

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

FINANCIAL STATEMENTS

YEAR ENDED OCTOBER 31, 2022



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INDEPENDENT AUDITORS' REPORT

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Bank of Nova Scotia Jamaica Limited ("the Bank") comprising the separate financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), set out on pages 5 to 115, which comprise the Group's and the Bank's statements of financial position as at October 31, 2022, the Group's and the Bank's statements of revenue and expenses, comprehensive income, changes in 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 Bank as at October 31, 2022, and of the Group's and the Bank'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 Bank 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 Bank'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 Bank 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.

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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

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.

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

Chartered Accountants
Kingston, Jamaica

December 20, 2022

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Revenue and Expenses****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Net interest income and other revenue			
Net interest income calculated using the effective interest method			
Interest from loans and deposits with banks		23,919,888	20,591,385
Interest from securities		<u>5,565,112</u>	<u>3,240,590</u>
		29,485,000	23,831,975
Interest income on securities at fair value through profit and loss		<u>204,332</u>	<u>204,724</u>
Total interest income	6	29,689,332	24,036,699
Interest expense	6	(1,794,757)	(1,885,744)
Net interest income		27,894,575	22,150,955
Expected credit losses		(3,084,690)	(2,804,834)
Net interest income after expected credit losses		<u>24,809,885</u>	<u>19,346,121</u>
Other revenue			
Fee and commission income	7	17,544,614	13,581,062
Fee and commission expense	7	(13,439,469)	(9,583,603)
Net fee and commission income		4,105,145	3,997,459
Net gains on foreign currency activities	8	7,310,353	6,769,540
Insurance revenue	9	3,035,990	2,633,082
Other revenue	10	919,713	988,225
Net losses on financial assets		(370,451)	(78,803)
		<u>15,000,750</u>	<u>14,309,503</u>
		<u>39,810,635</u>	<u>33,655,624</u>
Expenses			
Salaries, pension and other staff benefits	11	9,471,037	8,850,040
Property expenses, including depreciation and amortization		2,511,241	2,306,456
Asset tax		1,265,904	1,156,647
Other operating expenses		<u>10,674,140</u>	<u>11,221,381</u>
	12	<u>23,922,322</u>	<u>23,534,524</u>
Profit before taxation	13	15,888,313	10,121,100
Taxation	14	(5,031,894)	(3,443,429)
Profit for the year		<u>10,856,419</u>	<u>6,677,671</u>
Earnings per stock unit (expressed in \$)	15	<u>3.71</u>	<u>2.28</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Comprehensive Income****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Profit for the year		<u>10,856,419</u>	<u>6,677,671</u>
Other comprehensive loss:			
Item that will not be reclassified to profit or loss			
Remeasurement of retirement benefits plan asset and obligations	29(a)(vi)&(b)(iii)	(8,463,456)	1,042,797
Taxation	35(a)	<u>2,821,152</u>	<u>(347,599)</u>
		<u>(5,642,304)</u>	<u>695,198</u>
Items that are or will be reclassified to profit or loss:			
Unrealised losses on investment securities		(6,313,907)	(1,844,355)
Realised losses/(gains) on investment securities transferred to profit		68,182	(1,624)
Expected credit loss adjustment on investment securities		<u>28,114</u>	<u>4,699</u>
		(6,217,611)	(1,841,280)
Taxation	35(a)	<u>1,847,914</u>	<u>489,512</u>
		<u>(4,369,697)</u>	<u>(1,351,768)</u>
Other comprehensive loss, net of tax		<u>(10,012,001)</u>	<u>(656,570)</u>
Total comprehensive income		<u>844,418</u>	<u>6,021,101</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Financial Position****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*	2020 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	81,640,245	101,190,415	68,528,049
Government and bank notes other than Jamaican	17	7,126,960	2,416,012	1,634,969
Due from other banks	18	20,298,092	33,610,710	40,516,191
Accounts with parent and fellow subsidiaries	19	<u>27,667,601</u>	<u>20,536,002</u>	<u>19,005,987</u>
	17	<u>136,732,898</u>	<u>157,753,139</u>	<u>129,685,196</u>
Government securities purchased under resale agreements				
	20	<u>751,427</u>	<u>-</u>	<u>3,801,093</u>
Pledged assets				
	21	<u>1,888,111</u>	<u>1,829,271</u>	<u>1,830,371</u>
Loans, net of allowance for credit losses				
	22	<u>237,745,774</u>	<u>208,472,947</u>	<u>220,675,498</u>
Financial assets at fair value through profit or loss				
	24	<u>2,317,297</u>	<u>2,591,750</u>	<u>2,672,017</u>
Investment securities				
	25	<u>145,918,195</u>	<u>135,384,745</u>	<u>108,910,117</u>
Other assets				
Taxation recoverable		2,071,839	1,518,291	1,957,872
Sundry assets	26	2,750,971	3,142,950	2,278,635
Property and equipment	27	9,266,360	8,793,275	8,377,273
Intangible assets	28	106,552	80,393	84,085
Deferred taxation	35(b)	898,845	215,725	86,368
Retirement benefits asset	29(a)(i)	<u>23,561,041</u>	<u>31,254,250</u>	<u>28,242,497</u>
		<u>38,655,608</u>	<u>45,004,884</u>	<u>41,026,730</u>
		<u>564,009,310</u>	<u>551,036,736</u>	<u>508,601,022</u>


*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Financial Position (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*	2020 Restated*
LIABILITIES				
Deposits by the public	30	397,176,483	378,473,110	336,660,438
Due to other banks and financial institutions	31	1,047,139	1,283,410	3,567,722
Due to parent and ultimate parent company	32	1,881,040	2,246,177	4,873,664
Due to fellow subsidiaries	33	<u>1,845,406</u>	<u>6,060,171</u>	<u>5,270,465</u>
		<u>401,950,068</u>	<u>388,062,868</u>	<u>350,372,289</u>
Other liabilities				
Cheques and other instruments in transit		2,305,833	1,944,419	1,774,136
Other liabilities	34	9,222,128	8,718,172	8,609,184
Taxation payable		2,790,956	208,685	647,079
Deferred tax liabilities	35(b)	3,497,189	7,508,677	6,959,965
Retirement benefits obligations	29(b)(i)	4,557,782	5,237,873	4,541,887
Securities sold under repurchase agreement	20	<u>1,700,279</u>	<u>-</u>	<u>-</u>
		<u>24,074,167</u>	<u>23,617,826</u>	<u>22,532,251</u>
Policyholders' liabilities	36(a)	<u>46,284,431</u>	<u>45,865,307</u>	<u>45,299,616</u>
EQUITY				
Share capital	37	2,927,232	2,927,232	2,927,232
Reserve fund	38	3,159,866	3,159,866	3,159,866
Retained earnings reserve	39	47,052,091	47,052,091	47,052,091
Cumulative remeasurement result from investment securities	40	(4,756,006)	(386,309)	965,459
Capital reserve	41	9,383	9,383	9,383
Loan loss reserve	42	339,400	312,830	209,757
Unappropriated profits		<u>42,968,678</u>	<u>40,415,642</u>	<u>36,073,078</u>
		<u>91,700,644</u>	<u>93,490,735</u>	<u>90,396,866</u>
		<u>564,009,310</u>	<u>551,036,736</u>	<u>508,601,022</u>

The financial statements on pages 5 to 115 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2022 by:


 Anya Schnoor Director


 Audrey Tugwell Henry Director


 Eric Crawford Director


 Maia Wilson Secretary

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity

Year ended October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

				Cumulative remeasurement result from investment securities				
	Notes	Share capital	Reserve fund	Retained earnings reserve	Capital reserve	Loan loss reserve	Unappropriated profits	Total
Balances at November 1, 2020,		2,927,232	3,159,866	47,052,091	965,459	9,383	209,757	35,909,563
Prior year adjustment (Note 52)		-	-	-	-	-	163,515	163,515
Balances at November 1, 2020, as restated*		2,927,232	3,159,866	47,052,091	965,459	9,383	36,073,078	90,396,866
Profit for the year, as restated		-	-	-	-	-	6,677,671	6,677,671
Other comprehensive loss:								
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	695,198	695,198
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(1,350,478)	-	-	(1,350,478)
Realised gains on investment securities, net of taxes		-	-	-	(1,290)	-	-	(1,290)
Total other comprehensive loss		-	-	-	(1,351,768)	-	695,198	(656,570)
Total comprehensive income		-	-	-	(1,351,768)	-	7,372,869	6,021,101
Transfer to loan loss reserve		-	-	-	-	103,073	(103,073)	-
Dividends paid	49	-	-	-	-	-	(2,927,232)	(2,927,232)
Net movement for the year		-	-	-	-	103,073	(3,030,305)	(2,927,232)
Balances at October 31, 2021, as restated*		2,927,232	3,159,866	47,052,091	(386,309)	312,830	40,415,642	93,490,735
Profit for the year		-	-	-	-	-	10,856,419	10,856,419
Other comprehensive loss:								
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	(5,642,304)	(5,642,304)
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(4,415,151)	-	-	(4,415,151)
Realised losses on investment securities, net of taxes		-	-	-	45,454	-	-	45,454
Total other comprehensive loss		-	-	-	(4,369,697)	-	(5,642,304)	(10,012,001)
Total comprehensive income		-	-	-	(4,369,697)	-	5,214,115	844,418
Transfer to loan loss reserve		-	-	-	-	26,570	(26,570)	-
Dividends paid	49	-	-	-	-	-	(2,634,509)	(2,634,509)
Net movement for the year		-	-	-	-	26,570	(2,661,079)	(2,634,509)
Balances at October 31, 2022		2,927,232	3,159,866	47,052,091	(4,756,006)	339,400	42,968,678	91,700,644

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Cash Flows****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Cash flows from operating activities			
Profit for the year		10,856,419	6,677,671
Adjustments for:			
Taxation	14	5,031,894	3,443,429
Depreciation	27	802,143	737,150
Amortisation of right of use of asset	27	150,469	155,577
Amortisation of intangible assets	28	11,151	3,692
Expected credit losses		4,526,651	3,644,844
Gain on sale of property and equipment	10	(290,100)	(6,505)
Increase in retirement benefits asset/obligations, net	11	(1,287,628)	(1,149,800)
Gain on extinguishment of liability	10	(629,030)	(953,779)
Write off of property and equipment		-	18,163
Impairment of property and equipment	27	<u>11,871</u>	<u>-</u>
		19,183,840	12,570,442
Interest income	6	(29,689,332)	(24,036,699)
Interest expense	6	<u>1,794,757</u>	<u>1,885,744</u>
		(8,710,735)	(9,580,513)
Changes in operating assets and liabilities:			
Loans		(33,879,303)	7,813,019
Deposits by the public		19,342,429	42,778,743
Policyholders' liabilities		419,124	565,692
Sundry assets, net		391,978	(864,973)
Other liabilities, net		368,895	643,549
Due to parent company and fellow subsidiaries		(4,571,496)	(1,831,465)
Securities sold under repurchase agreements		1,700,000	-
Accounts with parent and fellow subsidiaries		2,032,807	(4,870,107)
Taxation recoverable		(1,224,721)	1,110,754
Due to other banks and financial institutions		(236,271)	(2,276,737)
Statutory reserves at Bank of Jamaica		(2,797,688)	(2,960,182)
Retirement benefits asset/obligations		<u>(162,710)</u>	<u>(123,170)</u>
		(27,327,691)	30,404,610
Interest received		29,523,082	24,594,274
Interest paid		(1,782,645)	(1,887,279)
Taxation paid		<u>(1,804,477)</u>	<u>(3,987,448)</u>
Net cash (used in)/provided by operating activities		<u>(1,391,731)</u>	<u>49,124,157</u>
Cash flows from investing activities			
Purchase of Investment securities		(39,928,053)	(54,423,773)
Proceeds from maturities/sales of investment securities		23,648,593	26,373,688
Pledged assets		(42,905)	1,837
Proceeds of sale of property and equipment		334,069	6,505
Purchase of intangible assets		(37,310)	-
Purchase of property and equipment	27	<u>(1,351,756)</u>	<u>(1,735,937)</u>
Net cash used in investing activities		<u>(17,377,362)</u>	<u>(29,777,680)</u>
Net cash flows from operating and investing activities (carried forward to page 11)		<u>(18,769,093)</u>	<u>19,346,477</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Consolidated Statement of Cash Flows (Continued)****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Cash flows from operating and investing activities (brought forward from page 10)		(<u>18,769,093</u>)	<u>19,346,477</u>
Cash flows from financing activity			
Dividends paid	49	(<u>2,634,509</u>)	(<u>2,927,232</u>)
Lease payments	34(d)(ii)	(<u>157,378</u>)	(<u>167,400</u>)
Net cash used in financing activities		(<u>2,791,887</u>)	(<u>3,094,632</u>)
Effect of exchange rate changes on cash and cash equivalents		(<u>2,032,806</u>)	<u>4,870,107</u>
Net (decrease)/increase in cash and cash equivalents		(<u>23,593,786</u>)	<u>21,121,952</u>
Cash and cash equivalents at beginning of year		<u>124,151,051</u>	<u>103,029,099</u>
Cash and cash equivalents at end of year	17	<u>100,557,265</u>	<u>124,151,051</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Revenue and Expenses****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Net interest income and other revenue			
Net interest income calculated using the effective interest method			
Interest from loans and deposits with banks		22,079,053	18,817,438
Income from securities		<u>2,698,193</u>	<u>1,114,034</u>
		24,777,246	19,931,472
Interest income on securities at fair value through profit and loss		<u>61,332</u>	<u>61,332</u>
Total interest income	6	24,838,578	19,992,804
Interest expense	6	<u>(585,451)</u>	<u>(620,751)</u>
Net interest income		24,253,127	19,372,053
Expected credit losses		<u>(3,143,116)</u>	<u>(2,745,989)</u>
Net interest income after expected credit losses		<u>21,110,011</u>	<u>16,626,064</u>
Other income			
Fee and commission income	7	17,213,437	13,266,049
Fee and commission expense	7	<u>(13,439,469)</u>	<u>(9,583,603)</u>
Net fee and commission income		3,773,968	3,682,446
Net gains on foreign currency activities	8	7,313,591	6,681,443
Dividend income		736,323	887,159
Other revenue	10	919,713	494,127
Net losses on financial assets		<u>(154,684)</u>	<u>(35,311)</u>
		<u>12,588,911</u>	<u>11,709,864</u>
		<u>33,698,922</u>	<u>28,335,928</u>
Expenses			
Salaries, pension and other staff benefits	11	8,816,131	8,199,460
Property expenses, including depreciation		2,446,249	2,233,856
Asset tax		1,080,346	965,910
Other operating expenses		<u>9,949,975</u>	<u>10,429,355</u>
	12	<u>22,292,701</u>	<u>21,828,581</u>
Profit before taxation	13	11,406,221	6,507,347
Taxation	14	<u>(3,774,185)</u>	<u>(2,233,171)</u>
Profit for the year		<u>7,632,036</u>	<u>4,274,176</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Comprehensive Income****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Profit for the year		<u>7,632,036</u>	<u>4,274,176</u>
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss			
Remeasurement of retirement benefits plan assets and obligations	29(a)(vi)&(b)(iii)	(8,463,456)	1,042,797
Taxation	35(a)	<u>2,821,152</u>	<u>(347,599)</u>
		<u>(5,642,304)</u>	<u>695,198</u>
Items that are or will be reclassified to profit or loss			
Unrealised losses on investment securities		(3,605,835)	(376,297)
Realised losses on investment securities transferred to profit		68,182	861
Expected credit loss adjustments on investment securities		<u>9,768</u>	<u>2,751</u>
		<u>(3,527,885)</u>	<u>(372,685)</u>
Taxation	35(a)	<u>1,175,482</u>	<u>122,363</u>
		<u>(2,352,403)</u>	<u>(250,322)</u>
Other comprehensive (loss)/income, net of tax		<u>(7,994,707)</u>	<u>444,876</u>
Total comprehensive (loss)/income		<u>(362,671)</u>	<u>4,719,052</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Financial Position****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*	2020 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	80,083,782	97,107,808	64,145,022
Government and bank notes other than Jamaican	17	2,353,614	2,416,012	1,634,969
Due from other banks	18	20,298,092	33,610,710	40,516,191
Accounts with parent and fellow subsidiaries	19	<u>27,667,601</u>	<u>20,536,002</u>	<u>19,005,987</u>
	17	<u>130,403,089</u>	<u>153,670,532</u>	<u>125,302,169</u>
Government securities purchased under resale agreements				
	20	<u>751,427</u>	<u>-</u>	<u>3,801,093</u>
Pledged assets				
	21	<u>1,888,111</u>	<u>1,829,271</u>	<u>1,830,371</u>
Loans, net of allowance for credit losses				
	22	<u>219,419,443</u>	<u>187,497,299</u>	<u>196,471,953</u>
Financial assets at fair value through profit or loss				
	24	<u>600,772</u>	<u>687,275</u>	<u>721,725</u>
Investment securities				
	25	<u>100,845,053</u>	<u>83,850,531</u>	<u>60,030,298</u>
Investment in subsidiaries				
		<u>2,725,000</u>	<u>220,000</u>	<u>220,000</u>
Other assets				
Taxation recoverable		768,864	671,173	-
Sundry assets	26	2,633,876	3,129,650	2,267,171
Property and equipment	27	9,240,203	8,762,079	8,349,169
Intangible assets	28	26,739	580	4,272
Retirement benefits asset	29(a)	<u>23,561,041</u>	<u>31,254,250</u>	<u>28,242,497</u>
		<u>36,230,723</u>	<u>43,817,732</u>	<u>38,863,109</u>
		<u>492,863,618</u>	<u>471,572,640</u>	<u>427,240,718</u>

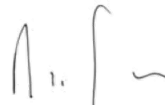
*See note 52

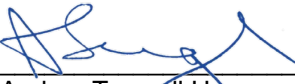
The accompanying notes form an integral part of these financial statements.


THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Financial Position (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

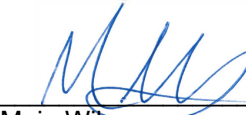
	Notes	2022	2021 Restated*	2020 Restated*
LIABILITIES				
Deposits by the public	30	390,081,732	370,611,373	328,527,317
Due to other banks and financial institutions	31	1,047,139	1,283,410	1,795,611
Due to parent and ultimate parent company	32	1,881,040	2,246,177	4,873,664
Due to subsidiaries	33	11,946,541	3,978,383	3,408,665
Due to fellow subsidiaries	33	<u>1,836,008</u>	<u>5,067,018</u>	<u>3,407,045</u>
		<u>406,792,460</u>	<u>383,186,361</u>	<u>342,012,302</u>
Other liabilities				
Cheques and other instruments in transit		2,335,263	1,962,466	1,890,757
Other liabilities	34	9,049,141	8,458,546	8,409,002
Taxation payable		2,549,754	-	366,471
Deferred tax liabilities	35(b)	3,497,189	7,348,464	6,433,189
Retirement benefits obligation	29(b)(i)	4,557,782	5,237,873	4,541,887
Securities sold under repurchase agreement	20	<u>1,700,279</u>	<u>-</u>	<u>-</u>
		<u>23,689,408</u>	<u>23,007,349</u>	<u>21,641,306</u>
EQUITY				
Share capital	37	2,927,232	2,927,232	2,927,232
Reserve fund	38	2,930,616	2,930,616	2,930,616
Retained earnings reserve	39	42,101,341	42,101,341	42,101,341
Cumulative remeasurement result from investment securities	40	(2,390,505)	(38,102)	212,220
Capital reserve	41	42,087	42,087	42,087
Loan loss reserve	42	283,769	334,797	-
Unappropriated profits		<u>16,487,210</u>	<u>17,080,959</u>	<u>15,373,614</u>
		<u>62,381,750</u>	<u>65,378,930</u>	<u>63,587,110</u>
		<u>492,863,618</u>	<u>471,572,640</u>	<u>427,240,718</u>

The financial statements on pages 5 to 115 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2022 by:


 _____ Director
 Anya Schnoor


 _____ Director
 Audrey Tugwell Henry


 _____ Director
 Eric Crawford


 _____ Secretary
 Maia Wilson

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Changes in Stockholders' Equity

Year ended October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

	Notes	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from investment securities	Capital reserve	Loan loss reserve	Unappropriated profits	Total
Balances at November 1, 2020, as previously reported		2,927,232	2,930,616	42,101,341	212,220	42,087	-	15,296,467	63,509,963
Prior year adjustment (note 52)		-	-	-	-	-	-	77,147	77,147
Balances at November 1, 2020, as restated*		2,927,232	2,930,616	42,101,341	212,220	42,087	-	15,373,614	63,587,110
Profit for the year, as restated		-	-	-	-	-	-	4,274,176	4,274,176
Other comprehensive income:									
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	-	695,198	695,198
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(250,896)	-	-	-	(250,896)
Realised losses on investment securities transferred, net of taxes		-	-	-	574	-	-	-	574
Total other comprehensive income		-	-	-	(250,322)	-	-	695,198	444,876
Total comprehensive income		-	-	-	(250,322)	-	-	4,969,374	4,719,052
Transfer to loan loss reserve		-	-	-	-	-	334,797	(334,797)	-
Dividends paid	49	-	-	-	-	-	-	(2,927,232)	(2,927,232)
Net movement for the year		-	-	-	-	-	334,797	(3,262,029)	(2,927,232)
Balances at October 31, 2021, as restated*		2,927,232	2,930,616	42,101,341	(38,102)	42,087	334,797	17,080,959	65,378,930
Profit for the year		-	-	-	-	-	-	7,632,036	7,632,036
Other comprehensive loss:									
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	-	(5,642,304)	(5,642,304)
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(2,397,857)	-	-	-	(2,397,857)
Realised losses on investment securities transferred, net of taxes		-	-	-	45,454	-	-	-	45,454
Total other comprehensive loss		-	-	-	(2,352,403)	-	-	(5,642,304)	(7,994,707)
Total comprehensive loss		-	-	-	(2,352,403)	-	-	1,989,732	(362,671)
Transfer from loan loss reserve		-	-	-	-	-	(51,028)	51,028	-
Dividends paid	49	-	-	-	-	-	-	(2,634,509)	(2,634,509)
Net movement for the year		-	-	-	-	-	(51,028)	(2,583,481)	(2,634,509)
Balances at October 31, 2022		2,927,232	2,930,616	42,101,341	(2,390,505)	42,087	283,769	16,487,210	62,381,750

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Cash Flows****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Cash flows from operating activities			
Profit for the year		7,632,036	4,274,176
Adjustments for:			
Taxation charge	14	3,774,185	2,233,171
Depreciation	27	796,082	730,739
Amortisation of right of use of asset	27	150,469	152,489
Amortisation of intangible assets	28	11,151	3,692
Expected credit losses		4,534,500	3,574,972
Gain on sale of property and equipment	10	(290,100)	(6,505)
Increase in retirement benefits asset/obligations, net	11	(1,287,628)	(1,149,800)
Gain on extinguishment of liability	10	(629,030)	(459,681)
Write off of property and equipment		-	18,164
Impairment of property and equipment	27	11,871	-
		14,703,536	9,371,417
Interest income	6	(24,838,578)	(19,992,804)
Interest expense	6	585,451	620,751
		(9,549,591)	(10,000,636)
Changes in operating assets and liabilities:			
Loans		(36,452,718)	4,762,673
Deposits by the public		20,102,440	42,550,077
Statutory reserves at Bank of Jamaica		(2,826,978)	(2,958,611)
Other liabilities, net		441,306	580,828
Due to parent company and fellow subsidiaries		4,375,963	(391,040)
Amounts with parents and fellow subsidiaries		2,032,690	(4,869,989)
Due to other banks and financial institutions		(236,271)	(512,201)
Sundry assets, net		495,774	(861,493)
Securities sold under repurchase agreements		1,700,000	-
Taxation recoverable		(768,864)	-
Retirement benefits asset/obligations		(162,710)	(123,170)
		(20,848,959)	28,176,438
Interest received		24,637,741	20,542,765
Interest paid		(561,910)	(609,201)
Taxation paid		(408,382)	(2,576,495)
Net cash provided by operating activities		2,818,490	45,533,507
Cash flows from investing activities			
Purchase of investment securities		(38,472,203)	(45,429,430)
Proceeds from maturities/sales of investment securities		18,224,913	21,360,164
Investment in subsidiary		(2,505,000)	-
Pledged assets		(42,905)	1,837
Purchase of property and equipment	27	(1,350,734)	(1,723,344)
Purchase of intangible assets		(37,310)	-
Proceeds from sale of property and equipment		334,069	6,505
Net cash used in investing activities		(23,849,170)	(25,784,268)
Net cash flows from operating and investing activities (carried forward to page 18)		(21,030,680)	19,749,239

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Statement of Cash Flows (Continued)****Year ended October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)*

	Notes	2022	2021 Restated*
Cash flows from operating and investing activities (brought forward from page 17)		(21,030,680)	<u>19,749,239</u>
Cash flows from financing activity			
Dividends paid	49	(2,634,509)	(2,927,232)
Lease payments	34(d)(ii)	(157,378)	(167,400)
Net cash used in financing activities		(2,791,887)	(3,094,632)
Effect of exchange rate changes on cash and cash equivalents		(2,032,690)	<u>4,869,989</u>
Net (decrease)/increase in cash and cash equivalents		(25,855,257)	21,524,596
Cash and cash equivalents at beginning of year		<u>120,156,196</u>	<u>98,631,600</u>
Cash and cash equivalents at end of year	17	<u>94,300,939</u>	<u>120,156,196</u>

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

- (a) The Bank of Nova Scotia Jamaica Limited ("the Bank") is incorporated and domiciled in Jamaica. It is a 100% subsidiary of Scotia Group Jamaica Limited, which is also incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited 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. The registered office of the Bank is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica.

The Bank is licensed under the Banking Services Act, 2014.

- (b) The Bank's subsidiaries, which together with the Bank are referred to as "the Group", are as follows:

Subsidiaries	Principal Activities	Holding	Financial Year End
The Scotia Jamaica Building Society	Deposit taking and mortgage financing	100%	October 31
Scotia General Insurance Agency	General insurance	100%	October 31*
Scotia Jamaica Life Insurance Company Limited	Life insurance	100%	December 31*

All of the Bank's subsidiaries are incorporated and domiciled in Jamaica.

*Scotia General Insurance Agency was incorporated on December 30, 2021.

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

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:

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(a) Basis of preparation (continued)****Amended standards that became effective during the year (continued):**

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

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

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

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

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

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

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

- (i) Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* are 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 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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- (ii) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases* and, 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.

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

The key principles in IFRS 17 are that an entity:

- Identifies insurance contracts as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.
- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.
- Recognises and measures groups of insurance contracts at:
 - a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and
 - b) an amount representing the unearned profit in the group of contracts (the contractual service margin)
- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately.
- Presents separately insurance revenue (that excludes the receipt or repayment of any investment component) and insurance finance income or expenses;

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(iii) IFRS 17 Insurance Contracts (continued)

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

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

The project has an established governance structure led by the Executive Steering and Project Operations Committees assisted by a Project Management Office. The committees are comprised of representatives from Finance, Insurance Actuarial Services, Technology and the Insurance Business Operations. The Project involves technology implementation, policy and process changes to support the IFRS 17 processes. The Group continues to assess and formulate the actuarial and accounting policies under IFRS 17 to quantify the impact of adopting the new standard, including quantification..

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

- Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, thereby easing implementation for non-insurers.
- Companies that issue loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract have an option to apply IFRS 9 or IFRS 17, thus reducing the impact of IFRS 17 for non-insurers.
- In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent. Revenue and profit emergence will better reflect, performance of the wide range of insurance products and the services they provide to customers. Allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals. The allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used. Companies will also need to assess for each period, the recoverability of insurance acquisition cash flow assets on a more granular level than is performed today.
- Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(iv) IFRS 17 Insurance Contracts (continued)

- 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 2023 financial statements.

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

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

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

The key amendments to IAS 1 include:

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

The amendments are consistent with the refined definition of material:

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

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

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

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

Developing an accounting estimate includes both:

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

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

The definition of accounting policies remains unchanged.

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

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

(b) Basis of consolidation

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

Subsidiaries are those entities controlled by the Bank. The Bank 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 BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

The Group uses the acquisition method of accounting for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of revenue and expenses.

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

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

(c) Segment reporting

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

(d) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the reporting date.

Foreign currency non-monetary items that are measured at historical cost are translated at historical rates. Foreign currency items measured at fair value are translated into the functional currency using the rate of exchange at the date the fair value was determined.

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Revenue recognition

Interest income

Interest income is recognised in the statement of revenue and expenses using the effective interest method. The “effective interest rate” is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to 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.

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. 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 as it transfers control over a service to a customer.

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

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

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Fee and commission income (continued)

Performance obligations and revenue recognition policies:

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

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

Premium income

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

Dividend income

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

(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 over the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(g) Insurance contracts

Classification

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

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

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

Recognition and measurement

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

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

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

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

(h) Claims

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

(i) Reinsurance contracts held

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

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(j) Policyholders' liabilities

- (i) The policyholders' liabilities have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant cash flows are discounted to the valuation date to determine the reserves.
- (ii) Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate. Benefits are recognised as liabilities until the end of the guarantee period. These liabilities are increased by interest credited and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss. The annuity fund is included as a part of policyholders' liabilities [note 36(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 profit or loss, except where they relate to a business combination or items recognised in other comprehensive income.

Current income tax

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

Deferred income tax

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

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

(l) Financial assets and liabilities

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

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Recognition and initial measurement

The Group initially recognises loans and receivables and deposits on the dates at which it becomes a party to the contractual provisions of the instruments, i.e., the date that they are originated. All other financial assets and liabilities are initially recognised on the trade date – the dates on which the assets are delivered to or by the Group. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and measurement, derecognition, and impairment of financial instruments

Classification and measurement

Classification and measurement of financial assets

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

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

Financial assets include both debt and equity instruments.

Debt instruments

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

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

Classification of debt instruments is determined based on:

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

Business model assessment

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Business model assessment (continued)

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

Contractual cash flow characteristics assessment

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

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

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October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Debt instruments measured at amortised cost

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

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of 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 consolidated 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 to expected 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.

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Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Debt instruments measured at 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 in the consolidated statement of revenue and expenses as part of non-interest income. Realised and unrealised gains and losses are recognised as part of non-interest income in the consolidated statement of revenue and expenses.

Debt instruments designated at FVTPL

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

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

Equity instruments

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

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

Equity instruments measured at FVTPL

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

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer term investment purposes.

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Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Equity instruments measured at FVOCI (continued)

This election is made on an instrument-by-instrument basis and is not available to 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, securities sold under repurchase agreement, subordinated notes and debentures are accounted for at amortised cost. Interests on deposits and securities sold under repurchase agreement, calculated using the effective interest rate method, are recognised as interest expense. Interest on subordinated notes and debentures, including capitalised transaction costs, is recognised using the effective interest rate method as interest expense.

Determination of fair value

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(I) Financial assets and liabilities (continued)

Determination of fair value (continued)

The Group values instruments carried at fair value using quoted prices in an active market for the instruments, where available. 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. 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.

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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities (continued)

Derecognition of financial assets (continued)

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

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

Derecognition of financial liabilities

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

(m) Embedded derivatives

Derivatives embedded in host contracts are treated as separate stand-alone derivatives when the following conditions are met:

- the host contract is not an asset in the scope of IFRS 9;
- their economic characteristics and risks are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the combined contract is not held for trading or designated at fair value through profit or loss.

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

(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.

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(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.

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. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

The impairment 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 the financial instrument. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to the remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. 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 are included in this stage. 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.

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Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Measurement of expected credit loss (continued)

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

Details of these statistical parameters/inputs are as follows:

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

Forward-looking information

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

Macroeconomic factors

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

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using 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 three additional economic scenarios and consideration of the relative probabilities of each outcome.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Multiple forward-looking scenarios (continued)

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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Expected life

When measuring expected credit losses, the Group considers the maximum contractual period over which it 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.

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. The allowance determined is presented separately in other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee, as a provision in other liabilities.

Modified financial assets

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

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

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Definition of default

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

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial 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 realisable 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 expected credit losses in the consolidated statement of revenue and expenses.

(p) Repurchase and reverse repurchase agreements

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

(q) Acceptances and guarantees

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(q) Acceptances and guarantees (continued)

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 and Bank's commitments under acceptances, guarantees and letters of credit as at October 31, 2022 total \$13,027,631 (2021: \$9,530,442) and \$13,027,631 (2021: \$9,530,442), respectively. In the event of a call on these commitments, the Group and Bank have equal and offsetting claims against its customers.

