

September 7, 2023

SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER OF FISCAL 2023 RESULTS

Scotia Group reports net income of \$12.8 billion for the nine months ended July 31, 2023, representing an increase of \$5.4 billion or 74.2% over the comparative prior period. Net income for the quarter of \$5.2 billion reflected an increase of \$952 million or 22.6% over the previous quarter. The Group's performance continues to be anchored by prudent risk management; efficient management of our operations; focus on customer experience and delivery of financial products and services by our team of professional Scotiabankers resulting in solid growth across all our business lines. In keeping with our commitment to deliver shareholder value, the Board of Directors approved a dividend of 40 cents per stock unit in respect of the third quarter, which is payable on October 19, 2023, to stockholders on record as at September 27, 2023. This represents an increase over the previous quarter's dividend payment of 35 cents per stock unit.

Audrey Tugwell Henry, President and CEO, Scotia Group commenting on the Group's performance said, "We are very pleased to deliver another quarter of strong results to our shareholders. Our performance is a clear demonstration of precise execution of our strategy. In August, we celebrated 134 years of unbroken service to Jamaica. This tremendous legacy was built on integrity, expertise and an unwavering commitment to providing the best financial solutions for our customers. Our efforts have been acknowledged by international publications, Euromoney and Global Finance which named Scotiabank Jamaica as 'Best Bank' and 'Best Digital Consumer Bank' in July and August respectively.

As at the end of Q3, our deposit book grew by 12% and we recorded solid growth across all our core business lines as our customers continue to trust us to support their financial services needs. Our corporate and commercial banking unit has performed very well recording loan growth of 20% versus the prior period as a result of the excellent work of our relationship managers in finding solutions for our business customers. Retail Banking also delivered a strong performance in which our Scotia Plan loans grew by 10% versus the comparative period last year. We continue to see excellent growth in our mortgage business, which improved by 29% when compared to the prior period. We are very proud of this result as more Jamaicans choose Scotiabank to support them in purchasing a home. We are pleased that with the launch of our newest subsidiary Scotia General Insurance Agency, we have been able to provide general insurance to our customers to effectively protect their homes; automobiles and other important assets.

Scotia Investments (SIJL) continues to perform well with a 3% increase in Assets Under management versus last year. SIJL also recently launched a new marketing campaign targeting first time investors. We believe this combined with the reduction of the threshold to \$250,000 to start an investment portfolio will augur well for continued growth in this area of our business, as we meet the needs of our young investors.



Mobile App
RANKED #1
in the market



475,669
customers enrolled
in online and mobile banking



Credit
quality
remains strong
Non accrual loans as a
percentage of gross loans -
lower than industry average



Strong
Capital
Position



Loans
\$259.6
BILLION

Scotia Insurance made a significant contribution to the Group's results with an increase in net insurance revenue of 194% when compared to the corresponding period last year. We continue to see a significant need for protection in the market. With that in mind, Scotia Insurance recently enhanced our popular Criticare, critical illness insurance by tripling the available coverage.

Scotia Group continues to set itself apart from competitors in the industry through the launch of innovative, relevant solutions for our customers. In July, Scotiabank partnered with American Express to launch The Platinum Card by Scotiabank (in metal), a first for customers in Jamaica. This collaboration combines the strong brand power of two international companies and creates a strong value proposition for customers including unrivalled travel benefits and premium experiences.

In July we also took another step in advancing our Environmental Social and Governance (ESG) Program with the launch of sustainable energy or "Go Green loans" for personal and small business customers. Through this initiative, we aim to drive a significant transformation in the business sector by promoting environmentally friendly practices. We believe that sustainable development and economic growth go hand-in-hand, and this initiative offers an opportunity for small and medium-sized businesses, as well as, individuals to benefit from cost savings in the long term while making a positive impact on the environment. As part of our ESG Program, we also distributed approximately 3,000 seedlings to customers with the support of the Forestry Department. Tree planting is regarded as one of the most effective ways to combat climate change and restore biodiversity and we intend to implement more projects of this nature.

We are very proud of the performance this quarter which is a direct result of the trust and confidence that our customers and Jamaicans in general place in us and the dedication and commitment of our winning team of Scotiabankers. I thank them for putting our customers first in everything they do. I must also thank our customers for continuing to choose us as their financial partner. Thanks as well to our sterling board of directors for their counsel and guidance and to our shareholders for their continued confidence in us."

