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INDEPENDENT AUDITORS' REPORT

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Bank of Nova Scotia Jamaica Limited ("the Bank") comprising the separate financial statements of the Bank and the consolidated financial statements of the Bank and its subsidiaries ("the Group"), set out on pages 5 to 116, which comprise the Group's and the Bank's statements of financial position as at October 31, 2021, the Group's and the Bank's statements of revenue and expenses, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Bank as at October 31, 2021, and of the Group's and the Bank's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

R. Tarun Handa
Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers
Nyssa A. Johnson
W. Gihan C. de Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

December 20, 2021

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Revenue and Expenses
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Net interest income and other revenue			
Net interest income, calculated using the effective interest method			
Interest from loans and deposits with banks		20,591,385	23,032,604
Interest from securities		3,445,314	3,444,978
Total interest income	6	24,036,699	26,477,582
Interest expense	6	(1,885,744)	(2,424,060)
Net interest income		22,150,955	24,053,522
Expected credit losses		(2,804,834)	(5,866,138)
Net interest income after impairment losses on loans		19,346,121	18,187,384
Other revenue			
Fee and commission income	7	13,581,062	13,624,361
Fee and commission expense	7	(9,583,603)	(8,397,042)
Net fee and commission income		3,997,459	5,227,319
Net gains on foreign currency activities	8	6,769,540	6,205,565
Insurance revenue	9	2,633,082	3,009,412
Other revenue	10	988,225	1,192,718
Net (losses)/gains on financial assets		(78,803)	740,783
		14,309,503	16,375,797
		33,655,624	34,563,181
Expenses			
Salaries, pension contributions and other staff benefits	11	8,850,040	9,921,922
Property expenses, including depreciation		2,306,456	2,385,089
Asset tax		1,156,647	1,128,921
Other operating expenses		11,221,381	9,904,416
	12	23,534,524	23,340,348
Profit before taxation	13	10,121,100	11,222,833
Taxation	14	(3,672,037)	(3,861,625)
Profit for the year		6,449,063	7,361,208
Earnings per stock unit (expressed in $)	15	2.20	2.51

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Comprehensive Income
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Profit for the year		6,449,063	7,361,208
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of retirement benefits plan	29(a)(vi)&(b)(iii)	1,042,797	(16,843,301)
Taxation	35(a)	(347,599)	5,614,435
		695,198	(11,228,866)
Items that are or may be reclassified to profit or loss:			
Unrealised (losses)/gains on investment securities		(1,844,355)	816,035
Realised gains on investment securities transferred to profit		(1,624)	(773,676)
Expected credit loss adjustment on investment securities		4,699	(53,606)
		(1,841,280)	(11,247)
Taxation	35(a)	489,512	(7,023)
		(1,351,768)	(18,270)
Other comprehensive loss, net of tax		(656,570)	(11,247,136)
Total comprehensive income/(loss)		5,792,493	(3,885,928)

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Financial Position
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020 Restated*	2019 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	101,190,415	68,528,049	70,044,338
Government and bank notes other than Jamaican	17	2,416,012	1,634,969	1,431,305
Due from other banks	18	33,610,710	40,516,191	32,216,896
Accounts with parent and fellow subsidiaries	19	20,536,002	19,005,987	16,951,321
		157,753,139	129,685,196	120,643,860
Government securities purchased under resale agreements	20	-	3,801,093	600,518
Pledged assets	21	1,829,271	1,830,371	1,666,966
Loans, net of allowance for credit losses	22	208,472,947	220,675,498	205,545,956
Financial assets at fair value through profit or loss	24	2,591,750	2,672,017	2,677,078
Investment securities	25	135,384,745	108,910,117	116,068,253
Other assets				
Taxation recoverable		1,518,291	1,957,872	2,100,781
Sundry assets	26	3,142,950	2,278,635	1,997,526
Property, plant and equipment	27	8,793,275	8,377,273	5,813,070
Intangible assets	28	80,393	84,085	107,340
Deferred taxation	35(b)	76,787	-	-
Retirement benefits asset	29(a)(i)	31,254,250	28,242,497	43,704,650
		44,865,946	40,940,362	53,723,367
		550,897,798	508,514,654	500,925,998

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Financial Position (Continued)
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020 Restated*	2019 Restated*
LIABILITIES				
Deposits by the public	30	378,473,110	336,660,438	312,968,147
Due to other banks and financial institutions	31	1,283,410	3,567,722	7,127,995
Due to parent and ultimate parent company	32	2,246,177	4,873,664	4,858,125
Due to fellow subsidiaries	33	6,060,171	5,270,465	7,140,185
		388,062,868	350,372,289	332,094,452
Other liabilities				
Cheques and other instruments in transit		1,944,419	1,774,136	2,096,168
Other liabilities	34	8,718,172	8,609,184	5,956,650
Taxation payable		208,685	647,079	959,699
Deferred tax liabilities	35(b)	7,761,862	7,037,112	13,073,533
Retirement benefits obligations	29(b)(i)	5,237,873	4,541,887	4,646,759
		23,871,011	22,609,398	26,732,809
Policyholders' liabilities	36(a)	45,865,307	45,299,616	45,140,043
EQUITY				
Share capital	37	2,927,232	2,927,232	2,927,232
Reserve fund	38	3,159,866	3,159,866	3,159,866
Retained earnings reserve	39	47,052,091	47,052,091	47,052,091
Cumulative remeasurement result from investment securities	40	(386,309)	965,459	983,729
Capital reserve	41	9,383	9,383	9,383
Loan loss reserve	42	312,830	209,757	2,293,023
Unappropriated profits		40,023,519	35,909,563	40,533,370
		93,098,612	90,233,351	96,958,694
		550,897,798	508,514,654	500,925,998

The financial statements on pages 5 to 116 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:

_________________ Director
Jeffrey Hall

_________________ Director
Audrey Tugwell Henry

_________________ Director
Eric Crawford

_________________ Secretary
Richard Fraser

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Changes in Stockholders' Equity
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from investment securities	Capital reserve	Loan loss reserve	Unappropriated profits	Total
Balances at October 31, 2019		**2,927,232**	**3,159,866**	**47,052,091**	**983,729**	**9,383**	**2,293,023**	**40,533,370**	**96,958,694**
Profit for the year		-	-	-	-	-	-	7,361,208	7,361,208
Other comprehensive (loss)/income:									
Remeasurement of retirement benefits plans net of taxes		-	-	-	-	-	-	(11,228,866)	(11,228,866)
Unrealised gains on investment securities, net of taxes and provisions		-	-	-	521,557	-	-	-	521,557
Realised gains on investment securities, net of taxes		-	-	-	(539,827)	-	-	-	(539,827)
Total other comprehensive loss		-	-	-	(18,270)	-	-	(11,228,866)	(11,247,136)
Total comprehensive loss		-	-	-	(18,270)	-	-	(3,867,658)	(3,885,928)
Transfer from loan loss reserve		-	-	-	-	-	(2,083,266)	2,083,266	-
Dividends paid	49	-	-	-	-	-	-	(2,839,415)	(2,839,415)
Net movement for the year		-	-	-	-	-	(2,083,266)	(756,149)	(2,839,415)
Balances at October 31, 2020		**2,927,232**	**3,159,866**	**47,052,091**	**965,459**	**9,383**	**209,757**	**35,909,563**	**90,233,351**
Profit for the year		-	-	-	-	-	-	6,449,063	6,449,063
Other comprehensive (loss)/income:									
Remeasurement of retirement benefits plans net of taxes		-	-	-	-	-	-	695,198	695,198
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(1,350,478)	-	-	-	(1,350,478)
Realised gains on investment securities, net of taxes		-	-	-	(1,290)	-	-	-	(1,290)
Total other comprehensive (loss)/income		-	-	-	(1,351,768)	-	-	695,198	(656,570)
Total comprehensive (loss)/income		-	-	-	(1,351,768)	-	-	7,144,261	5,792,493
Transfer to loan loss reserve		-	-	-	-	-	103,073	(103,073)	-
Dividends paid	49	-	-	-	-	-	-	(2,927,232)	(2,927,232)
Net movement for the year		-	-	-	-	-	103,073	(3,030,305)	(2,927,232)
Balances at October 31, 2021		**2,927,232**	**3,159,866**	**47,052,091**	**(386,309)**	**9,383**	**312,830**	**40,023,519**	**93,098,612**

