Scotiabank®

MEDIA RELEASE

December 9, 2020

SCOTIA GROUP JAMAICA REPORTS FOURTH QUARTER AND FISCAL 2020 RESULTS

Scotia Group reports net income for Q4/2020 of $3.5 billion, up $1.9 billion or 125.6% compared to Q3/2020 primarily due to significantly lower provisions for credit losses of $2 billion.

The improved performance for the fourth quarter brings our net income for the year ended October 31, 2020 to $9.1 billion compared to $13.2 billion for the previous financial year. Excluding increased expected credit losses as a result of the COVID-19 pandemic and a one-time restructuring provision, net income would be down $380 million or 2.4% due primarily to lower transaction volumes arising from the global pandemic.

Today, the Board of Directors approved a final dividend of 45 cents per stock unit, which is payable on January 20, 2021 to stockholders on record as at December 29, 2020. This dividend is 35 cents higher than the dividends paid in Q3 due to the improved performance of the Group in Q4.

Consequent to guidance issued by the Regulator, the payment of dividends shall be made to shareholders that own less than 1% of the Group's shares.

David Noel, President and CEO of Scotia Group commenting on the Group's performance said "Our performance this year was undoubtedly affected by the significant economic downturn caused by the global COVID-19 pandemic. While the Group continued to maintain a strong underlying performance across our business lines, reduced transaction volumes along with increased provisions for credit losses (PCLs) under IFRS 9 had a material impact on our results particularly in Q2 and Q3. We are pleased with the strong business performance in Q4 with net profit being 125.6% higher than in Q3 and $85.7 million or 2.5% above our results in Q4 2019.

Financial Highlights

	Year ended 31-Oct-20 $millions	Year ended 31-Oct-19 $millions
Total revenues	44,043	45,177
Total operating expenses	24,800	24,099
Net profit after tax	9,052	13,190
Return on equity	7.99%	11.25%
Productivity ratio	56.3%	53.3%
Operating leverage	(5.4%)	(2.5%)
Earnings per share (cents)	291	424
	31-Oct-20 $millions	31-Oct-19 $millions
Total assets	556,281	549,002
Investments	138,364	138,998
Loans (net of allowances for credit losses)	220,727	205,625
Deposits by the public	336,660	312,968
Liabilities under repurchase agreements and other client obligations	19,158	20,292
Policyholders' fund	45,300	45,140
Stockholders' equity	110,756	118,114

	3 months ended 31-Oct-20 $millions	3 months ended 31-Jul-20 $millions	3 months ended 31-Oct-19 $millions
Total revenues	11,956	10,405	11,349
Total operating expenses	6,047	5,757	5,717
Net profit after tax	3,488	1,546	3,402
Return on equity	12.6%	5.6%	11.6%
Productivity ratio	50.6%	55.3%	50.4%
Dividends per share (cents)	45	10	55

Building for the Future

While Retail and Commercial banking results would have been impacted by the PCLs, we continued to see strong growth with the commercial banking loan portfolio increasing by 21% versus the prior fiscal year. Our mortgage business also performed very well, with growth of 15% year over year as customers continue to choose Scotiabank as the financial partner to help them purchase a home.

We continue to make investments in our digital platforms and ABM network in order to provide customers convenient, affordable options to conduct their banking transactions. Over the past several quarters, we have seen a significant reduction in branch transactions which has been accelerated due to measures adopted to address the pandemic. In keeping with those trends, we have converted 6 branches to a digital operating model which focuses more on customer relationships and offering advice and solutions while facilitating cash transactions at ABMs. We believe these changes in our branch network reflect the evolving needs of our customers and gives them better choices based on the types of service they require.

We are fully committed to assisting all our customers to make the transition to digital banking as the wider society becomes more digitally driven. We have commenced a number of initiatives to enable customers, particularly senior citizens to become comfortable using our online banking platform and our Intelligent Deposit Machines. Additionally, our newly renovated Scotiabank Centre branch was designed with a 'Social Zone' which is outfitted with iPads to facilitate customer transactions.

I would like to thank our dedicated team of Scotiabankers who have worked tirelessly this year. I thank our customers for their understanding as we made a number of necessary changes to promote health and safety. I must also acknowledge the commitment and support of our Board of Directors. We look forward to the year ahead and remain cautiously optimistic that Jamaica's economy will rebound in 2021."

GROUP FINANCIAL PERFORMANCE

TOTAL REVENUES

Total revenues excluding expected credit losses for the fourth quarter was $11.9 billion, up $1.6 billion or 14.9% over the previous quarter based on improved performance in net fee and commission income and one off market making opportunities.

