(155,191)	(984,374)	(937,978)
Expenses not deductible for tax purposes	437,394	458,283	7,191	15,015
Prior period under provision	89,194	-	9,213	-
Other charges and allowances	(250,538)	(507,342)	(165,736)	(104,274)
	4,258,935	4,345,041	9,219	10,775
Effective tax rate	33.62%	32.43%	0.20%	0.26%

(Expressed in thousands of Jamaican dollars unless otherwise stated)

15. Earnings per stock unit

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

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

16. Cash and balances at Bank of Jamaica

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

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

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

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

17. Due from other banks

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

18. Accounts with parent and fellow subsidiaries

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

19. Cash and cash equivalents

	The Group 2021	The Group 2020	The Company 2021	The Company 2020
Cash resources	168,675,612	141,256,766	9,891,092	11,484,292
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(31,639,786)	(28,679,603)	-	-
Cheques and other instruments in transit	(3,155,909)	(2,957,038)	-	-
Accounts with parent and fellow subsidiaries greater than ninety days	(9,131,331)	(8,562,221)	(9,131,331)	(8,562,221)
Expected credit losses	1,991	2,272	-	-
Accrued interest	(20,629)	(4,255)	(216)	(190)
	124,729,948	101,055,921	759,545	2,921,881
Add other cash equivalent balances:				
Reverse repurchase agreements less than ninety days (note 25)	-	1,100,000	-	-
Pledged assets less than ninety days (note 21)	2,682,671	3,338,620	-	-
	127,412,619	105,494,541	759,545	2,921,881
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	69,611,000	39,861,149	-	-
Government and bank notes other than Jamaican	2,416,012	1,634,969	-	-
Amounts due from other banks	35,343,257	43,514,918	-	-
Accounts with parent and fellow subsidiaries	20,536,217	19,006,178	759,761	2,922,071
Reverse repurchase agreements	-	1,100,000	-	-
Pledged assets (note 21)	2,682,671	3,338,620	-	-
Accrued interest	(20,629)	(4,255)	(216)	(190)
	130,568,528	108,451,579	759,545	2,921,881
Cheques and other instruments in transit	(3,155,909)	(2,957,038)	-	-
	127,412,619	105,494,541	759,545	2,921,881

20. Financial assets at fair value through profit or loss

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

21. Pledged assets

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

21. Pledged assets (continued)

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

Included in pledged assets are the following categories of assets:

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

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

22. Loans, net of allowance for credit losses

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

22. Loans, net of allowance for credit losses (continued)

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

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

(ii) Repossessed collateral

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

23. Expected credit losses on loans

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

Some of the key drivers include the following:

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Expected credit losses on loans (continued)

	The Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	3,521,638	2,256,866	2,197,779	7,976,283
Provided during the year	(2,282,844)	(192,939)	6,099,629	3,623,846
Bad debts written off	-	-	(5,374,790)	(5,374,790)
Foreign exchange movement	(147,505)	347,228	(187,737)	11,986
Transfer to/(from) stages				
Stage 1	631,289	(439,490)	(191,799)	-
Stage 2	(363,511)	560,951	(197,440)	-
Stage 3	(28,430)	(831,956)	860,386	-
Allowance at end of year (note 22)	1,330,637	1,700,660	3,206,028	6,237,325

The charge for expected credit losses recognised for the year comprises:

	Stage 1	Stage 2	Stage 3	Total
Provided during the year	(2,282,844)	(192,939)	6,099,629	3,623,846
Recoveries of bad debts	-	-	(840,010)	(840,010)
Expected credit losses reported in profit for the year	(2,282,844)	(192,939)	5,259,619	2,783,836

	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,382,194	1,311,516	1,456,230	4,149,940
Provided during the year	2,064,423	1,650,328	2,630,452	6,345,203
Bad debts written off	-	-	(2,529,884)	(2,529,884)
Foreign exchange movement	(784,252)	229,649	565,627	11,024
Transfer to/(from) stages				
Stage 1	1,241,811	(1,051,942)	(189,869)	-
Stage 2	(363,033)	769,770	(406,737)	-
Stage 3	(19,505)	(652,455)	671,960	-
Allowance at end of year (note 22)	3,521,638	2,256,866	2,197,779	7,976,283

