Scotiabank

MEDIA RELEASE

June 10, 2020

SCOTIA GROUP JAMAICA REPORTS SECOND QUARTER OF FISCAL 2020 RESULTS

Scotia Group reports net income of $4.02 billion for the six months ended April 30, 2020 compared to $5.62 billion for the corresponding period last year. Excluding additional provisions recorded of $1.11 billion due to the revision of our forward looking indicators and macroeconomic assumptions given the current global pandemic, coupled with the adoption of a more prudent approach in determining expected credit losses, net income would be down $488 million or 8.7%.

Today, the Board of Directors approved an interim dividend of 45 cents per stock unit in respect of the second quarter, which is payable on July 22, 2020 to stockholders on record as at June 30, 2020. Consequent to guidance issued by the Regulator, the payment of dividends shall be limited to Shareholders that own less than 1% of the Group's shares. The Company has obtained agreement and consent from all Shareholders that own 1% or more of the Group's shares with respect to the deferral of payment of this dividend declaration until such appropriate time to be determined in consultation with the Regulator.

Financial Highlights

	6 months ended 30-Apr-20 $millions	6 months ended 30-Apr-19 $millions
Total revenues	21,682	22,091
Total operating expenses	12,997	12,744
Net profit after tax	4,018	5,615
Return on equity	6.88%	9.61%
Productivity ratio	59.94%	57.69%
Operating leverage	(3.8%)	(11.7%)
Earnings per share (cents)	129	180
	30-Apr-20 $millions	**30-Apr-19 $millions**
Total assets	551,951	544,470
Investments	166,789	156,437
Loans (net of allowances for credit losses)	223,106	189,396
Deposits by the public	324,391	307,075
Liabilities under repurchase agreements and other client obligations	19,969	21,755
Policyholders' fund	44,935	45,143
Stockholders' equity	112,412	119,787

President and Chief Executive Officer of Scotia Group Jamaica, David Noel, commented "This quarter's performance is against the backdrop of the COVID-19 pandemic which has had a significant impact on economies across the globe. We have made numerous proactive adjustments to our operations in order to:

- Safeguard the health of our customers and employees which included the implementation of physical distancing protocols for staff and customers at all locations, enhanced cleaning of branches and ABMs, provision of personal, protective equipment for employees, installation of partitions in all branch transaction areas, and the enhancement of digital channels and ABMs.
- Support customers negatively affected by the pandemic with appropriate financial solutions.
- Leverage digital technology to ensure business continuity and to maintain service to customers.

Despite the challenges that occurred in the past few months, we maintained strong growth in our total loan portfolio which increased by $33.7 billion or 18% year over year. This was primarily attributed to 28% growth in our commercial loan book which continues to maintain high credit quality with delinquency of only 0.8%. We have also seen strong growth in the retail loan portfolio which increased by 11% versus prior year. Our retail performance included a 14% increase in mortgages which has been growing steadily over several quarters and ascribes a lower risk than other loan segments. The biggest impact on overall business performance, however, was the increase in provision for credit losses of $1.33 billion. This increase is not a reflection of actual losses but an increase in the provisions for future losses as a result of the economic slowdown caused by the COVID-19 pandemic and the potential impact on loan loss levels.

COVID-19 Response and Digital Transformation

As we move into the second half of our financial year, we will continue to prioritize the health, safety and financial well-being of our customers and ensure that we have adequate business continuity measures in place to serve them.

The Group also developed a comprehensive Customer Assistance Programme (CAP) that allowed customers affected by the crisis to defer loan payments and insurance premiums for 3 months. Customers still in need of financial support can contact us for further assistance and we are committed to finding solutions to assist them including debt consolidation or changes to their loan terms. Loan restructuring arrangements are also available for our business banking customers. We believe these measures will significantly help our customers to manage through the financial impact the COVID-19 pandemic has created across multiple industries.

We will be maintaining focus on our digital transformation strategy which has become even more critical at this time. The significant investments made in our digital capabilities over the past 3 years have not only created convenience for our customers but also promoted health and safety by allowing them to continue to conduct their transactions remotely in light of the serious health risks associated with the pandemic. Digital banking allows customers to conduct most routine banking transactions, including transferring funds, paying bills and monitoring account activity remotely. Our investment in technology has also enabled our business continuity plans which facilitated working from home for hundreds of our employees. In March, we upgraded our ATMs to facilitate faster credit card and loan payments. In addition, we launched our upgraded mobile banking application. Feedback in regards to the new app has been highly positive as it not only offers a superior user experience but also enhanced security features. To ensure that all customers can easily access the new app, we recently finalized arrangements with another telecommunications provider to give free access to the mobile banking app. As a result, all mobile customers on any local network in Jamaica can now access the Scotia app with no charges to their data plans. We believe this initiative gives real value to our customers. We will continue to invest in digital technology which will be even more critical to our business in the future as we enable our customers to transact more conveniently and efficiently.