(r) Property and equipment

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

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

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

Buildings	40 Years
Furniture, fixtures and equipment	10 Years
Computer equipment	4 Years
Motor vehicles	5 Years
Leasehold improvements	Period of lease
Right-of-use assets	The shorter of the asset's useful life and the lease term

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

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(s) Investment in subsidiaries

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

(t) Intangible assets

Computer software

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

(u) Employee benefits

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

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

Pension obligations

The Group operates a defined benefit pension plan. The assets of the plan are held in a separate trustee-administered fund. The pension plan is funded by contributions from employees, taking into account the recommendations of qualified actuaries and based on the rules of the plan.

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

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.

Termination benefits

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

Other post-retirement obligations

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

Equity compensation benefits

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

The amount contributed to the ESOP trust (note 50) 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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Annual leave

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

(v) Borrowings

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

(w) Share capital

Classification

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

Share issue costs

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

Dividends

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

(x) Leases

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

As a lessee

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

2. Summary of significant accounting policies (continued)

(x) Leases (continued)

As a lessee (continued)

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

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

The Group determines its incremental borrowing rate by obtaining interest rates from various 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 and equipment' and lease liabilities in other liabilities.

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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***2. Summary of significant accounting policies (continued)****(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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

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

Estimates

i. Expected credit losses (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 23 and 44(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 36.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

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

Estimates (continued)

iv. Pension and other post-employment benefits

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

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

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

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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

4. Responsibilities of the appointed actuary

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

5. Segmental financial information

The Group is organised into four 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, trading and other credit facilities;
- (c) Treasury – this incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading activities;
- (d) Insurance Services – this incorporates the provision of life and medical insurance, individual pension administration and annuities;

Transactions between the business segments are on normal commercial terms and conditions. Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefits asset and obligation and borrowings. Eliminations comprise intercompany transactions and balances.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	The Group 2022					
	Banking					
	Retail	Corporate and Commercial	Treasury	Insurance services	Eliminations	Group
Net external revenues	18,907,034	11,270,646	7,546,327	5,171,318	-	42,895,325
Revenue from other segments	<u>1,087,671</u>	<u>3,417,952</u>	<u>(4,561,896)</u>	<u>33,554</u>	<u>22,719</u>	<u>-</u>
Total revenues	19,994,705	14,688,598	2,984,431	5,204,872	22,719	42,895,325
Total expenses and credit losses	<u>(17,044,885)</u>	<u>(7,555,199)</u>	<u>(935,854)</u>	<u>(1,471,074)</u>	<u>-</u>	<u>(27,007,012)</u>
Profit before tax	<u>2,949,820</u>	<u>7,133,399</u>	<u>2,048,577</u>	<u>3,733,798</u>	<u>22,719</u>	15,888,313
Taxation						<u>(5,031,894)</u>
Profit for the year						<u>10,856,419</u>
Segment assets	<u>166,557,815</u>	<u>97,050,128</u>	<u>224,971,268</u>	<u>63,242,961</u>	<u>(14,803,381)</u>	537,018,791
Unallocated assets						<u>26,990,519</u>
Total assets						<u>564,009,310</u>
Segment liabilities	<u>217,139,551</u>	<u>199,138,624</u>	<u>1,700,279</u>	<u>46,671,066</u>	<u>(11,994,718)</u>	452,654,802
Unallocated liabilities						<u>19,653,864</u>
Total liabilities						<u>472,308,666</u>
Other segment items:						
Net interest income	15,767,449	8,875,270	1,144,977	2,084,160	22,719	27,894,575
Capital expenditure	993,864	357,229	-	663	-	1,351,756
Expected credit losses	2,832,771	66,363	166,713	18,843	-	3,084,690
Depreciation and amortisation	<u>630,769</u>	<u>320,719</u>	<u>7,424</u>	<u>4,851</u>	<u>-</u>	<u>963,763</u>

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	The Group					
	2021					
	Banking					
	Retail	Corporate and Commercial	Treasury	Insurance services	Eliminations	Group
Net external revenues	17,837,767	10,704,665	3,762,041	4,155,985	-	36,460,458
Revenue from other segments	<u>328,998</u>	<u>954,682</u>	<u>(1,314,159)</u>	<u>3,942</u>	<u>26,537</u>	<u>-</u>
Total revenues	18,166,765	11,659,347	2,447,882	4,159,927	26,537	36,460,458
Total expenses and credit losses	<u>(17,128,047)</u>	<u>(7,144,839)</u>	<u>(670,674)</u>	<u>(1,395,798)</u>	<u>-</u>	<u>(26,339,358)</u>
Profit before tax	<u>1,038,718</u>	<u>4,514,508</u>	<u>1,777,208</u>	<u>2,764,129</u>	<u>26,537</u>	10,121,100
Taxation*						<u>(3,443,429)</u>
Profit for the year						<u>6,677,671</u>
Segment assets	<u>140,983,282</u>	<u>92,342,024</u>	<u>227,235,904</u>	<u>59,744,266</u>	<u>(4,324,393)</u>	515,981,083
Unallocated assets						<u>35,055,653</u>
Total assets						<u>551,036,736</u>
Segment liabilities	<u>210,149,858</u>	<u>184,034,764</u>	<u>-</u>	<u>46,314,506</u>	<u>(3,998,009)</u>	436,501,119
Unallocated liabilities						<u>21,044,882</u>
Total liabilities						<u>457,546,001</u>
Other segment items:						
Net interest income	14,134,477	6,590,775	204,076	1,194,929	26,698	22,150,955
Capital expenditure	1,098,196	637,741	-	-	-	1,735,937
Impairment losses on loans	2,927,699	(145,416)	20,578	1,973	-	2,804,834
Depreciation and amortisation	<u>585,312</u>	<u>297,302</u>	<u>6,020</u>	<u>7,785</u>	<u>-</u>	<u>896,419</u>

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

*See note 52

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***6. Net interest income**

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Interest income calculated using the effective interest method:				
Deposits with banks and other financial institutions	3,193,879	320,429	2,895,097	298,185
Investment securities	5,519,294	3,214,657	2,652,375	1,088,101
Reverse repurchase agreements	45,818	25,933	45,818	25,933
Loans and advances	<u>20,726,009</u>	<u>20,270,956</u>	<u>19,183,956</u>	<u>18,519,253</u>
	29,485,000	23,831,975	24,777,246	19,931,472
Interest income on financial asset at fair value through profit or loss	<u>204,332</u>	<u>204,724</u>	<u>61,332</u>	<u>61,332</u>
Total interest income	<u>29,689,332</u>	<u>24,036,699</u>	<u>24,838,578</u>	<u>19,992,804</u>
Interest expense measured on the effective interest basis:				
Banks and customers	519,164	665,727	535,847	595,974
Repurchase agreements	342	-	3,038	170
Policyholders' liabilities	1,199,681	1,172,454	-	-
Other	<u>75,570</u>	<u>47,563</u>	<u>46,566</u>	<u>24,607</u>
	<u>1,794,757</u>	<u>1,885,744</u>	<u>585,451</u>	<u>620,751</u>
Net interest income	<u>27,894,575</u>	<u>22,150,955</u>	<u>24,253,127</u>	<u>19,372,053</u>

7. Net fee and commission income

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fee and commission income:				
Retail banking fees	7,982,998	6,387,406	7,972,557	6,377,643
Credit related fees	1,276,244	863,919	1,258,939	845,818
Commercial and depository fees	7,981,941	6,042,588	7,981,941	6,042,588
Insurance related fees	<u>303,431</u>	<u>287,149</u>	<u>-</u>	<u>-</u>
	17,544,614	13,581,062	17,213,437	13,266,049
Fee and commission expenses	<u>(13,439,469)</u>	<u>(9,583,603)</u>	<u>(13,439,469)</u>	<u>(9,583,603)</u>
	<u>4,105,145</u>	<u>3,997,459</u>	<u>3,773,968</u>	<u>3,682,446</u>

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

8. Net gains on foreign currency activities

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***9. Insurance revenue**

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

10. Other revenue

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net gain on sale of property and equipment	290,100	6,505	290,100	6,505
Gain on extinguishment of liability*	629,030	953,779	629,030	459,681
Other	<u>583</u>	<u>27,941</u>	<u>583</u>	<u>27,941</u>
	<u>919,713</u>	<u>988,225</u>	<u>919,713</u>	<u>494,127</u>

*This represents one-off gains of \$629,030 (2021: \$953,779) and \$629,030 (2021: \$459,681) for the Group and Bank, respectively, for the settlement of outstanding liabilities with another financial institution.

11. Salaries, pension and other staff benefits

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Wages and salaries	8,442,917	8,110,824	7,917,262	7,583,576
Statutory payroll contributions	740,333	713,730	698,757	674,528
Other staff benefits	<u>1,575,415</u>	<u>1,175,286</u>	<u>1,487,740</u>	<u>1,091,156</u>
	<u>10,758,665</u>	<u>9,999,840</u>	<u>10,103,759</u>	<u>9,349,260</u>
Post-employment benefits				
Pension credit on defined benefit plan [note 29(a)(v)]	(1,923,757)	(1,701,664)	(1,923,757)	(1,701,664)
Other post-retirement benefits cost [note 29(b)(ii)]	<u>636,129</u>	<u>551,864</u>	<u>636,129</u>	<u>551,864</u>
	<u>(1,287,628)</u>	<u>(1,149,800)</u>	<u>(1,287,628)</u>	<u>(1,149,800)</u>
	<u>9,471,037</u>	<u>8,850,040</u>	<u>8,816,131</u>	<u>8,199,460</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***12. Expenses by nature**

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Salaries, pension and other staff benefits (note 11)	9,471,037	8,850,040	8,816,131	8,199,460
Property expenses, including depreciation	2,500,090	2,302,764	2,435,098	2,230,164
Amortisation of intangible assets	11,151	3,692	11,151	3,692
Systems related expenses	1,916,159	2,273,894	1,913,532	2,237,575
Insurance claims and benefits	275,800	315,993	-	-
Transportation and communication	1,451,119	1,259,695	1,429,043	1,243,222
Marketing and advertising	464,012	300,411	448,603	286,411
Professional, legal and consultancy fees	534,897	320,046	484,018	270,557
Technical and support services	4,611,132	4,971,808	4,431,157	4,801,069
Asset tax	1,265,904	1,156,647	1,080,346	965,910
Licensing and fees paid to regulators	129,308	121,809	94,315	86,864
Deposit insurance	596,598	534,226	580,523	515,882
Stationery	278,623	395,057	274,585	387,323
Other operating expenses	416,492	728,442	294,199	600,452
	<u>23,922,322</u>	<u>23,534,524</u>	<u>22,292,701</u>	<u>21,828,581</u>

13. Profit before taxation

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Auditors' remuneration	48,376	45,861	34,743	32,750
Depreciation of property and equipment	802,143	737,150	796,082	730,739
Depreciation of right-of-use assets	150,469	155,577	150,469	152,489
Amortisation of intangible assets	11,151	3,692	11,151	3,692
Directors' emoluments:				
Fees	7,910	7,687	1,804	1,773
Management remuneration	<u>74,911</u>	<u>54,883</u>	<u>74,911</u>	<u>54,883</u>

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

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Current income tax:				
Income tax at 33½%	3,637,796	1,458,871	3,637,796	1,458,871
Income tax at 30%	433,008	630,854	-	-
Income tax at 25%	995,605	708,177	-	-
Adjustment for prior year (over)/under provision	(8,487)	79,981	(8,487)	79,981
	5,057,922	2,877,883	3,629,309	1,538,852
Deferred income tax [note 35(a)]	(26,028)	565,546	144,876	694,319
	<u>5,031,894</u>	<u>3,443,429</u>	<u>3,774,185</u>	<u>2,233,171</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***14. Taxation (continued)**

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Profit before taxation	<u>15,888,313</u>	<u>10,121,100</u>	<u>11,406,221</u>	<u>6,507,347</u>
Tax calculated at 33 $\frac{1}{3}$ %	3,802,074	2,169,116	3,802,074	2,169,116
Tax calculated at 30%	438,569	513,073	-	-
Tax calculated at 25%	934,066	691,032	-	-
Income not subject to tax – tax free investments	(353,523)	(377,397)	(245,932)	(298,056)
Expenses not deductible for tax purposes	22,824	18,398	22,824	18,398
Asset tax expense not deductible for tax purposes	408,854	372,363	360,115	321,970
Prior year (over)/under provision	(8,487)	79,981	(8,487)	79,981
Other charges and allowances	(212,483)	(23,137)	(156,409)	(58,238)
Income tax expense	<u>5,031,894</u>	<u>3,443,429</u>	<u>3,774,185</u>	<u>2,233,171</u>
Effective tax rate	<u>31.67%</u>	<u>34.02%</u>	<u>33.09%</u>	<u>34.32%</u>

15. Earnings per stock unit

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

	The Group	
	<u>2022</u>	<u>2021</u>
Profit for the year attributable to stockholders	<u>10,856,419</u>	<u>6,677,671</u>
Weighted average number of ordinary stock units in issue ('000)	<u>2,927,232</u>	<u>2,927,232</u>
Basic earnings per stock unit (expressed in \$)	<u>3.71</u>	<u>2.28</u>

16. Cash and balances at Bank of Jamaica

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Statutory reserves with Bank of Jamaica				
– non interest-bearing (note 17)	34,437,473	31,639,786	34,364,879	31,537,901
Cash in hand and at bank	<u>47,202,772</u>	<u>69,550,629</u>	<u>45,718,903</u>	<u>65,569,907</u>
	<u>81,640,245</u>	<u>101,190,415</u>	<u>80,083,782</u>	<u>97,107,808</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***16. Cash and balances at Bank of Jamaica (continued)**

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

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign currency	
		2022	2021	2022	2021
Banking Services Act, 2014, Section 43	BNSJ	5%	5%	13%	13%
Building Society Regulations, Section 31	SJBS	<u>1%</u>	<u>1%</u>	<u>1%</u>	<u>1%</u>

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

17. Cash and cash equivalents

	The Group		The Bank	
	2022	2021	2022	2021
Cash resources	136,732,898	157,753,139	130,403,089	153,670,532
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(34,437,473)	(31,639,786)	(34,364,879)	(31,537,901)
Cheques and other instruments in transit	(2,305,833)	(1,944,419)	(2,335,263)	(1,962,466)
Expected credit losses	5,506	1,645	4,887	1,590
Accrued interest	(187,833)	(19,528)	(156,895)	(15,559)
	99,807,265	124,151,051	93,550,939	120,156,196
Add other cash equivalent balances:				
Reverse repurchase agreement less than ninety days (note 20)	<u>750,000</u>	<u>-</u>	<u>750,000</u>	<u>-</u>
Cash and cash equivalents	<u>100,557,265</u>	<u>124,151,051</u>	<u>94,300,939</u>	<u>120,156,196</u>
Cash and cash equivalents is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	47,208,278	69,552,274	45,723,790	65,571,497
Government and bank notes other than Jamaican	7,126,960	2,416,012	2,353,614	2,416,012
Amounts due from other banks (note 18)	20,298,092	33,610,710	20,298,092	33,610,710
Accounts with parent and fellow subsidiaries	27,667,601	20,536,002	27,667,601	20,536,002
Reverse repurchase agreements (note 20)	750,000	-	750,000	-
Accrued interest	(187,833)	(19,528)	(156,895)	(15,559)
	102,863,098	126,095,470	96,636,202	122,118,662
Less: Cheques and other instruments in transit	(2,305,833)	(1,944,419)	(2,335,263)	(1,962,466)
	<u>100,557,265</u>	<u>124,151,051</u>	<u>94,300,939</u>	<u>120,156,196</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***18. Due from other banks**

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Items in course of collection from other banks	51,201	441,963	51,201	441,963
Placements with other banks	<u>20,246,891</u>	<u>33,168,747</u>	<u>20,246,891</u>	<u>33,168,747</u>
	<u>20,298,092</u>	<u>33,610,710</u>	<u>20,298,092</u>	<u>33,610,710</u>

19. Accounts with parent and fellow subsidiaries

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

20. Government securities purchased/sold under resale agreements

- (i) The Group enters into reverse repurchase agreements collateralised by Government of Jamaica securities.

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Reverse repurchase agreements	750,000	-	750,000	-
Interest receivable	<u>1,427</u>	<u>-</u>	<u>1,427</u>	<u>-</u>
	<u>751,427</u>	<u>-</u>	<u>751,427</u>	<u>-</u>

Government securities purchased under resale agreements with an original maturity less than ninety days for the Group and the Bank amounted to \$750,000 (2021: Nil) for the Group and the Bank).