GROUP FINANCIAL PERFORMANCE

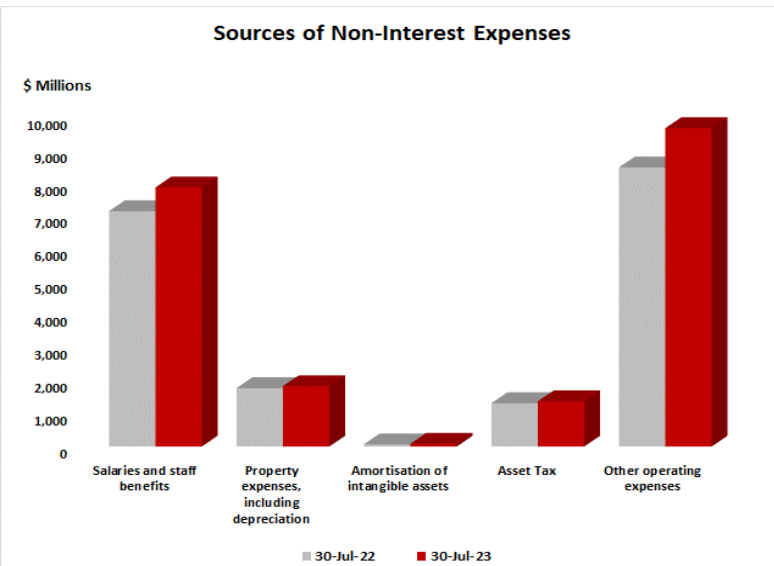
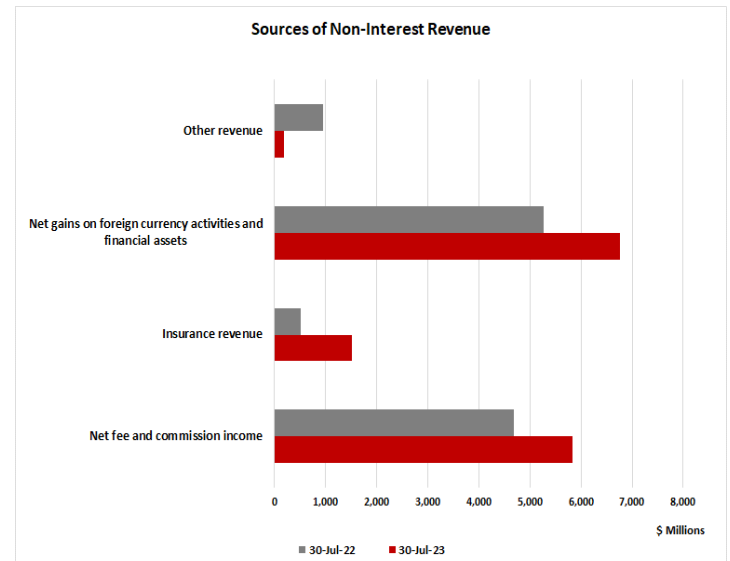
TOTAL REVENUES

Total revenues excluding expected credit losses for the nine months ended July 31, 2023, grew by \$10.0 billion to \$41.5 billion reflecting an increase of 31.5% over the comparative prior year period. This was primarily driven by an increase in net interest income of \$7.1 billion stemming from the strong growth in our loan portfolio, higher insurance revenue as well as higher fee and commission income earned given the significant increase in transaction volumes.

OTHER REVENUE

Other income, defined as all revenue other than interest income, increased by \$2.9 billion or 25.3%.

- Net insurance revenue increased by \$995.4 million or 194.0% from \$513.1 million¹ to \$1.5 billion driven by:
 - higher contractual service margin, expected claims and insurance expense releases based on the performance of the portfolio,
 - higher revenue generated from our Creditor Life portfolio given higher transaction volumes stemming from the further deepening of our customer relationships.
- Net fee and commission income for the period amounted to \$5.8 billion, an increase of \$1.2 billion or 24.8% given an increase in customer transactions and business activities.
- Net gains on foreign currency activities and financial assets amounted to \$6.8 billion reflecting a year over year increase of \$1.5 billion or 28.2%.



OPERATING EXPENSES

Operating expenses continue to be anchored by the Group's expense management initiatives and totaled \$20.8 billion as at July 2023 reflecting an increase of \$2.0 billion or 10.9% driven by higher technical support fees arising from the higher transaction volumes.

Note 1:

Based on the early adoption of IFRS 17, insurance revenue for the prior period was restated and reflected lower revenue by \$1.8 Billion (previously reported – insurance revenue of \$2.4 billion). See note 11 for details on the restatement.



CREDIT QUALITY

Expected credit losses for the period showed a reduction of \$522.5 million or 24.0% when compared to Q3 2022. The Group’s credit quality remains strong and we are well provisioned for both our performing and non-performing loans, ensuring adequate coverage for possible future non-performing loans.

Non-accrual loans (NALs) as at July 2023 totaled \$4.3 billion compared to \$3.7 billion as at July 2022. This represents an increase of \$544.4 million or 14.6%. The Group’s NALs represent 1.6% of gross loans when compared to July 2022 (1.7%) and 0.7% of total assets (July 2022 – 0.6%). Of note, the Group’s NALs as a percentage of gross loans continue to be below the industry average. The Group’s accumulated credit loss provisions (ACLs) for loans as at July 2023 was \$5.8 billion, representing 135.6% coverage of total non-performing loans.

GROUP FINANCIAL CONDITION

ASSETS

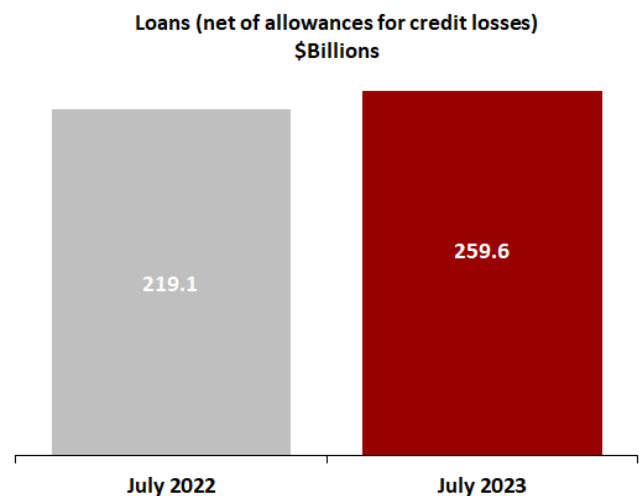
The Group’s asset base grew by \$55.8 billion or 9.5% to \$646.4 billion as at July 2023. This was predominantly as a result of the significant growth on our loan portfolio of \$40.5 billion or 18.5% and higher cash resources of \$29.6 billion or 19.5%. This was partially offset by a reduction in other assets of \$4.2 billion or 10.8% on account of the lower carrying value of the retirement benefit asset as well as the reduction in investment securities including pledged assets of \$10.3 billion or 5.8%.