Our strong risk framework and governance will allow us to support our customers and adequately manage our operations through the current economic downturn. Scotia Group maintains strong capital adequacy levels that are significantly higher than regulatory requirements. We will continue to monitor our capital and liquidity levels throughout this pandemic and we are well positioned to take advantage of the growth opportunities that we believe will return when the crisis ends.

I would like to thank our dedicated, hardworking team of Scotiabankers who have worked tirelessly to support our customers over the past several weeks. I would also like to thank our customers for their understanding as we made a number of necessary changes to keep them and our employees safe. Thank you to our shareholders for their continued confidence in us as we execute on our strategic agenda to build a bank for every future."

GROUP FINANCIAL PERFORMANCE

TOTAL REVENUES

Total revenues excluding expected credit losses for the six months ended April 30, 2020 was $21.7 billion and showed a reduction of $409 million or 1.9% when compared to 2019. The Group continues to see strong loan growth across all business lines. The results however, were largely driven by lower net fee and commission income given the reduction in transaction volumes (stemming from the COVID-19 pandemic) coupled with the continued execution of the Group's digital adoption strategy geared towards increasing customer usage of our various electronic channels which attract lower fees.

Net interest income after expected credit losses for the six month period was $9.8 billion, down $1.1 billion or 10% when compared to the previous year and was primarily attributable to the increase in expected credit losses of $1.1 billion given revised assumptions incorporated in our impairment methodology as a result of the COVID-19 pandemic.

We achieved revenue growth in most of our business lines:

Retail (+2.5%) - Retail revenues grew by $246 million or 2.6% due to strong loan growth in our Scotia plan loan (up 10%) and mortgage (up 14%) portfolios, contributing positively to the year over year increase noted in interest income which was partially offset by the reduction in fee and commission income owing to lower transaction volumes stemming from the global pandemic.

Of note, expected credit losses included in expenses were up $1.5 billion due to the revised assumptions incorporated in impairment model as a result of the pandemic which predominantly affected the retail segment.

Commercial (-7.7%) - Despite strong loan growth in our commercial portfolio (up 28%) which contributed positively to the year over year increase noted in interest income, commercial revenues declined by $365 million or 7.7% and was attributable to the decrease in fee and commission income owing to lower transaction volumes stemming from the global pandemic.

Investment Management (-12.5%) – Results impacted by lower yields earned on investments and deposits coupled with a decline in the net asset value of the managed funds stemming from the pandemic which was partially offset by the year over year increase in management fees earned.

Insurance Services (+3.5%) – Growth in premium income for product lines offered by Scotia Insurance, increased actuarial reserve releases from changes in valuation assumptions, and increased trading gains on financial assets.

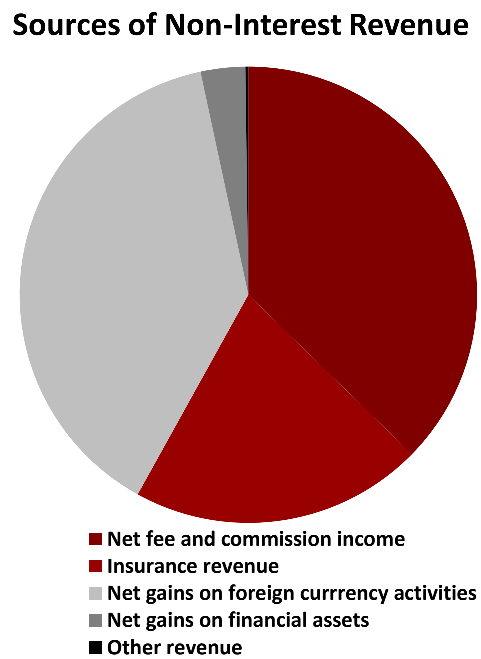
Treasury (+12.1%) – Continued foreign exchange trading coordination efforts among the various channels, despite lower yields earned on the investment portfolio.