The fair value of collateral held pursuant to reverse repurchase agreements is \$719,404 (2021: Nil for the Group and the Bank).

- (ii) Securities sold under repurchase agreement are used as collateral with other financial institutions. The underlying securities are held by a fellow subsidiary. All repurchase agreements mature within twelve months.

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Securities sold under repurchase agreement	1,700,000	-	1,700,000	-
Interest payable	<u>279</u>	<u>-</u>	<u>279</u>	<u>-</u>
	<u>1,700,279</u>	<u>-</u>	<u>1,700,279</u>	<u>-</u>

21. Pledged assets

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Securities with regulators, clearing house and other financial institutions	<u>1,888,111</u>	<u>1,829,271</u>	<u>1,888,111</u>	<u>1,829,271</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***21. Pledged assets (continued)**

Included in pledged assets are:

- (a) Government issued securities held as fair value through other comprehensive income amounted to \$1,888,111 (2021: \$1,829,271) for the Group and \$1,888,111 (2021: \$1,829,271) for the Bank.
- (b) There were no debt securities which are regarded as cash equivalents for the purposes of the statement of cash flows for the Group and the Bank.

22. Loans, net of allowance for credit losses

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Business and Government	94,544,024	88,199,603	94,544,024	88,199,603
Personal and credit cards	86,202,842	76,653,883	85,486,376	75,843,017
Residential mortgages	61,662,749	48,300,527	43,843,268	27,994,587
Interest receivable	<u>1,234,275</u>	<u>1,555,052</u>	<u>1,014,843</u>	<u>1,225,462</u>
Total	243,643,890	214,709,065	224,888,511	193,262,669
Allowance for expected credit losses (note 23)	(5,898,116)	(6,236,118)	(5,469,068)	(5,765,370)
	<u>237,745,774</u>	<u>208,472,947</u>	<u>219,419,443</u>	<u>187,497,299</u>

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Neither past due nor impaired	<u>228,000,624</u>	<u>188,458,257</u>	<u>211,407,284</u>	<u>171,530,555</u>
Past due but not impaired				
Past due 1-30 days	8,036,912	15,799,813	7,022,707	12,785,310
Past due 31-60 days	1,441,152	1,722,443	1,151,290	1,324,682
Past due 61-90 days	<u>914,817</u>	<u>1,145,095</u>	<u>822,439</u>	<u>1,068,150</u>
	<u>10,392,881</u>	<u>18,667,351</u>	<u>8,996,436</u>	<u>15,178,142</u>
Impaired:				
Past due more than 90 days	<u>4,016,110</u>	<u>6,028,405</u>	<u>3,469,948</u>	<u>5,328,510</u>
Interest receivable	<u>1,234,275</u>	<u>1,555,052</u>	<u>1,014,843</u>	<u>1,225,462</u>
Gross loan portfolio	243,643,890	214,709,065	224,888,511	193,262,669
Allowance for credit losses (5,898,116)	(5,898,116)	(6,236,118)	(5,469,068)	(5,765,370)
Loans, net allowance for credit losses	<u>237,745,774</u>	<u>208,472,947</u>	<u>219,419,443</u>	<u>187,497,299</u>

- (ii) Repossessed collateral:

In the normal course of business, the security documentation which governs the collateral charged to secure loans gives the Group express authority to repossess the collateral in the event of default. Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed collateral is only recognised on the statement of financial position when all the risks and rewards are transferred to the Group.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***23. Expected credit losses on loans**

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

Some of the key drivers include the following:

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

	The Group			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,330,637	1,700,660	3,204,821	6,236,118
Provided during the year	368,382	(69,476)	4,042,088	4,340,994
Bad debts written off	-	-	(4,677,708)	(4,677,708)
Foreign exchange movement	(696,904)	834,927	(139,311)	(1,288)
Transfer to/(from) stages				
Stage 1	1,002,276	(848,849)	(153,427)	-
Stage 2	(218,313)	583,521	(365,208)	-
Stage 3	(15,962)	(436,160)	452,122	-
Allowance at end of year (note 22)	<u>1,770,116</u>	<u>1,764,623</u>	<u>2,363,377</u>	<u>5,898,116</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	368,382	(69,476)	4,042,088	4,340,994
Recoveries of bad debts	-	-	(1,441,961)	(1,441,961)
Expected credit losses reported in profit for the year	<u>368,382</u>	<u>(69,476)</u>	<u>2,600,127</u>	<u>2,899,033</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(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	2,190,390	7,968,894
Provided during the year	(2,282,844)	(192,939)	6,098,221	3,622,438
Bad debts written off	-	-	(5,367,200)	(5,367,200)
Foreign exchange movement	(147,505)	347,228	(187,737)	11,986
Transfer to/(from) stages				
Stage 1	631,289	(439,490)	(191,799)	-
Stage 2	(363,511)	560,951	(197,440)	-
Stage 3	(28,430)	(831,956)	860,386	-
Allowance at end of year (note 22)	<u>1,330,637</u>	<u>1,700,660</u>	<u>3,204,821</u>	<u>6,236,118</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	(2,282,844)	(192,939)	6,098,221	3,622,438
Recoveries of bad debts	-	-	(840,010)	(840,010)
Expected credit losses reported in profit for the year	<u>(2,282,844)</u>	<u>(192,939)</u>	<u>5,258,211</u>	<u>2,782,428</u>

	The Bank			
	2022			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,275,015	1,518,319	2,972,036	5,765,370
Provided during the year	434,704	(21,733)	3,954,816	4,367,787
Bad debts written off	-	-	(4,662,801)	(4,662,801)
Foreign exchange movement	(696,904)	834,927	(139,311)	(1,288)
Transfer to/(from) stages				
Stage 1	925,348	(794,381)	(130,967)	-
Stage 2	(213,435)	513,229	(299,794)	-
Stage 3	(15,844)	(406,714)	422,558	-
Allowance at end of year (note 22)	<u>1,708,883</u>	<u>1,643,648</u>	<u>2,116,537</u>	<u>5,469,068</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	434,704	(21,733)	3,954,816	4,367,787
Recoveries of bad debts	-	-	(1,391,384)	(1,391,384)
Expected credit losses reported in profit for the year	<u>434,704</u>	<u>(21,733)</u>	<u>2,563,432</u>	<u>2,976,403</u>

	2021			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	3,431,823	2,128,997	1,940,784	7,501,604
Provided during the year	(2,164,374)	(278,401)	5,997,169	3,554,394
Bad debts written off	-	-	(5,302,614)	(5,302,614)
Foreign exchange movement	(147,505)	347,228	(187,737)	11,986
Transfer to/(from) stages				
Stage 1	482,961	(425,426)	(57,535)	-
Stage 2	(304,195)	402,399	(98,204)	-
Stage 3	(23,695)	(656,478)	680,173	-
Allowance at end of year (note 22)	<u>1,275,015</u>	<u>1,518,319</u>	<u>2,972,036</u>	<u>5,765,370</u>
The charge for expected credit losses recognised for the year comprises:				
Provided during the year	(2,164,374)	(278,401)	5,997,169	3,554,394
Recoveries of bad debts	-	-	(828,983)	(828,983)
Expected credit losses reported in profit for the year	<u>(2,164,374)</u>	<u>(278,401)</u>	<u>5,168,186</u>	<u>2,725,411</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***23. Expected credit losses on loans (continued)**

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Allowance for expected credit losses based on IFRS – [see (a) below]	5,898,116	6,236,118	5,469,068	5,765,370
Additional allowance based on BOJ regulations [see (b) below]	<u>339,400</u>	<u>312,830</u>	<u>283,769</u>	<u>334,797</u>
	<u>6,237,516</u>	<u>6,548,948</u>	<u>5,752,837</u>	<u>6,100,167</u>

(a) This is the allowance based on the requirements of IFRS 9.

(b) This represents the additional allowance to meet the Bank of Jamaica loan loss provisioning requirements. A non-distributable loan loss reserve was established to represent the excess of the provision required by BOJ over IFRS 9 requirements (note 42).

A loan is classified as impaired if its book value exceeds the present value of the expected cash flows from interest payments, principal repayments, guarantees and proceeds of liquidation of collateral. Provisions for credit losses are made on all impaired loans. Uncollected interest on impaired loans not accrued in these financial statements was estimated at \$938,914 (2021: \$1,343,603) for the Group and \$814,438 (2021: \$1,186,785) for the Bank.

24. Financial assets at fair value through profit or loss

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Government of Jamaica securities	1,961,760	2,249,947	588,842	675,345
Unit trusts	<u>315,791</u>	<u>329,873</u>	-	-
	2,277,551	2,579,820	588,842	675,345
Accrued interest	<u>39,746</u>	<u>11,930</u>	<u>11,930</u>	<u>11,930</u>
	<u>2,317,297</u>	<u>2,591,750</u>	<u>600,772</u>	<u>687,275</u>

25. Investment securities

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Fair value through other comprehensive income:				
Government securities	131,463,229	126,175,267	88,356,900	78,223,248
Bank of Jamaica securities	6,252,161	5,775,616	5,790,432	3,998,368
Treasury bills	5,684,786	1,264,054	5,671,130	1,264,054
Corporate bonds	1,328,729	1,198,763	456,805	-
Unquoted equities	5,105	5,105	5,105	5,105
Interest receivable	<u>1,184,185</u>	<u>965,940</u>	<u>564,681</u>	<u>359,756</u>
	<u>145,918,195</u>	<u>135,384,745</u>	<u>100,845,053</u>	<u>83,850,531</u>

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of \$90,000 (2021: \$90,000) which have been deposited by one of the Bank's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***26. Sundry assets**

	The Group		The Bank	
	2022	2021	2022	2021
Accounts receivable	326,110	1,240,941	206,018	1,240,513
Deferred charges	1,664,302	1,303,716	1,658,454	1,295,828
Other	<u>760,559</u>	<u>598,293</u>	<u>769,404</u>	<u>593,309</u>
	<u>2,750,971</u>	<u>3,142,950</u>	<u>2,633,876</u>	<u>3,129,650</u>

27. Property and equipment

	The Group					
	Freehold land and buildings	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in- progress	Right-of- use-asset	Total
Cost						
October 31, 2020	5,131,172	559,067	7,940,432	1,772,625	1,242,745	16,646,041
Additions	1,065,137	137,095	139,496	394,209	178,323	1,914,260
Disposals	-	-	(21,958)	-	(15,445)	(37,403)
Transfers	106,088	58,936	897,362	(1,062,386)	-	-
Translation adjustment	-	-	-	-	37,189	37,189
Write-offs	-	-	-	(637,198)	-	(637,198)
October 31, 2021	6,302,397	755,098	8,955,332	467,250	1,442,812	17,922,889
Additions	139,942	37,849	85,306	1,088,659	224,015	1,575,771
Disposals	(50,812)	(534)	(165,869)	-	-	(217,215)
Transfers	404,022	124,975	564,000	(1,092,997)	-	-
Translation adjustment	-	-	-	-	(7,271)	(7,271)
Write-offs	-	-	(926)	(88,820)	-	(89,746)
October 31, 2022	<u>6,795,549</u>	<u>917,388</u>	<u>9,437,843</u>	<u>374,092</u>	<u>1,659,556</u>	<u>19,184,428</u>
Accumulated depreciation						
October 31, 2020	1,141,432	484,245	6,491,482	-	151,609	8,268,768
Charge for the year	140,223	65,000	531,927	-	155,577	892,727
Disposals	-	-	(21,466)	-	(15,445)	(36,911)
Translation adjustment	-	-	-	-	5,030	5,030
October 31, 2021	1,281,655	549,245	7,001,943	-	296,771	9,129,614
Charge for the year	152,882	85,393	563,868	-	150,469	952,612
Impairment	7,241	-	4,630	-	-	11,871
Disposals	(16,593)	(534)	(156,115)	-	-	(173,242)
Translation adjustment	-	-	-	-	(1,861)	(1,861)
Write-offs/reversals	-	-	(926)	-	-	(926)
October 31, 2022	<u>1,425,185</u>	<u>634,104</u>	<u>7,413,400</u>	<u>-</u>	<u>445,379</u>	<u>9,918,068</u>
Net book values						
October 31, 2022	<u>5,370,364</u>	<u>283,284</u>	<u>2,024,443</u>	<u>374,092</u>	<u>1,214,177</u>	<u>9,266,360</u>
October 31, 2021	<u>5,020,742</u>	<u>205,853</u>	<u>1,953,389</u>	<u>467,250</u>	<u>1,146,041</u>	<u>8,793,275</u>
October 31, 2020	<u>3,989,740</u>	<u>74,822</u>	<u>1,448,950</u>	<u>1,772,625</u>	<u>1,091,136</u>	<u>8,377,273</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2022
(Expressed in thousands of Jamaican dollars unless otherwise stated)
27. Property and equipment (continued)

	The Bank					
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work-in Progress	Right-of- use-assets	Total
Cost						
October 31, 2020	5,099,735	550,821	7,833,398	1,771,889	1,227,300	16,483,143
Additions	1,065,137	137,095	126,903	394,209	178,323	1,901,667
Disposals	-	-	(21,958)	-	-	(21,958)
Transfers	106,088	58,936	897,362	(1,062,386)	-	-
Translation adjustment	-	-	-	-	37,189	37,189
Write-offs	-	-	-	(637,198)	-	(637,198)
October 31, 2021	6,270,960	746,852	8,835,705	466,514	1,442,812	17,762,843
Additions	139,942	37,849	84,284	1,088,659	224,015	1,574,749
Disposals	(50,812)	(534)	(165,869)	-	-	(217,215)
Transfers	404,022	124,975	564,000	(1,092,997)	-	-
Translation adjustment	-	-	-	-	(7,271)	(7,271)
Write-offs	-	-	(926)	(88,820)	-	(89,746)
October 31, 2022	<u>6,764,112</u>	<u>909,142</u>	<u>9,317,194</u>	<u>373,356</u>	<u>1,659,556</u>	<u>19,023,360</u>
Accumulated depreciation						
October 31, 2020	1,127,467	476,589	6,390,665	-	139,253	8,133,974
Charge for the year	139,536	65,000	526,203	-	152,489	883,228
Eliminated on disposals	-	-	(21,466)	-	-	(21,466)
Translation adjustment	-	-	-	-	5,028	5,028
October 31, 2021	1,267,003	541,589	6,895,402	-	296,770	9,000,764
Charge for the year	152,195	85,393	558,494	-	150,469	946,551
Eliminated on disposals	(16,593)	(534)	(156,115)	-	-	(173,242)
Translation adjustment	-	-	-	-	(1,861)	(1,861)
Impairment	7,241	-	4,630	-	-	11,871
Write-off	-	-	(926)	-	-	(926)
October 31, 2022	<u>1,409,846</u>	<u>626,448</u>	<u>7,301,485</u>	<u>-</u>	<u>445,378</u>	<u>9,783,157</u>
Net book values						
October 31, 2022	<u>5,354,266</u>	<u>282,694</u>	<u>2,015,709</u>	<u>373,356</u>	<u>1,214,178</u>	<u>9,240,203</u>
October 31, 2021	<u>5,003,957</u>	<u>205,263</u>	<u>1,940,303</u>	<u>466,514</u>	<u>1,146,042</u>	<u>8,762,079</u>
October 31, 2020	<u>3,972,268</u>	<u>74,232</u>	<u>1,442,733</u>	<u>1,771,889</u>	<u>1,088,047</u>	<u>8,349,169</u>

28. Intangible assets

	Computer software	
	The Group	The Bank
Cost		
October 31, 2020 and 2021	210,344	122,528
Additions	37,310	37,310
October 31, 2022	<u>247,654</u>	<u>159,838</u>
Amortisation		
October 31, 2020	126,259	118,256
Amortisation for the year	3,692	3,692
October 31, 2021	129,951	121,948
Amortisation for the year	11,151	11,151
October 31, 2022	<u>141,102</u>	<u>133,099</u>
Net book values		
October 31, 2022	<u>106,552</u>	<u>26,739</u>
October 31, 2021	<u>80,393</u>	<u>580</u>
October 31, 2020	<u>84,085</u>	<u>4,272</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligation**

The Group has established a defined benefits 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 benefits pension plan. Amounts recognised in the statement of financial position are as follows:

	<u>The Group and The Bank</u>	
	<u>2022</u>	<u>2021</u>
Defined benefits pension plan (a)	23,561,041	31,254,250
Other post-retirement benefits (b)	(4,557,782)	(5,237,873)
	<u>19,003,259</u>	<u>26,016,377</u>

(a) Defined benefits pension plan

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

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

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

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	31,254,250	28,242,497
Contributions paid	500	500
Pension income recognised in profit or loss (v)	1,923,757	1,701,664
Remeasurement recognised in other comprehensive income (vi)	(9,617,466)	<u>1,309,589</u>
Balance at end of year	<u>23,561,041</u>	<u>31,254,250</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligation (continued)**

(a) Defined benefits pension plan (continued)

(iii) Movement in the present value of obligation

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

	<u>The Group and the Bank</u>	
	<u>2022</u>	<u>2021</u>
(iv) Movement in fair value of pension plan assets		
Fair value of plan assets at beginning of year	80,326,884	76,713,352
Contributions	647,754	582,304
Benefits paid	(1,832,079)	(1,921,594)
Interest income on plan assets	7,172,352	6,858,560
Administrative fees	(167,118)	(164,062)
Remeasurement loss on plan assets included in other comprehensive income	<u>(9,385,080)</u>	<u>(1,741,676)</u>
Fair value of plan assets at end of year	<u>76,762,713</u>	<u>80,326,884</u>
Plan assets consist of the following:		
Government stocks and bonds	43,189,692	47,878,994
Quoted equities	22,240,986	24,238,953
Reverse repurchase agreements	2,130,414	1,051,141
Certificates of deposit	3,647,155	2,448,521
Real estate	4,475,957	3,907,868
Net current assets	<u>1,078,509</u>	<u>801,407</u>
	<u>76,762,713</u>	<u>80,326,884</u>

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligation (continued)**

(a) Defined benefits pension plan (continued)

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

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

(vii) Sensitivity analysis on projected benefits obligation

The calculation of the projected benefits 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.