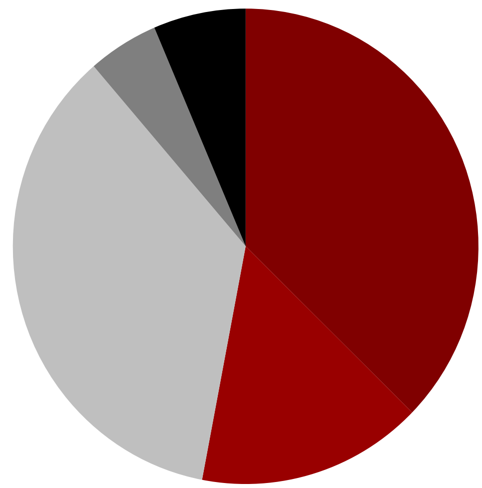
Total revenues excluding expected credit losses for the year ended October 31, 2020 was $44.0 billion and showed a reduction of $1.1 billion or 2.5% when compared to 2019. Despite strong loan growth across the various business lines, total revenues were heavily impacted by lower net fee and commission income given the decline in transaction volumes as a consequence of the COVID-19 pandemic, lower net gains on financial assets and lower interest earned on securities.

Net interest income after expected credit losses for the year was $19.0 billion, down $3.5 billion or 15.6% when compared to the previous year and was primarily attributable to the increase in expected credit losses of $3.2 billion given the revised assumptions incorporated in our impairment methodology as a result of the COVID-19 pandemic.

OTHER REVENUE

Other income, defined as all income other than interest income increased quarter over quarter by $1.62 billion or 39%, while year over year other income decreased by $873 million or 4.4%. Net fee and commission income amounted to $7.2 billion and showed a reduction of $946 million or 11.7%. The year over year decline noted in fee and commission revenues was primarily attributable to lower transaction volumes stemming from the COVID-19 pandemic in conjunction with the continued execution of the Group's digital adoption strategy geared towards educating customers about our various electronic channels which attract lower fees.

Sources of Non-Interest Revenue



- Insurance revenues increased quarter over quarter by $71.8 million or 13.9% due to an upward trend in the number of new policies compared to Q3. Year over year insurance revenues declined by $293 million or 8.9% to $3.0 billion due to the reduction in premium income which was partially offset by higher actuarial reserve releases.
- Net gains on foreign currency activities and financial assets amounted to $7.8 billion, showing a reduction of $644 million or 7.6% below prior year due to lower revaluation gains and lower trading activities as a consequence of the pandemic.
- Other revenue increased by $1.0 billion or 457.2% year over year and by $1.2 billion (over 100%) quarter over quarter and was attributable to gains realized on the extinguishment of debt facilities.

CREDIT QUALITY

Expected credit losses for the year showed an increase of $3.2 billion when compared to 2019. This was mainly driven by additional provisions based on revised assumptions incorporated in the impairment methodology given the COVID-19 pandemic. Despite the increase in provisions our credit quality remains strong. We are well provisioned with accumulated credit losses (ACLs) for both our performing and non-performing loans, ensuring significant coverage for possible future net write offs. The quality of our portfolio remains strong and continues to be more favourable than the industry average (lower non-accrual loans to gross loans and higher loan loss provisions to gross loans).

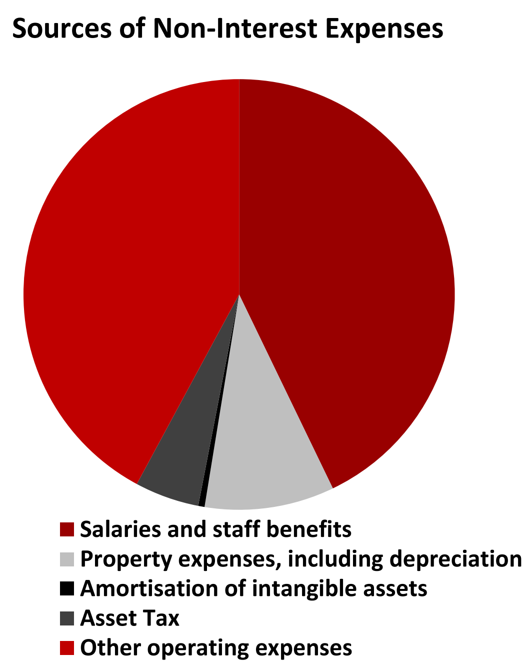
Quarter over quarter expected credit losses are lower by $2 billion or over 100% due to the fact that most of the provisions per IFRS 9 expected from the global pandemic were incorporated in Q3.

Non-accrual loans (NALs) as at October 31, 2020 totaled $4.8 billion compared to $3.7 billion last year. The Group's NALs represent 2.1% of gross loans up from 1.8% last year, and represent 0.9% of total assets.

The Group's aggregate expected credit losses for loans as at October 31, 2020 was $8.0 billion, representing 167% coverage of total non-performing loans.