OTHER REVENUE

Other income, defined as all income other than interest income, declined by $650 million or 6.6%.

- Net fee and commission income amounted to $3.4 billion and showed a decline of $665 million or 16.24%. The Group's fee and commission revenues reduced year over year owing 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.

- Insurance revenues increased marginally by $96.8 million or 5.4% to $1.9 billion due mainly to higher actuarial reserve releases coupled with the year over year growth in premium income.



- Net gains on foreign currency activities and financial assets amounted to $3.8 billion, showing an increase of $103 million above prior year owing to increased trading activities despite lower revaluation gains.

CREDIT QUALITY

Expected credit losses for the period showed an increase of $1.3 billion when compared to Q2 2019. This was mainly driven by additional provisions recorded based on revised assumptions incorporated in the impairment methodology given the COVID-19 pandemic. Despite the increase in provisions our credit quality remains strong and in line with industry average.

Non-accrual loans (NALs) as at April 30, 2020 totaled $5.0 billion compared to $3.5 billion last year. The Group's NALs represent 2.2% of gross loans up from 1.9% last year, and represent 0.9% of total assets.

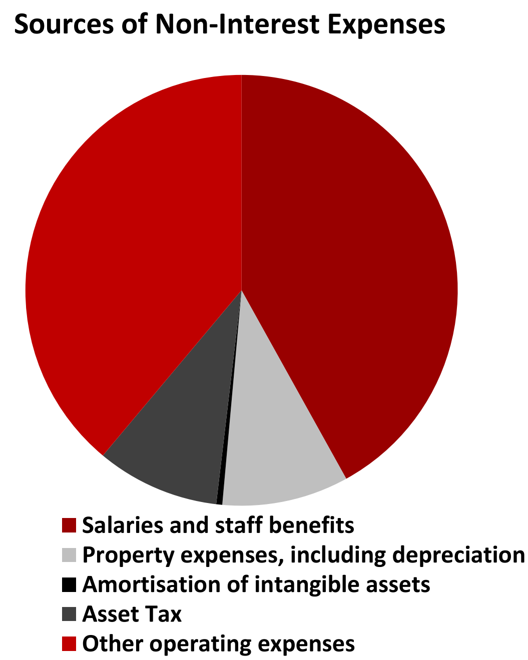
The Group's aggregate expected credit losses for loans as at April 30, 2020 was $5.8 billion, representing over 100% coverage of total non-performing loans.

OPERATING EXPENSES AND PRODUCTIVITY

Operating expenses amounted to $13 billion for the period showing a year over year increase of $253 million or 2.0%. This was due to the increase in other operating expenses of $169 million and property expenses of $161 million which was partially offset by the reduction in salaries and staff benefit costs of $123 million or 2.2% based on continued expense management initiatives. The increase noted in other operating expenses was attributable to additional expenses incurred in relation to the pandemic coupled with timing of expense payments. The Group continues to see a reduction in fraud losses based on enhanced security measures implemented.

Asset tax expenses, increased year over year by $64 million or 5.7% to $1.2 billion due to the increase in the Group's assets.

Our productivity ratio for the period was 59.94% compared to 57.69% recorded for the comparative period last year.



GROUP FINANCIAL CONDITION

ASSETS

The Group's asset base increased year over year by $7.5 billion to $552 billion as at April 30, 2020. This was predominantly as a result of the growth in our loan portfolio of $33.7 billion or 17.8% and our investment portfolio of $10.4 billion or 6.6% which was partially offset by a reduction in our cash resources of $41.4 billion or 31.1%.

Cash Resources

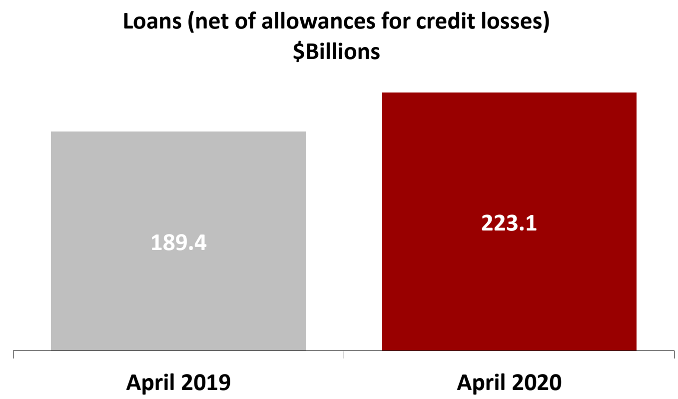
Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $92 billion, declining by $41.4 billion or 31.1% year over year. Cash resources available were used to purchase investment securities and fund loans granted during the period. The Group continues 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, increased by $10.4 billion or 6.6% to $166.8 billion due mainly to the purchase of additional securities which was partially offset by lower pledged asset balances held in our investment company.