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

(viii) Liability duration

The average liability duration was as follows:

	<u>The Group and the Bank</u>	
	<u>2022</u>	<u>2021</u>
Active members and all participants (years)	<u>13.9</u>	<u>15.6</u>

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

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

	<u>The Group and the Bank</u>	
	<u>2022</u>	<u>2021</u>
Discount rate	11.50%	9.00%
Future salary increases	9.50%	7.00%
Future pension increases	<u>5.25%</u>	<u>4.50%</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligation (continued)**

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

(i) Movement in the present value of unfunded obligations

	<u>The Group and the Bank</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of year	(5,237,873)	(4,541,887)
Current service costs	(171,094)	(149,295)
Interest cost	(465,035)	(402,569)
Benefits paid	162,210	122,670
Actuarial gains/(losses) arising from:		
Experience adjustments	22,787	126,738
Changes in financial assumptions	1,204,021	(731,003)
Demographic assumptions	(72,798)	337,473
Balance at end of year	<u>(4,557,782)</u>	<u>(5,237,873)</u>

(ii) Components of benefit cost recognised in profit for the year

	<u>The Group and The Bank</u>	
	<u>2022</u>	<u>2021</u>
Current service costs	171,094	149,295
Interest on obligation	<u>465,035</u>	<u>402,569</u>
	<u>636,129</u>	<u>551,864</u>

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

	<u>2022</u>	<u>2021</u>
Experience adjustments	(22,787)	(126,738)
Changes in financial and demographic assumptions	<u>(1,131,223)</u>	<u>393,530</u>
Remeasurement gain on obligation	<u>(1,154,010)</u>	<u>266,792</u>

(iv) Principal actuarial assumptions

In addition to the assumptions used for the pension plan that are applicable to the group health plan, the estimate assumes a long-term increase in health costs of 8.50% (2021: 7.5%) per year.

(v) Sensitivity analysis on projected benefits obligation:

The calculation of the projected benefits 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 BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***29. Retirement benefits asset/obligation (continued)**

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

(v) Sensitivity analysis on projected benefits obligation (continued):

	The Group and The Bank			
	2022		2021	
	1% Increase	1% Decrease	1 % Increase	1 % Decrease
Discount rate	(587,000)	735,000	(775,000)	995,000
Health inflation rate	696,000	(564,000)	923,000	(731,000)
Salary increase rate	<u>8,000</u>	<u>(7,000)</u>	<u>10,000</u>	<u>(9,000)</u>

(vi) Liability duration

The average liability duration is as follows:

	The Group and The Bank	
	<u>2022</u>	<u>2021</u>
Active members and all participants	<u>16.0</u>	<u>18.2</u>

30. Deposits by the public

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Personal	215,459,672	207,540,110	208,774,857	200,063,676
Business	181,700,261	170,906,425	181,297,006	170,534,777
Interest payable	<u>16,550</u>	<u>26,575</u>	<u>9,869</u>	<u>12,920</u>
	<u>397,176,483</u>	<u>378,473,110</u>	<u>390,081,732</u>	<u>370,611,373</u>

Deposits include \$2,184,976 (2021: \$1,436,224) held as collateral for irrevocable commitments under letters of credit.

Deposits by the public are distinguished by customer segment and include deposits payable on demand which are generally savings and chequing accounts for which we do not have the right to notice of withdrawal. Deposit balances also include amounts which mature on a specified date and are generally call and term deposits.

31. Due to other banks and financial institutions

This represents deposits by other banks and financial institutions as well as funds for on-lending to eligible customers in the normal course of business.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

32. Due to parent and ultimate parent company

	<u>The Group and The Bank</u>	
	<u>2022</u>	<u>2021</u>
The Bank of Nova Scotia:		
Loan facility	-	304,694
Interest payable	-	<u>3,878</u>
	-	308,572
Deposits held with the Bank:		
Scotia Group Jamaica Limited	1,866,582	1,934,903
The Bank of Nova Scotia	<u>14,458</u>	<u>2,702</u>
	<u>1,881,040</u>	<u>2,246,177</u>

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

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

33. Due to fellow subsidiaries

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

34. Other liabilities

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Accrued staff benefits	2,009,620	2,239,922	1,887,050	2,102,801
Provisions	126,564	775,084	126,564	758,464
Prepaid letters of credit	597,277	-	597,277	-
Other payables	291,395	375,635	288,338	354,421
Expected credit losses on guarantees and letters of credit	208,160	54,593	208,160	54,593
Accrued liabilities	4,733,660	4,100,710	4,686,300	4,016,039
Lease liabilities [note 34(ii)]	<u>1,255,452</u>	<u>1,172,228</u>	<u>1,255,452</u>	<u>1,172,228</u>
	<u>9,222,128</u>	<u>8,718,172</u>	<u>9,049,141</u>	<u>8,458,546</u>

(i) Provisions

The following table sets out the movement in provisions:

	<u>The Group</u>			<u>The Bank</u>		
	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>	<u>Restructuring</u>	<u>Other</u>	<u>Total</u>
Balance at 1 November 2021	533,992	241,092	775,084	520,125	238,339	758,464
Provisions made during the year	-	50,955	50,955	-	50,955	50,955
Provisions used during the year	(458,383)	(241,092)	(699,475)	(444,516)	(238,339)	(682,855)
Balance at 31 October 2022	<u>75,609</u>	<u>50,955</u>	<u>126,564</u>	<u>75,609</u>	<u>50,955</u>	<u>126,564</u>
Current	<u>75,609</u>	<u>50,955</u>	<u>126,564</u>	<u>75,609</u>	<u>50,955</u>	<u>126,564</u>

Other provisions

Other provisions primarily relate to associated transition costs, which were utilised as at October 31, 2022.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***34. Other liabilities (continued)****(ii) Leases**

- Leases as lessee

The Group leases properties. The leases for the Group and Bank typically run for periods of 3 years with an option to renew the lease after that date. Lease payments are renegotiated at the time of lease renewal to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

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

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

(a) Right-of-use assets

Right-of-use assets are presented in property and equipment (see note 27).

(b) Lease liabilities

	<u>The Group</u>		<u>The Bank</u>	
	2022	2021	2022	2021
Lease liabilities	<u>1,255,452</u>	<u>1,172,228</u>	<u>1,255,452</u>	<u>1,172,228</u>
Lease liabilities are classified as follows:				
Current	141,904	131,470	141,904	131,470
Non-current	<u>1,113,548</u>	<u>1,040,758</u>	<u>1,113,548</u>	<u>1,040,758</u>
	<u>1,255,452</u>	<u>1,172,228</u>	<u>1,255,452</u>	<u>1,172,228</u>
Maturity analysis of contractual undiscounted cash flows:				
Less than one year	166,895	153,622	166,895	153,622
One to five years	595,479	528,111	595,479	528,111
Over five years	<u>624,878</u>	<u>617,801</u>	<u>624,878</u>	<u>617,801</u>
	<u>1,387,252</u>	<u>1,299,534</u>	<u>1,387,252</u>	<u>1,299,534</u>

(c) Amounts recognised in profit or loss:

	<u>The Group</u>		<u>The Bank</u>	
	2022	2021	2022	2021
Interest expense on lease liabilities	30,763	24,608	30,763	24,607
Depreciation on right-of-use assets (note 27)	150,469	155,577	150,469	152,489
Expenses related to short-term leases	<u>43,220</u>	<u>31,953</u>	<u>43,220</u>	<u>23,557</u>

(d) Amounts recognised in statement of cash flows:

	<u>The Group</u>		<u>The Bank</u>	
	2022	2021	2022	2021
Total cash outflow for leases	<u>157,378</u>	<u>167,400</u>	<u>157,378</u>	<u>167,400</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Other liabilities (continued)

(ii) Leases (continued)

- Leases as lessee (continued)

(e) Extension options

Some property leases contain extension options exercisable by the Group up to March 5, 2043, before the end of the non-cancellable contract period.

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

35. Deferred tax assets and liabilities

Deferred income taxes are calculated on temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. The calculation is made using applicable tax rates of:

- 30% for The Scotia Jamaica Building Society;
- 25% for Scotia Jamaica Life Insurance Company Limited; and
- 33⅓% for The Bank of Nova Scotia Jamaica Limited.

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

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u> Restated*	<u>2022</u>	<u>2021</u> Restated*
Balances at beginning of year	(7,292,952)	(7,037,112)	(7,348,464)	(6,510,336)
Adjustment re deferred tax to retained earnings	-	163,515	-	77,147
Exchange rate adjustment on ECL (486)	4,278	(483)	4,280
Recognised in profit [note 14(a)]	26,028	(565,546)	(144,876)	(694,319)
Recognised in other comprehensive income:				
Remeasurement of retirement benefits assets/obligations	2,821,152	(347,599)	2,821,152	(347,599)
Investment securities:				
- fair value remeasurement	1,870,648	490,420	1,198,216	122,650
- transfer to profit	(22,734)	(908)	(22,734)	(287)
	<u>4,669,066</u>	<u>141,913</u>	<u>3,996,634</u>	<u>(225,236)</u>
Net deferred tax liability	<u>(2,598,344)</u>	<u>(7,292,952)</u>	<u>(3,497,189)</u>	<u>(7,348,464)</u>

*See note 52

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***35. Deferred tax assets and liabilities (continued)**

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

	The Group		The Bank	
	<u>2022</u>	<u>2021</u> Restated*	<u>2022</u>	<u>2021</u> Restated*
Retirement benefits asset	(7,854,015)	(10,418,083)	(7,854,015)	(10,418,083)
Other retirement benefits obligations	1,519,261	1,745,958	1,519,261	1,745,958
Investment securities	1,920,828	(65,400)	1,184,829	(40,876)
Unrealised premiums and discounts on securities	571,181	392,123	318,804	253,186
Vacation accrued	176,575	165,866	163,921	155,454
Accelerated tax depreciation	(28,944)	(12,800)	(30,365)	(13,894)
Allowances for expected credit losses	1,252,542	1,049,485	1,197,776	975,780
Exchange rate adjustment on ECL	(11,140)	8,776	(11,140)	8,776
Interest receivable	(159,239)	(144,113)	-	-
Unrealised foreign exchange gains	735	(14,770)	-	(14,770)
Right-of-use assets	13,763	8,658	13,763	8,658
Other	109	(8,652)	(23)	(8,653)
Net deferred tax liability	<u>(2,598,344)</u>	<u>(7,292,952)</u>	<u>(3,497,189)</u>	<u>(7,348,464)</u>
	The Group		The Bank	
	<u>2022</u>	<u>2021</u> Restated*	<u>2022</u>	<u>2021</u> Restated*
This is comprised of:-				
Deferred income tax asset	898,845	215,725	-	-
Deferred income tax liability	<u>(3,497,189)</u>	<u>(7,508,677)</u>	<u>(3,497,189)</u>	<u>(7,348,464)</u>
	<u>(2,598,344)</u>	<u>(7,292,952)</u>	<u>(3,497,189)</u>	<u>(7,348,464)</u>

(c) The deferred tax charge in profit for the year comprises tax arising from the following temporary differences:

	The Group		The Bank	
	<u>2022</u>	<u>2021</u> Restated*	<u>2022</u>	<u>2021</u> Restated*
Accelerated tax depreciation	16,144	29,899	16,471	29,136
Pension and other post retirement benefits	483,782	424,323	483,782	424,323
Allowance for expected credit losses	(203,060)	370,503	(221,996)	471,796
Vacation accrued	(10,709)	(12,654)	(8,467)	(12,636)
Interest receivable	15,126	24,824	-	-
Investment securities	(138,446)	-	(50,223)	-
Unrealised premiums and discounts on securities	(179,058)	(228,608)	(65,618)	(176,037)
Unrealised foreign exchange gains	(15,505)	(73,161)	(14,771)	(73,161)
Right-of-use-of asset	(5,105)	(4,150)	(5,105)	(4,160)
Other	10,803	34,570	10,803	35,058
Total [note 14(a)]	<u>(26,028)</u>	<u>565,546</u>	<u>144,876</u>	<u>694,319</u>

*See note 52

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***36. Policyholders' liabilities****(a) Composition of policyholders' liabilities**

	The Group	
	<u>2022</u>	<u>2021</u>
Insurance risk reserve - Individual life	(10,570,228)	(10,030,838)
- Individual accident and sickness	794,829	624,671
- Whole life	205,951	184,606
- Group life	<u>521,910</u>	<u>521,689</u>
	(9,047,538)	(8,699,872)
Policyholders' fund	53,929,191	53,308,449
Benefits and claims payable	282,926	337,664
Unprocessed premiums	28,200	38,267
Annuity fund	<u>1,091,652</u>	<u>880,799</u>
	<u>46,284,431</u>	<u>45,865,307</u>

(b) Movement in policyholders' liabilities

	The Group	
	<u>2022</u>	<u>2021</u>
Policyholders fund:		
At beginning of year	53,308,449	52,384,076
Gross premiums	5,179,273	5,129,716
Disbursements	(5,758,213)	(5,377,797)
Interest credited	<u>1,199,682</u>	<u>1,172,454</u>
At end of year	<u>53,929,191</u>	<u>53,308,449</u>
Benefits and claims payable:		
At beginning of year	337,664	333,220
Claims charged during the year	221,061	318,096
Benefits and claims paid	(275,799)	(313,652)
At end of year	<u>282,926</u>	<u>337,664</u>
Unprocessed premiums:		
At beginning of year	38,267	18,798
Premiums received	7,964,454	7,414,168
Premiums applied	(7,974,521)	(7,394,699)
At end of year	<u>28,200</u>	<u>38,267</u>
Annuity fund:		
At beginning of year	880,799	745,074
Issue of new annuities	253,950	175,840
Payments	(72,101)	(63,071)
Interest credited	<u>29,004</u>	<u>22,956</u>
At end of year	<u>1,091,652</u>	<u>880,799</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***36. Policyholders' liabilities (continued)**

(b) Movement in policyholders' liabilities (continued)

	The Group		
	2022		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(9,221,561)	521,689	(8,699,872)
Changes in assumptions and fees	(123,898)	(1,381)	(125,279)
Normal changes	(223,989)	1,602	(222,387)
At end of year	(9,569,448)	521,910	(9,047,538)
	2021		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,909,726)	728,174	(8,181,552)
Changes in assumptions and fees	(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)

37. Share capital

Authorised:

	Number of Units ('000)	
	2022	2021
Ordinary shares of no par value	3,000,000	3,000,000
Preference shares of no par value	100,000	100,000
	<u>3,100,000</u>	<u>3,100,000</u>

Issued and fully paid:

	Number of Units ('000)		Carrying value	
	2022	2021	2022	2021
Ordinary stock units	<u>2,927,232</u>	<u>2,927,232</u>	<u>2,927,232</u>	<u>2,927,232</u>

38. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations under which it operates, the Bank is required to make transfers of a minimum of 15% of net 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 of the amount paid up on its capital shares and the amount of its deferred shares.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

39. 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.