Cash Resources

Our cash resources held to meet statutory reserves and the Group’s prudential liquidity targets stood at \$182.0 billion and reflected a year over year increase of \$29.6 billion or 19.5%. The increase noted was attributable to the growth in our core deposits as well as investment maturities. The Group maintains a strong liquidity position, which enables us to respond effectively to changes in our cash flow requirements.

Loans

Our loan portfolio increased by \$40.5 billion or 18.5% compared to July 2022, with loans net of allowances for credit losses increasing to \$259.6 billion. Our core loan book continues to perform well with mortgages increasing year over year by 29%, consumer loans by 10% and commercial loans by 20%.

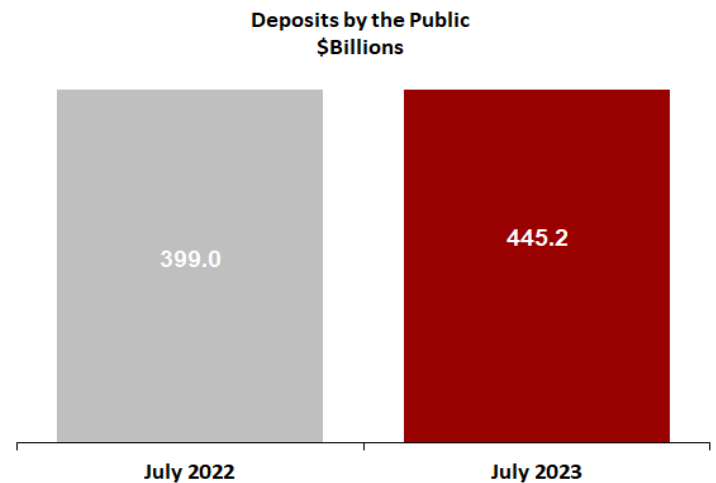


LIABILITIES

Total liabilities were \$532.6 billion as at July 2023 and showed an increase of \$46.4 billion or 9.6%. The increase noted was driven mainly by increased customer deposits.

Deposits

Deposits by the public increased to \$445.2 billion. The \$46.2 billion or 11.6% growth in core deposits was reflected in higher inflows from our retail and commercial customers, signaling our customers' continued confidence in the strength and safety of the Scotia Group.



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

Net obligations decreased by \$5.2 billion or 35.5%. Our strategic focus continues to be geared towards growing our off-balance sheet business, namely, mutual funds and unit trusts. As at July 2023 our asset management portfolios showed an increase of \$4.8 billion or 2.6% attributed to the growth in the net asset value of the Scotia Premium Short Term Income Fund JMD and Scotia Premium US\$ Indexed Fund which were launched in the prior year.

Insurance Contract Liabilities/Segregated Funds

The Group has early adopted the new insurance standard IFRS 17. Consequently, insurance contract liabilities were restated and insurance contracts with direct participation features were brought on balance sheet. Insurance contract liabilities primarily relates to our flagship product ScotiaMint with a balance of \$49.7 billion as at July 2023 and reflected a year over year increase of \$310.9 million or 0.6%. Our segregated fund balance primarily relates to our Scotia Affirm product which continues to perform well, growing by \$242.2 million or 25.5% year over year. The increase noted was attributable to improved market performance. In addition, we continue to advise Jamaicans of the importance of having insurance protection as part of their overall financial plan.

Other Liabilities

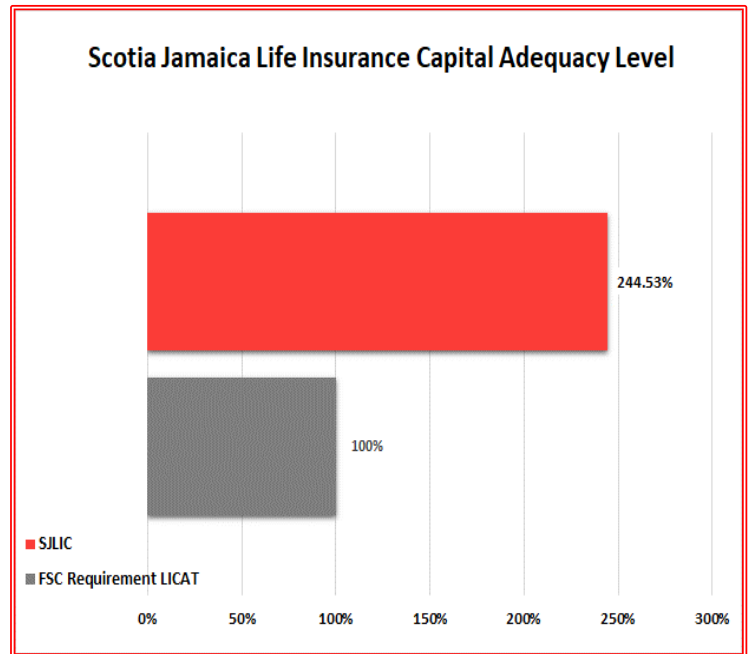
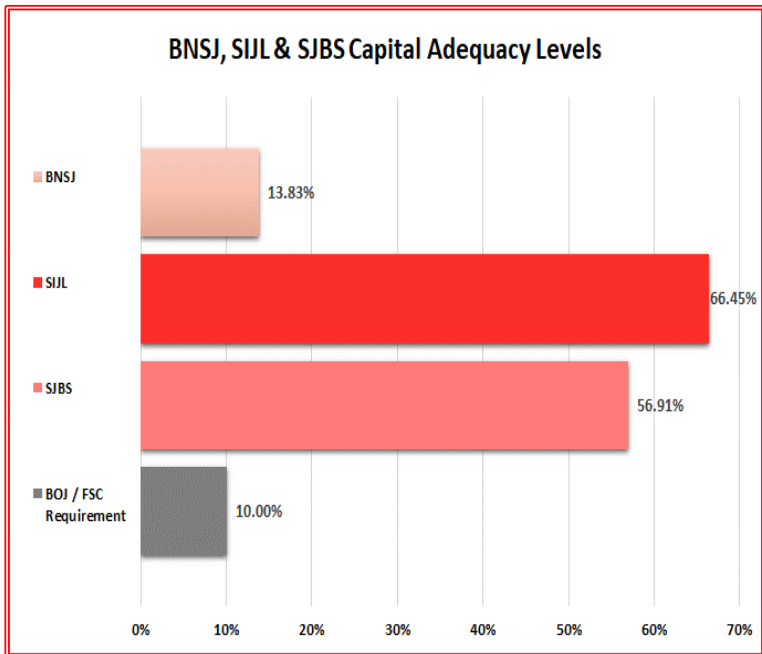
Other liabilities totaled \$24.4 billion as at July 2023 and showed an increase of \$2.9 billion or 13.6% over the prior period. The year over year increase was primarily attributable to an increase in other liabilities of \$3.7 billion or 25.5%, driven by higher settlement account balances and income tax provisions. This was partially offset by the reduction in deferred taxation of \$957 million or 38.3% given the change in the retirement benefit asset based on the revised assumptions used in the actuarial valuation.