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Cash Flows
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		6,449,063	7,361,208
Adjustments for:			
Taxation charge	14	3,672,037	3,861,625
Depreciation	27	737,150	759,456
Amortisation of right of use of asset	27	155,577	153,865
Amortisation of intangible assets	28	3,692	23,255
Expected credit losses		3,644,844	6,491,310
Gain on sale of property, plant and equipment	10	(6,505)	(3,083)
Increase in retirement benefits plans	11	(1,149,800)	(1,378,799)
Gain on extinguishment of liability	10	(953,779)	(1,177,215)
Write off of property, plant and equipment		18,163	-
		12,570,442	16,091,622
Interest income	6	(24,036,699)	(26,477,582)
Interest expense	6	1,885,744	2,424,060
		(9,580,513)	(7,961,900)
Changes in operating assets and liabilities			
Loans		7,813,019	(20,345,760)
Deposits by the public		42,778,743	24,900,787
Policyholders' liabilities		565,692	159,573
Sundry assets, net		(864,973)	(281,107)
Other liabilities, net		643,549	1,548,358
Due to parent company and fellow subsidiaries		(1,831,465)	(1,840,098)
Accounts with parent and fellow subsidiaries		(4,870,107)	(3,217,256)
Taxation recoverable		1,110,755	142,909
Due to other banks and financial institutions		(2,276,737)	(3,554,123)
Statutory reserves at Bank of Jamaica		(2,960,183)	3,250,342
Retirement benefits plans		(123,170)	(107,219)
		30,404,610	(7,305,494)
Interest received		24,594,274	25,036,255
Interest paid		(1,887,279)	(2,476,421)
Taxation paid		(3,987,448)	(4,598,760)
Net cash provided by operating activities		49,124,157	10,655,580
Cash flows from investing activities			
Investment securities		(28,050,085)	7,337,689
Pledged assets		1,837	(164,577)
Proceeds of sale of property, plant and equipment		6,505	3,455
Lease payments (net)	34(d)	(167,400)	(165,620)
Purchase of property, plant and equipment	27	(1,735,937)	(2,232,894)
Net cash (used in)/provided by investing activities		(29,945,080)	4,778,053
Net cash flows from operating and investing activities (carried forward to page 11)		19,179,077	15,433,633

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Consolidated Statement of Cash Flows (Continued)
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Cash flows from operating and investing activities (brought forward from page 10)		19,179,077	15,433,633
Cash flows from financing activity			
Dividends paid, being net cash used by financing activity	49	(2,927,232)	(2,839,415)
Effect of exchange rate changes on cash and cash equivalents		4,870,107	3,217,256
Net increase in cash and cash equivalents		21,121,952	15,811,474
Cash and cash equivalents at beginning of year		103,029,099	87,217,625
Cash and cash equivalents at end of year	17	124,151,051	103,029,099

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Revenue and Expenses
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Net interest income and other revenue			
Net interest income, calculated using the effective interest method			
Interest from loans and deposits with banks		18,817,438	20,960,579
Income from securities		1,175,366	1,450,308
Total interest income	6	19,992,804	22,410,887
Interest expense	6	(620,751)	(867,737)
Net interest income		19,372,053	21,543,150
Expected credit losses		(2,745,989)	(5,797,784)
Net interest income after impairment losses on loans		16,626,064	15,745,366
Other income			
Fee and commission income	7	13,266,049	13,319,363
Fee and commission expense	7	(9,583,603)	(8,397,042)
Net fee and commission income		3,682,446	4,922,321
Net gains on foreign currency activities	8	6,681,443	6,196,828
Other revenue	10	1,381,286	1,707,102
Net (losses)/gains on financial assets		(35,311)	496,870
		11,709,864	13,323,121
		28,335,928	29,068,487
Expenses			
Salaries, pension contributions and other staff benefits	11	8,199,460	9,295,195
Property expenses, including depreciation		2,233,856	2,313,249
Asset tax		965,910	935,131
Other operating expenses		10,429,355	9,121,501
	12	21,828,581	21,665,076
Profit before taxation	13	6,507,347	7,403,411
Taxation	14	(2,409,209)	(2,324,285)
Profit for the year		4,098,138	5,079,126

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Comprehensive Income
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Profit for the year		4,098,138	5,079,126
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss			
Remeasurement of retirement benefits plans	29(a)(vi)&(b)(iii)	1,042,797	(16,843,301)
Taxation	35(a)	(347,599)	5,614,435
		695,198	(11,228,866)
Items that are or may be reclassified to profit or loss			
Unrealised (losses)/gains on investment securities		(376,297)	604,269
Realised losses/(gains) on investment securities transferred to profit		861	(485,339)
Expected credit loss adjustments on investment securities		2,751	(23,226)
		(372,685)	95,704
Taxation	35(a)	122,363	(33,761)
		(250,322)	61,943
Other comprehensive income/(loss), net of tax		444,876	(11,166,923)
Total comprehensive income/(loss)		4,543,014	(6,087,797)

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Financial Position
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020 Restated*	2019 Restated*
ASSETS				
Cash resources				
Cash and balances at Bank of Jamaica	16	97,107,808	64,145,022	67,858,857
Government and bank notes other than Jamaican	17	2,416,012	1,634,969	1,431,305
Due from other banks	18	33,610,710	40,516,191	32,216,896
Accounts with parent and fellow subsidiaries	19	20,536,002	19,005,987	16,951,321
	17	153,670,532	125,302,169	118,458,379
Government securities purchased under resale agreements	20	-	3,801,093	600,518
Pledged assets	21	1,829,271	1,830,371	1,666,966
Loans, net of allowance for credit losses	22	187,497,299	196,471,953	178,885,119
Financial assets at fair value through profit or loss	24	687,275	721,725	706,176
Investment securities	25	83,850,531	60,030,298	64,929,956
Investment in subsidiaries		220,000	220,000	220,000
Other assets				
Taxation recoverable		671,173	-	343,644
Sundry assets	26	3,129,650	2,267,171	1,986,164
Property, plant and equipment	27	8,762,079	8,349,169	5,788,971
Intangible assets	28	580	4,272	27,527
Retirement benefits asset	29(a)	31,254,250	28,242,497	43,704,650
		43,817,732	38,863,109	51,850,956
		471,572,640	427,240,718	417,318,070

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Financial Position (Continued)
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020 Restated*	2019 Restated*
LIABILITIES				
Deposits by the public	30	370,611,373	328,527,317	304,538,247
Due to other banks and financial institutions	31	1,283,410	1,795,611	1,698,610
Due to parent and ultimate parent company	32	2,246,177	4,873,664	4,858,125
Due to subsidiaries	33	3,978,383	3,408,665	2,748,363
Due to fellow subsidiaries	33	5,067,018	3,407,045	5,177,558
		383,186,361	342,012,302	319,020,903
Other liabilities				
Cheques and other instruments in transit		1,962,466	1,890,757	2,343,813
Other liabilities	34	8,458,546	8,409,002	5,739,828
Taxation payable		-	366,471	596,593
Deferred tax liabilities	35(b)	7,601,649	6,510,336	12,532,999
Retirement benefits obligation	29(b)(i)	5,237,873	4,541,887	4,646,759
		23,260,534	21,718,453	25,859,992
EQUITY				
Share capital	37(a)	2,927,232	2,927,232	2,927,232
Reserve fund	38	2,930,616	2,930,616	2,930,616
Retained earnings reserve	39	42,101,341	42,101,341	42,101,341
Cumulative remeasurement result from investment securities	40	(38,102)	212,220	150,277
Capital reserve	41	42,087	42,087	42,087
Loan loss reserve	42	334,797	-	1,952,792
Unappropriated profits		16,827,774	15,296,467	22,332,830
		65,125,745	63,509,963	72,437,175
		471,572,640	427,240,718	417,318,070

The financial statements on pages 5 to 116 were approved for issue by the Board of Directors and signed on its behalf on December 20, 2021 by:

_________________ Director
Jeffrey Hall

_________________ Director
Audrey Tugwell Henry

_________________ Director
Eric Crawford

_________________ Secretary
Richard Fraser

*See note 52

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Changes in Stockholders' Equity
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	Share capital	Reserve fund	Retained earnings reserve	Cumulative remeasurement result from investment securities	Capital reserve	Loan loss reserve	Unappropriated profits	Total
Balances at October 31, 2019		**2,927,232**	**2,930,616**	**42,101,341**	**150,277**	**42,087**	**1,952,792**	**22,332,830**	**72,437,175**
Profit for the year		-	-	-	-	-	-	5,079,126	5,079,126
Other comprehensive (loss)/income:									
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	-	(11,228,866)	(11,228,866)
Unrealised gains on investment securities, net of taxes and provisions		-	-	-	385,518	-	-	-	385,518
Realised gains on investment securities transferred, net of taxes		-	-	-	(323,575)	-	-	-	(323,575)
Total other comprehensive income/(loss)		-	-	-	61,943	-	-	(11,228,866)	(11,166,923)
Total comprehensive income/(loss)		-	-	-	61,943	-	-	(6,149,740)	(6,087,797)
Transfer from loan loss reserve		-	-	-	-	-	(1,952,792)	1,952,792	-
Dividends paid	49	-	-	-	-	-	-	(2,839,415)	(2,839,415)
Net movement for the year		-	-	-	-	-	(1,952,792)	(886,623)	(2,839,415)
Balances at October 31, 2020		**2,927,232**	**2,930,616**	**42,101,341**	**212,220**	**42,087**	**-**	**15,296,467**	**63,509,963**
Profit for the year		-	-	-	-	-	-	4,098,138	4,098,138
Other comprehensive income:									
Remeasurement of retirement benefits plans, net of taxes		-	-	-	-	-	-	695,198	695,198
Unrealised losses on investment securities, net of taxes and provisions		-	-	-	(250,896)	-	-	-	(250,896)
Realised losses on investment securities transferred, net of taxes		-	-	-	574	-	-	-	574
Total other comprehensive (loss)/income		-	-	-	(250,322)	-	-	695,198	444,876
Total comprehensive (loss)/income		-	-	-	(250,322)	-	-	4,793,336	4,543,014
Transfer to loan loss reserve		-	-	-	-	-	334,797	(334,797)	-
Dividends paid	49	-	-	-	-	-	-	(2,927,232)	(2,927,232)
Net movement for the year		-	-	-	-	-	334,797	(3,262,029)	(2,927,232)
Balances at October 31, 2021		**2,927,232**	**2,930,616**	**42,101,341**	**(38,102)**	**42,087**	**334,797**	**16,827,774**	**65,125,745**

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Cash Flows
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Cash flows from operating activities			
Profit for the year		4,098,138	5,079,126
Adjustments for:			
Taxation charge	14	2,409,209	2,324,285
Depreciation	27	730,739	756,002
Amortisation of right of use of asset	27	152,489	141,509
Amortisation of intangible assets	28	3,692	23,255
Expected credit losses		3,574,972	6,422,956
Gain on sale of property, plant and equipment	10	(6,505)	(3,083)
Increase in retirement benefits plans	11	(1,149,800)	(1,378,799)
Gain on extinguishment of liability	10	(459,681)	(213,438)
Write off of property, plant and equipment		18,164	-
		9,371,417	13,151,813
Interest income	6	(19,992,804)	(22,410,887)
Interest expense	6	620,751	867,737
		(10,000,636)	(8,391,337)
Changes in operating assets and liabilities			
Loans		4,762,673	(22,908,857)
Deposits by the public		42,550,077	24,200,763
Statutory reserves at Bank of Jamaica		(2,958,611)	3,232,031
Other liabilities, net		580,828	1,566,785
Due to parent company and fellow subsidiaries		(391,040)	(1,080,224)
Amounts with parents and fellow subsidiaries		(4,869,989)	(3,217,221)
Due to other banks and financial institutions		(512,201)	97,001
Sundry assets, net		(861,493)	(281,008)
Taxation recoverable		-	343,644
Retirement benefits plans		(123,170)	(107,219)
		28,176,438	(6,545,642)
Interest received		20,542,765	21,281,287
Interest paid		(609,201)	(855,711)
Taxation paid		(2,576,495)	(2,991,900)
Net cash provided by operating activities		45,533,507	10,888,034
Cash flows from investing activities			
Investment securities		(24,069,266)	5,005,236
Pledged assets		1,837	(164,578)
Purchase of property, plant and equipment	27	(1,723,344)	(2,228,524)
Lease payments, net	34(d)	(167,400)	(153,259)
Proceeds from sale of property, plant and equipment		6,505	3,455
Net cash (used in)/provided by investing activities		(25,951,668)	2,462,330
Net cash flows from operating and investing activities (carried forward to page 18)		19,581,839	13,350,364

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Statement of Cash Flows (Continued)
Year ended October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

	Notes	2021	2020
Cash flows from operating and investing activities (brought forward from page 17)		19,581,839	13,350,364
Cash flows from financing activity			
Dividends paid, being net cash used in financing activity	49	(2,927,232)	(2,839,415)
Effect of exchange rate changes on cash and cash equivalents		4,869,989	3,217,221
Net increase in cash and cash equivalents		21,524,596	13,728,170
Cash and cash equivalents at beginning of year		98,631,600	84,903,430
Cash and cash equivalents at end of year	17	120,156,196	98,631,600

(Expressed in thousands of Jamaican dollars unless otherwise stated)

1. Identification, Regulation and Licence

(a) The Bank of Nova Scotia Jamaica Limited ("the Bank") is incorporated and domiciled in Jamaica. It is a 100% subsidiary of Scotia Group Jamaica Limited, which is also incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada is the ultimate parent. The registered office of the Bank is located at the Scotiabank Centre, Corner of Duke and Port Royal Streets, Kingston, Jamaica.

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

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

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

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

*The statements included in the consolidation are audited financial statements as at and for the year ended October 31, 2021.

2. Summary of significant accounting policies

(a) Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board, and comply with the Jamaican Companies Act ("the Act").

Amended standards that became effective during the year:

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

(i) Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(ii) Amendments to IFRS 3 *Business Combinations,* applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:

a) An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in a single identifiable asset or a group of similar identifiable assets.
b) Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

(iii) Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides a definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

(iv) Amendments to IFRS 9 *Financial Instruments,* IAS 39 *Financial Instruments: Recognition and Measurement and* IFRS 7 *Financial Instruments: Disclosures,* effective for annual accounting periods beginning on or after January 1, 2020, address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The first phase amendments apply to all hedging relationships directly affected by uncertainties related to IBOR reform. The entity is required to:

Assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable.

- Assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark is not altered as a result of IBOR reform.
- Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125 per cent.
- Apply the separately identifiable requirement only at the inception of the hedging relationship.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(iv) (Continued)

- Prospectively cease applying the exceptions at the earlier of:

  (a) when the uncertainty regarding the timing and the amount of interest rate benchmark based cash flows is no longer present; and

  (b) the discontinuation of the hedging relationship (or reclassification of all amounts from the cash flow hedge reserve).

(v) Amendments to IFRS 4 *Insurance Contracts* provides further extension of the temporary exemption from applying IFRS 9 for qualified entities. The revised insurance contracts standard (IFRS 17) has been issued with a new effective date of January 1, 2023. The temporary exemption to applying IFRS 9 has been aligned to the same date. The extension is applicable for periods beginning on or after January 1, 2020.

The amendments to IFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of IFRS 9 and IFRS 17 as follows:

(a) Temporary exemption from IFRS 9:

- Rather than having to implement IFRS 9 in 2018, some companies will be permitted to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*.
- To qualify, a reporting company's activities need to be predominantly connected with insurance.

Entities applying the temporary exemption will need to disclose fair value information separately for financial assets that meet the exemption criteria and for all other financial assets.

(b) Overlay approach:

For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39.

(vi) Amendments to IFRS 16 *Leases* is effective for annual periods beginning on or after June 1, 2020, with early application permitted. It provides guidance for COVID-19 related rent concessions.

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The resulting accounting will depend on the details of the rent concession. For example, if the concession is in the form of a one-off reduction in rent, it will be accounted for as a variable lease payment and is recognised in profit or loss.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Amended standards that became effective during the year (continued):

(vi) (Continued)

The practical expedient will only apply if:

- the revised consideration is substantially the same or less than the original consideration;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

No practical expedient is provided for lessors. Lessors are required to continue to assess if the rent concessions are lease modifications and account for them accordingly.

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

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

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

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

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

The Group does not expect the amendments to have a significant impact on its 2022 financial statements.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(ii) Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The Group does not expect the amendments to have a significant impact on its 2023 financial statements.

(iii) Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

a) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
b) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The Group does not expect the amendments to have a significant impact on its 2023 financial statements.

(iv) IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023 replaces IFRS 4 *Insurance Contracts* and provides three models to apply to all insurance contracts: the general model, the variable fee approach and the premium allocation approach.

The key principles in IFRS 17 are that an entity:

- Identifies insurance contract as those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future (the insured event) adversely affects the policyholder.

- Separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(iv) (Continued)

- Recognises and measures groups of insurance contracts at:

  a) a risk - adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset); and

  b) an amount representing the unearned profit in the group of contracts (the contractual service margin)

- Recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group contract is or becomes loss making, an entity recognises the loss immediately.