The charge for expected credit losses recognised for the year comprises:

	Stage 1	Stage 2	Stage 3	Total
Provided during the year	2,064,423	1,650,328	2,630,452	6,345,203
Recoveries of bad debts	-	-	(626,648)	(626,648)
Expected credit losses reported in profit for the year	2,064,423	1,650,328	2,003,804	5,718,555

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

23. Expected credit losses on loans (continued)

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

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

24. Investment securities

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

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

25. Government securities purchased under resale agreements

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

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

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

26. Other assets

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

27. Property, plant and equipment

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

28. Goodwill and intangible assets

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

28. Goodwill and intangible assets (continued)

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

29. Retirement benefits asset/obligations

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

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

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

(a) Defined benefit pension plan

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(a) Defined benefit pension plan (continued)

(iii) Movement in the present value of obligation:

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

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

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

Plan assets consist of the following:

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

(a) Defined benefit pension plan (continued)

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

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

(vii) Sensitivity analysis:

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

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

(viii) Liability duration

The average liability duration is as follows:

	The Group	
	2021	2020
Active members and all participants (years)	15.6	15.2

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

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

	The Group	
	2021	2020
Discount rate	9.00%	9.00%
Future salary increases	7.00%	7.00%
Future pension increases	4.50%	3.75%

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

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

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

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

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

(iv) Principal actuarial assumptions:

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

(v) Sensitivity analysis on projected benefits obligation

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligations (continued)

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

(vi) Liability duration

The average liability duration is as follows:

	The Group	
	2021	2020
Active members and all participants (years)	18.2	17.2

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

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

30. Deposits by the public

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

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

31. Due to other banks and financial institutions

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

32. Due to ultimate parent company

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

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

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

33. Due to fellow subsidiaries

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Capital Management and Government Securities funds

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

35. Other liabilities

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

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

(i) Provisions

The following table sets out the movement in provisions:

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

Restructuring

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

Other provisions

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

(ii) Leases

Leases as lessee

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

35. Other liabilities (continued)

(ii) Leases (continued)

Leases as lessee (continued)

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

(a) Right-of-use assets

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

	The Group	
	2021	2020
(b) Lease liabilities		
Lease liabilities included in the statements of financial position	1,210,369	1,271,906
Lease liabilities are classified as follows:		
Current	136,450	154,623
Non-current	1,073,919	1,117,283
	1,210,369	1,271,906
Maturity analysis of contractual undiscounted cash flows:		
Less than one year	159,566	179,986
One to five years	560,478	627,077
Over five years	626,470	612,355
	1,346,514	1,419,418

(c) Amounts recognised in profit or loss:

	The Group	
	2021	2020
Interest expense on lease liabilities	26,203	28,762
Depreciation on right-of-use assets (note 27)	185,691	186,187
Expenses related to short-term leases	31,953	44,605

(d) Amounts recognised in statement of cash flows:

	The Group	
	2021	2020
Total cash outflow for leases	204,821	200,109

(e) Extension options

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

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

The Company did not have any leases with extension options.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Deferred tax assets and liabilities

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

- Scotia Group Jamaica Limited at 25%;
- The Bank of Nova Scotia Jamaica Limited at 33⅓%;
- Scotia Investments Jamaica Limited at 33⅓%;
- The Scotia Jamaica Building Society at 30%;
- Scotia Jamaica Life Insurance Company Limited at 25% and;
- Other unregulated subsidiaries at 25%.

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

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

36. Deferred tax assets and liabilities (continued)

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

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

37. Policyholders' liabilities

(a) Composition of policyholders' liabilities:

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

(b) Movement in policyholders' liabilities:

	The Group	
	2021	2020
Policyholders' fund:		
At beginning of year	52,384,076	51,802,107
Gross premium	5,129,716	4,886,323
Disbursements	(5,377,797)	(5,524,748)
Interest credited	1,172,454	1,220,394
At end of year	53,308,449	52,384,076

	The Group	
	2021	2020
Benefits and claims payable:		
At beginning of year	333,220	233,934
New claims and benefits made during the year	318,096	351,729
Benefits and claims paid	(313,652)	(252,443)
At end of year	337,664	333,220