CAPITAL

Shareholders' equity available to common shareholders totaled \$113.8 billion and reflected an increase of \$9.4 billion or 9.0% when compared to July 2022. This was due primarily to the re-measurement of the defined benefit pension plan asset, lower fair value losses of the investment portfolio, recognition of the insurance finance reserve on adoption of IFRS 17, higher internally generated profits partially offset by dividends paid.

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 requirements are shown below:



OUR COMMITMENT TO THE COMMUNITY



Throughout the third quarter, the Scotiabank Jamaica Foundation (Scotia Foundation) facilitated initiatives aimed at youth empowerment and education, to achieve its objectives.

In observance of Child Month in May, the Foundation hosted 'Read Across Jamaica Day' and a STEM immersion session for primary school students and supported an innovation challenge for high school students. The Scotia Foundation also invested over \$2 million to upgrade the libraries and reading corners of the schools, by donating books and other learning tools to create a comfortable space that encourages reading. Schools visited were in Kingston & St. Andrew, Manchester, Clarendon, St. Catherine, Trelawny, and Westmoreland.



Through partnership with Project STAR, the Scotia Foundation hosted 70 students attending primary schools in Downtown, Kingston for a STEM immersion session at the Halls of Learning Centre. Students from the Calabar Primary School and Holy Family Primary School were exposed to computer science, robotics and coding in a fun environment. During the sessions, the students were also encouraged to explore the many opportunities available to them through technology.

Expanding our influence within the community, the Scotia Foundation also facilitated a financial literacy session with residents from communities in western Jamaica with Project STAR.



Our collaboration with Junior Achievement Jamaica (JAJ) continued during the quarter, as we participated in this year's staging of the entity's Innovation Challenge for high school students. The challenge invited students to propose solutions and ideas for improving and making an impact in their communities. Students were asked to create a public campaign to educate and encourage Jamaicans to become financially savvy and discourage people from scamming and other illegal financial practices. The challenge was the culmination of JAJ's Road to Success programme, which was carried out throughout the year in partnership with Scotiabank. The initiative saw our team members interacting with students across the island in the developmental sessions.



A donation of \$3 million was made to the Jamaica Social Stock Exchange during the quarter, in support of the Jamaica Music Institute (JaMIN) Music Entrepreneurship Project, which provides music-based training and business development opportunities for at-risk youth living in Trench Town and surrounding communities. The programme is spearheaded by the Agency for Inncity Renewal and will also expose participants to entrepreneurship, production, and audio engineering skills to improve their marketability.

Scotiabank's work in the community continued on Labour Day with a total of \$3 million invested in infrastructural projects at three schools in Jamaica. Donations provided to the Food for the Poor were used to build a greenhouse at the Osborne Store Primary School in Clarendon, while funds contributed to the United Way of Jamaica were used to renovate and upgrade the Special Needs unit at the Montego Bay Infant school in St. James and the First-Born Basic School in St. Catherine. Scotiabank's team members also volunteered their time to support work completed at all three schools.