OPERATING EXPENSES AND PRODUCTIVITY

Operating expenses amounted to $24.8 billion for the year showing an increase of $702 million or 2.9%. This was due to the increase in other operating expenses of $914 million and property expenses of $280 million which was partially offset by the reduction in salaries and staff benefit costs of $519 million (due to continued expense management initiatives despite restructuring provisions recorded). The increase noted in other operating expenses was due to higher operating costs associated with the servicing and maintenance of ABM machines given increased customer usage in conjunction with higher marketing costs geared at sensitizing customers about our Customer Assistance Program, our various digital channels as well as our new mobile app in light of the pandemic. Other operating expenses also comprised one off expenditures totaling $247 million which were incurred directly as a result of the COVID-19 pandemic. Excluding COVID-19 expenses and restructuring provisions recorded, operating expenses would be down $309 million or 1.3% year over year.



Asset tax expenses, increased year over year by $63 million or 5.6% to $1.2 billion due to the increase in the Group's assets.

Our productivity ratio for the year was 56.31% compared to 53.34% recorded for the comparative period last year.

GROUP FINANCIAL CONDITION

ASSETS

The Group's asset base increased year over year by $7.3 billion to $556.3 billion as at October 31, 2020. This was predominantly as a result of the growth in our loan portfolio of $15.1 billion or 7.3%, and cash resources of $6.3 billion or 4.6% which was partially offset by a reduction in other assets of $13.4 billion or 19.4%.

Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $141.3 billion, increasing by $6.3 billion or 4.6% year over year. The increase noted was directly attributable to the growth in our core deposits, the proceeds from which, were used to fund loans granted during the year. The Group continues to maintain adequate liquidity levels to enable us to respond effectively to changes in our cash flow requirements.

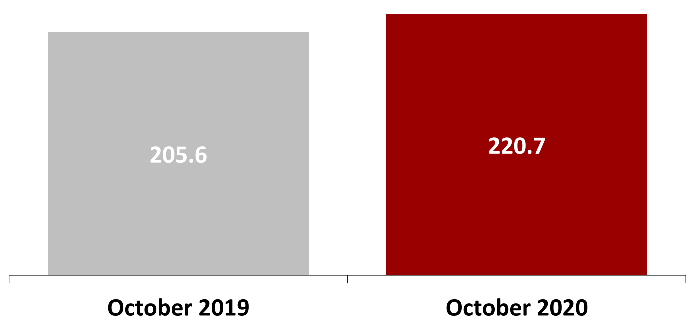
Securities

Total investment securities including pledged assets totaled $138.4 billion and showed a reduction of $635 million or 0.5%. This reduction was attributable to the sale and maturity of investment securities which was partially offset by an increase in pledged asset balances held in our investment company.

Loans

Our loan portfolio grew by $15.1 billion or 7.3% year over year, with loans after allowances for credit losses, increasing to $220.7 billion. We continue to see solid performance across our business lines year over year.

Loans (net of allowances for credit losses)
$Billions



Other Assets

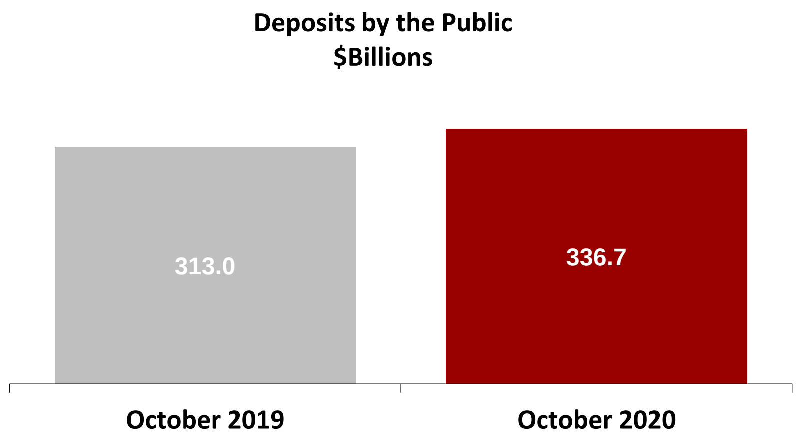
Other assets as at October 31, 2020 was $55.9 billion and showed a reduction of $13.4 billion or 19.4% given the decline in retirement benefit asset of $15.5 billion or 35.4% due to the lower fair value of the pension investment portfolio given the fall off in the equity market. This was partially offset by an increase in property plant and equipment of $2.7 billion or 46.9% from the recognition of right of use assets based on the adoption of IFRS 16 – Leases ($1.4 billion), coupled with an increase in building costs associated with the renovation of our head office.

LIABILITIES

Total liabilities were $445.5 billion as at October 31, 2020 and showed an increase over prior year of $14.6 billion or 3.4% driven mainly by increased customer deposits which was partially offset by the reduction in other liabilities and capital management fund balances.

Deposits

Deposits by the public increased to $336.7 billion, up from $313.0 billion in the previous year. This $23.7 billion or 7.6% growth in core deposits was reflected in higher inflows from our retail and commercial customers, signaling continued confidence in the strength of the Group.