Loans

Our loan portfolio grew by $33.7 billion or 17.8% year over year, with loans after allowances for credit losses, increasing to $223.1 billion. We continue to see solid performance across our business lines quarter over quarter and year over year.

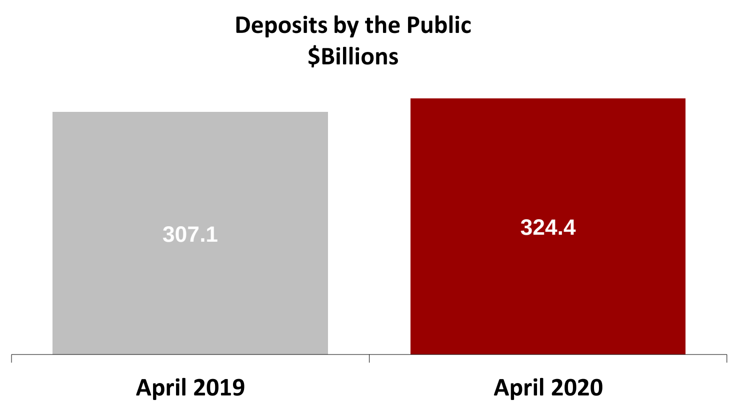


LIABILITIES

Total liabilities were $439.5 billion as at April 30, 2020 and showed an increase over prior year of $14.9 billion driven mainly by increased customer deposits and other liabilities which was offset by the reduction in our capital management fund and deferred taxes.

Deposits

Deposits by the public increased to $324.4 billion, up from $307.1 billion in the previous year. This $17.3 billion or 5.6% 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

The obligations (net) decreased by $1.8 billion or 8.2% compared to the prior year. Our strategic focus is to grow our off-balance sheet business, namely, mutual funds and unit trusts. Despite being impacted by increased liquidity needs of customers given the COVID-19 pandemic and the decline in the stock market our asset management portfolios grew by $503 million or 0.3% year over year.

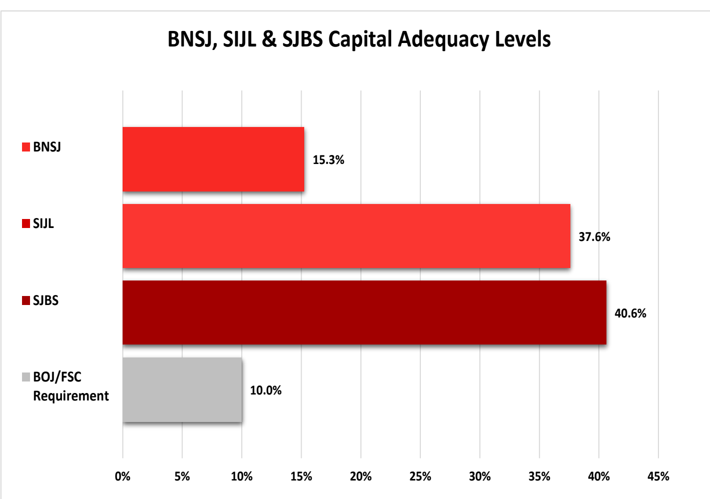
Policyholders' Fund

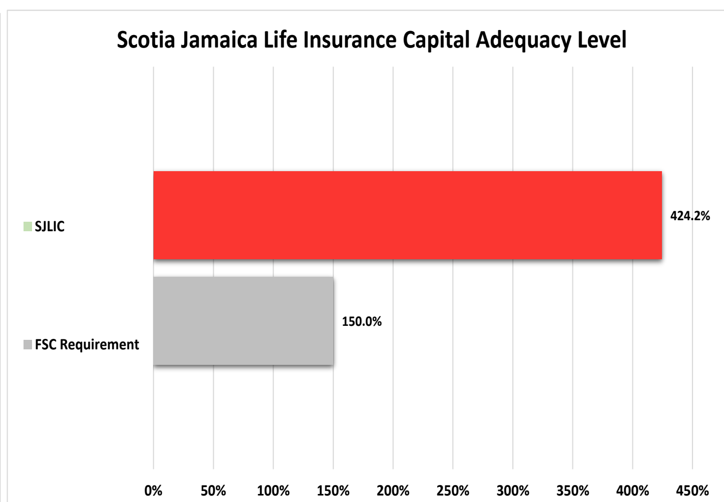
The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund stood at $44.9 billion as at April 2020 compared to $45.1 billion as at April 2019. Our Scotia Affirm product launched in 2014 has performed exceptionally well, growing 38.8% year over year with a current net asset value of $797.9 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.