- Presents separately insurance revenue (that excludes the receipt of repayment of any investment components) and insurance finance income or expenses;

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

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

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

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

- Most companies that issue credit cards and similar products that provide insurance coverage will be able to continue with their existing accounting, unless the insurance coverage is a contractual feature, easing implementation for non-insurers.

- For loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract, companies that issue such loans have an option to apply IFRS 9 or IFRS 17, reducing the impact of IFRS 17 for non-insurers.

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

(v) (Continued)

- In measuring the contractual service margin; companies will choose to apply either a 'period-to-period' or 'year-to-date' approach, allowing greater opportunity for consistency with current practice and for subsidiaries to align reporting with their parent, revenue and profit emergence will better reflect performance of the wide range of insurance products and the services they provide to customers' allocating insurance acquisition cash flows to future renewal groups reduces the risk of groups becoming onerous solely from acquisition expenses paid relating to future renewals, the allocation is revised at each reporting period to reflect any changes in assumptions that determine the inputs to the method of allocation used, until all contracts have been added to the group and companies now need to assess each period the recoverability of insurance acquisition cash flow assets usually on a more granular level than applied today.

- Upon transition, companies may be able to account for acquired contracts before the transition date as liabilities for incurred claims. In many cases, companies will be required to identify and recognise an asset for insurance acquisition cash flows incurred prior to transition. Companies are not required to perform a recoverability assessment for periods prior to transition.

- In accounting for direct participating contracts risk mitigation option expanded to non-derivative assets at FVTPL and reinsurance contracts held and extended to provide relief prospectively from the transition date. If a company meets the risk mitigation option criteria before transition, it can now apply the fair value approach to the related contracts at transition. Companies applying both OCI and risk mitigation options together will be able to achieve better matching in the income statement.

- For reinsurance contracts, companies will be able to offset losses on initial recognition of direct insurance contracts based on a prescribed formula if they are covered by reinsurance contracts held, reducing accounting mismatches.

- There is relief for companies to present (re)insurance contract assets and liabilities at a portfolio level, instead of group level in the statement of financial position and income taxes specifically charged to policyholders may now be included in fulfilment cash flows, better reflecting local practice in certain jurisdictions.

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

2. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

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

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

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

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

(b) Basis of consolidation

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

Subsidiaries are those entities controlled by the Company. The Company controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries are consistent with those of the Group.

2. Summary of significant accounting policies (continued)

(b) Basis of consolidation (continued)

The Group uses the acquisition method of accounting for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of revenue and expenses.

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

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

(c) Segment reporting

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

(d) Foreign currency translation

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

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

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

(e) Revenue recognition

Interest income

Interest income is recognised in the statement of revenue and expenses using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Interest income (continued)

When calculating the effective interest rate for financial instruments, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses (ECL).

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the transaction. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset.

The 'amortised cost' of a financial asset is the amount at which the financial asset is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset is calculated on initial recognition. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) and is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset, net of ECL. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Fee and commission income

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue as it transfers control over a service to a customer.

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

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

2. Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

Fee and commission income (continued)

Performance obligations and revenue recognition policies:

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

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

Premium income

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

Dividend income

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

(f) Interest expense

Interest expense is recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial liability.

2. Summary of significant accounting policies (continued)

(g) Insurance contracts

Classification

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

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

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

Recognition and measurement

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

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

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

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

(h) Claims

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

(i) Reinsurance contracts held

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(j) Policyholders' liabilities

(i) The policyholders' liabilities have been calculated using the Policy Premium Method (PPM) of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted to the valuation date to determine the reserves.

(ii) Annuities are immediate payouts of fixed and variable amounts for a guaranteed period and recognised on the date that they originate. Benefits are recognised as liabilities until the end of the guarantee period. These liabilities are increased by interest credited and are decreased by policy administration fees, period payment charges and any withdrawals. Income consists mainly of fees deducted for fund administration and interest credited is treated as an expense in profit or loss. The annuity fund is included as a part of policyholders' liabilities [note 36(a)].

(k) Taxation

Taxation on the profit or loss for the year comprises current and deferred income taxes. Current and deferred income taxes are recognised as tax expense or benefit in profit or loss, except where they relate to a business combination or items recognised in other comprehensive income.

Current income tax

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

Deferred income tax

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

Taxation on the profit or loss for the year comprises current and deferred income taxes. Current and deferred income taxes are recognised as tax expense or benefit in profit or loss, except where they relate to a business combination or items recognised in other comprehensive income.

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities

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

Recognition

The Group initially recognises loans and receivables and deposits on the date at which it becomes a party to the contractual provisions of the instrument, i.e., the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated as fair value through profit or loss) are initially recognised on the settlement date – the dates on which the assets are delivered to or by the Group.

Classification and measurement, derecognition, and impairment of financial instruments

Classification and measurement

Classification and measurement of financial assets

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

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

Financial assets include both debt and equity instruments.

Debt instruments

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

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

Classification of debt instruments is determined based on:

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

Business model assessment

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Business model assessment (continued)

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale. The Group assesses business model at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Group takes into consideration the following factors:
  - How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Group's business lines;
  - How compensation is determined for the Group's business lines' management that manages the assets;
  - Whether the assets are held for trading purposes i.e., assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
  - The risks that affect the performance of assets held within a business model and how those risks are managed; and
  - The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual cash flow characteristics assessment

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

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

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Debt instruments measured at amortised cost

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

Impairment on debt instruments measured at amortised cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortised cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealised gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship. When designated in a fair value hedge relationship, any changes in fair value due to changes in the hedged risk are recognised in non-interest income in the consolidated statement of revenue and expenses. Upon derecognition, realised gains and losses are reclassified from OCI and recorded in non-interest income in the consolidated statement of revenue and expenses on an average cost basis. Foreign exchange gains and losses that relate to the amortised cost of the debt instrument are recognised in the consolidated statement of revenue and expenses. Premiums, discounts and related transaction costs are amortised over the expected life of the instrument to interest income in the consolidated statement of revenue and expenses using the effective interest rate method.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the consolidated statement of financial position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to expected credit losses in the consolidated statement of revenue and expenses. The accumulated allowance recognised in OCI is recycled to the consolidated statement of revenue and expenses upon derecognition of the debt instrument.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Debt *instruments measured at FVTPL*

Debt instruments are measured at FVTPL if assets:
(i) Are held for trading purposes;
(ii) Are held as part of a portfolio managed on a fair value basis; or
(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognised immediately in the consolidated statement of revenue and expenses as part of non-interest income. Realised and unrealised gains and losses are recognised as part of non-interest income in the consolidated statement of revenue and expenses.

Debt instruments designated at FVTPL

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

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

Equity instruments

Equity instruments are classified into one of the following measurement categories:
- Fair value through profit or loss (FVTPL); or
- Elected at fair value through other comprehensive income (FVOCI).

Equity instruments measured at FVTPL

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

Equity instruments measured at FVOCI

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

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Equity instruments measured at FVOCI (continued)

This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the consolidated statement of revenue and expenses. As such, there is no specific impairment requirement. Dividends received are recorded in interest income in the consolidated statement of revenue and expenses. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to the consolidated statement of revenue and expenses on sale of the security.

Classification and measurement of financial liabilities

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

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

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL are held principally for the purpose of repurchasing in the near term, or form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Financial liabilities are recognised on a trade date basis and are accounted for at fair value, with changes in fair value and any gains or losses recognised in the consolidated statement of revenue and expenses as part of the non-interest income. Transaction costs are expensed as incurred.

Financial liabilities measured at amortised cost

Deposits, subordinated notes and debentures are accounted for at amortised cost. Interest on deposits, calculated using the effective interest rate method, is recognised as interest expense. Interest on subordinated notes and debentures, including capitalised transaction costs, is recognised using the effective interest rate method as interest expense.

Financial liabilities designated at FVTPL

Financial liabilities classified in this category are those that have been designated by the Group upon initial recognition, and once designated, the designation is irrevocable. The FVTPL designation is available only for those financial liabilities for which a reliable estimate of fair value can be obtained.

Financial liabilities are designated at FVTPL when one of the following criteria is met:

- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Financial liabilities designated at FVTPL (continued)

Financial liabilities are designated at FVTPL when one of the following criteria is met (continued):

- A group of financial liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities designated at FVTPL are recorded in the consolidated statement of financial position at fair value. Any changes in fair value are recognised in non-interest income in the consolidated statement of revenue and expenses except for changes in fair value arising from changes in the Group's own credit risk which are recognised in OCI. Changes in fair value due to changes in the Group's own credit risk are not subsequently reclassified to the consolidated statement of revenue and expenses upon derecognition/extinguishment of the liabilities.