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

Net obligations decreased by $1.1 billion or 5.6% over prior year. Our strategic focus continues to be geared towards growing our off-balance sheet business, namely, mutual funds and unit trusts. The increased liquidity needs of customers given the COVID-19 pandemic coupled with lower stock market valuation has resulted in the year over year reduction noted in our management portfolios of $7.2 billion or 3.9%.

Policyholders' Fund

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund stood at $45.3 billion as at October 2020 compared to $45.1 billion as at October 2019. Our Scotia Affirm product launched in 2014 has performed well, growing 34.5% year over year with a current net asset value of $909 million. The increase noted was attributable to our strong sales effort year over year despite the recent decline in the performance of the stock market.

Other Liabilities

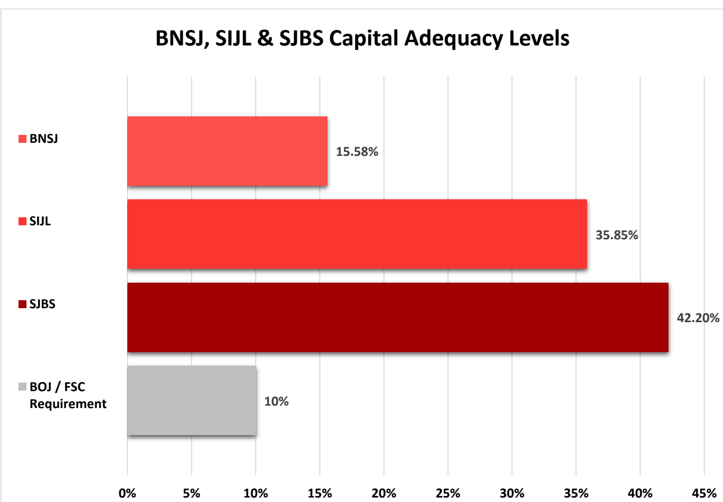
Other liabilities showed a reduction of $3.3 billion or 7.7% over prior year and totaled $39.7 billion as at October 2020. The reduction noted was attributable to the decline in deferred taxation of $6.0 billion or 46.2% due to the reduction in retirement benefit asset. This was partially offset by the recognition of lease liabilities with the adoption of IFRS 16 coupled with accrued dividends payable to shareholders owning greater than 1%.

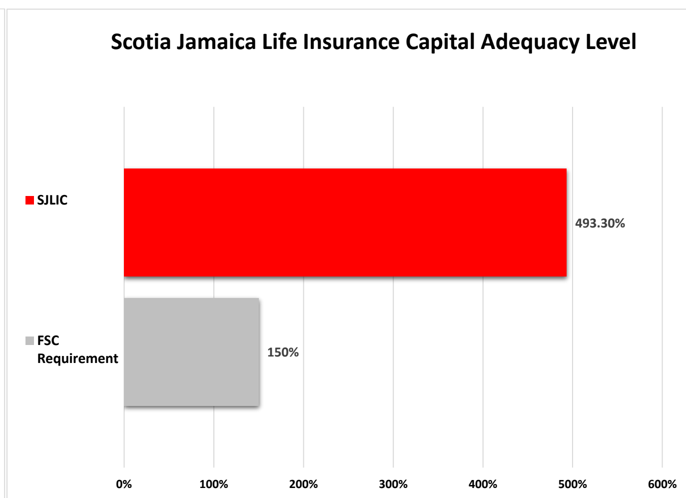
CAPITAL

Shareholders' equity available to common shareholders decreased to $110.8 billion, down $7.4 billion or 6.2% year over year. This was attributable primarily to the re-measurement of the defined benefit pension plan assets down $11.2 billion and dividends paid of $5.1 billion which was partially offset by internally generated profits of $9.1 billion.

We continue to exceed regulatory capital requirements in all our business lines, and our strong capital position also enables us to manage increased capital adequacy requirements in the future, and take advantage of growth opportunities.

Our regulatory capital adequacy levels versus the minimum requirement is shown below:





SCOTIABANK COMMITMENT TO THE COMMUNITY

Over the past quarter Scotiabank Jamaica deepened its commitment to a new phase of the COVID-19 recovery effort. $6.7 million was donated through the United Way of Jamaica to assist fifty (50) early childhood institutions in rural communities to acquire sanitation equipment and supplies as mandated by the Early Childhood Commission, in preparation for school re-opening. In addition, the schools identified will be provided with a printer and stationery supplies to produce worksheets for children while at home.

Scotiabank will also continue its support of the annual Christmas Kettle initiative led by the Salvation Army. A donation of $1 million will assist with year-end outreach programs to the less fortunate and marginalized communities in Jamaica.