CAPITAL

Shareholders' equity available to common shareholders declined to $112.4 billion, down $7.4 billion or 6.2% year over year. Internally generated profits for the period was offset by the reduction in the pension asset owing to the performance of the stock market coupled with the reduction in the applicable discount rate used in calculating pension liabilities. 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 minimum requirement is shown below:





SCOTIABANK COMMITMENT TO THE COMMUNITY

COVID-19 is a global pandemic unlike any most of us have witnessed in our lifetime. Throughout our 130 year history, Scotiabank has always supported our communities through challenging times and we will continue to do so.

The current crisis has created significant changes throughout the world and impacted every segment of our society. The Government of Jamaica quickly implemented several measures to contain the spread of the virus including the closure of all schools. In March, Scotiabank also halted all youth sponsorships and events indefinitely. This included all events associated with our Concacaf Next Play sponsorship. School closures also meant that our Nutrition for Learning programme activities were put on hold.

Our focus shifted towards addressing the more pressing need to bolster our health care system in order to withstand the increasing demand for critical care services. The Scotia Group responded to the call from the government and joined other members of the Private Sector Organization of Jamaica to purchase ventilators for hospitals designated to treat patients with the corona virus. A donation of J$15 million was made towards the purchase of ventilators earmarked for the University Hospital of the West Indies.

The Foundation will continue to assist with initiatives to address health and social challenges as we support our communities through this crisis.

Consolidated Statement of Revenue and Expenses
Period ended April 30, 2020

	For the three months ended			For the period ended	
Unaudited ($ Thousands)	April 2020	January 2020	April 2019	April 2020	April 2019
Interest income	6,919,857	6,794,941	6,694,785	13,714,798	13,575,897
Interest expense	(605,421)	(627,921)	(649,370)	(1,233,342)	(1,334,979)
Net interest income	6,314,436	6,167,020	6,045,415	12,481,456	12,240,918
Expected credit losses	(1,772,901)	(894,869)	(487,350)	(2,667,770)	(1,341,677)
Net interest income after expected credit losses	4,541,535	5,272,151	5,558,065	9,813,686	10,899,241
Net fee and commission income	1,420,429	2,013,668	2,045,388	3,434,097	4,099,449
Insurance revenue	848,547	1,057,223	787,550	1,905,770	1,808,953
Net gains on foreign currency activities	1,840,418	1,711,142	1,329,472	3,551,560	3,370,066
Net gains on financial assets	174,887	115,258	186,199	290,145	369,105
Other revenue	9,427	9,501	192,589	18,928	202,558
	4,293,708	4,906,792	4,541,198	9,200,500	9,850,131
Total Operating Income	8,835,243	10,178,943	10,099,263	19,014,186	20,749,372
Operating Expenses					
Salaries and staff benefits	2,696,650	2,755,779	2,707,871	5,452,429	5,575,385
Property expenses, including depreciation	670,061	560,848	542,117	1,230,909	1,069,783
Amortisation of intangible assets	29,333	29,385	38,492	58,718	76,898
Asset tax	(41,824)	1,239,334	(55,066)	1,197,510	1,133,367
Other operating expenses	2,527,767	2,529,790	2,174,053	5,057,557	4,888,120
	5,881,987	7,115,136	5,407,467	12,997,123	12,743,553
Profit before taxation	2,953,256	3,063,807	4,691,796	6,017,063	8,005,819
Taxation	(719,339)	(1,280,096)	(1,401,646)	(1,999,435)	(2,391,149)
Profit for the period	2,233,917	1,783,711	3,290,150	4,017,628	5,614,670
Attributable to:-					
Equityholders of the Company	2,233,917	1,783,711	3,290,150	4,017,628	5,614,670
Earnings per share (cents)	72	57	106	129	180
Return on average equity (annualized)	7.70%	6.00%	11.21%	6.88%	9.61%
Return on assets (annualized)	1.62%	1.28%	2.42%	1.46%	2.06%
Productivity ratio	55.45%	64.25%	51.08%	59.94%	57.69%