Consolidated Statement of Revenue and Expenses
Period ended July 31, 2023

Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2023	April 2023	Restated July 2022	July 2023	Restated July 2022
Interest income	10,252,127	9,746,617	8,095,724	29,242,810	21,703,235
Interest expense	(413,418)	(369,450)	(141,233)	(913,423)	(427,999)
Net interest income	9,838,709	9,377,167	7,954,491	28,329,387	21,275,236
Expected credit losses	(480,176)	(665,080)	(951,508)	(1,655,270)	(2,177,791)
Net interest income after expected credit losses	9,358,533	8,712,087	7,002,983	26,674,117	19,097,445
Finance expenses from insurance contracts	(494,759)	(424,335)	(520,090)	(1,107,325)	(1,124,219)
Finance expenses from reinsurance contracts	(75)	(15)	236	(107)	370
Total insurance finance expenses	(494,834)	(424,350)	(519,854)	(1,107,432)	(1,123,849)
Insurance revenue	593,105	573,451	490,500	1,827,207	858,945
Insurance service expenses	(114,788)	(80,815)	(113,414)	(318,787)	(345,876)
Net insurance revenue	478,317	492,636	377,086	1,508,420	513,069
Net fee and commission income	1,962,814	1,940,040	1,422,637	5,836,470	4,677,155
Net gains on foreign currency activities	2,473,222	1,944,911	1,870,917	6,488,243	5,236,885
Net gains / (losses) on financial assets	51,760	33,435	(11,033)	274,970	38,654
Other revenue	6,982	9,345	640,512	185,110	942,613
	4,494,778	3,927,731	3,923,033	12,784,793	10,895,307
Total operating income	13,836,794	12,708,104	10,783,248	39,859,898	29,381,972
Operating Expenses					
Salaries and staff benefits	2,640,676	2,630,514	2,370,103	7,867,106	7,147,431
Property expenses, including depreciation	644,525	622,867	622,323	1,832,303	1,774,630
Amortisation of intangible assets	27,345	27,361	22,741	83,060	68,221
Asset tax	(38,976)	1,909	-	1,375,620	1,316,085
Other operating expenses	3,115,842	3,284,123	2,807,695	9,666,510	8,472,599
	6,389,412	6,566,774	5,822,862	20,824,599	18,778,966
Profit before taxation	7,447,382	6,141,330	4,960,386	19,035,299	10,603,006
Taxation	(2,287,047)	(1,932,999)	(1,278,398)	(6,246,339)	(3,260,837)
Profit for the period	5,160,335	4,208,331	3,681,988	12,788,960	7,342,169
Attributable to:-					
Equityholders of the Company	5,160,335	4,208,331	3,681,988	12,788,960	7,342,169
Earnings per share (cents)	166	135	118	411	236
Return on average equity (annualized)	18.50%	15.70%	13.56%	15.65%	8.81%
Return on assets (annualized)	3.19%	2.66%	2.49%	2.64%	1.66%
Productivity ratio	44.63%	49.10%	49.62%	50.16%	59.50%

Consolidated Statement of Comprehensive Income
Period ended July 31, 2023

Unaudited (\$ Thousands)	For the three months ended			For the period ended	
	July 2023	April 2023	Restated July 2022	July 2023	Restated July 2022
Profit for the period	5,160,335	4,208,331	3,681,988	12,788,960	7,342,169
Other comprehensive (loss) / income:					
Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit plan/obligations	188,045	186,752	(15,818,381)	(9,085,822)	(12,850,410)
Taxation	(62,682)	(62,251)	5,272,794	3,028,607	4,283,470
	125,363	124,501	(10,545,587)	(6,057,215)	(8,566,940)
Items that may be subsequently reclassified to profit or loss:					
Unrealised gains / (losses) on investment securities	287,954	954,380	(84,010)	2,878,432	(4,734,939)
Realised gains on investment securities	92,333	7,027	-	101,226	41,702
Foreign currency translation	2,149	(707)	(2,633)	2,436	(4,106)
Finance income / (expense) from insurance contracts	30,408	(189,170)	(527,334)	580,749	(1,100,657)
Expected credit losses on investment securities	15,887	35,211	111,438	186,439	116,336
	428,731	806,741	(502,539)	3,749,282	(5,681,664)
Taxation	(91,926)	(261,155)	127,421	(1,085,547)	1,651,937
	336,805	545,586	(375,118)	2,663,735	(4,029,727)
Other comprehensive (loss) / income, net of tax	462,168	670,087	(10,920,705)	(3,393,480)	(12,596,667)
Total comprehensive (loss) / income for the period	5,622,503	4,878,418	(7,238,717)	9,395,480	(5,254,498)

Consolidated Statement of Financial Position July 31, 2023

Unaudited (\$ Thousands)	July 31, 2023	Restated October 31, 2022	Restated July 31, 2022
ASSETS			
CASH RESOURCES, NET OF ALLOWANCES	182,019,260	148,992,184	152,380,480
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2,390,160	3,035,413	3,396,442
INVESTMENT SECURITIES	155,158,325	148,846,066	158,272,139
PLEGGED ASSETS	10,963,742	15,598,720	16,156,970
GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS	500,582	751,427	1,502,599
LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES	259,576,985	237,044,011	219,108,983
SEGREGATED FUND ASSETS	1,192,362	978,078	950,173
REINSURANCE CONTRACT ASSETS	2,334	2,481	2,551
OTHER ASSETS			
Property and equipment, including right of use assets	9,448,855	9,311,741	9,262,926
Deferred taxation	2,034,526	2,594,677	2,037,500
Taxation recoverable	2,727,166	2,591,341	2,519,238
Retirement benefit asset	15,625,053	23,561,041	18,676,976
Other assets	4,293,551	3,119,420	5,795,467
Intangible assets	472,479	552,036	502,201
	<u>34,601,630</u>	<u>41,730,256</u>	<u>38,794,308</u>
TOTAL ASSETS	646,405,380	596,978,636	590,564,645
LIABILITIES			
Deposits by the public	445,172,347	397,176,483	398,986,218
Amounts due to banks and other financial institutions	2,786,392	1,561,132	838,226
	<u>447,958,739</u>	<u>398,737,615</u>	<u>399,824,444</u>
OTHER LIABILITIES			
Capital management and government securities funds	9,381,372	14,128,403	14,545,279
Deferred taxation	1,540,770	3,501,883	2,497,781
Retirement benefit obligation	4,606,018	4,557,782	4,424,873
Other liabilities	18,207,317	17,537,336	14,511,266
	<u>33,735,477</u>	<u>39,725,404</u>	<u>35,979,199</u>
INSURANCE CONTRACT LIABILITIES	49,681,329	50,139,394	49,370,429
REINSURANCE CONTRACT LIABILITIES	1,641	1,780	1,780
SEGREGATED FUND ASSETS	1,192,362	978,078	950,173
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	47,891,770	45,891,770	45,891,770
Capital reserve	11,340	11,340	11,340
Loan loss reserve	313,794	361,367	473,273
Other reserves	9,964	9,964	9,964
Insurance Finance Reserve	(782,987)	(1,218,549)	(825,493)
Translation reserve	37,371	34,935	34,599
Cumulative remeasurement on investment securities	(3,205,932)	(5,431,669)	(3,809,803)
Unappropriated profits	59,740,726	57,917,421	52,833,184
	<u>113,835,832</u>	<u>107,396,365</u>	<u>104,438,620</u>
TOTAL EQUITY AND LIABILITIES	646,405,380	596,978,636	590,564,645