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Consolidated Statement of Revenue and Expenses
Year ended October 31, 2020

($ Thousands)	For the three months ended			For the year ended	
	October 2020	July 2020	October 2019	October 2020	October 2019
Interest income	6,700,962	6,813,101	7,057,337	27,228,861	27,728,588
Interest expense	(552,885)	(585,031)	(631,511)	(2,371,257)	(2,609,532)
Net interest income	6,148,077	6,228,070	6,425,826	24,857,604	25,119,056
Expected credit losses	(590,445)	(2,586,966)	(671,998)	(5,845,181)	(2,595,985)
Net interest income after expected credit losses	5,557,632	3,641,104	5,753,828	19,012,423	22,523,071
Net fee and commission income	2,078,035	1,646,437	2,119,722	7,158,568	8,104,741
Insurance revenue	587,731	515,910	736,925	3,009,412	3,302,198
Net gains on foreign currency activities	1,546,378	1,747,443	1,711,570	6,845,381	6,953,520
Net gains on financial assets	403,485	247,243	345,799	940,873	1,477,020
Other revenue	1,192,067	19,760	9,444	1,230,755	220,891
	5,807,696	4,176,793	4,923,460	19,184,989	20,058,370
Total Operating Income	11,365,328	7,817,897	10,677,288	38,197,412	42,581,441
Operating Expenses					
Salaries and staff benefits	2,712,278	2,460,375	2,796,745	10,625,082	11,143,903
Property expenses, including depreciation	607,188	573,132	496,083	2,411,229	2,131,161
Amortisation of intangible assets	29,422	29,422	40,441	117,562	154,764
Asset tax	-	-	778	1,197,510	1,134,145
Other operating expenses	2,697,704	2,693,680	2,382,620	10,448,941	9,534,744
	6,046,592	5,756,609	5,716,667	24,800,324	24,098,717
Profit before taxation	5,318,736	2,061,288	4,960,621	13,397,088	18,482,724
Taxation	(1,830,575)	(515,031)	(1,558,147)	(4,345,041)	(5,292,670)
Profit for the year	3,488,161	1,546,257	3,402,474	9,052,047	13,190,054
Attributable to:-					
Equityholders of the Company	3,488,161	1,546,257	3,402,474	9,052,047	13,190,054
Earnings per share (cents)	112	50	109	291	424
Return on average equity (annualized)	12.64%	5.56%	11.62%	7.99%	11.25%
Return on assets (annualized)	2.51%	1.11%	2.47%	1.63%	2.40%
Productivity ratio	50.57%	55.33%	50.37%	56.31%	53.34%

Building for the Future

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Scotia Group Jamaica Limited

Consolidated Statement of Comprehensive Income
Year ended October 31, 2020

	For the three months ended			For the year ended	
($ Thousands)	October 2020	July 2020	October 2019	October 2020	October 2019
Profit for the year	3,488,161	1,546,257	3,402,474	9,052,047	13,190,054
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan / obligations	(3,163,745)	(4,511,967)	4,133,050	(16,843,301)	8,136,799
Taxation	1,054,583	1,503,989	(1,377,683)	5,614,435	(2,712,266)
	(2,109,162)	(3,007,978)	2,755,367	(11,228,866)	5,424,533
Items that may be subsequently reclassified to profit or loss:					
Unrealised (losses) / gains on investment securities	(222,401)	797,508	(319,517)	761,775	174,167
Realised gains on investment securities	(359,315)	-	(13,405)	(778,361)	(697,931)
Foreign currency translation	(6,280)	11,435	7,917	11,698	18,341
Expected credit losses on investment securities	(25,232)	(4,838)	(152,284)	(56,784)	(87,963)
	(613,228)	804,105	(477,289)	(61,672)	(593,386)
Taxation	196,984	(249,696)	142,325	14,177	82,589
	(416,244)	554,409	(334,964)	(47,495)	(510,797)
Other comprehensive income, net of tax	(2,525,406)	(2,453,569)	2,420,403	(11,276,361)	4,913,736
Total comprehensive income for the year	962,755	(907,312)	5,822,877	(2,224,314)	18,103,790

Building for the Future

Consolidated Statement of Financial Position
October 31, 2020

($ Thousands)	October 31, 2020	October 31, 2019
ASSETS		
CASH RESOURCES, NET OF ALLOWANCES	141,256,766	134,999,146
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	3,685,340	3,261,577
INVESTMENT SECURITIES	116,397,816	119,465,785
PLEDGED ASSETS	17,179,792	15,670,497
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	1,100,871	600,518
LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES	220,726,834	205,625,384
OTHER ASSETS		
Customers' liability under acceptances, guarantees and letters of credit, net of allowances	13,041,700	13,494,138
Property, plant and equipment, including right of use assets	8,558,323	5,827,844
Deferred taxation	149,744	117,518
Taxation recoverable	2,675,632	2,932,659
Retirement benefit asset	28,242,497	43,704,650
Other assets	2,597,940	2,516,305
Intangible assets	668,093	785,655
	55,933,929	69,378,769
TOTAL ASSETS	**556,281,348**	**549,001,676**
LIABILITIES		
Deposits by the public	336,660,438	312,968,147
Amounts due to banks and other financial institutions	4,713,140	9,476,875
	341,373,578	322,445,022
OTHER LIABILITIES		
Acceptances, guarantees and letters of credit	13,140,840	13,606,718
Capital management and government securities funds	19,157,775	20,291,757
Deferred taxation	7,037,160	13,082,092
Retirement benefit obligation	4,541,887	4,646,759
Other liabilities	14,974,858	11,675,209
	58,852,520	63,302,535
POLICYHOLDERS' LIABILITIES	45,299,616	45,140,043
STOCKHOLDERS' EQUITY		
Share capital	6,569,810	6,569,810
Reserve fund	3,249,976	3,249,976
Retained earnings reserve	45,891,770	45,891,770
Capital reserve	11,340	11,340
Loan loss reserve	220,791	2,304,057
Other reserves	9,964	9,964
Translation reserve	6,614	(5,084)
Cumulative remeasurement on investment securities	857,473	916,666
Unappropriated profits	53,937,896	59,165,577
	110,755,634	118,114,076
TOTAL EQUITY AND LIABILITIES	**556,281,348**	**549,001,676**