Consolidated Statement of Comprehensive Income
Period ended April 30, 2020

	For the three months ended			For the period ended	
Unaudited ($ Thousands)	April 2020	January 2020	April 2019	April 2020	April 2019
Profit for the period	2,233,917	1,783,711	3,290,150	4,017,628	5,614,670
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan / obligations	(11,353,727)	2,186,138	4,542,420	(9,167,589)	3,996,578
Taxation	3,784,576	(728,713)	(1,514,140)	3,055,863	(1,332,193)
	(7,569,151)	1,457,425	3,028,280	(6,111,726)	2,664,385
Items that may be subsequently reclassified to profit or loss:					
Unrealised gains on investment securities	48,930	137,738	70,210	186,668	188,694
Realised (gains) / losses on investment securities	(420,442)	1,396	(40,884)	(419,046)	(160,267)
Foreign currency translation	4,909	1,634	(2,318)	6,543	6,714
Expected credit losses on investment securities	13,537	(40,251)	22,043	(26,714)	22,043
	(353,066)	100,517	49,051	(252,549)	57,184
Taxation	101,451	(34,564)	(25,896)	66,888	(91,952)
	(251,615)	65,953	23,155	(185,661)	(34,768)
Other comprehensive income, net of tax	(7,820,766)	1,523,378	3,051,435	(6,297,387)	2,629,617
Total comprehensive income for the period	(5,586,849)	3,307,089	6,341,585	(2,279,759)	8,244,287

Scotiabank
Scotia Group Jamaica Limited

Consolidated Statement of Financial Position
April 30, 2020

Unaudited	April 30, 2020	October 31, 2019	April 30, 2019
($ Thousands)			
ASSETS			
CASH RESOURCES, NET OF ALLOWANCES	91,960,201	134,999,146	133,385,196
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	3,602,654	3,261,577	3,162,451
INVESTMENT SECURITIES	145,069,758	119,465,785	133,071,770
PLEDGED ASSETS	18,116,248	15,670,497	19,302,590
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	-	600,518	900,578
LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES	223,106,088	205,625,384	189,396,391
OTHER ASSETS			
Customers' liability under acceptances, guarantees and letters of credit, net of allowances	12,985,427	13,494,138	13,641,216
Property, plant and equipment, including right of use assets	7,339,895	5,827,844	5,315,351
Deferred taxation	364,861	117,518	68,731
Taxation recoverable	2,633,049	2,932,659	3,649,553
Retirement benefit asset	35,454,014	43,704,650	38,895,729
Other assets	10,592,338	2,516,305	2,795,812
Intangible assets	726,937	785,655	885,016
	70,096,521	69,378,769	65,251,408
TOTAL ASSETS	**551,951,470**	**549,001,676**	**544,470,384**
LIABILITIES			
Deposits by the public	324,391,260	312,968,147	307,074,923
Amounts due to banks and other financial institutions	9,513,485	9,476,875	9,838,353
	333,904,745	322,445,022	316,913,276
OTHER LIABILITIES			
Acceptances, guarantees and letters of credit	13,098,797	13,606,718	13,744,071
Capital management and government securities funds	19,969,303	20,291,757	21,754,913
Deferred taxation	9,897,342	13,082,092	11,427,913
Retirement benefit obligation	4,816,506	4,646,759	4,548,526
Other liabilities	12,918,280	11,675,209	11,151,913
	60,700,228	63,302,535	62,627,336
POLICYHOLDERS' LIABILITIES	44,934,932	45,140,043	45,143,045
STOCKHOLDERS' EQUITY			
Share capital	6,569,810	6,569,810	6,569,810
Reserve fund	3,249,976	3,249,976	3,249,976
Retained earnings reserve	44,891,770	45,891,770	41,891,770
Capital reserve	11,340	11,340	11,340
Loan loss reserve	200,946	2,304,057	1,752,030
Other reserves	9,964	9,964	9,964
Translation reserve	1,459	(5,084)	(16,711)
Cumulative remeasurement on investment securities	724,462	916,666	1,423,582
Unappropriated profits	56,751,838	59,165,577	64,894,966
	112,411,565	118,114,076	119,786,727
TOTAL EQUITY AND LIABILITIES	**551,951,470**	**549,001,676**	**544,470,384**