40. Cumulative remeasurement result from investment securities

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

41. Capital reserve

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Liquidation of Scotia Jamaica General Insurance Brokers Limited	9,383	9,383	9,383	9,383
Dissolution of SDBG Merchant Bank Limited	-	-	<u>32,704</u>	<u>32,704</u>
	<u>9,383</u>	<u>9,383</u>	<u>42,087</u>	<u>42,087</u>

42. 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).

43. Related party transactions and balances

The Group is controlled by Scotia Group Jamaica Limited, which is incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited 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.

Parties are considered to be related if one party has the ability to control or exercise significant influence over 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 ultimate parent company comprise the payment of dividends, management fees, guarantee fees, centralised computing and other service fees. There were no other balances due to the ultimate parent company, outside of those set out in note 32. No impairment losses have been recognised in respect of loans made to related parties.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***43. Related party transactions and balances (continued)**

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

	The Group					
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total	
					2022	2021
Loans						
Balance at October 31	-	-	1,191,253	7,314,008	8,505,261	8,128,420
Interest earned	-	-	79,183	336,338	415,521	483,648
Deposit liabilities						
Balance at October 31	(1,881,040)	(1,845,406)	(902,626)	(4,963,642)	(9,592,714)	(13,327,923)
Interest expense	(2,992)	(47,778)	(775)	(2,503)	(54,048)	(109,210)
Investments/Repurchase agreement						
Securities purchased sole under repurchase agreement	-	(1,700,279)	-	-	(1,700,279)	-
Interest (paid)/received on repurchase/ resale agreement	-	(279)	-	-	(279)	699
Other investments	-	315,791	-	-	315,791	329,873
Interest earned on other investments	-	71,852	-	-	71,852	61,157
Deposits with banks						
Due from banks and other financial institutions	818,498	26,849,103	-	-	27,667,601	20,536,002
Interest earned from banks and other financial institutions	-	252,556	-	-	252,556	3,732
Other						
Fees and commission paid	-	(114,638)	(83,221)	-	(197,859)	(192,950)
Insurance products	-	-	32,215	-	32,215	31,876
Technical service fees (paid)/received	(1,985,747)	83,493	-	-	(1,902,254)	(2,744,291)
Other operating expense	(3,812,534)	(2,321,733)	-	-	(6,134,267)	(6,557,881)

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

43. Related party transactions and balances (continued)

	The Bank					
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total	
					2022	2021
Loans						
Balance at October 31	-	-	1,111,474	7,314,008	8,425,482	8,032,857
Interest earned	-	-	70,377	336,338	406,715	472,963
Deposit liabilities						
Balance at October 31	(1,881,040)	(13,782,549)	(892,582)	(4,962,312)	(21,518,483)	(16,299,219)
Interest expense	(2,992)	(96,371)	(758)	(2,493)	(102,614)	(90,456)
Investments/Repurchase agreement						
Securities sold under repurchase agreement	-	(1,700,279)	-	-	(1,700,279)	-
Interest (paid)/received on repurchase/resale agreement	-	(2,975)	-	-	(2,975)	529
Deposit assets						
Due from banks and other financial institutions	818,498	26,849,103	-	-	27,667,601	20,536,002
Interest earned from banks and other financial institutions	-	252,556	-	-	252,556	3,732
Due (to)/from fellow subsidiaries	-	16,868	-	-	16,868	1,197
Other						
Fees and commission paid	-	(106,409)	(77,115)	-	(183,524)	(115,527)
Technical service fees (paid)/received	(1,870,926)	136,142	-	-	(1,734,784)	(2,151,928)
Other operating expense	<u>(3,806,757)</u>	<u>(1,726,677)</u>	<u>-</u>	<u>-</u>	<u>(5,533,434)</u>	<u>(5,834,419)</u>

	The Group		The Bank	
	2022	2021	2022	2021
Key management compensation				
Salaries and other short-term benefits	830,910	749,054	749,529	657,757
Post-employment benefits	<u>(107,930)</u>	<u>204,572</u>	<u>(107,930)</u>	<u>204,572</u>
	<u>722,980</u>	<u>953,626</u>	<u>641,599</u>	<u>862,329</u>

44. Financial risk management

(a) Overview and risk management framework

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(a) Overview and risk management framework (continued)

- guidelines are developed to clarify risk limits and conditions under which the Group's risk policies are implemented.
- processes are implemented to identify, evaluate, document, report and control risk.
- compliance with risk policies, limits and guidelines is measured, monitored and reported to ensure consistency against desired goals.

The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board has established committees for managing and monitoring risks.

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

(i) Board Audit Committee

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

(ii) Executive and Enterprise Risk Committee

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

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a committee of management, 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 BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(a) Overview and risk management framework (continued)

(iii) Asset and Liability Committee (continued)

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

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

(b) Credit risk

(i) Credit risk management

At a strategic level, the Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to any one borrower or group of borrowers, and industry segments. Credit risk limits are approved by the Board of Directors. The exposure to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures. Actual exposures against limits are monitored daily. Operationally, exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and principal repayment obligations and by restructuring loans where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees. The principal collateral types for loans are:

- Cash;
- Charges over personal and business assets such as property, motor vehicles, equipment, inventory and accounts receivable; and
- Charges over financial instruments such as debt securities and equities.

In addition, the Group seeks additional collateral from the counterparty as soon as impairment indicators are noted for the relevant loans.

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to issue drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than direct lending.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iii) Credit quality

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

Commercial loans: In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison to externally available data. The following table cross-references the Bank's internal borrower grades with equivalent rating category used by Standard and Poor's:

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

Retail loans: Retail loans are risk-rated based on an internal scoring system which combines statistical analysis with credit officer judgment, and fall within the following categories:

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality (continued)****Retail loans including all credit card segments:**

		The Group			
		2022			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	2,192,671	-	-	2,192,671
Low	0.2% to < 1%	62,834,530	56,896	-	62,891,426
Medium	1% to < 3%	52,215,192	269,621	-	52,484,813
High	3% to < 20%	23,298,943	3,255,857	-	26,554,800
Very High	20% to < 99.99%	53,099	2,707,140	-	2,760,239
Subtotal: PD Grades (Advanced Models)		140,594,435	6,289,514	-	146,883,949
Loans not graded (intermediate or simplified or gross-up)		280,863	8,894	-	289,757
Default		-	-	3,620,095	3,620,095
Total		140,875,298	6,298,408	3,620,095	150,793,801
Expected credit losses retail (including all credit card segments)		(1,677,612)	(1,584,708)	(2,279,706)	(5,542,026)
Carrying amount		139,197,686	4,713,700	1,340,389	145,251,775

		The Group			
		2021			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	18,540,032	7,478	-	18,547,510
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 < 99.99%	61,209	3,100,188	-	3,161,397
Subtotal: PD Grades (Advanced Models)		110,548,944	8,098,102	-	118,647,046
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		113,999,280	8,314,586	5,375,912	127,689,778
Expected credit losses retail (including all credit card segments)		(1,236,888)	(1,537,609)	(3,108,273)	(5,882,770)
Carrying amount		112,762,392	6,776,977	2,267,639	121,807,008

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality (continued)****Retail loans including all credit card segments (continued):**

		The Bank			
		2022			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	1,530,968	-	-	1,530,968
Low	0.2% to < 1%	47,920,771	39,095	-	47,959,866
Medium	1% to < 3%	51,093,465	255,535	-	51,349,000
High	3% to < 20%	23,140,015	2,297,778	-	25,437,793
Very High	20% to < 99.99%	53,099	2,344,006	-	2,397,105
Subtotal: PD Grades (Advanced Models)		123,738,318	4,936,414	-	128,674,732
Loans not graded (intermediate or simplified or gross-up)		280,863	8,894	-	289,757
Default		-	-	3,073,933	3,073,933
Total		124,019,181	4,945,308	3,073,933	132,038,422
Expected credit loss allowance		(1,616,381)	(1,463,732)	(2,032,865)	(5,112,978)
Carrying amount		122,402,800	3,481,576	1,041,068	126,925,444

		The Bank			
		2021			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	1,098,762	-	-	1,098,762
Low	0.2% to < 1%	32,196,237	43,855	-	32,240,092
Medium	1% to < 3%	42,276,569	212,449	-	42,489,018
High	3% to < 20%	16,352,599	2,448,728	-	18,801,327
Very High	20% to < 99.99%	61,209	3,100,188	-	3,161,397
Subtotal: PD Grades (Advanced Models)		91,985,376	5,805,220	-	97,790,596
Loans not graded (intermediate or simplified or gross-up)		3,524,983	251,786	-	3,776,769
Default		-	-	4,676,017	4,676,017
Total		95,510,359	6,057,006	4,676,017	106,243,382
Expected credit loss allowance		(1,181,266)	(1,355,268)	(2,875,488)	(5,412,022)
Carrying amount		94,329,093	4,701,738	1,800,529	100,831,360

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality (continued)****Commercial loans excluding all credit card segments:**

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

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
	40	CCC- to CC	-	-	-	-
	30	-	-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			<u>71,566,153</u>	<u>14,800,641</u>	<u>652,493</u>	<u>87,019,287</u>
Expected credit losses			(<u>93,750</u>)	(<u>163,050</u>)	(<u>96,548</u>)	(<u>353,348</u>)
Carrying amount			<u>71,472,403</u>	<u>14,637,591</u>	<u>555,945</u>	<u>86,665,939</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(b) Credit risk (continued)****(iii) Credit quality (continued)****Commercial loans excluding all credit card segments (continued):**

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

The Bank 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
	40	CCC- to CC	-	-	-	-
	30	-	-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			71,566,153	14,800,641	652,493	87,019,287
Expected credit losses			(93,750)	(163,050)	(96,548)	(353,348)
Carrying amount			71,472,403	14,637,591	555,945	86,665,939

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. 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:

	The Group			
	2022		2021	
	Stage 1	Total	Stage 1	Total
AAA to AA+	41,494,693	41,494,693	24,894,632	24,894,632
AA to A+	20,764,431	20,764,431	17,510,196	17,510,196
A to A-	-	-	4,848,230	4,848,230
BBB+ to BB+	1,499,757	1,499,757	1,937,522	1,937,522
BB to B-	115,544,773	115,544,773	93,398,108	93,398,108
Unrated	<u>4,457,554</u>	<u>4,457,554</u>	<u>4,364,770</u>	<u>4,364,770</u>
	<u>183,761,208</u>	<u>183,761,208</u>	<u>146,953,458</u>	<u>146,953,458</u>

	The Bank			
	2022		2021	
	Stage 1	Total	Stage 1	Total
AAA to AA+	41,494,693	41,494,693	24,894,632	24,894,632
AA to A+	20,764,431	20,764,431	17,510,196	17,510,196
A to A-	-	-	4,848,230	4,848,230
BBB+ to BB+	1,499,757	1,499,757	1,937,522	1,937,522
BB to B-	67,271,115	67,271,115	40,673,332	40,673,332
Unrated	-	-	-	-
	<u>131,029,996</u>	<u>131,029,996</u>	<u>89,863,912</u>	<u>89,863,912</u>

Classified as follows:

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Amortised cost	33,958,501	7,482,669	27,701,165	3,501,940
Fair value through OCI	145,913,090	135,379,640	100,839,948	83,845,426
Fair value through profit or loss	2,001,506	2,261,878	600,772	687,275
Pledged assets:				
Fair value through OCI	<u>1,888,111</u>	<u>1,829,271</u>	<u>1,888,111</u>	<u>1,829,271</u>
	<u>183,761,208</u>	<u>146,953,458</u>	<u>131,029,996</u>	<u>89,863,912</u>

Expected credit losses on investment securities carried at amortised cost and fair value through the profit and loss was \$28,640 (2021: \$4,703) and \$9,797 (2021: \$2,730) for the Group and Bank, respectively.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk

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

Collateral and other credit enhancements held against loans

It is the Group's practice to lend on the basis of the customer's ability to meet their obligations out of cash flow resources, rather than to rely on the value of security offered as collateral. Nevertheless, the collateral is an important mitigant of credit risk. Depending on the customer's standing and the type of product, some facilities are granted on an unsecured basis. For other facilities, a charge over collateral is obtained and considered in determining the credit decision and pricing. In the event of default, the Group may utilise the collateral as a source of repayment. In such cases the collateral is used to settle all debt obligations to the Group and excess value is returned to the borrower.

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable, and charges over financial instruments such as debt securities. 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 \$182,898,471 (2021: \$163,967,916) for the Group and \$164,256,605 (2021: \$142,728,994) for the Bank.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(b) Credit risk (continued)****(v) Concentration of exposure to credit risk****(1) Loans**

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

	The Group	
	2022	2021
	Loans and Leases	
Agriculture, fishing and mining	552,537	655,687
Construction and real estate	2,907,211	3,582,236
Distribution	21,058,644	16,388,746
Financial institutions	1,338,982	876,072
Government and public entities	5,090,165	9,810,858
Manufacturing	17,665,356	11,354,070
Transportation, electricity, water and other	20,939,284	23,504,834
Personal	147,865,591	124,954,408
Professional and other services	11,015,546	11,641,381
Tourism and entertainment	13,976,299	10,385,720
Interest receivable	<u>1,234,275</u>	<u>1,555,053</u>
Total	243,643,890	214,709,065
Expected credit losses	(5,898,116)	(6,236,118)
	<u>237,745,774</u>	<u>208,472,947</u>

	The Bank	
	2022	2021
	Loans and Leases	
Agriculture, fishing and mining	552,537	655,687
Construction and real estate	2,907,211	3,582,236
Distribution	21,058,644	16,388,746
Financial institutions	1,338,982	876,072
Government and public entities	5,090,165	9,810,858
Manufacturing	17,665,356	11,354,070
Transportation, electricity, water and other	20,939,284	23,504,834
Personal	129,329,644	103,837,604
Professional and other services	11,015,546	11,641,381
Tourism and entertainment	13,976,299	10,385,719
Interest receivable	<u>1,014,843</u>	<u>1,225,462</u>
Total	224,888,511	193,262,669
Expected credit losses	(5,469,068)	(5,765,370)
	<u>219,419,443</u>	<u>187,497,299</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(c) Market risk

Market risk arises from changes in market prices and rates (including interest rates, credit spreads, equity prices and foreign exchange rates), correlations between them, and their levels of volatility. Market risk is subject to extensive risk management controls and is managed within the framework of market risk policies and limits approved by the Board.

The Executive and Enterprise Risk Committee oversees the application of the framework set by the Board and monitor the Group's market risk exposures and the activities that give rise to these exposures.

The Group uses various metrics and models to measure and control market risk exposures. The measurements used are selected based on an assessment of the nature of risks in a particular activity. The principal measurement techniques are Value at Risk (VaR), stress testing, sensitivity analysis and simulation modeling, and gap analysis. The Board reviews results from these metrics quarterly.

The management of the individual elements of market risk – interest rate and currency risks 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.