Director   Director

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Scotiabank

Scotia Group Jamaica Limited

Consolidated Statement of Changes in Shareholders' Equity
as at October 31, 2020

($ Thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Cumulative Remeasurement on Investment Securities	Loan Loss Reserve	Other Reserves	Translation Reserve	Unappropriated Profits	Total
Balance as at 31 October 2018	**6,569,810**	**3,249,976**	**37,891,770**	**11,340**	**1,902,761**	**2,377,843**	**9,964**	**(23,425)**	**63,657,691**	**115,647,730**
Cumulative effect of adopting IFRS 9	**-**	**-**	**-**	**-**	**(456,957)**	**-**	**-**	**-**	**(493,768)**	(950,725)
Balance as at 1 November 2018	**6,569,810**	**3,249,976**	**37,891,770**	**11,340**	**1,445,804**	**2,377,843**	**9,964**	**(23,425)**	**63,163,923**	**114,697,005**
Net Profit	-	-	-	-	-	-	-	-	13,190,054	13,190,054
Other Comprehensive Income										
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	-	5,424,533	5,424,533
Foreign Currency Translation	-	-	-	-	-	-	-	18,341	-	18,341
Unrealised losses on investment securities, net of taxes	-	-	-	-	(14,952)	-	-	-	-	(14,952)
Realised gains on investment securities, net of taxes	-	-	-	-	(514,186)	-	-	-	-	(514,186)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(529,138)**	**-**	**-**	**18,341**	**18,614,587**	**18,103,790**
Transfers between reserves										
Transfer to Retained Earnings Reserve	-	-	8,000,000	-	-	-	-	-	(8,000,000)	-
Transfer from Loan Loss Reserve	-	-	-	-	-	(73,786)	-	-	73,786	-
Dividends Paid	-	-	-	-	-	-	-	-	(14,686,719)	(14,686,719)
Balance as at 31 October 2019	**6,569,810**	**3,249,976**	**45,891,770**	**11,340**	**916,666**	**2,304,057**	**9,964**	**(5,084)**	**59,165,577**	**118,114,076**
Balance as at 31 October 2019	**6,569,810**	**3,249,976**	**45,891,770**	**11,340**	**916,666**	**2,304,057**	**9,964**	**(5,084)**	**59,165,577**	**118,114,076**
Net Profit	-	-	-	-	-	-	-	-	9,052,047	9,052,047
Other Comprehensive Income										
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	-	(11,228,866)	(11,228,866)
Foreign Currency Translation	-	-	-	-	-	-	-	11,698	-	11,698
Unrealised gains on investment securities, net of taxes and provisions	-	-	-	-	483,758	-	-	-	-	483,758
Realised gains on investment securities, net of taxes	-	-	-	-	(542,951)	-	-	-	-	(542,951)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(59,193)**	**-**	**-**	**11,698**	**(2,176,819)**	**(2,224,314)**
Transfers between reserves										
Transfer from Loan Loss Reserve	-	-	-	-	-	(2,083,266)	-	-	2,083,266	-
Dividends Paid	-	-	-	-	-	-	-	-	(5,134,128)	(5,134,128)
Balance as at 31 October 2020	**6,569,810**	**3,249,976**	**45,891,770**	**11,340**	**857,473**	**220,791**	**9,964**	**6,614**	**53,937,896**	**110,755,634**

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Condensed Statement of Consolidated Cash Flows
Year ended October 31, 2020