Determination of fair value

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

The Group values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Group maximises the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

Inception gains and losses are only recognised where the valuation is dependent only on observable market data, otherwise, they are deferred and amortised over the life of the related contract or until the valuation inputs become observable.

IFRS 13 permits a measurement exception that allows an entity to determine the fair value of a group of financial assets and liabilities with offsetting risks based on the sale or transfer of its net exposure to a particular risk (or risks). The Group has adopted this exception through an accounting policy choice. Consequently, the fair values of certain portfolios of financial instruments are determined based on the net exposure of those instruments to particular market, credit or funding risk.

In determining fair value for certain instruments or portfolios of instruments, valuation adjustments or reserves may be required to arrive at a more accurate representation of fair value. These adjustments include those made for credit risk, bid-offer spreads, unobservable parameters, constraints on prices in inactive or illiquid markets and when applicable funding costs.

2. Summary of significant accounting policies (continued)

(l) Financial assets and liabilities (continued)

Derecognition of financial assets and liabilities

Derecognition of financial assets

The derecognition criteria are applied to the transfer of part of an asset, rather than the asset as a whole, only if such part comprises specifically identified cash flows from the asset, a fully proportionate share of the cash flows from the asset, or a fully proportionate share of specifically identified cash flows from the asset.

A financial asset is derecognised when the contractual rights to the cash flows from the asset has expired; or the Group transfers the contractual rights to receive the cash flows from the financial asset; or has assumed an obligation to pay those cash flows to an independent third-party; or the Group has transferred substantially all the risks and rewards of ownership of that asset to an independent third-party. Management determines whether substantially all the risk and rewards of ownership have been transferred by quantitatively comparing the variability in cash flows before and after the transfer. If the variability in cash flows remains significantly similar subsequent to the transfer, the Group has retained substantially all of the risks and rewards of ownership.

Where substantially all the risks and rewards of ownership of the financial asset are neither retained nor transferred, the Group derecognises the transferred asset only if it has lost control over that asset. Control over the asset is represented by the practical ability to sell the transferred asset. If the Group retains control over the asset, it will continue to recognise the asset to the extent of its continuing involvement. At times such continuing involvement may be in the form of investment in senior or subordinated tranches of notes issued by non-consolidated structured entities.

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

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

Derecognition of financial liabilities

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

2. Summary of significant accounting policies (continued)

(m) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). The Group accounts for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of IFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognised in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the statement of financial position together with the host contract.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include notes and coins on hand, unrestricted balances held with Bank of Jamaica, amounts due from other banks, and highly liquid financial assets with original maturities of less than ninety days, which are readily convertible to known amounts of cash, and are subject to insignificant risk of changes in their fair value.

(o) Allowance for expected credit losses

The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss:

- Amortised cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

Expected credit loss impairment model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

2. Summary of significant accounting policies (continued)

(o) Allowance for expected credit losses (continued)

Expected credit loss impairment model (continued)

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

Measurement of expected credit loss

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

Details of these statistical parameters/inputs are as follows:

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

Forward-looking information

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

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Macroeconomic factors

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

Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts. The Group prepares the scenarios using forecasts generated by Scotiabank Economics (SE). The forecasts are created using internal and external models which are modified by SE as necessary to formulate a ‘base case’ view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of three additional economic scenarios and consideration of the relative probabilities of each outcome.

The ‘base case’ represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

Assessment of significant increase in credit risk (SIR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SIR on retail and non-retail portfolios include macroeconomic outlook, management judgement, and delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments, the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Assessment of significant increase in credit risk (SIR) (continued)

Retail portfolio – For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment must be done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

Non-retail portfolio – The Group uses a risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

Expected life

When measuring expected credit losses, the Group considers the maximum contractual period over which it is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

Presentation of allowance for credit losses in the Statement of Financial Position

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognised in the statement of financial position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee, as a provision in other liabilities.

Modified financial assets

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

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

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Modified financial assets (continued)

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

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

Definition of default

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

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganisation;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Credit card receivables 90 days past due are written-off. In subsequent periods, any recoveries of amounts previously written off are credited to expected credit losses in the consolidated statement of revenue and expenses.

Purchased loans

All purchased loans are initially measured at fair value on the date of acquisition. As a result no allowance for credit losses would be recorded in the consolidated statement of financial position on the date of acquisition. Purchased loans may fit into either of the two categories: Performing loans or Purchased Credit Impaired (PCI) loans.

2. Summary of significant accounting policies (continued)

(o) Allowance for impairment losses (continued)

Purchased loans (continued)

Purchased performing loans follow the same accounting as originated performing loans and are reflected in Stage 1 on the date of the acquisition. They will be subject to a 12-month allowance for credit losses which is recorded as a provision for credit losses in the consolidated statement of revenue and expenses.

The fair value adjustment set up for these loans on the date of acquisition is amortised into interest income over the life of these loans.

PCI loans are reflected in Stage 3 and are always subject to lifetime allowance for credit losses. Any changes in the expected cash flows since the date of acquisition are recorded as a charge/recovery in expected credit losses in the consolidated statement of revenue and expenses at the end of all reporting periods subsequent to the date of acquisition.

(p) Repurchase and reverse repurchase agreements

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

(q) Acceptances and guarantees

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

Financial guarantees are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 [note 2(o)] and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15. Management has determined that the amounts initially recognised is immaterial to the financial statements. The Group's and Bank's commitments under acceptances, guarantees and letters of credit as at October 31, 2021 total $9,530,442 (2020: $7,128,245) and $9,530,442 (2020: $7,115,260), respectively. In the event of a call on these commitments, the Group and Bank have equal and offsetting claims against its customers.

(r) Property, plant and equipment

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

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)
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(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

2. Summary of significant accounting policies (continued)

(r) Property, plant and equipment (continued)

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

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

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

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

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

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

(s) Investment in subsidiaries

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

(t) Intangible assets

Computer software

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

(u) Employee benefits

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

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

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

Pension obligations

The Group operates both a defined benefit and a defined contribution pension plan. 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 for the Bank and the investment subsidiaries, respectively, taking into account the recommendations of qualified actuaries and based on the rules of the plans. Contributions for the investment subsidiary are charged to the statement of revenue and expenses in the period to which it relates.

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

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

The Group determines the net interest income on the net defined benefit asset for the period by applying the discount rate used to measure the defined benefit asset at the beginning of the year to the net defined benefit asset for the year, taking into account any changes in the asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses on post-retirement obligations are recognised in profit or loss.

When the benefits of the plan are changed or if the plan were to be curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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

2. Summary of significant accounting policies (continued)

(u) Employee benefits (continued)

Termination benefits

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

Other post-retirement obligations

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

Equity compensation benefits

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

The amount contributed to the ESOP trust (note 50) by the Group for acquiring shares and allocating them to employees is recognised as an employee expense at the time of making the contribution, as the effect of recognising it over the two-year period in which the employees become unconditionally entitled to the shares, is not considered material. Further, the effect of forfeitures is not considered material.

The special purpose entity that operates the Plan has not been consolidated as the effect of doing so is not considered material.

Annual leave

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

Defined contribution plan

The Group operates a defined contribution pension plan, the assets of which are held in a trustee administered fund. The pension plan is funded by contributions from employees and the subsidiary, made on the basis provided for in the rules. Contributions are charged to the statement of revenue and expenses in the period to which it relates.

2. Summary of significant accounting policies (continued)

(v) Borrowings

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

(w) Share capital

Classification

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

Preference share capital is classified as equity, except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability.

Share issue costs

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

Dividends

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

Dividend payments on preference shares classified as a liability are recognised in the statement of revenue and expenses as interest expense.

(x) Leases

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

(i) *As a lessee*

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

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

2. Summary of significant accounting policies (continued)

(x) Leases (continued)

(i) *As a lessee (continued)*

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

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

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise,
- lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in other liabilities.

2. Summary of significant accounting policies (continued)

(x) Leases (continued)

(ii) *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16 except for the classification of a sub-lease entered into during the current reporting period that resulted in a finance lease classification.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(y) Impairment of non-financial assets

The carrying amounts of the Group's non-financial asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Summary of significant accounting policies (continued)

(z) Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets, and income arising thereon, are excluded from these financial statements, as they are not assets or income of the Group.