(Expressed in thousands of Jamaican dollars unless otherwise stated)

37. Policyholders' liabilities (continued)

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

	The Group	
	2021	2020
Unprocessed premiums:		
At beginning of year	18,798	21,506
Premiums received	7,414,168	7,854,752
Premiums applied	(7,394,699)	(7,857,460)
At end of year	38,267	18,798

	The Group	
Annuity fund:		
At beginning of year	745,074	592,815
Issue of new annuities	175,840	178,599
Payments	(63,071)	(45,758)
Interest credited	22,956	19,418
At end of year	880,799	745,074

	The Group 2021		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,909,726)	728,174	(8,181,552)
Changes in assumptions	(12,108)	612	(11,496)
Normal changes	(299,727)	(207,097)	(506,824)
At end of year	(9,221,561)	521,689	(8,699,872)

	2020		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,354,865)	844,546	(7,510,319)
Changes in assumptions	(493,837)	1,097	(492,740)
Changes to tax regime	-	44,734	44,734
Normal changes	(61,024)	(162,203)	(223,227)
At end of year	(8,909,726)	728,174	(8,181,552)

38. Share capital

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

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

39. Reserve fund

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

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

40. Retained earnings reserve

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

41. Capital reserve

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

42. Cumulative remeasurement result from investment securities

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

43. Loan loss reserve

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

44. Other reserves

This represents reserves arising on consolidation of subsidiaries.

45. Related party transactions and balances

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

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Related party transactions and balances (continued)

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

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

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

Transactions/balances with the Company

As at October 31, 2021, the Company held deposits in the normal course of business with a subsidiary of $9,131,546 (2020: $8,562,411) and a fellow subsidiary of $759,546 (2020: $2,921,880), (note18). Interest earned on the deposits with a fellow subsidiary is $4,567 (2020: $99,267). Other transactions include dividend income from subsidiaries of $3,937,494 (2020: $3,751,910) and directors' emoluments paid of $16,428 (2020: $16,428) (note 13).

46. Financial risk management

(a) Overview and risk management framework

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

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

46. Financial risk management (continued)

(a) Overview and risk management framework (continued)

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

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

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

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

(i) Board Audit Committee

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

(ii) Executive and Enterprise Risk Committee

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

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a management committee, has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. The Committee reviews investment, loan and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Group's investment and loan portfolios and that appropriate limits are being adhered to.

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

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

(b) Credit risk

(i) Credit Risk Management

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

46. Financial risk management (continued)

(b) Credit risk (continued)

(i) Credit Risk Management (continued)

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

In addition, the Group seeks additional collateral from a counterparty as soon as a significant increase in credit risk observed for the relevant individual loan.

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

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct borrowing.

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

(iii) Credit quality

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

Commercial loans: In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Internal grades (IG) are used to differentiate the risk of default of the borrower. The following table cross references the Bank's internal borrower grades with equivalent rating category used by Standard and Poor's.:

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

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

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

Retail Loans including all credit card segments:

The Group					
2021					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	18,590,139	7,478	-	18,597,617
Low	0.2% to <1%	33,185,258	58,447	-	33,243,705
Medium	1% to <3%	42,409,846	1,900,986	-	44,310,832
High	3% to <20%	16,352,599	3,031,003	-	19,383,602
Very High	20% to <99.9%	61,209	3,100,188	1,207	3,162,604
Subtotal: PD Grades (Advanced Models)		110,599,051	8,098,102	1,207	118,698,360
Loans not graded (Intermediate or simplified or gross-up)		3,450,336	216,484	-	3,666,820
Default		-	-	5,375,912	5,375,912
Total		114,049,387	8,314,586	5,377,119	127,741,092
Expected credit loss allowance		(1,236,888)	(1,537,609)	(3,109,480)	(5,883,977)
Carrying Amounts		112,812,499	6,776,977	2,267,639	121,857,115

