

# Scotiabank®

## MEDIA RELEASE

March 11, 2020

### SCOTIA GROUP JAMAICA REPORTS FIRST QUARTER OF FISCAL 2020 RESULTS

Scotia Group reports net income of \$1.78 billion for the three months ended January 31, 2020 compared to \$2.32 billion for the corresponding period last year. Excluding gains on sale of investments in Q1-2019 of \$126 million, and additional provisions recorded of \$408 million (one-time impact) based on a more prudent approach in determining expected credit losses, our Q1 2020 net income is on par with prior year.

Today, the Board of Directors approved an interim dividend of 55 cents per stock unit in respect of the first quarter, which is payable on April 22, 2020 to stockholders on record as at March 31, 2020.

President and Chief Executive Officer of Scotia Group Jamaica, David Noel, commented “We continue to see strong growth in our core business. Our total loan portfolio increased by \$26.9 billion or 14% over the same period last year, driven by year over year double digit growth of 13% in our retail loan portfolio and 16% in our Commercial portfolio.

Our Investment and Insurance businesses continue to perform well. Scotia Insurance delivered a 23% increase in the number of policies sold year over year, while our assets under management at Scotia Investments grew 13% over the same period in 2019.

Even though our core business performed well, our revenue performance was tempered by lower interest rates on our loans and investments, increased provision for credit losses and increased asset taxes. The first quarter results were negatively impacted by the annual accrual of asset taxes across the group of \$1.2 billion.

As we execute on our strategy that is focused on being better positioned for the future, we continue to leverage technology to better serve our customers and improve customer experience. We have been keen to listen to our customers and through our customer feedback system *The Pulse*, we have created a new customer complaints unit dedicated to addressing customer concerns. We continue to make improvements to wait time in branches with our new queueing technology. This electronic system assigns a ticket and number to customers and manages branch traffic and staff workflow while customers are seated. We have also embarked on a massive training exercise across the branch network to upskill our front line staff. These initiatives were designed to create better solutions for our customers and greater value to our shareholders.

#### Financial Highlights

|  | 3 months ended<br>31-Jan-20<br>\$millions | 3 months ended<br>31-Jan-19<br>\$millions |
|--|---|---|
| Total revenues   | 11,074                                    | 11,504                                    |
| Total operating expenses   | 7,115                                     | 7,336                                     |
| Net profit after tax   | 1,784                                     | 2,325                                     |
|  |   |   |
| Return on equity   | 6.00%                                     | 8.06%                                     |
| Productivity ratio   | 64.3%                                     | 63.8%                                     |
| Operating leverage   | (0.7%)                                    | (16.0%)                                   |
|  |   |   |
| Earnings per share (cents)   | 57  | 75  |
|  | 31-Jan-20<br>\$millions                   | 31-Jan-19<br>\$millions                   |
| Total assets   | 556,796                                   | 537,127                                   |
| Investments  | 155,755                                   | 159,415                                   |
| Loans (net of allowances for credit losses)                          | 212,534                                   | 185,658                                   |
| Deposits by the public   | 315,256                                   | 302,973                                   |
| Liabilities under repurchase agreements and other client obligations | 19,867                                    | 22,093                                    |
| Policyholders' fund  | 44,892                                    | 45,044                                    |
| Stockholders' equity   | 119,710                                   | 115,032                                   |

We continue to invest in our physical infrastructure with the renovation of our flagship Scotiabank Centre branch, and Head Office modernization to create a more efficient and collaborative environment. We also continue to roll out new ATMs with cash selection, credit card and loan functionality.

In the coming weeks, we will launch our new *Mobile Banking App*, which is an integral part in improving customer experience and the Bank's operating efficiency. Our customers are increasingly using our digital channels and we are aware that it is important to make continuous improvements to these channels to fully engage and anchor our customers in Scotiabank so that they can seamlessly access their banking, insurance and investment needs.

I would like to thank all our shareholders, customers and team members for their dedication and support as we continue to grow and to build our bank for every future."

## GROUP FINANCIAL PERFORMANCE

### TOTAL REVENUES

Total revenues excluding expected credit losses for the three months ended January 31, 2020 was \$11.1 billion and showed a reduction of \$430 million or 3.7% when compared to 2019. Loan and transaction volumes continue to grow across our business lines, however lower interest rates and increased competition, resulted in margin compression.