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

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

Estimates

i. Expected credit losses (ECL)

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

ii. Valuation of financial instruments

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For other financial instruments, the Group determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates.

iii. *Future payments and premiums arising from long-term insurance contracts*

The liabilities under long-term insurance contracts have been determined using the Policy Premium Method of valuation, which is outlined in note 2(j).

The process of calculating policy liabilities necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

These estimates are more fully described in note 36.

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

iv. Pension and other post-employment benefits

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

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

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

Judgements

i. Expected credit losses (ECL)

A number of significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increases in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

ii. Valuation of financial instruments

Considerable judgment is required in interpreting market data to arrive at estimates of fair values. Consequently, the estimates arrived at may be significantly different from the actual price of the instrument in an arm's length transaction.

iii. Income taxes

Judgements are required in determining the provision for income taxes. The tax liability or asset arising from certain transactions or events may be uncertain in the ordinary course of business. In cases of such uncertainty, the Group recognises liabilities for possible additional taxes based on its judgement. Where, on the basis of a subsequent determination, the final tax outcome in relation to such matters is different from the amount that was initially recognised, the difference will impact the current and deferred income tax provisions in the period in which such determination is made.

4. Responsibilities of the appointed actuary and external auditors

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

The shareholders, pursuant to the Jamaican Companies Act, appoint the external auditors. Their responsibility is to conduct an independent audit of the financial statements in accordance with International Standards on Auditing and report thereon to the stockholders. In carrying out their audit, the auditors make use of the work of the appointed Actuary and his report on the policyholders' liabilities.

5. Segmental financial information

The Group is organised into four main business segments:

(a) Retail Banking – this incorporates personal banking services, personal deposit accounts, credit and debit cards, consumer loans and mortgages;

(b) Corporate and Commercial Banking – this incorporates non-personal direct debit facilities, current accounts, deposits, overdrafts, loans, trading and other credit facilities;

(c) Treasury – this incorporates the Bank's liquidity and investment management function, management of correspondent bank relationships, as well as foreign currency trading activities;

(d) Insurance Services – this incorporates the provision of life and medical insurance, individual pension administration and annuities;

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

The 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.

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(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

5. Segmental financial information (continued)

	The Group					
	2021					
	Banking					
	Retail	Corporate and Commercial	Treasury	Insurance services	Eliminations	Group
Net external revenues	17,837,767	10,704,665	3,762,041	4,155,985	-	36,460,458
Revenue from other segments	328,998	954,682	(1,314,159)	3,942	26,537	-
Total revenues	18,166,765	11,659,347	2,447,882	4,159,927	26,537	36,460,458
Total expenses and losses	(17,128,047)	(7,144,839)	(670,674)	(1,395,798)	-	(26,339,358)
Profit before tax	1,038,718	4,514,508	1,777,208	2,764,129	26,537	10,121,100
Taxation						(3,672,037)
Profit for the year						6,449,063
Segment assets	140,983,282	92,342,024	227,235,904	59,605,328	(4,324,393)	515,842,145
Unallocated assets						35,055,653
Total assets						550,897,798
Net interest income	210,149,858	184,034,764	-	46,314,506	(3,998,009)	436,501,119
Unallocated liabilities						21,298,067
Total liabilities						457,799,186
Other segment items:						
Capital expenditure	1,098,196	637,741	-	-	-	1,735,937
Impairment losses on loans	2,927,699	(145,416)	20,578	1,973	-	2,804,834
Depreciation and amortisation	585,312	297,302	6,020	7,785	-	896,419

Capital expenditure comprises additions to property, plant and equipment (note 27) and intangible assets (note 28).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

5. Segmental financial information (continued)

	The Group					
	2020					
	Banking					
	Retail	Corporate and Commercial	Treasury	Insurance services	Eliminations	Group
Net external revenues	20,704,235	8,175,855	7,157,359	4,391,870	-	40,429,319
Revenue from other segments	58,152	846,654	(911,601)	7,947	(1,152)	-
Total revenues	20,762,387	9,022,509	6,245,758	4,399,817	(1,152)	40,429,319
Total expenses and losses	(19,762,209)	(7,641,909)	(558,078)	(1,244,290)	-	(29,206,486)
Profit before tax	1,000,178	1,380,600	5,687,680	3,155,527	(1,152)	11,222,833
Taxation						(3,861,625)
Profit for the year						**7,361,208**
Segment assets	140,076,126	102,993,239	180,801,164	59,212,736	(5,082,552)	478,000,713
Unallocated assets						30,513,941
Total assets						**508,514,654**
Net interest income	188,565,747	168,653,403	-	45,963,939	(4,729,629)	398,453,460
Unallocated liabilities						19,827,843
Total liabilities						**418,281,303**
Other segment items:						
Capital expenditure	922,263	1,307,058	-	3,573	-	2,232,894
Impairment losses on loans	5,832,486	103,920	(39,632)	(30,636)	-	5,866,138
Depreciation and amortisation	607,860	308,883	5,558	14,275	-	936,576

Capital expenditure comprises additions to property, plant and equipment (note 27) and intangible assets (note 28).

(Expressed in thousands of Jamaican dollars unless otherwise stated)

6. Net interest income

	The Group		The Bank	
	2021	2020	2021	2020
Interest income calculated using the effective interest method:				
Deposits with banks and other financial institutions	320,429	375,968	298,185	345,752
Investment securities	3,419,381	3,430,767	1,149,433	1,443,056
Reverse repurchase agreements	25,933	14,211	25,933	7,252
Loans and advances	20,270,956	22,656,636	18,519,253	20,614,827
	24,036,699	26,477,582	19,992,804	22,410,887
Interest expense measured on the effective interest basis:				
Banks and customers	665,727	1,159,472	595,974	842,444
Repurchase agreements	-	-	170	562
Policyholders' liabilities	1,172,454	1,220,394	-	-
Other	47,563	44,194	24,607	24,731
	1,885,744	2,424,060	620,751	867,737
Net interest income	22,150,955	24,053,522	19,372,053	21,543,150

7. Net fee and commission income

	The Group		The Bank	
	2021	2020	2021	2020
Fee and commission income:				
Retail banking fees	6,387,406	6,458,734	6,377,643	6,434,069
Credit related fees	863,919	1,125,526	845,818	1,114,085
Commercial and depository fees	6,042,588	5,388,193	6,042,588	5,388,968
Insurance related fees	287,149	269,667	-	-
Other fees	-	382,241	-	382,241
	13,581,062	13,624,361	13,266,049	13,319,363
Fee and commission expenses	(9,583,603)	(8,397,042)	(9,583,603)	(8,397,042)
	3,997,459	5,227,319	3,682,446	4,922,321

8. Net gains on foreign currency activities

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

9. Insurance revenue

	The Group	
	2021	2020
Gross premiums		
Individual Life	1,146,452	1,101,624
Group Life	971,122	1,237,122
	2,117,574	2,338,746
Reinsurance Ceded	(53)	(301)
	2,117,521	2,338,445
Changes in actuarial reserves	515,561	670,967
	2,633,082	3,009,412

10. Other revenue

	The Group		The Bank	
	2021	2020	2021	2020
Net gain on sale of property, plant and equipment	6,505	3,083	6,505	3,083
Dividend income	-	-	887,159	1,478,161
Gain on extinguishment of liability	953,779	1,177,215	459,681	213,438
Other	27,941	12,420	27,941	12,420
	988,225	1,192,718	1,381,286	1,707,102

As at October 31, 2020, the Bank entered into an agreement for the settlement of outstanding liabilities totalling $1,609,054 (Group: $3,373,691) with another financial institution. This transaction was closed during the year ended October 31, 2021, when all obligations were met.