2020					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	<0.2%	22,186,228	33,267	-	22,219,495
Low	0.2% to <1%	28,745,716	75,459	-	28,821,175
Medium	1% to <3%	41,788,654	1,788,120	-	43,576,774
High	3% to <20%	20,975,692	3,359,484	-	24,335,176
Very High	20% to <99.9%	219,016	3,900,251	7,389	4,126,656
Subtotal: PD Grades (Advanced Models)		113,915,306	9,156,581	7,389	123,079,276
Loans not graded (Intermediate or simplified or gross-up)		269,610	(58,751)	-	210,859
Default		-	-	4,013,629	4,013,629
Total		114,184,916	9,097,830	4,021,018	127,303,764
Expected credit loss allowance		(3,204,237)	(2,094,976)	(2,043,052)	(7,342,265)
Carrying Amounts		110,980,679	7,002,854	1,977,966	119,961,499

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Commercial Loans excluding all credit card segments:

The Group						
2021						
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	78,955	835,801	-	914,756
	95	AA to A+	-	281,893	-	281,893
	90	A to A-	-	1,253,306	-	1,253,306
	87	BBB+	6,688	7,830	-	14,518
	85	BBB	621,772	2,220,065	-	2,841,837
	83	BBB-	2,228,938	3,089,711	-	5,318,649
Non-investment	80	BB+	8,580,879	2,416,869	-	10,997,748
	77	BB	12,006,065	400,292	-	12,406,357
	75	BB-	20,747,117	1,053,397	-	21,800,514
	73	B+	16,326,030	696,519	-	17,022,549
	70	B to B-	10,969,709	1,061,300	-	12,031,009
Watch	65	CCC+	-	433,015	-	433,015
	60	CCC	-	733,130	-	733,130
	30		-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			71,566,153	14,800,641	652,493	87,019,287
Expected credit loss allowance			(93,750)	(163,050)	(96,548)	(353,348)
Carrying amount			71,472,403	14,637,591	555,945	86,665,939

2020						
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	-	909,296	-	909,296
	95	AA to A+	-	221,805	-	221,805
	90	A to A-	-	1,112,473	-	1,112,473
	87	BBB+	-	65,055	-	65,055
	85	BBB	8,803,706	2,004,231	-	10,807,937
	83	BBB-	1,572,683	3,599,742	-	5,172,425
Non-investment	80	BB+	3,858,836	3,255,146	-	7,113,982
	77	BB	14,656,894	584,957	-	15,241,851
	75	BB-	32,674,795	3,075,402	-	35,750,197
	73	B+	21,353,012	227,063	-	21,580,075
	70	B to B-	713,800	1,163,981	-	1,877,781
Watch	65	CCC+	-	274,141	-	274,141
	60	CCC	-	474,243	-	474,243
	30		-	53,418	-	53,418
Default			-	-	744,674	744,674
Total			83,633,726	17,020,953	744,674	101,399,353
Expected credit loss allowance			(317,401)	(161,890)	(154,727)	(634,018)
Carrying amount			83,316,325	16,859,063	589,947	100,765,335

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

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

Debt securities:

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

Classified as follows:

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

(iv) Maximum exposure to credit risk

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

Collateral and other credit enhancements held against loans

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

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

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $164,767,272 (2020: $157,485,194) for the Group.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(b) Credit risk (continued)

(v) Concentration of exposure to credit risk

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

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

(c) Market risk

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

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

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

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

(i) Interest rate risk

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

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

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

	2020						
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	115,042,927	124,411,427	53,821,965	122,926,870	27,314,634	99,721,825	543,239,648
Total liabilities and stockholders' equity	382,362,979	10,266,073	19,491,994	1,822,656	-	129,295,946	543,239,648
Total interest rate sensitivity gap	(267,320,052)	114,145,354	34,329,971	121,104,214	27,314,634	(29,574,121)	-
Cumulative gap	(267,320,052)	(153,174,698)	(118,844,727)	2,259,487	29,574,121	-	-

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

	The Group					
	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	1.20	1.11	0.05	-	-	0.68
Financial assets at fair value through profit or loss	-	-	-	3.18	5.45	3.37
Pledged assets	-	1.79	1.46	2.12	4.00	1.80
Loans (1)	10.30	6.82	8.87	9.79	7.08	9.18
Investment securities (2)	-	1.57	1.74	1.93	5.40	2.25
LIABILITIES						
Deposits (3)	0.15	0.52	0.45	0.57	-	0.16
Capital Management and Government Securities funds	0.18	-	-	-	-	0.18
Policyholders' liabilities	2.21	2.31	2.39	-	-	2.24