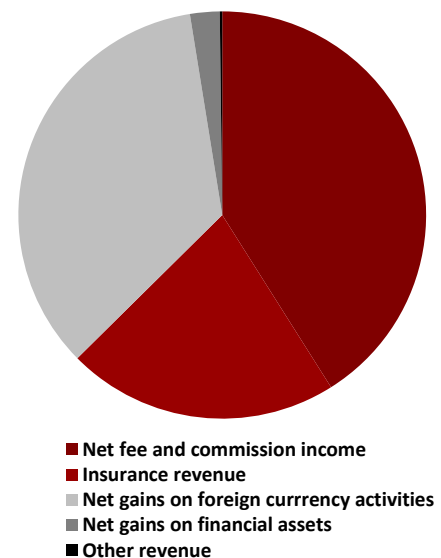
Net interest income after expected credit losses for the quarter totaled \$5.3 billion, down \$69 million or 1.3% when compared to the previous year. If interest rates remained unchanged year over year, the Group's net interest income would have been higher by \$400 million.

### OTHER REVENUE

Other income, defined as all income other than interest income, declined by \$402 million or 7.6%.

- Net fee and commission income for the quarter amounted to \$2 billion and showed a decline of \$40.4 million. The Group's fee and commission incomes continue to be impacted by continued customer education on the various channels which provide alternatives to reduce fees, and the ongoing shift to online and mobile transactions which attract lower fees.
- Insurance revenues increased marginally by \$35.8 million or 3.5% to \$1.1 billion due mainly to higher premium income year over year which was partially offset by lower actuarial reserve releases.
- Net gains on foreign currency activities and financial assets amounted to \$1.8 billion, down \$397 million or 17.9% below last year owing to lower revaluation gains which was partially offset by increased trading activities.

Sources of Non-Interest Revenue



### CREDIT QUALITY

Our credit quality remains strong and better than industry averages. Expected credit losses for the quarter was \$895 million and showed a marginal increase of \$41 million when compared to Q1 2019. The bank has adopted a more conservative approach to provisioning by including an additional pessimistic scenario in assessing expected credit losses under IFRS 9. The inclusion of this additional scenario has resulted in an increase in the current quarter's provision of \$408 million.

Non-accrual loans (NALs) as at January 31, 2020 totaled \$4.3 billion compared to \$3.4 billion last year. The Group's NALs represent 2% of gross loans up from 1.8% last year, and represent 0.8% of total assets. The Group's aggregate expected credit losses for loans as at January 31, 2020 was \$4.6 billion, representing over 100% coverage of total non-performing loans.

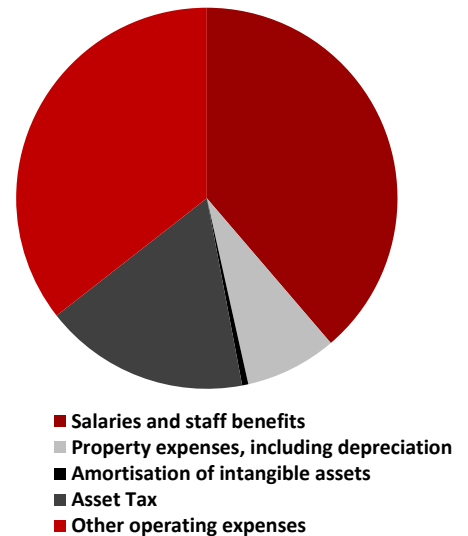
## OPERATING EXPENSES AND PRODUCTIVITY

Operating expenses amounted to \$7.1 billion for the period and showed a year over year reduction of \$221 million or 3.0%. Salaries and staff benefit costs decreased by \$112 million or 3.9% based on continued expense management initiatives in conjunction with the reduction in other operating expenses of \$184 million. The decrease noted in other operating expenses was attributable to the timing of expense payments coupled with the reduction in fraud losses based on enhanced security measures implemented.

Asset tax expenses, which are accounted for in Q1, increased by \$51 million or 4.3% to \$1.2 billion due to the increase in the Group's assets.

Our productivity ratio for the quarter was 64.25% compared to 63.77% recorded for the comparative period last year.

Sources of Non-Interest Expenses



## GROUP FINANCIAL CONDITION

### ASSETS

The Group's asset base increased year over year by \$19.7 billion to \$557 billion as at January 31, 2020. This was predominantly as a result of the growth in our loan portfolio of \$26.9 billion or 14.5% as well as other assets of \$14.9 billion or 24.7% resulting from an increase in the retirement benefit asset on our defined benefit pension plan scheme. This was offset by a reduction in our cash resources of \$18.4 billion or 14%, and our investment portfolio of \$3.7 billion or 2.3%.