11. Salaries, pension contributions and other staff benefits

	The Group		The Bank	
	2021	2020	2021	2020
Wages and salaries	8,110,824	9,090,581	7,583,576	8,582,663
Statutory payroll contributions	713,730	832,641	674,528	796,045
Other staff benefits	1,175,286	1,377,499	1,091,156	1,295,286
	9,999,840	11,300,721	9,349,260	10,673,994
Post employment benefits				
Pension credit on defined benefit plan [note 29(a)(v)]	(1,701,664)	(1,841,420)	(1,701,664)	(1,841,420)
Other post-retirement benefits cost [note 29(b)(ii)]	551,864	462,621	551,864	462,621
	(1,149,800)	(1,378,799)	(1,149,800)	(1,378,799)
	8,850,040	9,921,922	8,199,460	9,295,195

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12. Expenses by nature

	The Group		The Bank	
	2021	2020	2021	2020
Salaries, pension contributions and other staff benefits (note 11)	8,850,040	9,921,922	8,199,460	9,295,195
Property expenses, including depreciation	2,306,456	2,385,089	2,233,856	2,313,249
Systems related expenses	2,273,894	1,880,355	2,237,575	1,836,954
Insurance claims and benefits	315,993	252,443	-	-
Transportation and communication	1,259,695	943,556	1,243,222	922,363
Marketing and advertising	300,411	493,228	286,411	486,784
Professional, legal and consultancy fees	320,046	344,086	270,557	290,423
Technical and support services	4,971,808	4,130,293	4,801,069	4,049,277
Asset tax	1,156,647	1,128,921	965,910	935,131
Licencing and fees paid to regulators	121,809	121,285	86,864	84,856
Deposit insurance	534,226	498,213	515,882	479,083
Stationery	395,057	448,396	387,323	441,041
Other operating expenses	728,442	792,561	600,452	530,720
	23,534,524	23,340,348	21,828,581	21,665,076

13. Profit before taxation

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

	The Group		The Bank	
	2021	2020	2021	2020
Auditors' remuneration	45,861	37,745	32,750	27,020
Depreciation of property, plant and equipment	737,150	759,456	730,739	756,002
Depreciation of right-of-use assets	155,577	153,865	152,489	141,509
Amortisation of intangible assets	3,692	23,255	3,692	23,255
Directors' emoluments:				
Fees	7,687	5,496	1,773	1,773
Management remuneration	54,883	54,883	54,883	54,883

14. Taxation

(a) Taxation charge

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

	The Group		The Bank	
	2021	2020	2021	2020
Current income tax:				
Income tax at 33⅓%	1,458,871	2,761,778	1,458,871	2,761,778
Income tax at 30%	630,854	672,242	-	-
Income tax at 25%	708,177	852,119	-	-
Adjustment for prior year under provision	79,981	-	79,981	-
	2,877,883	4,286,139	1,538,852	2,761,778
Deferred income tax [note 35(a)]	794,154	(424,514)	870,357	(437,493)
	3,672,037	3,861,625	2,409,209	2,324,285

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14. Taxation (continued)

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

	The Group		The Bank	
	2021	2020	2021	2020
Profit before taxation	10,121,100	11,222,833	6,507,347	7,403,411
Tax calculated at 33⅓%	2,169,116	2,467,804	2,169,116	2,467,804
Tax calculated at 30%	513,073	642,971	-	-
Tax calculated at 25%	691,032	788,882	-	-
Income not subject to tax – tax free investments	(87,085)	(34,729)	(303,463)	(495,019)
Expenses not deductible for tax purposes	390,761	399,736	340,368	348,247
Prior year under provision	79,981	-	79,981	-
Other charges and allowances	(84,841)	(403,039)	123,207	3,253
Income tax expense	3,672,037	3,861,625	2,409,209	2,324,285
Effective tax rate	36.28%	34.41%	37.02%	31.39%

15. Earnings per stock unit

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

	The Group	
	2021	2020
Profit for the year attributable to stockholders	6,449,063	7,361,208
Weighted average number of ordinary stock units in issue ('000)	2,927,232	2,927,232
Basic earnings per stock unit (expressed in $)	2.20	2.51

16. Cash and balances at Bank of Jamaica

	The Group		The Bank	
	2021	2020	2021	2020
Statutory reserves with Bank of Jamaica – non interest-bearing (note 17)	31,639,786	28,679,603	31,537,901	28,579,290
Cash in hand and at bank	69,550,629	39,848,446	65,569,907	35,565,732
	101,190,415	68,528,049	97,107,808	64,145,022

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16. Cash and balances at Bank of Jamaica (continued)

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

Relevant legislation	Entity	Reserve percentage			
		Jamaican		Foreign currency	
		2021	2020	2021	2020
Banking Services Act, 2014, Section 43	BNSJ	5%	5%	13%	13%
Building Society Regulations, Section 31	SJBS	1%	1%	1%	1%

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

17. Cash and cash equivalents

	The Group		The Bank	
	2021	2020	2021	2020
Cash resources	157,753,139	129,685,196	153,670,532	125,302,169
Less amounts not considered cash and cash equivalents:				
Statutory reserves (note 16)	(31,639,786)	(28,679,603)	(31,537,901)	(28,579,290)
Cheques and other instruments in transit	(1,944,419)	(1,774,136)	(1,962,466)	(1,890,757)
Expected credit losses	1,645	847	1,590	822
Accrued interest	(19,528)	(3,205)	(15,559)	(1,344)
	124,151,051	99,229,099	120,156,196	94,831,600
Add other cash equivalent balances:				
Reverse repurchase agreement less than ninety days (note 20)	-	3,800,000	-	3,800,000
Cash and cash equivalents	124,151,051	103,029,099	120,156,196	98,631,600
Cash and cash equivalent is comprised of:				
Cash and balances with Bank of Jamaica other than statutory reserves	69,552,274	39,849,293	65,571,497	35,566,554
Government and bank notes other than Jamaican	2,416,012	1,634,969	2,416,012	1,634,969
Amounts due from other banks	33,610,710	40,516,191	33,610,710	40,516,191
Accounts with parent and fellow subsidiaries	20,536,002	19,005,987	20,536,002	19,005,987
Reverse repurchase agreements	-	3,800,000	-	3,800,000
Accrued interest	(19,528)	(3,205)	(15,559)	(1,344)
	126,095,470	104,803,235	122,118,662	100,522,357
Less: Cheques and other instruments in transit	(1,944,419)	(1,774,136)	(1,962,466)	(1,890,757)
	124,151,051	103,029,099	120,156,196	98,631,600

(Expressed in thousands of Jamaican dollars unless otherwise stated)

18. Due from other banks

	The Group		The Bank	
	2021	2020	2021	2020
Items in course of collection from other banks	441,963	232,735	441,963	232,735
Placements with other banks	33,168,747	40,283,456	33,168,747	40,283,456
	33,610,710	40,516,191	33,610,710	40,516,191

19. Accounts with parent and fellow subsidiaries

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

20. Government securities purchased under resale agreements

The Group enters into reverse repurchase agreements collateralised by Government of Jamaica securities.

	The Group		The Bank	
	2021	2020	2021	2020
Reverse repurchase agreements	-	3,800,000	-	3,800,000
Interest receivable	-	1,093	-	1,093
	-	3,801,093	-	3,801,093

There were no Government securities purchased under resale agreements with an original maturity less than ninety days for the Group and the Bank (2020: $3,800,000 for the Group and the Bank).

The fair value of collateral held pursuant to reverse repurchase agreements for 2020 was $4,110,985 for the Group and the Bank.

21. Pledged assets

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

	The Group		The Bank	
	2021	2020	2021	2020
Securities with regulators, clearing house and other financial institutions	1,829,271	1,830,371	1,829,271	1,830,371

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21. Pledged assets (continued)

Included in pledged assets are:

(a) Government issued securities held as fair value through other comprehensive income amounting to $1,829,271 (2020: $1,830,371) for the Group and $1,829,271 (2020: $1,830,371) for the Bank.

(b) There were no debt securities which are regarded as cash equivalents for the purposes of the statement of cash flows for the Group and the Bank.

22. Loans, net of allowance for credit losses

	The Group		The Bank	
	2021	2020	2021	2020
Business and Government	88,199,603	100,596,111	88,199,603	100,596,111
Personal and credit cards	76,653,883	83,064,221	75,843,017	82,069,121
Residential mortgages	48,300,527	42,539,512	27,994,587	19,319,999
Interest receivable	1,555,052	2,444,548	1,225,462	1,988,326
Total	214,709,065	228,644,392	193,262,669	203,973,557
Allowance for expected credit losses (note 23)	(6,236,118)	(7,968,894)	(5,765,370)	(7,501,604)
	208,472,947	220,675,498	187,497,299	196,471,953

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

	The Group		The Bank	
	2021	2020	2021	2020
Neither past due nor impaired	188,458,256	178,476,092	171,530,555	159,552,580
Past due but not impaired				
Past due 1-30 days	15,799,813	19,922,756	12,785,310	16,002,097
Past due 31-60 days	1,722,443	20,147,122	1,324,682	19,585,338
Past due 61-90 days	1,145,095	2,895,571	1,068,150	2,737,517
	18,667,351	42,965,449	15,178,142	38,324,952
Impaired:				
Past due more than 90 days	6,028,405	4,758,303	5,328,510	4,107,699
Interest receivable	1,555,053	2,444,548	1,225,462	1,988,326
Gross loan portfolio	214,709,065	228,644,392	193,262,669	203,973,557
Allowance for expected credit losses	(6,236,118)	(7,968,894)	(5,765,370)	(7,501,604)
Loans, net allowance for credit losses	208,472,947	220,675,498	187,497,299	196,471,953

(ii) Repossessed collateral:

In the normal course of business, the security documentation which governs the collateral charged to secure loans gives the Group express authority to repossess the collateral in the event of default. Repossessed collateral is sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Re-possessed collateral is not recognised on the Group's statement of financial position.