Director

Director

Building for the Future

Consolidated Statement of Changes in Shareholders' Equity
as at April 30, 2020

Unaudited ($ 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	-	-	-	-	(437,697)	-	-	-	(493,768)	(931,465)
Balance as at 1 November 2018	**6,569,810**	**3,249,976**	**37,891,770**	**11,340**	**1,465,064**	**2,377,843**	**9,964**	**(23,425)**	**63,163,923**	**114,716,265**
Net Profit	-	-	-	-	-	-	-	-	5,614,670	5,614,670
Other Comprehensive Income										
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	-	2,664,385	2,664,385
Foreign Currency Translation	-	-	-	-	-	-	-	6,714	-	6,714
Unrealised gains on investment securities, net of taxes	-	-	-	-	75,915	-	-	-	-	75,915
Realised gains on investment securities, net of taxes	-	-	-	-	(117,397)	-	-	-	-	(117,397)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(41,482)**	**-**	**-**	**6,714**	**8,279,055**	**8,244,287**
Transfers between reserves										
Transfer to Retained Earnings Reserve	-	-	4,000,000	-	-	-	-	-	(4,000,000)	-
Transfer from Loan Loss Reserve	-	-	-	-	-	(625,813)	-	-	625,813	-
Dividends Paid	-	-	-	-	-	-	-	-	(3,173,825)	(3,173,825)
Balance as at 30 April 2019	**6,569,810**	**3,249,976**	**41,891,770**	**11,340**	**1,423,582**	**1,752,030**	**9,964**	**(16,711)**	**64,894,966**	**119,786,727**
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	-	-	-	-	-	-	-	-	4,017,628	4,017,628
Other Comprehensive Income										
Re-measurement of defined benefit plan/obligations	-	-	-	-	-	-	-	-	(6,111,726)	(6,111,726)
Foreign Currency Translation	-	-	-	-	-	-	-	6,543	-	6,543
Unrealised gains on investment securities, net of taxes and provisions	-	-	-	-	112,552	-	-	-	-	112,552
Realised gains on investment securities, net of taxes	-	-	-	-	(304,756)	-	-	-	-	(304,756)
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(192,204)**	**-**	**-**	**6,543**	**(2,094,098)**	**(2,279,759)**
Transfers between reserves										
Transfer from Retained Earnings Reserve	-	-	(1,000,000)	-	-	-	-	-	1,000,000	-
Transfer from Loan Loss Reserve	-	-	-	-	-	(2,103,111)	-	-	2,103,111	-
Dividends Paid	-	-	-	-	-	-	-	-	(3,422,752)	(3,422,752)
Balance as at 30 April 2020	**6,569,810**	**3,249,976**	**44,891,770**	**11,340**	**724,462**	**200,946**	**9,964**	**1,459**	**56,751,838**	**112,411,565**

Condensed Statement of Consolidated Cash Flows
Period ended April 30, 2020

Unaudited **($ Thousands)**	**2020**	**2019**
Cash flows (used in) / provided by operating activities		
Profit for the period	4,017,628	5,614,670
Items not affecting cash:		
Depreciation and amortisation of right of use assets	531,462	267,571
Expected credit losses	2,667,770	1,341,677
Amortisation of intangible assets	58,717	76,898
Taxation	1,999,435	2,391,149
Net interest income	(12,481,456)	(12,240,918)
Gain on disposal of property	(190)	(185,239)
	(3,206,634)	(2,734,192)
Changes in operating assets and liabilities		
Loans	(19,695,882)	(8,891,007)
Deposits	11,110,936	17,104,131
Policyholders reserve	(205,111)	(149,284)
Securities sold under repurchase agreement	-	(31,384)
Financial assets at fair value through profit and loss	(336,215)	(3,133,616)
Interest received	13,135,170	13,488,889
Interest paid	(1,238,910)	(1,366,309)
Taxation paid	(2,764,295)	(2,151,548)
Amounts with parent and fellow subsidiaries	54,731	(3,230,175)
Other	(9,352,648)	1,143,240
	(12,498,858)	10,048,745
Cash flows (used in) / provided by investing activities		
Investments and pledged assets	(26,926,570)	6,929,903
Lease payments on right of use asset	(97,126)	-
Purchase of property, plant, equipment and intangibles	(646,999)	(318,695)
Proceeds on sale of property, plant and equipment	505	224,909
	(27,670,190)	6,836,117
Cash flows used in financing activities		
Dividends paid	(3,422,752)	(3,173,825)
	(3,422,752)	(3,173,825)
Effect of exchange rate on cash and cash equivalents	1,015,531	2,539,071
Net change in cash and cash equivalents	(42,576,269)	16,250,108
Cash and cash equivalents at beginning of year	93,450,473	70,854,714
Cash and cash equivalents at end of period	**50,874,204**	**87,104,822**
Represented by :		
Cash resources, net of expected credit losses	91,960,201	133,385,196
Less statutory reserves at Bank of Jamaica	(33,536,949)	(35,644,411)
Less amounts due from other banks greater than ninety days	(8,386,982)	(12,964,926)
Expected credit losses on cash resources	3,254	23,072
Less accrued interest on cash resources	(11,262)	(95,193)
Pledged assets, t'bills and repurchase agreements assets less than ninety days	4,052,383	5,371,601
Cheques and other instruments in transit, net	(3,206,441)	(2,970,517)
Cash and cash equivalents at the end of the period	**50,874,204**	**87,104,822**