($ Thousands)	2020	2019
Cash flows provided by operating activities		
Profit for the period	9,052,047	13,190,054
Items not affecting cash:		
Depreciation and amortisation of right of use assets	952,515	553,190
Amortisation of intangible assets	117,562	154,764
Expected credit losses	6,470,352	3,312,660
Taxation	4,345,041	5,292,670
Net interest income	(24,857,604)	(25,119,056)
Gain on disposal of property	(3,083)	(185,933)
Increase in retirement benefit assets / obligations	(1,378,799)	(1,016,854)
Gain on extinquishment of debt	(1,177,215)	-
Impairment of intangible asset	-	21,495
	(6,479,184)	(3,797,010)
Changes in operating assets and liabilities		
Loans	(20,314,491)	(27,564,790)
Deposits	23,766,133	21,538,375
Policyholders reserve	159,573	(152,286)
Securities sold under repurchase agreement	-	(30,744)
Financial assets at fair value through profit and loss	(417,745)	(3,224,853)
Interest received	25,790,331	28,007,909
Interest paid	(2,394,409)	(2,650,888)
Taxation paid	(5,371,086)	(4,622,541)
Amounts with parent and fellow subsidiaries	(2,537,403)	(2,067,568)
Other	1,739,843	5,895,874
	13,941,562	11,331,478
Cash flows (used in) / provided by investing activities		
Investments and pledged assets	2,242,057	21,958,141
Lease payments on right of use asset	(200,109)	-
Purchase of property, plant, equipment and intangibles	(2,241,280)	(1,116,807)
Proceeds on sale of property, plant and equipment	3,455	225,604
	(195,877)	21,066,938
Cash flows used in financing activities		
Dividends paid	(5,134,128)	(14,686,719)
	(5,134,128)	(14,686,719)
Effect of exchange rate on cash and cash equivalents	3,432,427	4,884,146
Net change in cash and cash equivalents	12,043,984	22,595,843
Cash and cash equivalents at beginning of year	93,450,557	70,854,714
Cash and cash equivalents at end of year	**105,494,541**	**93,450,557**
Represented by :		
Cash resources, net of expected credit losses	141,256,766	134,999,229
Less statutory reserves at Bank of Jamaica	(28,679,603)	(31,929,945)
Less amounts due from other banks greater than ninety days	(8,562,221)	(9,457,244)
Expected credit losses on cash resources	2,272	15,558
Less accrued interest on cash resources	(4,255)	(51,025)
Pledged assets, t'bills and repurchase agreements assets less than ninety days	4,438,620	3,416,612
Cheques and other instruments in transit, net	(2,957,038)	(3,542,628)
Cash and cash equivalents at the end of the year	**105,494,541**	**93,450,557**

Building for the Future

Segmental Financial Information

October 31, 2020

($ Thousands)	Banking: Treasury	Banking: Retail	Banking: Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	7,178,348	20,787,801	8,175,855	2,872,033	4,512,206	516,350	-	44,042,593
Revenues from other segments	(932,591)	(25,415)	846,654	371,354	(112,389)	-	(147,613)	-
Total revenues	6,245,757	20,762,386	9,022,509	3,243,387	4,399,817	516,350	(147,613)	44,042,593
Expenses	(558,078)	(19,762,209)	(7,641,909)	(1,372,911)	(1,244,290)	(116,210)	50,102	(30,645,505)
Profit before tax	5,687,679	1,000,177	1,380,600	1,870,476	3,155,527	400,140	(97,511)	13,397,088
Taxation								(4,345,041)
Profit for the period								**9,052,047**
Segment assets	180,801,164	140,076,126	110,084,187	39,044,158	59,212,736	24,691,214	(28,142,178)	525,767,407
Unallocated assets								30,513,941
Total assets								**556,281,348**
Net interest income								
Segment liabilities	-	188,565,747	175,781,648	29,251,277	45,963,939	1,418,550	(15,245,993)	425,735,168
Unallocated liabilities								19,790,546
Total liabilities								**445,525,714**
Other Segment items:								
Capital expenditure	-	922,263	1,307,058	8,386	3,573	-	-	2,241,280
Expected credit losses	(39,632)	5,832,486	103,920	(20,957)	(30,636)	-	-	5,845,181
Depreciation and amortisation	5,558	607,860	308,883	133,501	14,275	-	-	1,070,077

Scotiabank
Scotia Group Jamaica Limited

Segmental Financial Information

October 31, 2019

($ Thousands)	Banking: Treasury	Banking: Retail	Banking: Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	8,213,330	18,855,698	8,007,098	3,465,535	5,093,087	1,542,678	-	45,177,426
Revenues from other segments	(1,785,412)	376,270	1,181,670	208,414	70,405	-	(51,347)	-
Total revenues	6,427,918	19,231,968	9,188,768	3,673,949	5,163,492	1,542,678	(51,347)	45,177,426
Expenses	(565,924)	(15,628,961)	(7,778,226)	(1,394,360)	(1,191,925)	(46,816)	(88,490)	(26,694,702)
Profit before tax	5,861,994	3,603,007	1,410,542	2,279,589	3,971,567	1,495,862	(139,837)	18,482,724
Taxation								(5,292,670)
Profit for the period								**13,190,054**
Segment assets	178,939,016	136,534,750	91,298,678	37,288,657	58,530,404	24,347,436	(23,999,248)	502,939,693
Unallocated assets								46,061,983
Total assets								**549,001,676**
Segment liabilities	-	171,369,564	173,205,216	27,951,890	46,001,589	81,918	(11,200,574)	407,409,603
Unallocated liabilities								23,477,997
Total liabilities								**430,887,600**
Other Segment items:								
Capital expenditure	-	678,606	429,768	8,433	-	-	-	1,116,807
Expected credit losses	(64,372)	2,251,332	441,007	8,752	(40,734)	-	-	2,595,985
Depreciation and amortisation	-	376,070	190,902	137,588	3,394	-	-	707,954