### Cash Resources

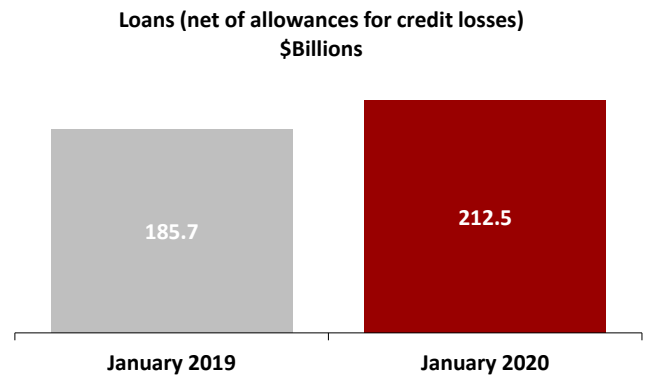
Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at \$113 billion, declining by \$18.4 billion or 14% year over year. Cash resources available were used to fund loans granted during the period. The Group continues to maintain adequate liquidity levels to enable us to respond effectively to changes in our cash flow requirements.

### Securities

Total investment securities, including pledged assets, decreased by \$3.7 billion or 2.3% to \$156 billion due mainly to lower balances being held in our investment company arising from an increase in our clients' off-balance sheet holdings.

## Loans

Our loan portfolio grew by \$26.9 billion or 14.5% year over year, with loans after allowances for credit losses, increasing to \$212.5 billion. We continue to see solid performance across our business lines quarter over quarter and year over year.

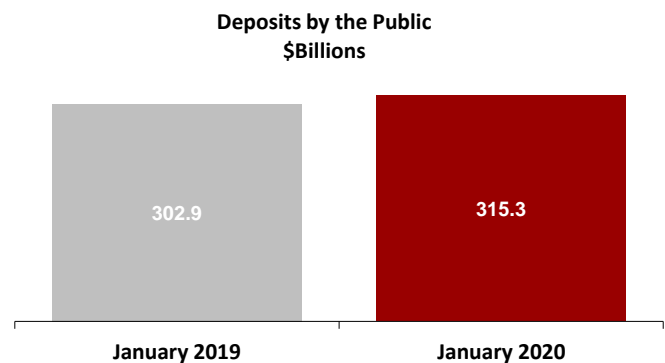


## LIABILITIES

Total liabilities were \$437.1 billion as at January 31, 2020 and showed an increase over prior year of \$15 billion driven mainly by increased customer deposits and other liabilities which was offset by the reduction in our capital management fund.

## Deposits

Deposits by the public increased to \$315.3 billion, up from \$302.9 billion in the previous year. This \$12.4 billion 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 \$2.2 billion or 10.1% compared to the prior year. Our strategic focus is to grow our off-balance sheet business, namely, mutual funds and unit trusts, as a result our fund and asset management portfolios grew by \$22.5 billion or 13.4% above prior 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 January 2020 compared to \$45 billion as at January 2019. Our Scotia Affirm product launched in 2014 has performed exceptionally well, growing 51% year over year with a current net asset value of \$829 million. The increase noted was attributable to our strong sales effort coupled with the performance of the stock market.

## **CAPITAL**

Shareholders' equity available to common shareholders grew to \$119.7 billion, increasing by \$4.7 billion or 4.1% year over year, as a result of internally generated profits. 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.



## SCOTIABANK COMMITMENT TO THE COMMUNITY

Scotiabank continued its support to communities in the areas of “youth sports” and nutrition.

### Youth Sports

The second staging of the **Scotiabank Concacaf Next Play Academy and Cup** ran from October to December 2019. Over 2,000 boys and girls aged 10 to 11 participated in the training academy and competition which featured a total of 224 schools within the Caribbean. Sixty-four schools from Jamaica competed in the tournament which also provided training for coaches.

Scotiabank executives and team members supported the initiative by joining students during training as well as the semi and final matches. The objective of the programme is not only to expose children to the sport of football but also to impart the discipline and life skills such as team work, communication and conflict resolution that are learned through team sports.



### Nutrition for Learning

Our main philanthropic activity continues to be our Nutrition for Learning programme. In December 2019, the Bank hosted Principals, Vice Principals, Canteen Cooks and Guidance Counselors from the 34 participating schools for a seminar on financial and physical wellness. As part of our commitment to the schools in the programme, we used the opportunity to offer a personal financial education seminar which addressed the fundamentals of a healthy financial portfolio and the importance of insurance and investments in a financial portfolio.

Participants were highly engaged and appreciative of the initiative. Following the financial seminar, Chef Jacqui Tyson conducted an interactive training session on the importance of incorporating more vegetables in meal plans as well as options for preparing meatless meals. All institutions were also given financial contributions towards their schools’ breakfast programme.