	2020					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.04	0.18	0.45	-	-	0.16
Government securities purchased under resale agreements	-	4.07	-	-	-	4.07
Financial assets at fair value through profit or loss	-		2.85	6.18	4.62	5.58
Loans (1)	12.67	23.79	9.16	9.07	7.16	10.72
Investment securities (2)	-	1.47	1.85	3.98	4.86	2.81
Pledged assets	-	0.42	2.66	4.78	-	2.13
LIABILITIES						
Deposits (3)	0.21	0.72	1.07	3.48	-	0.26
Capital Management and Government Securities funds	0.22	-	-	-	-	0.22
Policyholders' liabilities	2.21	2.49	2.40	-	-	2.26

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

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

(3) Yields are based on contractual interest rates.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

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

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

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

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

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

Sensitivity to interest rate movements

- The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis is performed on the same basis as for 2020.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity to interest rate movements (continued)

	The Group	
	2021	2020
	Increase/decrease	Increase/decrease
JMD Interest rates	by 140 bps	by 140 bps
USD Interest rates	by 400 bps	by 400 bps

	The Group		The Company	
	2021	2020	2021	2020
Effect on profit or loss	3,700,969	2,809,730	143,032	230,540
Effect on stockholders' equity	9,064,610	12,039,080	71,224	109,177

(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 2021						
	JMD	USD	CAD	GBP	EUR	Other	Total
ASSETS							
Cash resources	85,472,168	72,539,201	3,963,732	6,003,729	546,043	150,739	168,675,612
Financial assets at fair value through profit or loss	3,066,029	636,973	-	-	-	-	3,703,002
Pledged assets	6,001,418	9,436,375	201,885	-	-	-	15,639,678
Loans	176,976,633	31,546,123	296	2	-	-	208,523,054
Investment securities	89,543,246	50,817,900	1,264,054	-	-	-	141,625,200
Other assets	45,544,031	1,721,653	9,231	199	2,611	-	47,277,725
	406,603,525	166,698,225	5,439,198	6,003,930	548,654	150,739	585,444,271
LIABILITIES							
Deposits	227,674,532	141,550,428	5,102,970	5,520,307	581,255	1,434	380,430,926
Capital management and government securities funds	2,710,910	14,202,063	172,447	1,562,775	159,913	-	18,808,108
Other liabilities	24,535,676	2,053,492	97,674	35,141	1,936	12,961	26,736,880
Policyholders' liabilities	45,865,307	-	-	-	-	-	45,865,307
	300,786,425	157,805,983	5,373,091	7,118,223	743,104	14,395	471,841,221
NET POSITION	**105,817,100**	**8,892,242**	**66,107**	**(1,114,293)**	**(194,450)**	**136,344**	**113,603,050**

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

JMD Equivalent

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

The following significant exchange rates were applied during the year:

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

Sensitivity to foreign exchange rate movements

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity to foreign exchange movements:

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

(iii) Equity price risk

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

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

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

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

(d) Liquidity risk

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

The Group's liquidity management process includes:

(i) Monitoring future cash flows and liquidity on a daily basis;

(ii) Maintaining a portfolio of highly marketable assets that can be liquidated quickly as protection against any unforeseen interruption of cash flow;

(iii) Monitoring the liquidity ratios of the Group against internal and regulatory requirements;

(iv) Managing the concentration and profile of debt maturities, as well as undrawn lending commitments; and

(v) Liquidity stress testing and contingency planning.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(d) Liquidity risk (continued)

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

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

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

Financial liabilities cash flows

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group					
	2021					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amounts
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	373,062,230	6,409,822	839,172	777,687	381,088,911	380,430,926
Capital management and government securities funds	18,808,108	-	-	-	18,808,108	18,808,108
Other liabilities	3,155,909	-	-	-	3,155,909	3,155,909
Policyholders' liabilities	44,590,049	9,082,820	-	-	53,672,869	45,865,307
Total liabilities	439,616,296	15,492,642	839,172	777,687	456,725,797	448,260,250