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 BANK OF NOVA SCOTIA JAMAICA LIMITED
Notes to the Financial Statements (Continued)
October 31, 2022
(Expressed in thousands of Jamaican dollars unless otherwise stated)
44. Financial risk management (continued)
(c) Market risk (continued)
(i) Interest rate risk (continued)

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

	The Group						
	2022						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	1,995,001	59,526,799	-	1,000,000	-	74,211,098	136,732,898
Securities purchased under resale agreements	-	751,427	-	-	-	-	751,427
Financial assets at fair value through profit or loss	-	-	-	1,989,576	-	327,721	2,317,297
Pledged assets	-	1,867,803	-	-	-	20,308	1,888,111
Loans (2)	150,533,318	14,782,320	21,013,268	38,096,144	5,619,164	7,701,560	237,745,774
Investment securities (3)	-	12,220,299	25,332,163	86,437,809	20,714,522	1,213,402	145,918,195
Other assets	-	-	-	-	-	38,655,608	38,655,608
Total assets	152,528,319	89,148,648	46,345,431	127,523,529	26,333,686	122,129,697	564,009,310
Deposits by the public	387,199,070	7,306,383	6,656,199	781,736	-	6,680	401,950,068
Securities sold under repurchase agreement	-	1,700,279	-	-	-	-	1,700,279
Other liabilities	-	-	-	-	-	22,373,888	22,373,888
Policyholders' liabilities	44,420,015	2,450,305	8,461,648	-	-	(9,047,537)	46,284,431
Stockholders' equity	-	-	-	-	-	91,700,644	91,700,644
Total liabilities and stockholders' equity	431,619,085	11,456,967	15,117,847	781,736	-	105,033,675	564,009,310
Total interest rate sensitivity gap	(279,090,766)	77,691,681	31,227,584	126,741,793	26,333,686	17,096,022	-
Cumulative gap	(279,090,766)	(201,399,085)	(170,171,501)	(43,429,708)	(17,096,022)	-	-
	2021						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	157,631,720	85,877,964	53,833,777	111,663,451	27,765,261	114,264,563	551,036,736
Total liabilities and stockholders' equity	414,640,559	11,492,487	15,650,686	826,206	-	108,426,798	551,036,736
Total interest rate sensitivity gap	(257,008,839)	74,385,477	38,183,091	110,837,245	27,765,261	5,837,765	-
Cumulative gap	(257,008,839)	(182,623,362)	(144,440,271)	(33,603,026)	(5,837,765)	-	-

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

	The Bank						
	2022						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	2,000,000	54,298,760	-	-	-	74,104,329	130,403,089
Securities purchased under resale agreements	-	751,427	-	-	-	-	751,427
Financial assets at fair value through profit or loss	-	-	-	588,842	-	11,930	600,772
Pledged assets	-	1,867,803	-	-	-	20,308	1,888,111
Loans (2)	135,606,899	13,851,044	18,800,838	38,096,144	5,619,164	7,445,354	219,419,443
Investment securities (3)	-	12,206,858	15,282,318	69,451,365	3,334,726	569,786	100,845,053
Investment in subsidiaries	-	-	-	-	-	2,725,000	2,725,000
Other assets	-	-	-	-	-	36,230,723	36,230,723
Total assets	137,606,899	82,975,892	34,083,156	108,136,351	8,953,890	121,107,430	492,863,618
Deposits	395,439,329	5,910,693	5,389,313	53,125	-	-	406,792,460
Securities sold under repurchase agreement	-	1,700,279	-	-	-	-	1,700,279
Other liabilities	-	-	-	-	-	21,989,129	21,989,129
Stockholders' equity	-	-	-	-	-	62,381,750	62,381,750
Total liabilities and stockholders' equity	395,439,329	7,610,972	5,389,313	53,125	-	84,370,879	492,863,618
Total interest rate sensitivity gap	(257,832,430)	75,364,920	28,693,843	108,083,226	8,953,890	36,736,551	-
Cumulative gap	(257,832,430)	(182,467,510)	(153,773,667)	(45,690,441)	(36,736,551)	-	-
2021							
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	140,988,485	80,782,442	34,401,042	93,634,691	9,961,919	111,804,061	471,572,640
Total liabilities and stockholders' equity	371,705,111	6,250,167	5,170,063	61,020	-	88,386,279	471,572,640
Total interest rate sensitivity gap	(230,716,626)	74,532,275	29,230,979	93,573,671	9,961,919	23,417,782	-
Cumulative gap	(230,716,626)	(156,184,351)	(126,953,372)	(33,379,701)	(23,417,782)	-	-

(1) This represents those financial instruments whose interest rates change concurrently with a change in the underlying interest rate basis, for example, base rate loans.

(2) This includes impaired loans.

(3) This includes financial instruments such as equity investments.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. 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					
	2022					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted Average %
ASSETS						
Cash resources	23.78	5.34	-	8.95	-	2.74
Pledged assets	-	7.17	-	-	-	7.09
Securities purchased under resale agreements	-	8.22	-	-	-	8.22
Financial assets at fair value through profit or loss	-	-	-	9.99	-	8.58
Loans (1)	9.31	9.21	9.47	12.03	8.92	9.44
Investment securities (2)	-	5.80	4.58	5.92	5.57	5.58
LIABILITIES						
Deposits (3)	0.11	0.25	0.33	0.44	-	0.11
Securities sold under repurchase agreement	-	0.06	-	-	-	0.06
Policyholders' liabilities	<u>2.21</u>	<u>2.31</u>	<u>2.39</u>	<u>-</u>	<u>-</u>	<u>2.68</u>
	2021					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted Average %
ASSETS						
Cash resources	1.19	1.18	-	-	-	0.72
Financial assets at fair value through profit or loss	-	-	-	3.11	-	2.07
Pledged assets	-	1.83	-	-	-	1.82
Loans (1)	10.30	6.82	8.87	9.80	7.09	9.18
Investment securities (2)	-	1.54	1.73	1.85	5.40	2.21
LIABILITIES						
Deposits (3)	0.15	0.79	0.45	0.57	-	0.17
Policyholders' liabilities	<u>2.21</u>	<u>2.31</u>	<u>2.39</u>	<u>-</u>	<u>-</u>	<u>2.67</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)**

	The Bank					
	2022					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resources	8.00	5.11	-	-	-	2.25
Pledged assets	-	7.17	-	-	-	7.09
Securities purchased under resale agreements	-	8.23	-	-	-	8.23
Financial assets at fair value through profit or loss	-	-	-	7.58	-	7.43
Loans (1)	9.56	9.05	9.53	12.03	8.92	9.61
Investment securities (2)	-	5.80	5.22	5.70	7.18	5.66
LIABILITIES						
Deposits (3)	0.11	0.20	0.25	0.32	-	0.11
Securities sold under repurchase agreement	<u>-</u>	<u>0.06</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.06</u>
	2021					
	Immediately rate sensitive %	Within 3 months %	3 to 12 months %	1 to 5 years %	Over 5 years %	Weighted average %
ASSETS						
Cash resource	1.19	1.05	-	-	-	0.69
Pledged assets	-	-	-	3.11	-	3.05
Financial assets at fair value through profit or loss	-	1.83	-	-	-	1.82
Loans (1)	10.99	6.57	8.85	9.80	7.08	9.37
Investment securities (2)	-	1.54	0.90	1.15	-	1.25
LIABILITIES						
Deposits (3)	<u>0.15</u>	<u>0.24</u>	<u>0.25</u>	<u>0.28</u>	<u>-</u>	<u>0.16</u>

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

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

(3) Yields are based on contractual interest rates.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(i) Interest rate risk (continued)****Sensitivity to interest rate movements**

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analyses is performed on the same basis as 2021.

	2022		2021	
JMD Interest rates	Increase/decrease by 450 bps		Increase/decrease by 140 bps	
USD Interest rates	Increase/decrease by 250 bps		Increase/decrease by 400 bps	
	The Group		The Bank	
	2022	2021	2022	2021
Effect on profit	4,368,334	4,114,051	3,649,884	3,834,468
Effect on stockholders equity	<u>15,789,190</u>	<u>9,759,336</u>	<u>15,315,298</u>	<u>10,079,216</u>

(ii) Currency risk

The Group has an exposure to the effects of fluctuations in the 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 exposure to relevant currencies:

	The Group						
	2022						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	65,720,386	61,341,806	3,913,879	4,781,072	815,772	159,983	136,732,898
Pledged assets	1,888,111	-	-	-	-	-	1,888,111
Loans	207,081,920	30,663,811	(8)	51	-	-	237,745,774
Financial assets at FVPL	2,317,297	-	-	-	-	-	2,317,297
Investments securities	82,126,321	62,671,646	1,120,228	-	-	-	145,918,195
Government securities under repurchase agreement	751,427	-	-	-	-	-	751,427
Other assets	<u>37,929,144</u>	<u>726,515</u>	<u>(27)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>	<u>38,655,608</u>
	<u>397,814,606</u>	<u>155,403,778</u>	<u>5,034,072</u>	<u>4,781,099</u>	<u>815,772</u>	<u>159,983</u>	<u>564,009,310</u>
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	234,645,494	156,811,625	4,954,045	4,712,474	824,492	1,938	401,950,068
Other liabilities	19,517,261	2,802,982	75,177	19,328	(55,177)	14,317	22,373,888
Policyholders' liabilities	46,284,431	-	-	-	-	-	46,284,431
Securities sold under repurchase agreement	<u>1,700,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,700,279</u>
	<u>302,147,465</u>	<u>159,614,607</u>	<u>5,029,222</u>	<u>4,731,802</u>	<u>769,315</u>	<u>16,255</u>	<u>472,308,666</u>
NET POSITION	<u>95,667,141</u>	<u>(4,210,829)</u>	<u>4,850</u>	<u>49,297</u>	<u>46,457</u>	<u>143,728</u>	<u>91,700,644</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)**

	The Group						
	2021						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	85,386,804	62,138,826	3,935,561	5,645,208	496,000	150,740	157,753,139
Pledged assets	1,829,271	-	-	-	-	-	1,829,271
Loans	176,926,526	31,546,123	296	2	-	-	208,472,947
Financial assets at FVPL	2,591,750	-	-	-	-	-	2,591,750
Investments securities	85,085,246	49,035,445	1,264,054	-	-	-	135,384,745
Other assets	43,731,639	1,261,244	9,191	199	2,611	-	45,004,884
	<u>395,551,236</u>	<u>143,981,638</u>	<u>5,209,102</u>	<u>5,645,409</u>	<u>498,611</u>	<u>150,740</u>	<u>551,036,736</u>
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	235,300,479	141,556,198	5,103,004	5,520,437	581,316	1,434	388,062,868
Other liabilities	21,683,016	1,787,237	97,552	35,124	1,936	12,961	23,617,826
Policyholders' liabilities	45,865,307	-	-	-	-	-	45,865,307
Capital Managed	-	-	-	-	-	-	-
	<u>302,848,802</u>	<u>143,343,435</u>	<u>5,200,556</u>	<u>5,555,561</u>	<u>583,252</u>	<u>14,395</u>	<u>457,546,001</u>
NET POSITION	<u>92,702,434</u>	<u>638,203</u>	<u>8,546</u>	<u>89,848</u>	<u>(84,641)</u>	<u>136,345</u>	<u>93,490,735</u>
	The Bank						
	2022						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	59,391,861	61,341,058	3,913,879	4,780,536	815,772	159,983	130,403,089
Pledged assets	1,888,111	-	-	-	-	-	1,888,111
Loans	188,755,589	30,663,811	(8)	51	-	-	219,419,443
Financial assets at FVPL	600,772	-	-	-	-	-	600,772
Investments securities	37,053,179	62,671,646	1,120,228	-	-	-	100,845,053
Investment in subsidiaries	2,725,000	-	-	-	-	-	2,725,000
Government securities under repurchase agreement	751,427	-	-	-	-	-	751,427
Other assets	35,504,259	726,515	(27)	(24)	-	-	36,230,723
	<u>326,670,198</u>	<u>155,403,030</u>	<u>5,034,072</u>	<u>4,780,563</u>	<u>815,772</u>	<u>159,983</u>	<u>492,863,618</u>
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	239,488,702	156,811,346	4,954,045	4,711,937	824,492	1,938	406,792,460
Other liabilities	19,133,562	2,801,922	75,177	19,328	(55,177)	14,317	21,989,129
Securities sold under repurchase agreement	1,700,279	-	-	-	-	-	1,700,279
	<u>260,322,543</u>	<u>159,613,268</u>	<u>5,029,222</u>	<u>4,731,265</u>	<u>769,315</u>	<u>16,255</u>	<u>430,481,868</u>
NET POSITION	<u>66,347,655</u>	<u>(4,210,238)</u>	<u>4,850</u>	<u>49,298</u>	<u>46,457</u>	<u>143,728</u>	<u>62,381,750</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)**

The tables below summarise exposure to relevant currencies (continued):

	The Bank						
	2021						
JMD Equivalent	<u>JMD</u>	<u>USD</u>	<u>CAD</u>	<u>GBP</u>	<u>EUR</u>	<u>OTHER</u>	<u>TOTAL</u>
ASSETS							
Cash resources	81,305,603	62,138,066	3,935,561	5,644,563	496,000	150,739	153,670,532
Pledged assets	1,829,271	-	-	-	-	-	1,829,271
Loans	155,950,878	31,546,123	296	2	-	-	187,497,299
Financial assets at FVPL	687,275	-	-	-	-	-	687,275
Investments securities	33,551,032	49,035,445	1,264,054	-	-	-	83,850,531
Investment in subsidiaries	220,000	-	-	-	-	-	220,000
Other assets	<u>42,544,487</u>	<u>1,261,244</u>	<u>9,191</u>	<u>199</u>	<u>2,611</u>	<u>-</u>	<u>43,817,732</u>
	<u>316,088,546</u>	<u>143,980,878</u>	<u>5,209,102</u>	<u>5,644,764</u>	<u>498,611</u>	<u>150,739</u>	<u>471,572,640</u>
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	230,425,401	141,555,415	5,103,004	5,519,791	581,316	1,434	383,186,361
Other liabilities	<u>21,072,539</u>	<u>1,787,237</u>	<u>97,552</u>	<u>35,124</u>	<u>1,936</u>	<u>12,961</u>	<u>23,007,349</u>
	<u>251,497,940</u>	<u>143,342,652</u>	<u>5,200,556</u>	<u>5,554,915</u>	<u>583,252</u>	<u>14,395</u>	<u>406,193,710</u>
NET POSITION	<u>64,590,606</u>	<u>638,226</u>	<u>8,546</u>	<u>89,849</u>	<u>(84,641)</u>	<u>136,344</u>	<u>65,378,930</u>

The following significant exchange rates were applied during the year:

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

Sensitivity to foreign exchange rate movements

A weakening of the JMD against the currencies indicated at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis as 2021. The strengthening of the JMD against the same currencies at October 31 would have had an equal but opposite effect on the amounts shown, on the basis that all other variables remain constant.

	2022	2021
	Increase/decrease	Increase/decrease
USD	by 2.86%	by 6.00%
CAD	by 7.93%	by 7.25%
GBP	by 11.24%	by 8.25%
EUR	<u>by 9.82%</u>	<u>by 7.50%</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(c) Market risk (continued)****(ii) Currency risk (continued)****Sensitivity to foreign exchange rate movements (continued)**

	The Group		The Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Effect on profit and stockholders' equity	<u>30,960</u>	<u>(79,318)</u>	<u>31,416</u>	<u>(84,597)</u>

(iii) Equity price risk

Equity price risk arises out of price fluctuations in equity prices. The risk arises from holding positions in either individual stocks (idiosyncratic risk) or in the market as a whole (systemic risk). The goal is to earn dividend income and realise capital gains sufficient to offset the interest foregone in holding such long-term positions.

The Board sets limits on the level of exposure, and diversification is a key strategy employed to reduce the impact on the portfolio which may result from the non-performance of a specific class of assets. Given the potential volatility in the value of equities and the non-interest bearing characteristic of these instruments, the Group limits the amount invested in them.

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

	The Group	
	<u>2022</u>	<u>2021</u>
Effect on profit and stockholders' equity	<u>(45,498)</u>	<u>(48,725)</u>

(d) Liquidity risk

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(d) Liquidity risk (continued)**

The Group's liquidity management process includes:

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's business. It is unusual for companies 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 all third parties to draw funds under the agreements. 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 2022					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	394,219,143	6,981,323	787,406	-	401,987,872	401,950,068
Securities sold under repurchase agreement	1,700,279	-	-	-	1,700,279	1,700,279
Other liabilities	2,305,833	-	-	-	2,305,833	2,305,833
Policyholders' liabilities	<u>47,579,221</u>	<u>6,603,340</u>	<u>-</u>	<u>-</u>	<u>54,182,561</u>	<u>46,284,431</u>
Total liabilities	<u>445,804,476</u>	<u>13,584,663</u>	<u>787,406</u>	<u>-</u>	<u>460,176,545</u>	<u>452,240,611</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(d) Liquidity risk (continued)**

Financial liabilities cash flows (continued)

The Group						
2021						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	379,973,508	7,133,701	839,172	777,687	388,724,068	388,062,868
Other liabilities	1,944,419	-	-	-	1,944,419	1,944,419
Policyholders' liabilities	44,590,049	9,082,820	-	-	53,672,869	45,865,307
Total liabilities	426,507,976	16,216,521	839,172	777,687	444,341,356	435,872,595
The Bank						
2022						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	401,057,147	5,702,912	53,403	-	406,813,462	406,792,460
Securities sold under repurchase agreement	1,700,279	-	-	-	1,700,279	1,700,279
Other liabilities	2,335,263	-	-	-	2,335,263	2,335,263
Total liabilities	405,092,689	5,702,912	53,403	-	410,849,004	410,828,002
2021						
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	377,681,537	5,497,701	61,485	-	383,240,723	383,186,361
Other liabilities	1,962,466	-	-	-	1,962,466	1,962,466
Total liabilities	379,644,003	5,497,701	61,485	-	385,203,189	385,148,827

(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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(e) Insurance risk (continued)**

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

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

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

(1) Frequency and severity of claims

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

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

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.