**Consolidated Statement of Revenue and Expenses**  
**Period ended January 31, 2020**

| Unaudited<br>(\$ Thousands)                      | For the three months ended |                   |                   |
|--|----------------------------|-------------------|-------------------|
|  | January<br>2020            | October<br>2019   | January<br>2019   |
| Interest income                                  | 6,794,941                  | 7,057,337         | 6,881,112         |
| Interest expense                                 | (627,921)                  | (631,511)         | (685,609)         |
| Net interest income                              | 6,167,020                  | 6,425,826         | 6,195,503         |
| Expected credit losses                           | (894,869)                  | (671,998)         | (854,327)         |
| Net interest income after expected credit losses | 5,272,151                  | 5,753,828         | 5,341,176         |
| Net fee and commission income                    | 2,013,668                  | 2,119,722         | 2,054,061         |
| Insurance revenue                                | 1,057,223                  | 736,925           | 1,021,403         |
| Net gains on foreign currency activities         | 1,711,142                  | 1,711,570         | 2,040,594         |
| Net gains on financial assets                    | 115,258                    | 345,799           | 182,906           |
| Other revenue                                    | 9,501                      | 9,444             | 9,969             |
|  | 4,906,792                  | 4,923,460         | 5,308,933         |
| <b>Total Operating Income</b>                    | <b>10,178,943</b>          | <b>10,677,288</b> | <b>10,650,109</b> |
| <b>Operating Expenses</b>                        |                            |                   |                   |
| Salaries and staff benefits                      | 2,755,779                  | 2,796,745         | 2,867,514         |
| Property expenses, including depreciation        | 560,848                    | 496,083           | 527,666           |
| Amortisation of intangible assets                | 29,385                     | 40,441            | 38,406            |
| Asset tax  | 1,239,334                  | 778               | 1,188,433         |
| Other operating expenses                         | 2,529,790                  | 2,382,620         | 2,714,067         |
|  | 7,115,136                  | 5,716,667         | 7,336,086         |
| <b>Profit before taxation</b>                    | <b>3,063,807</b>           | <b>4,960,621</b>  | <b>3,314,023</b>  |
| Taxation   | (1,280,096)                | (1,558,147)       | (989,503)         |
| <b>Profit for the period</b>                     | <b>1,783,711</b>           | <b>3,402,474</b>  | <b>2,324,520</b>  |
| <b>Attributable to:-</b>                         |                            |                   |                   |
| <b>Equityholders of the Company</b>              | <b>1,783,711</b>           | <b>3,402,474</b>  | <b>2,324,520</b>  |
| Earnings per share (cents)                       | 57                         | 109               | 75                |
| Return on average equity (annualized)            | 6.00%                      | 11.62%            | 8.06%             |
| Return on assets (annualized)                    | 1.28%                      | 2.47%             | 1.73%             |
| Productivity ratio                               | 64.25%                     | 50.37%            | 63.77%            |



**Consolidated Statement of Comprehensive Income**  
**Period ended January 31, 2020**

| Unaudited<br>(\$ Thousands)   | For the three months ended |                 |                 |
|---|----------------------------|-----------------|-----------------|
|   | January<br>2020            | October<br>2019 | January<br>2019 |
| <b>Profit for the period</b>  | 1,783,711                  | 3,402,474       | 2,324,520       |
| <b>Other comprehensive income:</b>                                    |                            |                 |                 |
| <b>Items that will not be reclassified to profit or loss:</b>         |                            |                 |                 |
| Remeasurement of defined benefit plan / obligations                   | 2,186,138                  | 4,133,050       | (545,842)       |
| Taxation  | (728,713)                  | (1,377,683)     | 181,947         |
|   | 1,457,425                  | 2,755,367       | (363,895)       |
| <b>Items that may be subsequently reclassified to profit or loss:</b> |                            |                 |                 |
| Unrealised gains/ (losses) on investment securities                   | 137,738                    | (319,517)       | 118,484         |
| Realised losses /(gains) on investment securities                     | 1,396                      | (13,405)        | (119,383)       |
| Foreign currency translation  | 1,634                      | 7,917           | 9,032           |
| Expected credit losses on investment securities                       | (40,251)                   | (152,284)       | -               |
|   | 100,517                    | (477,289)       | 8,133           |
| Taxation  | (34,564)                   | 142,325         | (66,056)        |
|   | 65,953                     | (334,964)       | (57,923)        |
| <b>Other comprehensive income, net of tax</b>                         | 1,523,378                  | 2,420,403       | (421,818)       |
| <b>Total comprehensive income for the period</b>                      | 3,307,089                  | 5,822,877       | 1,902,702       |