	2020					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amounts
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	328,187,107	9,481,320	2,872,162	1,770,694	342,311,283	341,373,578
Capital management and government securities funds	19,157,775	-	-	-	19,157,775	19,157,775
Other liabilities	2,957,038	-	-	-	2,957,038	2,957,038
Policyholders' liabilities	43,106,094	9,565,295	-	-	52,671,389	45,299,616
Total liabilities	393,408,014	19,046,615	2,872,162	1,770,694	417,097,485	408,788,007

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk

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

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

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

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

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

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

Frequency and severity of claims

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long-term insurance contracts (continued)

Frequency and severity of claims (continued)

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

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

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

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

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

Process used in deriving assumptions

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

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

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

(ii) Reinsurance risk

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Financial risk management (continued)

(e) Insurance risk (continued)

(ii) Reinsurance risk (continued)

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

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

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

(iii) Sensitivity analysis of actuarial liabilities

Sensitivity arising from the valuation of life insurance contracts

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

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

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

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

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

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

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

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

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

47. Fair value of financial instruments

Determination of fair value

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

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

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

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

Fair value hierarchy

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

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

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

Basis of valuation

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

(i) financial instruments classified as fair value through OCI are measured at fair value by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques which include utilising recent transaction prices or broker quotes. Investments in unit trust are measured at fair value by reference to prices quoted by the fund managers.

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

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

(iv) the fair values of demand deposits and savings accounts with no specific maturity are considered to be the amount payable on demand at the reporting date; the fair values of fixed-term interest bearing deposits are based on discounted cash flows using interest rates for new deposits;

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Fair value of financial instruments (continued)

Basis of valuation (continued)

(vi) the fair value of fixed rate loans is estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the allowance for credit losses from both book and fair values.

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

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

Accounting classifications and fair values:

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

	The Group							
	2021							
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	131,415,705	3,373,129	134,788,834	-	134,788,834	-	134,788,834
Bank of Jamaica securities	-	7,740,841	-	7,740,841	-	7,740,841	-	7,740,841
Treasury bills	-	1,264,054	-	1,264,054	-	1,264,054	-	1,264,054
Corporate bonds	-	1,199,495	-	1,199,495	-	1,199,495	-	1,199,495
Unitised funds	-	-	329,873	329,873	-	329,873	-	329,873
	-	141,625,200	3,703,002	145,328,202	-	145,323,097	5,105	145,328,202
Pledged assets measured at fair value								
Government securities	-	7,690,051	-	7,690,051	-	7,690,051	-	7,690,051
Bank of Jamaica securities	-	2,292,204	-	2,292,204	-	2,292,204	-	2,292,204
Unitised funds	-	-	2,149,695	2,149,695	-	2,149,695	-	2,149,695
	-	9,982,255	2,149,695	12,131,950	-	12,131,950	-	12,131,950
Financial assets not measured at fair value								
Loans and receivables	78,915,653	-	-	78,915,653	-	-	81,247,005	81,247,005
Pledged assets not measured at fair value								
Government securities	281,676	-	-	281,676	-	341,395	-	341,395

	2020							
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit or loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	104,612,226	3,389,972	108,002,198	-	108,002,198	-	108,002,198
Bank of Jamaica securities	-	7,688,360	-	7,688,360	-	7,688,360	-	7,688,360
Treasury bills	-	2,835,496	-	2,835,496	-	2,835,496	-	2,835,496
Corporate bonds	-	1,256,629	-	1,256,629	-	1,256,629	-	1,256,629
Unitised funds	-	-	295,368	295,368	-	295,368	-	295,368
	-	116,397,816	3,685,340	120,083,156	-	120,078,051	5,105	120,083,156

(Expressed in thousands of Jamaican dollars unless otherwise stated)

47. Fair value of financial instruments (continued)

Basis of valuation (continued)

Accounting classifications and fair values (continued):

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

Valuation technique

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

48. Capital risk management

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

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Capital risk management (continued)

Banking, mortgage lending and investment management

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

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

Regulatory capital is divided into two tiers:

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

2. Tier 2 capital comprises qualified subordinated loan capital, collective impairment allowances and revaluation surplus on property, plant and equipment.