Director

Director



Consolidated Statement of Changes in Shareholders' Equity as at July 31, 2023

Unaudited (\$ Thousands)	Share Capital	Reserve Fund	Retained Earnings Reserve	Capital Reserves	Cumulative Remeasurement on Investment Securities	Loan Loss Reserve	Other Reserves	Insurance Finance Reserve	Translation Reserve	Unappropriated Profits	Total
Balance as at 31 October 2021	6,569,810	3,249,976	45,891,770	11,340	(609,675)	334,797	9,964	-	38,705	58,498,486	113,995,173
Cumulative effect of adopting IFRS 17	-	-	-	-	-	-	-	-	-	(1,034,882)	(1,034,882)
Balance as at 1 November 2021, as restated	6,569,810	3,249,976	45,891,770	11,340	(609,675)	334,797	9,964	-	38,705	57,463,604	112,960,291
Net Profit	-	-	-	-	-	-	-	-	-	7,342,169	7,342,169
Other Comprehensive Income											
Re-measurement of defined benefit plan / obligations	-	-	-	-	-	-	-	-	-	(8,566,940)	(8,566,940)
Foreign Currency Translation	-	-	-	-	-	-	-	-	(4,106)	-	(4,106)
Unrealised losses on investment securities, net of taxes and provisions	-	-	-	-	(3,227,930)	-	-	-	-	-	(3,227,930)
Realised losses on investment securities, net of taxes	-	-	-	-	27,802	-	-	-	-	-	27,802
Finance expense on insurance contracts	-	-	-	-	-	-	-	(825,493)	-	-	(825,493)
Total Comprehensive Income	-	-	-	-	(3,200,128)	-	-	(825,493)	(4,106)	(1,224,771)	(5,254,498)
Transfer to loan loss reserve	-	-	-	-	-	138,476	-	-	-	(138,476)	-
Dividends paid	-	-	-	-	-	-	-	-	-	(3,267,173)	(3,267,173)
Balance as at 31 July 2022, as restated	6,569,810	3,249,976	45,891,770	11,340	(3,809,803)	473,273	9,964	(825,493)	34,599	52,833,184	104,438,620
Balance as at 31 October 2022, as restated	6,569,810	3,249,976	45,891,770	11,340	(5,431,669)	361,367	9,964	(1,218,549)	34,935	57,917,421	107,396,365
Net Profit	-	-	-	-	-	-	-	-	-	12,788,960	12,788,960
Other Comprehensive Income											
Re-measurement of defined benefit plan / obligations	-	-	-	-	-	-	-	-	-	(6,057,215)	(6,057,215)
Foreign Currency Translation	-	-	-	-	-	-	-	-	2,436	-	2,436
Unrealised gains on investment securities, net of taxes and provisions	-	-	-	-	2,158,253	-	-	-	-	-	2,158,253
Realised losses on investment securities, net of taxes	-	-	-	-	67,484	-	-	-	-	-	67,484
Finance income on insurance contracts	-	-	-	-	-	-	-	435,562	-	-	435,562
Total Comprehensive Income	-	-	-	-	2,225,737	-	-	435,562	2,436	6,731,745	9,395,480
Transfers between reserves											
Transfer to Retained Earnings Reserve	-	-	2,000,000	-	-	-	-	-	-	(2,000,000)	-
Transfer from loan loss reserve	-	-	-	-	-	(47,573)	-	-	-	47,573	-
Dividends paid	-	-	-	-	-	-	-	-	-	(2,956,013)	(2,956,013)
Balance as at 31 July 2023	6,569,810	3,249,976	47,891,770	11,340	(3,205,932)	313,794	9,964	(782,987)	37,371	59,740,726	113,835,832