**Consolidated Statement of Financial Position**  
**January 31, 2020**

| Unaudited   | January 31, 2020   | October 31, 2019   | January 31, 2019   |
|---|--------------------|--------------------|--------------------|
| (\$ Thousands)  |                    |                    |                    |
| <b>ASSETS</b>   |                    |                    |                    |
| CASH RESOURCES, NET OF ALLOWANCES   | 113,274,272        | 134,999,146        | 131,714,044        |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS                                       | 4,476,819          | 3,261,577          | 2,658,071          |
| INVESTMENT SECURITIES   | 132,973,462        | 119,465,785        | 135,504,402        |
| PLEDGED ASSETS  | 17,303,907         | 15,670,497         | 19,750,103         |
| GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS                                     | 1,000,339          | 600,518            | 1,502,663          |
| LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES  | 212,534,437        | 205,625,384        | 185,657,752        |
| <b>OTHER ASSETS</b>   |                    |                    |                    |
| Customers' liability under acceptances, guarantees and letters of credit, net of allowances | 14,489,715         | 13,494,138         | 13,382,826         |
| Property, plant and equipment, including right of use assets                                | 7,180,161          | 5,827,844          | 5,324,792          |
| Deferred taxation   | 101,560            | 117,518            | 82,162             |
| Taxation recoverable  | 2,540,818          | 2,932,659          | 3,639,461          |
| Retirement benefit asset  | 46,328,609         | 43,704,650         | 34,821,883         |
| Other assets  | 3,835,521          | 2,516,305          | 2,165,452          |
| Intangible assets   | 756,269            | 785,655            | 923,508            |
|   | 75,232,653         | 69,378,769         | 60,340,084         |
| <b>TOTAL ASSETS</b>   | <b>556,795,889</b> | <b>549,001,676</b> | <b>537,127,119</b> |
| <b>LIABILITIES</b>  |                    |                    |                    |
| Deposits by the public  | 315,256,294        | 312,968,147        | 302,972,867        |
| Amounts due to banks and other financial institutions                                       | 9,233,314          | 9,476,875          | 9,995,854          |
|   | 324,489,608        | 322,445,022        | 312,968,721        |
| <b>OTHER LIABILITIES</b>  |                    |                    |                    |
| Acceptances, guarantees and letters of credit   | 14,614,361         | 13,606,718         | 13,482,165         |
| Securities sold under repurchase agreements   | -                  | -                  | 31,384             |
| Capital management and government securities funds  | 19,867,136         | 20,291,757         | 22,061,585         |
| Deferred taxation   | 13,898,360         | 13,082,092         | 10,108,578         |
| Retirement benefit obligation   | 4,710,614          | 4,646,759          | 5,295,807          |
| Other liabilities   | 14,613,926         | 11,675,209         | 13,102,677         |
|   | 67,704,397         | 63,302,535         | 64,082,196         |
| <b>POLICYHOLDERS' LIABILITIES</b>   | <b>44,892,095</b>  | <b>45,140,043</b>  | <b>45,044,147</b>  |
| <b>STOCKHOLDERS' EQUITY</b>   |                    |                    |                    |
| 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         | 39,891,770         |
| Capital reserve   | 11,340             | 11,340             | 11,340             |
| Loan loss reserve   | 200,946            | 2,304,057          | 2,157,952          |
| Other reserves  | 9,964              | 9,964              | 9,964              |
| Translation reserve   | (3,450)            | (5,084)            | (14,393)           |
| Cumulative remeasurement on investment securities   | 980,985            | 916,666            | 1,398,109          |
| Unappropriated profits  | 60,798,448         | 59,165,577         | 61,757,527         |
|   | 119,709,789        | 118,114,076        | 115,032,055        |
| <b>TOTAL EQUITY AND LIABILITIES</b>   | <b>556,795,889</b> | <b>549,001,676</b> | <b>537,127,119</b> |