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

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

The table below summarises the composition of regulatory capital, the ratios for each subsidiary and identifies the applicable regulator. During the year, the individual entities complied with all externally imposed capital requirements.

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2021	2020	2021	2020
Tier 1 Capital	53,138,609	53,134,917	9,226,596	8,803,412
Tier 2 Capital	-	-	464,162	464,162
	53,138,609	53,134,917	9,690,758	9,267,574
Less prescribed deductions	(220,000)	(220,000)	-	-
Total regulatory capital	52,918,609	52,914,917	9,690,758	9,267,574

	Regulated by the BOJ[1]		Regulated by the FSC[2]	
	2021	2020	2021	2020
Risk weighted assets				
On-balance sheet	247,987,824	273,109,577	14,896,271	20,539,794
Off-balance sheet	55,928,469	43,820,655	-	863,408
Foreign exchange exposure	310,466	1,946,370	7,317,113	4,447,796
Total risk weighted assets	304,226,759	318,876,602	22,213,384	25,850,998
Actual regulatory capital to risk weighted assets	17.39%	16.59%	43.63%	35.85%
Regulatory requirement	10.00%	10.00%	10.00%	10.00%

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

[2] This relates to Scotia Investments Jamaica Limited.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

48. Capital risk management (continued)

Life insurance business

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

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

49. Commitments

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

50. Fiduciary activities

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

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

At October 31, 2021, the Group had assets under administration amounting to approximately $247,158,184 (2020: $233,394,304).

51. Litigation and contingent liabilities

The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group that is immaterial to both its financial position and financial performance.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

52. Dividends

(a) Paid to stockholders:

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

(b) Proposed

At the Board of Directors meeting on December 9, 2021, a dividend in respect of 2021 of $0.35 per share (2020: $0.45 per share) amounting to $1,089,058 (2020: $1,400,217) was proposed. Stockholders' equity for the current financial year does not reflect this resolution, which will be accounted for in stockholders' equity as an appropriation of retained profits in the ensuing financial year.

53. Employee Share Ownership Plan

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

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

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

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

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

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

54. Prior year adjustment

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

Statement of financial position

	The Group		
	October 31, 2020		
	As previously Reported	Adjustments	As restated
Customers' liabilities under acceptances, guarantees and letters of credit	13,041,700	(13,041,700)	-
Others	543,239,648	-	543,239,648
Total assets	556,281,348	(13,041,700)	543,239,648
Acceptances, guarantees and letters of credit	13,140,840	(13,140,840)	-
Other liabilities	11,306,987	99,140	11,406,127
Others	421,077,887	-	421,077,887
Total liabilities	445,525,714	(13,041,700)	432,484,014
Total equity	110,755,634	-	110,755,634
Total liabilities and equity	556,281,348	(13,041,700)	543,239,648

	November 1, 2019		
	As previously Reported	Adjustments	As restated
Customers' liabilities under acceptances, guarantees and letters of credit	13,494,138	(13,494,138)	-
Others	535,507,538	-	535,507,538
Total assets	549,001,676	(13,494,138)	535,507,538
Acceptances, guarantees and letters of credit	13,606,718	(13,606,718)	-
Other liabilities	6,839,399	112,580	6,951,979
Others	410,441,483	-	410,441,483
Total liabilities	430,887,600	(13,494,138)	417,393,462
Total equity	118,114,076	-	118,114,076
Total liabilities and equity	549,001,676	(13,494,138)	535,507,538

55. Impact of COVID-19

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

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

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

NOTES

FORM OF PROXY

SCOTIA GROUP JAMAICA LIMITED (THE "COMPANY")

SCOTIA GROUP JAMAICA LIMITED

I/We...

of...

in the parish of..being a Member of the above Company, hereby appoint the 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 **11th** day of **March 2022** 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, 2021 previously circulated be and are hereby received.		

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

As witness my hand this .... day of .... 2022.

....

Signature

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, Scotiabank Centre, Cnr. Duke & Port Royal Streets, Kingston, at least 48 hours before the time appointed for the holding of the Meeting.
3. To this form must be affixed a $100.00 stamp in payment of stamp duty.
4. In the case of joint shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
5. To be effective, this form of proxy must be signed by the appointer or his/her attorney, duly authorised in writing or, if the appointer is a corporation, must be under its common seal or be signed by some officer or attorney duly authorised in that behalf.