Segmental Financial Information

April 30, 2020

Unaudited ($ Thousands)	Banking: Treasury	Banking: Retail	Banking: Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	3,702,882	9,852,725	3,829,168	1,229,613	2,748,022	319,546	-	21,681,956
Revenues from other segments	(639,706)	11,433	553,498	144,784	(77,559)	-	7,550	-
Total revenues	3,063,176	9,864,158	4,382,666	1,374,397	2,670,463	319,546	7,550	21,681,956
Expenses	(489,697)	(9,874,690)	(3,792,503)	(747,339)	(652,744)	(63,674)	(44,246)	(15,664,893)
Profit before tax	2,573,479	(10,532)	590,163	627,058	2,017,719	255,872	(36,696)	6,017,063
Taxation								(1,999,435)
Profit for the period								**4,017,628**
Segment assets	163,902,026	142,569,417	106,098,530	36,412,966	58,662,939	23,101,540	(23,987,258)	506,760,160
Unallocated assets								45,191,310
Total assets								**551,951,470**
Net interest income								
Segment liabilities	-	182,151,785	173,529,374	27,460,503	45,654,632	57,253	(11,151,889)	417,701,658
Unallocated liabilities								21,838,247
Total liabilities								**439,539,905**
Other Segment items:								
Capital expenditure	-	392,487	254,512	-	-	-	-	646,999
Expected credit losses	(20,896)	2,683,676	25,797	(10,450)	(10,357)	-	-	2,667,770
Depreciation and amortisation	3,033	341,168	173,464	65,905	6,609	-	-	590,179

Segmental Financial Information

April 30, 2019

Unaudited ($ Thousands)	Banking							
	Treasury	Retail	Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
Net external revenues	3,976,671	9,298,813	3,962,713	1,432,322	2,568,387	852,143	-	22,091,049
Revenues from other segments	(1,244,801)	319,792	785,447	138,606	11,712	-	(10,756)	-
Total revenues	2,731,870	9,618,605	4,748,160	1,570,928	2,580,099	852,143	(10,756)	22,091,049
Expenses	(541,316)	(8,082,475)	(4,082,707)	(650,504)	(665,971)	(22,504)	(39,753)	(14,085,230)
Profit before tax	2,190,554	1,536,130	665,453	920,424	1,914,128	829,639	(50,509)	8,005,819
Taxation								(2,391,149)
Profit for the period								**5,614,670**
Segment assets	188,454,942	128,220,184	83,733,868	36,716,084	60,351,436	29,705,645	(25,054,463)	502,127,696
Unallocated assets								42,342,688
Total assets								**544,470,384**
Segment liabilities	-	167,860,566	172,720,361	27,980,094	46,054,910	52,698	(12,343,930)	402,324,699
Unallocated liabilities								22,358,958
Total liabilities								**424,683,657**
Other Segment items:								
Capital expenditure	-	218,150	100,359	186	-	-	-	318,695
Expected credit losses	2,105	1,167,062	141,263	9,918	21,329	-	-	1,341,677
Depreciation and amortisation	-	182,946	92,875	66,965	1,683	-	-	344,469

SCOTIA GROUP JAMAICA LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
April 30, 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 ($1.39 Billion) and lease liabilities ($1.39 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	16,285	17,635
Securities with regulators, clearing houses and other financial institutions	1,831	1,668
	18,116	19,303

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.