Director

Director



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

| Unaudited<br>(\$ Thousands)  | Share Capital    | Reserve Fund     | Retained<br>Earnings<br>Reserve | Capital<br>Reserves | Cumulative<br>Remeasurement on<br>Investment Securities | Loan Loss<br>Reserve | Other<br>Reserves | Translation<br>Reserve | Unappropriated<br>Profits | Total              |
|--|------------------|------------------|---------------------------------|---------------------|---|----------------------|-------------------|------------------------|---------------------------|--------------------|
| <b>Balance as at 31 October 2018</b>                                   | <b>6,569,810</b> | <b>3,249,976</b> | <b>37,891,770</b>               | <b>11,340</b>       | <b>1,902,761</b>  | <b>2,377,843</b>     | <b>9,964</b>      | <b>(23,425)</b>        | <b>63,657,691</b>         | <b>115,647,730</b> |
| <b>Cumulative effect of adopting IFRS 9</b>                            | -                | -                | -                               | -                   | <b>(437,697)</b>  | -                    | -                 | -                      | <b>(493,768)</b>          | <b>(931,465)</b>   |
| <b>Balance as at 1 November 2018</b>                                   | <b>6,569,810</b> | <b>3,249,976</b> | <b>37,891,770</b>               | <b>11,340</b>       | <b>1,465,064</b>  | <b>2,377,843</b>     | <b>9,964</b>      | <b>(23,425)</b>        | <b>63,163,923</b>         | <b>114,716,265</b> |
| Net Profit   | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | 2,324,520                 | 2,324,520          |
| <b>Other Comprehensive Income</b>                                      |                  |                  |                                 |                     |   |                      |                   |                        |                           |                    |
| Re-measurement of defined benefit plan/obligations                     | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | (363,895)                 | (363,895)          |
| Foreign Currency Translation   | -                | -                | -                               | -                   | -   | -                    | -                 | 9,032                  | -                         | 9,032              |
| Unrealised gains on investment securities, net of taxes                | -                | -                | -                               | -                   | 23,187  | -                    | -                 | -                      | -                         | 23,187             |
| Realised gains on investment securities, net of taxes                  | -                | -                | -                               | -                   | (90,142)  | -                    | -                 | -                      | -                         | (90,142)           |
| <b>Total Comprehensive Income</b>                                      | -                | -                | -                               | -                   | <b>(66,955)</b>   | -                    | -                 | <b>9,032</b>           | <b>1,960,625</b>          | <b>1,902,702</b>   |
| <b>Transfers between reserves</b>                                      |                  |                  |                                 |                     |   |                      |                   |                        |                           |                    |
| Transfer to Retained Earnings Reserve                                  | -                | -                | 2,000,000                       | -                   | -   | -                    | -                 | -                      | (2,000,000)               | -                  |
| Transfer from Loan Loss Reserve  | -                | -                | -                               | -                   | -   | (219,891)            | -                 | -                      | 219,891                   | -                  |
| Dividends Paid   | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | (1,586,912)               | (1,586,912)        |
| <b>Balance as at 31 January 2019</b>                                   | <b>6,569,810</b> | <b>3,249,976</b> | <b>39,891,770</b>               | <b>11,340</b>       | <b>1,398,109</b>  | <b>2,157,952</b>     | <b>9,964</b>      | <b>(14,393)</b>        | <b>61,757,527</b>         | <b>115,032,055</b> |
| <b>Balance as at 31 October 2019</b>                                   | <b>6,569,810</b> | <b>3,249,976</b> | <b>45,891,770</b>               | <b>11,340</b>       | <b>916,666</b>  | <b>2,304,057</b>     | <b>9,964</b>      | <b>(5,084)</b>         | <b>59,165,577</b>         | <b>118,114,076</b> |
| Net Profit   | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | 1,783,711                 | 1,783,711          |
| <b>Other Comprehensive Income</b>                                      |                  |                  |                                 |                     |   |                      |                   |                        |                           |                    |
| Re-measurement of defined benefit plan/obligations                     | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | 1,457,425                 | 1,457,425          |
| Foreign Currency Translation   | -                | -                | -                               | -                   | -   | -                    | -                 | 1,634                  | -                         | 1,634              |
| Unrealised gains on investment securities, net of taxes and provisions | -                | -                | -                               | -                   | 63,389  | -                    | -                 | -                      | -                         | 63,389             |
| Realised losses on investment securities, net of taxes                 | -                | -                | -                               | -                   | 930   | -                    | -                 | -                      | -                         | 930                |
| <b>Total Comprehensive Income</b>                                      | -                | -                | -                               | -                   | <b>64,319</b>   | -                    | -                 | <b>1,634</b>           | <b>3,241,136</b>          | <b>3,307,089</b>   |
| <b>Transfers between reserves</b>                                      |                  |                  |                                 |                     |   |                      |                   |                        |                           |                    |
| Transfer to Retained Earnings Reserve                                  | -                | -                | 2,000,000                       | -                   | -   | -                    | -                 | -                      | (2,000,000)               | -                  |
| Transfer from Loan Loss Reserve  | -                | -                | -                               | -                   | -   | (2,103,111)          | -                 | -                      | 2,103,111                 | -                  |
| Dividends Paid   | -                | -                | -                               | -                   | -   | -                    | -                 | -                      | (1,711,376)               | (1,711,376)        |
| <b>Balance as at 31 January 2020</b>                                   | <b>6,569,810</b> | <b>3,249,976</b> | <b>47,891,770</b>               | <b>11,340</b>       | <b>980,985</b>  | <b>200,946</b>       | <b>9,964</b>      | <b>(3,450)</b>         | <b>60,798,448</b>         | <b>119,709,789</b> |