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

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

CUSTOMER FIRST

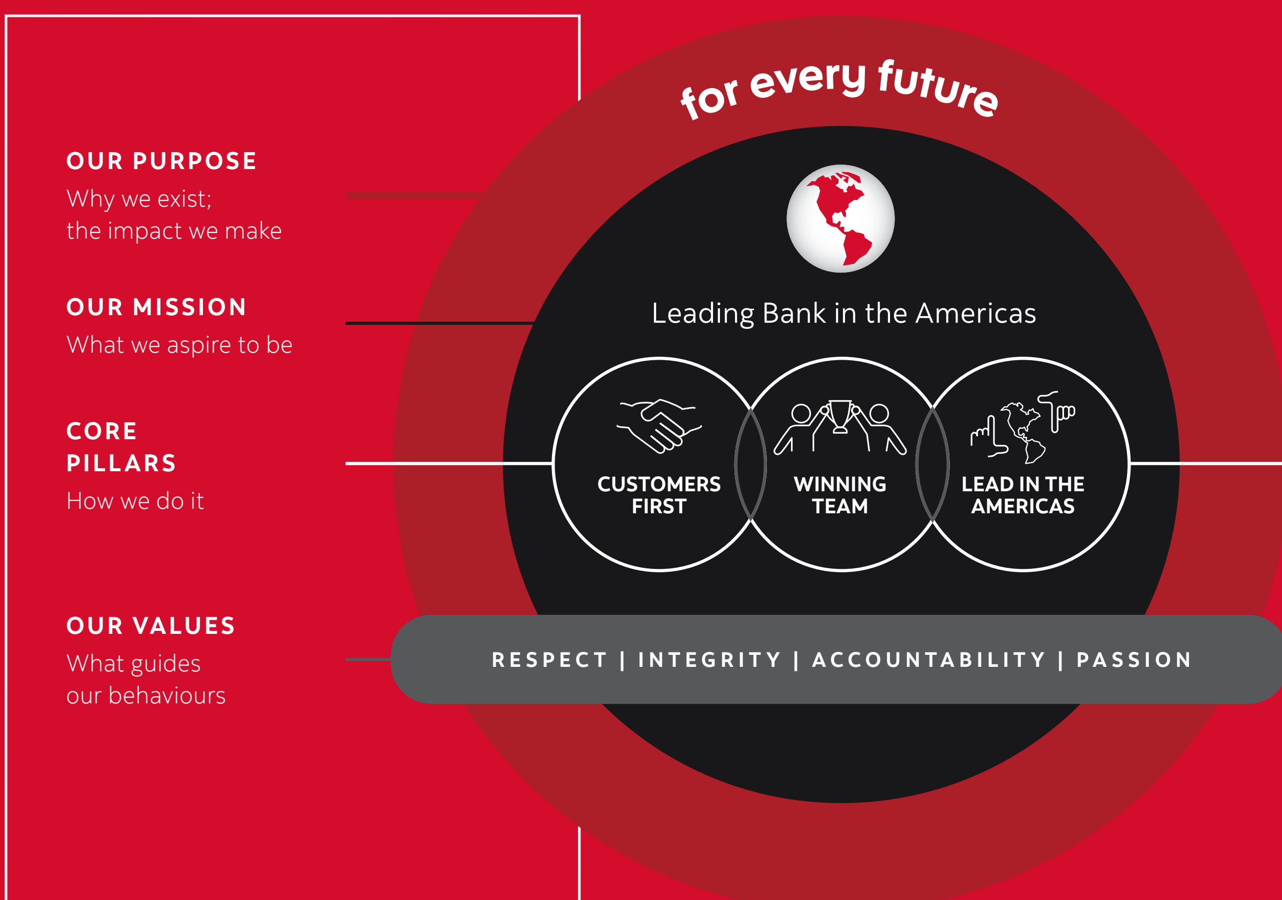
By putting our customers first, we're helping them be better off today and tomorrow.

WINNING TEAM

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

LEAD IN THE AMERICAS

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



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