Condensed Statement of Consolidated Cash Flows
Period ended July 31, 2023

Unaudited (\$ Thousands)	2023	Restated 2022
Cash flows provided by operating activities		
Profit for the period	12,788,960	7,342,169
Items not affecting cash:		
Expected credit losses	2,407,657	3,163,143
Depreciation and amortisation of right of use assets	769,291	715,012
Amortisation of intangible assets	83,060	68,221
Taxation	6,246,339	3,260,837
Net interest income	(28,329,387)	(21,275,236)
Gain on disposal of property	(159,953)	(290,276)
Increase in retirement benefit assets / obligations	(987,855)	(965,721)
Gain on extinguishment of debt	-	(629,029)
Impairment of property and equipment	-	11,871
	<u>(7,181,888)</u>	<u>(8,599,009)</u>
Changes in operating assets and liabilities		
Loans	(25,022,572)	(14,627,793)
Deposits	43,092,415	16,240,084
Insurance contracts	122,694	1,803,925
Financial assets at fair value through profit and loss	712,067	378,581
Interest received	28,714,048	21,232,707
Interest paid	(733,853)	(397,056)
Taxation paid	(6,088,004)	(1,622,262)
Amounts with parent and fellow subsidiaries	(1,503,415)	10,855,946
Other	(4,976,491)	(5,981,417)
	<u>27,135,001</u>	<u>19,283,706</u>
Cash flows provided by/ (used in) investing activities		
Purchase of investment securities	(66,018,286)	(73,876,438)
Proceeds from maturities / sales of investment securities	69,717,541	51,360,274
Purchase of property, equipment and intangibles	(849,411)	(1,079,139)
Proceeds on sale of property and equipment	189,593	334,248
	<u>3,039,437</u>	<u>(23,261,055)</u>
Cash flows used in financing activities		
Dividends paid	(2,956,013)	(3,267,173)
Lease payments on right of use asset	(135,215)	(130,796)
	<u>(3,091,228)</u>	<u>(3,397,969)</u>
Effect of exchange rate on cash and cash equivalents	1,238,109	(1,724,615)
Net change in cash and cash equivalents	28,321,319	(9,099,933)
Cash and cash equivalents at beginning of year	103,837,023	127,412,620
Cash and cash equivalents at end of period	132,158,342	118,312,687
Represented by :		
Cash resources, net of expected credit losses	182,019,260	152,380,480
Less statutory reserves at Bank of Jamaica	(40,612,552)	(33,849,511)
Less amounts due from other banks greater than ninety days	(8,742,140)	-
Expected credit losses on cash resources	35,714	22,842
Less accrued interest on cash resources	(267,072)	(90,323)
Pledged assets, investment securities and repurchase agreements assets less than ninety days	3,195,653	3,024,981
Cheques and other instruments in transit, net	(3,470,521)	(3,175,782)
Cash and cash equivalents at the end of the period	132,158,342	118,312,687

Segmental Financial Information

July 31, 2023

Unaudited (\$ Thousands)	Banking						Eliminations	Group
	Treasury	Retail	Corporate and Commercial	Investment Management Services	Insurance Services	Other		
Net external revenues	9,097,757	15,329,339	10,845,957	2,376,700	3,480,047	385,368	-	41,515,168
Revenues from other segments	(5,760,040)	1,572,142	3,900,885	118,596	181,735	-	(13,318)	-
Total revenues	3,337,717	16,901,481	14,746,842	2,495,296	3,661,782	385,368	(13,318)	41,515,168
Expenses	(698,528)	(13,411,814)	(6,549,578)	(1,180,298)	(538,346)	(71,104)	(30,201)	(22,479,869)
Profit before tax	2,639,189	3,489,667	8,197,264	1,314,998	3,123,436	314,264	(43,519)	19,035,299
Taxation								(6,246,339)
Profit for the period								12,788,960
Segment assets	257,100,622	185,714,206	102,996,486	23,498,574	68,045,591	22,484,983	(33,492,709)	626,347,753
Unallocated assets								20,057,627
Total assets								646,405,380
Segment liabilities	-	241,542,732	227,891,444	13,236,511	51,035,633	93,212	(17,881,558)	515,917,974
Unallocated liabilities								16,651,574
Total liabilities								532,569,548
Other Segment items:								
Net interest income	1,660,355	13,475,667	9,067,671	701,535	3,094,141	306,043	23,975	28,329,387
Capital expenditure	-	354,832	492,363	2,216	-	-	-	849,411
Expected credit losses	(14,200)	1,415,874	140,158	15,662	97,776	-	-	1,655,270
Depreciation and amortisation	5,828	502,876	255,721	84,473	3,453	-	-	852,351

Segmental Financial Information

July 31, 2022 (Restated)

Unaudited (\$ Thousands)	Banking		Corporate and Commercial	Investment Management Services	Insurance Services	Other	Eliminations	Group
	Treasury	Retail						
Net external revenues	5,318,403	13,789,145	8,554,076	2,087,441	1,884,449	(73,751)	-	31,559,763
Revenues from other segments	(2,309,879)	254,051	1,904,304	148,866	(20,651)	-	23,309	-
Total revenues	3,008,524	14,043,196	10,458,380	2,236,307	1,863,798	(73,751)	23,309	31,559,763
Expenses	(869,835)	(12,815,891)	(5,457,924)	(1,217,200)	(488,411)	(46,151)	(61,345)	(20,956,757)
Profit before tax	2,138,689	1,227,305	5,000,456	1,019,107	1,375,387	(119,902)	(38,036)	10,603,006
Taxation								(3,260,837)
Profit for the period								7,342,169
Segment assets	234,523,912	160,716,323	86,481,604	25,794,020	64,259,392	22,183,340	(27,011,015)	566,947,576
Unallocated assets								23,617,069
Total assets								590,564,645
Segment liabilities	-	217,320,128	197,243,320	16,075,686	50,586,571	23,345	(11,521,414)	469,727,636
Unallocated liabilities								16,398,389
Total liabilities								486,126,025
Other Segment items:								
Net interest income	1,608,640	10,649,233	6,195,630	422,691	2,342,207	24,952	31,883	21,275,236
Capital expenditure	-	653,767	425,372	-	-	-	-	1,079,139
Expected credit losses	150,019	2,089,615	(104,538)	(14,966)	57,661	-	-	2,177,791
Depreciation and amortisation	5,491	461,738	234,798	77,703	3,503	-	-	783,233

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**July 31, 2023****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 (Barbados) 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, 2022, 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.

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:

- 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.

5. Pledged Assets

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

(\$ Millions)	2023	2022
Capital Management and Government Securities funds	9,385	14,266
Securities with regulators, clearing houses and other financial institutions	1,579	1,891
	10,964	16,157

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 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.

9. Employee benefits (continued)

(i) Defined Benefit Plan (continued)

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 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, 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.