**Condensed Statement of Consolidated Cash Flows**  
**Period ended January 31, 2020**

| (\$ Thousands)  | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>Cash flows (used in) / provided by operating activities</b>                  |                   |                   |
| Profit for the period   | 1,783,711         | 2,324,520         |
| Items not affecting cash:   |                   |                   |
| Depreciation and amortisation of right of use assets                            | 207,061           | 133,414           |
| Expected credit losses  | 894,869           | 854,327           |
| Amortisation of intangible assets   | 29,385            | 38,406            |
| Taxation  | 1,280,096         | 989,503           |
| Net interest income   | (6,167,020)       | (6,195,503)       |
| Gain on disposal of property  | (114)             | (1,330)           |
|   | (1,972,012)       | (1,856,663)       |
| Changes in operating assets and liabilities                                     |                   |                   |
| Loans   | (7,784,627)       | (4,857,887)       |
| Deposits  | 1,842,605         | 13,288,887        |
| Policyholders reserve   | (247,947)         | (248,182)         |
| Financial assets at fair value through profit and loss                          | (1,207,372)       | (2,634,307)       |
| Interest received   | 6,359,500         | 6,837,258         |
| Interest paid   | (603,574)         | (687,709)         |
| Taxation paid   | (1,026,814)       | (889,267)         |
| Amounts with parent and fellow subsidiaries                                     | (687,083)         | (3,746,961)       |
| Other   | (821,514)         | (1,449,850)       |
|   | (6,148,838)       | 3,755,319         |
| <b>Cash flows (used in) / provided by investing activities</b>                  |                   |                   |
| Investments and pledged assets  | (11,952,516)      | 970,249           |
| Lease payments on right of use asset  | (47,829)          | -                 |
| Purchase of property, plant, equipment and intangibles                          | (189,703)         | (154,310)         |
| Proceeds on sale of property, plant and equipment                               | 429               | 1,330             |
|   | (12,189,619)      | 817,269           |
| <b>Cash flows used in financing activities</b>                                  |                   |                   |
| Dividends paid  | (1,711,376)       | (1,586,912)       |
|   | (1,711,376)       | (1,586,912)       |
| Effect of exchange rate on cash and cash equivalents                            | 615,654           | 3,059,985         |
| Net change in cash and cash equivalents   | (19,434,179)      | 6,045,661         |
| Cash and cash equivalents at beginning of year                                  | 93,450,557        | 70,854,714        |
| <b>Cash and cash equivalents at end of period</b>                               | <b>74,016,378</b> | <b>76,900,375</b> |
| <b>Represented by :</b>   |                   |                   |
| Cash resources, before expected credit losses                                   | 113,286,982       | 131,745,601       |
| Less statutory reserves at Bank of Jamaica                                      | (32,573,624)      | (40,761,423)      |
| Less amounts due from other banks greater than ninety days                      | (9,528,673)       | (12,960,797)      |
| Less expected credit losses   | (15,467)          | (16,278)          |
| Less accrued interest on cash resources   | (96,337)          | (157,669)         |
| Pledged assets, t' bills and repurchase agreements assets less than ninety days | 6,534,325         | 2,871,502         |
| Cheques and other instruments in transit, net                                   | (3,590,828)       | (3,820,561)       |
| <b>Cash and cash equivalents at the end of the period</b>                       | <b>74,016,378</b> | <b>76,900,375</b> |

**Segmental Financial Information**
**January 31, 2020**

| Unaudited<br>(\$ Thousands)   | Banking          |                  | Corporate<br>and<br>Commercial | Investment<br>Management<br>Services | Insurance<br>Services | Other          | Eliminations | Group              |
|-------------------------------|------------------|------------------|--------------------------------|--------------------------------------|-----------------------|----------------|--------------|--------------------|
|                               | Treasury         | Retail           |                                |                                      |                       |                |              |                    |
| Net external revenues         | 1,822,774        | 5,060,630        | 1,978,173                      | 759,079                              | 1,317,168             | 127,608        | -            | 11,065,432         |
| Revenues from other segments  | (445,156)        | 153,015          | 256,982                        | 32,271                               | 2,999                 | -              | 8,269        | 8,380              |
| <b>Total revenues</b>         | <b>1,377,618</b> | <b>5,213,645</b> | <b>2,235,155</b>               | <b>791,350</b>                       | <b>1,320,167</b>      | <b>127,608</b> | <b>8,269</b> | <b>11,073,812</b>  |
| Expenses                      | (448,316)        | (4,769,863)      | (1,935,719)                    | (391,062)                            | (383,668)             | (59,253)       | (22,124)     | (8,010,005)        |
| Profit before tax             | 929,302          | 443,782          | 299,436                        | 400,288                              | 936,499               | 68,355         | (13,855)     | 3,063,807          |
| Taxation                      |                  |                  |                                |                                      |                       |                |              | (1,280,096)        |
| <b>Profit for the period</b>  |                  |                  |                                |                                      |                       |                |              | <b>1,783,711</b>   |
| Segment assets                | 171,908,454      | 140,919,356      | 96,606,692                     | 37,112,954                           | 58,619,806            | 24,464,295     | (22,501,950) | 507,129,607        |
| Unallocated assets            |                  |                  |                                |                                      |                       |                |              | 49,666,282         |
| <b>Total assets</b>           |                  |                  |                                |                                      |                       |                |              | <b>556,795,889</b> |
| Segment liabilities           | -                | 176,249,274      | 170,448,852                    | 27,697,730                           | 45,943,617            | 131,869        | (9,689,421)  | 410,781,921        |
| Unallocated liabilities       |                  |                  |                                |                                      |                       |                |              | 26,304,179         |
| <b>Total liabilities</b>      |                  |                  |                                |                                      |                       |                |              | <b>437,086,100</b> |
| <b>Other Segment items:</b>   |                  |                  |                                |                                      |                       |                |              |                    |
| Capital expenditure           | -                | 116,764          | 72,939                         | -                                    | -                     | -              | -            | 189,703            |
| Expected credit losses        | (18,795)         | 941,855          | (11,375)                       | 5,310                                | (22,126)              | -              | -            | 894,869            |
| Depreciation and amortisation | 1,182            | 132,050          | 67,099                         | 32,807                               | 3,308                 | -              | -            | 236,446            |