Building for the Future

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2020

1. Identification

Scotia Group Jamaica Limited (the Company) 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 Company is the parent of The Bank of Nova Scotia Jamaica Limited (100%) and Scotia Investments Jamaica Limited (100%). All subsidiaries are incorporated in Jamaica, except for Scotia Asset Management (St. Lucia) Inc.

2. Significant accounting policies

(a) Basis of presentation

Statement of compliance

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual audited consolidated financial statements for the year ended October 31, 2019, which was prepared in accordance with International Financial Reporting Standards (IFRS).

Functional and presentation currency

The condensed interim consolidated financial statements are presented in Jamaican dollars, which is the Group's functional currency. All financial information has been expressed in thousands of Jamaican dollars unless otherwise stated.

New, revised and amended standards

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

(i) IFRS 16, Leases

The Group adopted IFRS 16, "Leases" effective November 1, 2019. The standard replaces the existing guidance on leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease, SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". The classification required under IAS 17 into operating or finance leases has been eliminated, and for each lease, lessees are now required to recognize a right of use asset and a lease liability for future lease obligations. Optional exemptions for short term leases and low value assets can also be applied by lessees on adoption. For lessors, the accounting treatment remains largely unchanged with minor differences.

The Group has adopted IFRS 16 using the modified retrospective approach and recognized in its consolidated statement of financial performance as at November 1, 2019, right of use assets ($1.4 billion) and lease liabilities ($1.4 billion).

2. Significant accounting policies (continued)

(b) Basis of consolidation

The consolidated financial statements include the assets, liabilities, and results of operations of the Company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances, and unrealized gains and losses are eliminated in preparing the consolidated financial statements.

3. Critical accounting estimates and judgements

The preparation of financial statements, in conformity with IFRS requires management to make estimates, apply judgements and make assumptions that affect the reported amount of and disclosures relating to assets, liabilities, income and expenses at the date of the condensed interim consolidated financial statements. 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.

4. Financial Assets

Financial assets include both debt and equity instruments.

Classification and measurement

Debt instruments

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

- Amortized cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL);

Classification of debt instruments is determined based on the business model under which the asset is held and the contractual cash flow characteristics of the instrument.

Equity instruments

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase.

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. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

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. This impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

4. Financial Assets (continued)
Allowance for expected credit losses (continued)

Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months.

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.

The Bank revised its allowance for credit losses (ACL) methodology in Q1 2020, by adding an additional, pessimistic forward-looking scenario. In prior periods, the Bank determined its ACL using three probability-weighted forward-looking scenarios. The base case represents the most likely outcome and the other scenarios represent more optimistic and pessimistic outcomes, to which probabilities are assigned. The addition of this scenario resulted in an increase in ACL of $408 million (one time impact) in Q1 2020.

5. Pledged Assets

Assets are pledged to other financial institutions, regulators, and the clearing house as collateral under repurchase agreements with counterparties.

($ Millions)	2020	2019
Capital Management and Government Securities funds	15,350	14,003
Securities with regulators, clearing houses and other financial institutions	1,830	1,667
	17,180	15,670

6. Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. 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 is at least 10% more than the benefits payable if the insured event did not occur.

7. Property, plant and equipment including right of use assets

All property, plant and equipment are stated at cost less accumulated depreciation.

The Group recognizes a right of use asset and a lease liability at the commencement of the lease. The right of use asset is initially measured based on the present value of the lease payments.

8. 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.

9. Employee benefits

The Group operates both defined benefit and defined contribution pension plans. The assets of the plans are held in separate trustee-administered funds. The pension plans are funded by contributions from employees and by the relevant group companies, taking into account the recommendations of qualified actuaries.

(i) Defined Benefit Plan

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the reporting date and the fair value of plan assets.

Where a pension asset arises, the amount recognized 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. Re-measurements comprising actuarial gains and losses, return on plan assets and change in the effect of asset ceiling are reported in other comprehensive income. The pension obligation is measured as the present value of the estimated future benefits of employees, in return for service in the current and prior periods, using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

(ii) Other post-retirement obligations

The Group also provides supplementary health care and 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.

(iii) Defined contribution plan

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

10. Segment reporting

The Group is organized into six main business segments:

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

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefits asset and obligation and borrowings. Eliminations comprise intercompany transactions and balances. The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas represent less than 10% of the Group's operating revenue and assets.