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 revenues and assets.

11. Prior year adjustment

Given the non-coterminous year-ends of the Bank of Nova Scotia Jamaica Limited and its subsidiary Scotia Jamaica Life Insurance company, as well as the system requirements to maintain parallel reporting under IFRS 4 and IFRS 17, the Group has early adopted the new insurance standard IFRS 17 – ‘Insurance Contracts’.

The following tables summarize the impact on the Group’s financial statements.

Statement of Financial Position	October 2022			October 2021		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
ASSETS						
Cash Resources, net of Allowances	148,992,184	-	148,992,184	168,675,612	-	168,675,612
Financial Assets at Fair Value through Profit or Loss	3,035,413	-	3,035,413	3,703,002	-	3,703,002
Investment Securities	148,846,066	-	148,846,066	141,625,200	-	141,625,200
Pledged Assets	15,598,720	-	15,598,720	15,639,678	-	15,639,678
Government Securities Purchased under Resale Agreements	751,427	-	751,427	-	-	-
Loans, net of Allowances for Credit Losses	237,786,054	(742,043)	237,044,011	208,523,054	(839,191)	207,683,863
Segregated Fund Assets	-	978,078	978,078	-	830,584	830,584
Reinsurance Contract Assets	-	2,481	2,481	-	1,694	1,694
Other Assets						
Taxation Recoverable	2,591,341	-	2,591,341	2,262,233	-	2,262,233
Other Assets	3,128,904	(9,484)	3,119,420	4,036,354	-	4,036,354
Property and Equipment	9,311,741	-	9,311,741	8,851,961	-	8,851,961
Intangible Assets	552,036	-	552,036	570,421	-	570,421
Retirement Benefit Asset	23,561,041	-	23,561,041	31,254,250	-	31,254,250
Deferred Taxation	1,443,296	1,151,381	2,594,677	441,444	344,969	786,413
	40,588,359	1,141,897	41,730,256	47,416,663	344,969	47,761,632
TOTAL ASSETS	595,598,223	1,380,413	596,978,636	585,583,209	338,056	585,921,265
LIABILITIES						
Deposits by Public	398,737,615	-	398,737,615	380,430,926	-	380,430,926
Other Liabilities	39,725,404	-	39,725,404	45,291,803	-	45,291,803
Insurance Contract Liabilities	46,284,431	3,854,963	50,139,394	45,865,307	540,268	46,405,575
Segregated Fund Liabilities	-	978,078	978,078	-	830,584	830,584
Reinsurance Contract Liabilities	-	1,780	1,780	-	2,086	2,086
Share Capital and Other Equity	50,697,493	-	50,697,493	55,496,687	-	55,496,687
Unappropriated Profits	60,153,280	(2,235,859)	57,917,421	58,498,486	(1,034,882)	57,463,604
Insurance Finance Reserve	-	(1,218,549)	(1,218,549)	-	-	-
TOTAL EQUITY AND LIABILITIES	595,598,223	1,380,413	596,978,636	585,583,209	338,056	585,921,265

11. Prior year adjustment (continued)

SCOTIA GROUP JAMAICA (CONSOLIDATED)

Statement of Revenue & Expenses

(\$ Thousands)	July 31, 2022		
	As previously reported	Adjustments	As restated
Interest Income	21,701,554	1,681	21,703,235
Interest Expense	(1,345,300)	917,301	(427,999)
Expected Credit Losses	(2,177,791)	-	(2,177,791)
Net Finance Expenses from Insurance Contracts	-	(1,124,219)	(1,124,219)
Net Finance Income or Expense from Reinsurance Contracts	-	370	370
Insurance Revenue	2,357,148	(1,498,203)	858,945
Insurance Service Expenses	-	(345,876)	(345,876)
Net Fee and Commission Income	4,688,734	(11,579)	4,677,155
Net Gains on Foreign Currency Activities	5,236,885	-	5,236,885
Net Gains on Financial Assets	38,654	-	38,654
Other Revenue	942,613	-	942,613
TOTAL OPERATING INCOME	31,442,497	(2,060,525)	29,381,972
OPERATING EXPENSES			
Salaries and Staff Benefits	7,523,061	(375,630)	7,147,431
Property Expenses, including depreciation	1,800,903	(26,273)	1,774,630
Amortisation of Intangible Assets	68,221	-	68,221
Asset Tax	1,316,085	-	1,316,085
Other Operating Expenses	8,754,058	(281,459)	8,472,599
TOTAL OPERATING EXPENSES	19,462,328	(683,362)	18,778,966
PROFIT BEFORE TAXATION	11,980,169	(1,377,163)	10,603,006
Taxation	(3,605,251)	344,414	(3,260,837)
PROFIT FOR THE PERIOD	8,374,918	(1,032,749)	7,342,169

Statement of Comprehensive Income

Items that will not be reclassified to profit and loss

Remeasurement Of Defined Benefit Plans/Obligations net of taxes	(8,566,940)	-	(8,566,940)
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Items that will be reclassified to profit and loss

Unrealized Losses on Investment Securities	(4,734,939)	-	(4,734,939)
Realised Gains on Investment Securities	41,702	-	41,702
Foreign Currency Translation	(4,106)	-	(4,106)
Expected Credit Losses on Investment Securities	116,336	-	116,336
Insurance Finance Reserve	-	(1,100,657)	(1,100,657)
	(13,147,947)	(1,100,657)	(14,248,604)
Taxation	1,376,773	275,164	1,651,937
	(11,771,174)	(825,493)	(12,596,667)
OTHER COMPREHENSIVE INCOME, NET OF TAX	(3,396,256)	(1,858,242)	(5,254,498)