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

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(e) Insurance risk (continued)****(i) Long-term insurance contracts (continued)****(1) Frequency and severity of claims (continued)**

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

(2) Sources of uncertainty in the estimation of future benefit payments and premiums

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

Estimates are made 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.

(3) Process used in deriving assumptions

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

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

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long-term insurance contracts (continued)

(3) Process used in deriving assumptions (continued)

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

(ii) Reinsurance risk

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

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

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

Type of insurance contract	Retention
Individual Universal Life	Maximum retention of \$15,000 per insured.

(iii) Sensitivity analysis of actuarial liabilities

(1) Sensitivity arising from the valuation of life insurance and annuity 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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***44. Financial risk management (continued)****(e) Insurance risk (continued)****(iii) Sensitivity analysis of actuarial liabilities (continued)****(1) Sensitivity arising from the valuation of life insurance and annuity contracts (continued)**

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
- lapse and withdrawals
- operating expenses and taxes
- morbidity
- premium persistency

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

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

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Notes to the Financial Statements (Continued)

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(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Fair value of financial instruments

Determination of fair value

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

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

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

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

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 measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair measured based on all significant market observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - fair value measured based on significant unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. There were no such transfers during the year.

Basis of valuation

The specific inputs and valuation techniques used in determining the fair value of financial instruments are noted below:

- (i) financial instruments classified as fair value through other comprehensive income (FVOCI) 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 trusts 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 are measured at fair 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.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***45. Fair value of financial instruments (continued)****Basis of valuation (continued)**

- (iii) the fair values of liquid assets and other assets maturing within one year are considered to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities. These instruments are classified at level 2;
- (iv) the fair values of demand deposits and savings accounts with no specific maturity are considered to be the amount payable on demand at the reporting date; the fair values of fixed-term interest bearing deposits are based on discounted cash flows using interest rates for new deposits. These instruments are classified at level 2;
- (v) the fair values of variable rate financial instruments are considered to approximate their carrying amounts as they are frequently repriced to current market rates;
- (vi) the fair values of fixed rate loans are 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; and
- (vii) The fair values of quoted equity investments are based on quoted market bid prices. Equity securities for which fair values cannot be measured reliably are recognised at asset based values. Unquoted equities are carried at cost as the fair value cannot be reliably determined. These securities are classified at level 3;
- (viii) The fair values of other liabilities due to be settled within one year are considered to approximate their carrying amount. These instruments are classified at level 3;

The following table sets out the carrying amounts and fair values of financial assets and liabilities of the Group and the Bank using the valuation methods and assumptions described above, including their levels in the fair value hierarchy. The fair value disclosures do not include non-financial assets, such as property and equipment, goodwill and other intangible assets.

The table also excludes financial instruments not measured at fair value but for which carrying amounts are reasonable approximations of fair value.

	The Group						
	2022						
	Carrying amount			Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit and loss	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value							
Unquoted shares	-	5,105	-	5,105	-	-	5,105
Government securities	-	132,579,914	2,001,506	134,581,420	34,333,378	100,248,042	-
Bank of Jamaica securities	-	6,315,229	-	6,315,229	-	6,315,229	-
Treasury bills	-	5,684,786	-	5,684,786	5,671,130	13,656	-
Corporate bonds	-	1,333,161	-	1,333,161	-	1,333,161	-
Unitised funds	-	-	315,791	315,791	-	315,791	-
	-	145,918,195	2,317,297	148,235,492	40,004,508	108,225,879	5,105
Pledged assets measured at fair value							
Government securities	-	1,888,111	-	1,888,111	-	1,888,111	-
Financial assets not measured at fair value							
Loans and receivables	82,798,077	-	-	82,798,077	-	-	84,609,477

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***45. Fair value of financial instruments (continued)****Accounting classifications and fair values**

The Group							
2021							
Carrying amount				Fair value			
Amortised Cost	Fair value through OCI	Fair value through profit and 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	-	127,133,236	129,395,113	-	129,395,113	-	129,395,113
Bank of Jamaica securities	-	5,782,855	5,782,855	-	5,782,855	-	5,782,855
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
	<u>-</u>	<u>135,384,745</u>	<u>2,591,750</u>	<u>-</u>	<u>137,971,390</u>	<u>5,105</u>	<u>137,976,495</u>
Pledged assets measured at fair value							
Government securities	<u>-</u>	<u>1,829,271</u>	<u>-</u>	<u>-</u>	<u>1,829,271</u>	<u>-</u>	<u>1,829,271</u>
Financial assets not measured at fair value							
Loans and receivables	<u>78,915,653</u>	<u>-</u>	<u>78,915,653</u>	<u>-</u>	<u>-</u>	<u>81,247,005</u>	<u>81,247,005</u>

The Bank							
2022							
Carrying amount				Fair value			
Amortised cost	Fair value through OCI	Fair value through profit and 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	-	88,855,599	89,456,371	34,333,378	55,122,993	-	89,456,371
Treasury bills	-	5,852,551	5,852,551	-	5,852,551	-	5,852,551
Bank of Jamaica securities	-	5,671,130	5,671,130	5,671,130	-	-	5,671,130
Corporate bonds	-	460,668	460,668	-	460,668	-	460,668
	<u>-</u>	<u>100,845,053</u>	<u>600,772</u>	<u>40,004,508</u>	<u>61,436,212</u>	<u>5,105</u>	<u>101,445,825</u>
Pledged assets measured at fair value							
Government securities	<u>-</u>	<u>1,888,111</u>	<u>-</u>	<u>-</u>	<u>1,888,111</u>	<u>-</u>	<u>1,888,111</u>
Financial assets not measured at fair value							
Loans and receivables	<u>65,133,449</u>	<u>-</u>	<u>65,133,449</u>	<u>-</u>	<u>-</u>	<u>66,841,941</u>	<u>66,841,941</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***45. Fair value of financial instruments (continued)****Accounting classifications and fair values (continued)**

	The Bank							
	2021							
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit and 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	-	78,568,811	687,275	79,256,086	18,569,441	60,686,645	-	79,256,086
Treasury bills	-	1,264,054	-	1,264,054	1,264,054	-	-	1,264,054
Bank of Jamaica securities	-	4,012,561	-	4,012,561	-	4,012,561	-	4,012,561
	-	83,850,531	687,275	84,537,806	19,833,495	64,699,206	5,105	84,537,806
Pledged assets measured at fair value								
Government securities	-	1,829,271	-	1,829,271	-	1,829,271	-	1,829,271
Financial assets not measured at fair value								
Loans and receivables	57,846,213	-	-	57,846,213	-	-	59,875,147	59,875,147

All Government securities and international bonds are valued using the bid price from Bloomberg; his price is then applied to estimate the fair value.

46. 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 fiduciary responsibility to depositors and policyholders. 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

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Notes to the Financial Statements (Continued)

October 31, 2022

(Expressed in thousands of Jamaican dollars unless otherwise stated)

46. Capital risk management (continued)

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

- 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.

Each individual banking, investment and insurance subsidiary is directly regulated by its designated regulator, who sets and monitors each entity's capital adequacy requirements. Required capital adequacy information is filed with the regulators at least quarterly.

Banking and Mortgage lending

Capital adequacy is reviewed by Executive Management, the Audit Committee and the Board of Directors. Based on the guidelines developed by Bank of Jamaica, 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 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 qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on property and equipment.

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

The risk weighted assets are measured by means of a hierarchy of four risk weights, classified according to the nature of each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital, the ratios for each component and the applicable regulator. During the year, the individual entities complied with all of the externally imposed capital requirements.

	Regulated by BOJ			
	The Scotia Jamaica Building Society		The Bank	
	2022	2021	2022	2021
Tier 1 Capital	5,250,000	5,250,000	47,932,451	47,958,609
Tier 2 Capital	-	-	-	-
	5,250,000	5,250,000	47,932,451	47,958,609
Less prescribed deductions	-	-	(2,725,000)	(220,000)
Total regulatory capital	<u>5,250,000</u>	<u>5,250,000</u>	<u>45,207,451</u>	<u>47,738,609</u>
Risk weighted assets				
On-balance sheet	9,787,977	10,912,647	260,425,302	237,075,177
Off balance sheet	-	-	58,133,373	55,928,469
Foreign exchange exposure	-	-	986,040	310,466
Total risk weighted assets	<u>9,787,977</u>	<u>10,912,647</u>	<u>319,544,715</u>	<u>293,314,112</u>
Actual regulatory capital to risk weighted assets	53.64%	48.11%	14.15%	16.28%
Regulatory requirement	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***46. Capital risk management (continued)****Life Insurance**

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 requirement. 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 are set out below:

	<u>2022</u>	<u>2021</u>
Regulatory capital held	<u>10,547,801</u>	<u>7,432,724</u>
Minimum regulatory capital	<u>1,739,713</u>	<u>1,940,195</u>
Minimum Continuing Capital and Surplus Requirement Ratio	<u>606%</u>	<u>383%</u>

47. Commitments

	<u>The Group</u>		<u>The Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
(a) Capital expenditure authorised and contracted	<u>187,821</u>	<u>181,153</u>	<u>187,821</u>	<u>181,153</u>
(b) Commitments to extend credit:				
Originated term to maturity of more than one year	<u>58,308,373</u>	<u>41,084,066</u>	<u>58,308,373</u>	<u>41,084,066</u>

48. Litigation and contingent liabilities

The Group is subject to various claims, disputes and legal proceedings in the normal course of business. Provision is made in the financial statements when, in the opinion of management and its legal counsel, it is more likely than not that the Group will be found liable and the amount can be reasonably estimated.

In respect of claims asserted against subsidiaries of the Group for which no provision has been made, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the subsidiary and the Group, that is immaterial to both its financial position and financial performance.

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***49. Dividends****(a) Paid**

The Bank paid dividends of \$0.60 per share amounting to \$1,756,339 on April 20, 2022 and October 19, 2022.

	<u>The Group and the Bank</u>	
	<u>2022</u>	<u>2021</u>
In respect of 2020	-	1,756,339
In respect of 2021	878,170	1,170,893
In respect of 2022	<u>1,756,339</u>	<u>-</u>
	<u>2,634,509</u>	<u>2,927,232</u>

(b) Proposed

At the Board of Directors meeting on December 9, 2022, a dividend in respect of 2022 of \$0.30 per share (2021: \$0.30 per share) amounting to \$878,170 was proposed (2021: \$878,170).

50. Employee Share Ownership Plan

The Bank 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 parent 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 parent 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 Bank'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 Group 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 \$29,800 (2021: \$36,821).

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

	<u>The Group</u>	
	<u>2022</u>	<u>2021</u>
Number of shares	<u>1,226,659</u>	<u>1,164,450</u>
Fair value of shares	<u>45,080</u>	<u>41,309</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***51. Fiduciary activities**

The Group provides administration and investment management services to an approved retirement scheme. This involves the Group making allocation and purchase and sale decisions in relation to fixed income securities. Those assets that are held in a fiduciary capacity are not included in these financial statements.

As at the reporting date, the Group had financial assets under administration of approximately \$14,981,895 (2021: \$14,715,407).

52. Prior year adjustment

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

The following table summarizes the impact on the Group's and the Bank's financial statements:

(i) Statement of financial position

	The Group October 31, 2021		
	As previously reported	Adjustments	As restated
Deferred tax assets	76,787	138,938	215,725
Others	<u>550,821,011</u>	<u>-</u>	<u>550,821,011</u>
Total assets	<u>550,897,798</u>	<u>138,938</u>	<u>551,036,736</u>
Deferred tax liabilities	7,761,862	(253,185)	7,508,677
Others	<u>450,037,324</u>	<u>-</u>	<u>450,037,324</u>
Total liabilities	<u>457,799,186</u>	<u>(253,185)</u>	<u>457,546,001</u>
Others	53,075,093	-	53,075,093
Unappropriated profits	<u>40,023,519</u>	<u>392,123</u>	<u>40,415,642</u>
Total equity	<u>93,098,612</u>	<u>392,123</u>	<u>93,490,735</u>
Total liabilities and equity	<u>550,897,798</u>	<u>138,938</u>	<u>551,036,736</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. Prior year adjustment (continued)**

(i) Statement of financial position (continued)

The following table summarizes the impact on the Group's and the Bank's financial statements (continued):

	The Group		
	November 1, 2020		
	As previously reported	Adjustments	As restated
Deferred tax assets	-	86,368	86,368
Others	<u>508,514,654</u>	<u>-</u>	<u>508,514,654</u>
Total assets	<u>508,514,654</u>	<u>86,368</u>	<u>508,601,022</u>
Deferred tax liabilities	7,037,112	(77,147)	6,959,965
Others	<u>411,244,191</u>	<u>-</u>	<u>411,244,191</u>
Total liabilities	<u>418,281,303</u>	<u>(77,147)</u>	<u>418,204,156</u>
Others	54,323,788	-	54,323,788
Unappropriated profits	<u>35,909,563</u>	<u>163,515</u>	<u>36,073,078</u>
Total equity	<u>90,233,351</u>	<u>163,515</u>	<u>90,396,866</u>
Total liabilities and equity	<u>508,514,654</u>	<u>86,368</u>	<u>508,601,022</u>

	The Bank		
	October 31, 2021		
	As previously reported	Adjustments	As restated
Total assets	<u>471,572,640</u>	<u>-</u>	<u>471,572,640</u>
Deferred tax liabilities	7,601,649	(253,185)	7,348,464
Others	<u>398,845,246</u>	<u>-</u>	<u>398,845,246</u>
Total liabilities	<u>406,446,895</u>	<u>(253,185)</u>	<u>406,193,710</u>
Others	48,297,971	-	48,297,971
Unappropriated profits	<u>16,827,774</u>	<u>253,185</u>	<u>17,080,959</u>
Total equity	<u>65,125,745</u>	<u>253,185</u>	<u>65,378,930</u>
Total liabilities and equity	<u>471,572,640</u>	<u>-</u>	<u>471,572,640</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. Prior year adjustment (continued)**

(i) Statement of financial position (continued)

The following table summarizes the impact on the Group's and the Bank's financial statements (continued):

	The Bank		
	November 1, 2020		
	As previously reported	Adjustments	As restated
Total assets	<u>427,240,718</u>	<u>-</u>	<u>427,240,718</u>
Deferred tax liabilities	6,510,336	(77,147)	6,433,189
Others	<u>357,220,419</u>	<u>-</u>	<u>357,220,419</u>
Total liabilities	<u>363,730,755</u>	<u>(77,147)</u>	<u>363,653,608</u>
Others	48,213,496	-	48,213,496
Unappropriated profits	<u>15,296,467</u>	<u>77,147</u>	<u>15,373,614</u>
Total equity	<u>63,509,963</u>	<u>77,147</u>	<u>63,587,110</u>
Total liabilities and equity	<u>427,240,718</u>	<u>-</u>	<u>427,240,718</u>

(ii) Statement of revenue and expenses

	The Group		
	October 31, 2021		
	As previously reported	Adjustments	As restated
Net profit before tax	10,121,100	-	10,121,100
Income taxes	(3,672,037)	<u>228,608</u>	(3,443,429)
Net profit after tax	<u>6,449,063</u>	<u>228,608</u>	<u>6,677,671</u>
Total comprehensive income	<u>5,792,493</u>	<u>228,608</u>	<u>6,021,101</u>

THE BANK OF NOVA SCOTIA JAMAICA LIMITED**Notes to the Financial Statements (Continued)****October 31, 2022***(Expressed in thousands of Jamaican dollars unless otherwise stated)***52. Prior year adjustment (continued)**

(ii) Statement of revenue and expenses (continued)

	The Bank		
	October 31, 2021		
	As previously Reported	Adjustments	As restated
Net profit before tax	6,507,347	-	6,507,347
Income taxes	(2,409,209)	176,038	(2,233,171)
Net profit after tax	<u>4,098,138</u>	<u>176,038</u>	<u>4,274,176</u>
Total comprehensive income	<u>4,523,014</u>	<u>176,038</u>	<u>4,719,052</u>

- (iii) There is no material impact on the Group's and the Bank's total operating, investing or financing cash flows for the year ended October 31, 2021.
- (iv) Earnings per stock unit in the 2021 financial statements was reported as \$2.20. Restated earnings per stock unit for 2021 is \$2.28.