**Segmental Financial Information**
**January 31, 2019**

| Unaudited<br>(\$ Thousands)   | Banking     |             | Corporate<br>and<br>Commercial | Investment<br>Management<br>Services | Insurance<br>Services | Other      | Eliminations | Group              |
|-------------------------------|-------------|-------------|--------------------------------|--------------------------------------|-----------------------|------------|--------------|--------------------|
|                               | Treasury    | Retail      |                                |                                      |                       |            |              |                    |
| Net External Revenues         | 1,650,900   | 4,562,531   | 2,141,541                      | 763,111                              | 1,439,233             | 947,120    | -            | 11,504,436         |
| Revenues from other segments  | (618,736)   | 150,192     | 396,373                        | 61,385                               | 6,191                 | -          | 4,595        | -                  |
| <b>Total Revenues</b>         | 1,032,164   | 4,712,723   | 2,537,914                      | 824,496                              | 1,445,424             | 947,120    | 4,595        | 11,504,436         |
| Expenses                      | (497,366)   | (4,609,364) | (2,295,776)                    | (310,777)                            | (390,239)             | (67,099)   | (19,792)     | (8,190,413)        |
| Profit Before Tax             | 534,798     | 103,359     | 242,138                        | 513,719                              | 1,055,185             | 880,021    | (15,197)     | 3,314,023          |
| Taxation                      |             |             |                                |                                      |                       |            |              | (989,503)          |
| <b>Profit for the period</b>  |             |             |                                |                                      |                       |            |              | <b>2,324,520</b>   |
| Segment assets                | 190,155,550 | 123,916,085 | 83,261,478                     | 36,641,021                           | 60,384,190            | 29,861,342 | (24,623,819) | 499,595,847        |
| Unallocated assets            |             |             |                                |                                      |                       |            |              | 37,531,272         |
| <b>Total Assets</b>           |             |             |                                |                                      |                       |            |              | <b>537,127,119</b> |
| Segment liabilities           | -           | 165,792,112 | 171,510,928                    | 28,076,623                           | 46,066,849            | 125,705    | (11,945,812) | 399,626,405        |
| Unallocated liabilities       |             |             |                                |                                      |                       |            |              | 22,468,659         |
| <b>Total liabilities</b>      |             |             |                                |                                      |                       |            |              | <b>422,095,064</b> |
| <b>Other Segment items:</b>   |             |             |                                |                                      |                       |            |              |                    |
| Capital expenditure           | -           | 102,639     | 51,671                         | -                                    | -                     | -          | -            | 154,310            |
| Provision for credit losses   | -           | 762,650     | 65,525                         | 4,829                                | 21,323                | -          | -            | 854,327            |
| Depreciation and amortisation | -           | 91,171      | 46,281                         | 33,513                               | 855                   | -          | -            | 171,820            |

**SCOTIA GROUP JAMAICA LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**January 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 (\$1.37 Billion) and lease liabilities (\$1.37 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 this quarter, 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.

#### 5. Pledged Assets

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

| (\$ Millions)   | <u>2020</u>   | <u>2019</u>   |
|---|---------------|---------------|
| Investments pledged as collateral for securities sold under repurchase agreements | -             | 33            |
| Capital Management and Government Securities funds                                | 15,472        | 18,051        |
| Securities with regulators, clearing houses and other financial institutions      | <u>1,832</u>  | <u>1,666</u>  |
|   | <u>17,304</u> | <u>19,750</u> |

#### 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, mortgages and microfinance;
- 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.