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23. Expected credit losses on loans

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

Some of the key drivers include the following:

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

As a result of COVID-19, management considered the application of an overlay in respect of the computation of the ECL to take into account the potential impact of the pandemic on the macroeconomic indicators. In order to inform the forward-looking component of the ECL, macroeconomic variables, which are statistically significant and most correlated with the Group's Non-Performing Loans (NPLs) and investment default rates, were selected. For the loan portfolio these include: unemployment, GDP Growth and Inflation Rate and for the investment securities the macro factors applied were: interest rates, real GDP growth rate and the inflation rate. The weighting for each variable was applied based on its ability to reflect the projected economic changes resulting from the pandemic.

	The Group			
	2021			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	3,521,638	2,256,866	2,190,390	7,968,894
Provided during the year	(2,282,844)	(192,939)	6,098,221	3,622,438
Bad debts written off	-	-	(5,367,200)	(5,367,200)
Foreign exchange movement	(147,505)	347,228	(187,737)	11,986
Transfer to/(from) stages				
Stage 1	631,289	(439,490)	(191,799)	-
Stage 2	(363,511)	560,951	(197,440)	-
Stage 3	(28,430)	(831,956)	860,386	-
Allowance at end of year (note 22)	1,330,637	1,700,660	3,204,821	6,236,118
Provided during the year	(2,282,844)	(192,939)	6,098,221	3,622,438
Recoveries of bad debts	-	-	(840,010)	(840,010)
Expected credit losses reported in profit for the year	(2,282,844)	(192,939)	5,258,211	2,782,428

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23. Expected credit losses on loans (continued)

	The Group			
	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,379,240	1,311,628	1,447,568	4,138,436
Provided during the year	2,064,423	1,650,328	2,631,342	6,346,093
Bad debts written off	-	-	(2,529,884)	(2,529,884)
Foreign exchange movement	(781,298)	229,537	566,010	14,249
Transfer to/(from) stages				
Stage 1	1,241,811	(1,051,943)	(189,868)	-
Stage 2	(363,033)	769,770	(406,737)	-
Stage 3	(19,505)	(652,455)	671,960	-
Allowance at end of year (note 22)	3,521,638	2,256,865	2,190,391	7,968,894
Provided during the year	2,064,423	1,650,328	2,631,342	6,346,093
Recoveries of bad debts	-	-	(626,648)	(626,648)
Expected credit losses reported in profit for the year	2,064,423	1,650,328	2,004,694	5,719,445

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance at beginning of year	1,315,117	1,146,756	1,253,799	3,715,672
Provided during the year	2,110,728	1,727,416	2,436,916	6,275,060
Bad debts written off	-	-	(2,503,377)	(2,503,377)
Foreign exchange movement	(781,298)	229,537	566,010	14,249
Transfer to/(from) stages				
Stage 1	1,161,912	(992,079)	(169,833)	-
Stage 2	(355,165)	624,010	(268,845)	-
Stage 3	(19,471)	(606,643)	626,114	-
Allowance at end of year (note 22)	3,431,823	2,128,997	1,940,784	7,501,604
Provided during the year	2,110,728	1,727,416	2,436,916	6,275,060
Recoveries of bad debts	-	-	(625,172)	(625,172)
Expected credit losses reported in profit for the year	2,110,728	1,727,416	1,811,744	5,649,888

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23. Expected credit losses on loans (continued)

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

	The Group		The Bank	
	2021	2020	2021	2020
Allowance for expected credit losses based on IFRS – [see (a) below]	6,236,118	7,968,894	5,765,370	7,501,604
Additional allowance based on BOJ regulations [see (b) below]	334,797	209,757	334,797	-
	6,570,915	8,178,651	6,100,167	7,501,604

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

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

A loan is classified as impaired if its book value exceeds the present value of the expected cash flows from interest payments, principal repayments, guarantees and proceeds of liquidation of collateral. Provisions for credit losses are made on all impaired loans. Uncollected interest on impaired loans not accrued in these financial statements was estimated at $1,343,603 (2020: $1,138,340) for the Group and $1,186,785 (2020: $970,316) for the Bank.

24. Financial assets at fair value through profit or loss

	The Group		The Bank	
	2021	2020	2021	2020
Government of Jamaica securities	2,249,947	2,364,718	675,345	709,795
Unit trusts	329,873	295,369	-	-
	2,579,820	2,660,087	675,345	709,795
Accrued interest	11,930	11,930	11,930	11,930
	2,591,750	2,672,017	687,275	721,725

25. Investment securities

	The Group		The Bank	
	2021	2020	2021	2020
Government securities	126,175,267	97,682,684	78,223,248	50,991,458
Bank of Jamaica securities	5,775,616	7,027,778	3,998,368	5,345,583
Treasury bills	1,264,054	2,669,565	1,264,054	2,669,565
Corporate bonds	1,198,763	752,597	-	752,597
Unquoted equities	5,105	5,105	5,105	5,105
Interest receivable	965,940	772,388	359,756	265,990
	135,384,745	108,910,117	83,850,531	60,030,298

Included in investment securities are Government of Jamaica Benchmark Investment Notes with a book value of $90,000 (2020: $90,000) which have been deposited by one of the Bank's subsidiaries, Scotia Jamaica Life Insurance Company Limited, with the insurance regulator, Financial Services Commission, pursuant to Section 8(1)(a) of the Insurance Regulations 2001.

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26. Sundry assets

	The Group		The Bank	
	2021	2020	2021	2020
Accounts receivable	1,240,941	396,683	1,240,513	396,598
Deferred charges	1,303,716	1,116,703	1,295,828	1,109,401
Other	598,293	765,249	593,309	761,172
	3,142,950	2,278,635	3,129,650	2,267,171

27. Property, plant and equipment

	The Group					
	Freehold land and buildings	Leasehold improvements	Furniture, fixtures, motor vehicles & equipment	Capital work-in-progress	Right-of-use-asset	Total
Cost						
October 31, 2019	4,456,989	491,089	7,472,449	810,034	-	13,230,561
Impact of first time application of IFRS 16	-	-	-	-	1,181,916	1,181,916
Additions	21,824	4,160	73,319	2,133,591	46,939	2,279,833
Disposals	-	-	(60,159)	-	(5,543)	(65,702)
Transfers	652,359	63,818	454,823	(1,171,000)	-	-
Translation adjustment	-	-	-	-	19,433	19,433
October 31, 2020	5,131,172	559,067	7,940,432	1,772,625	1,242,745	16,646,041
Additions	1,065,137	137,095	139,496	394,209	178,323	1,914,260
Disposals	-	-	(21,958)	-	(15,445)	(37,403)
Transfers	106,088	58,936	897,362	(1,062,386)	-	-
Translation adjustment	-	-	-	-	37,189	37,189
Write-offs	-	-	-	(637,198)	-	(637,198)
October 31, 2021	6,302,397	755,098	8,955,332	467,250	1,442,812	17,922,889
Depreciation						
October 31, 2019	1,030,490	452,165	5,934,836	-	-	7,417,491
Charge for the year	110,942	32,080	616,434	-	153,865	913,321
Disposals	-	-	(59,788)	-	(2,827)	(62,615)
Translation adjustment	-	-	-	-	571	571
October 31, 2020	1,141,432	484,245	6,491,482	-	151,609	8,268,768
Charge for the year	140,223	65,000	531,927	-	155,577	892,727
Disposals	-	-	(21,466)	-	(15,445)	(36,911)
Translation adjustment	-	-	-	-	5,030	5,030
October 31, 2021	1,281,655	549,245	7,001,943	-	296,771	9,129,614
Net book values						
October 31, 2021	5,020,742	205,853	1,953,389	467,250	1,146,041	8,793,275
October 31, 2020	3,989,740	74,822	1,448,950	1,772,625	1,091,136	8,377,273
October 31, 2019	3,426,499	38,924	1,537,613	810,034	-	5,813,070

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27. Property, plant and equipment (continued)

	The Bank					
	Freehold Land and Buildings	Leasehold Improvements	Furniture, Fixtures, Motor vehicles & Equipment	Capital Work-in Progress	Right-of-use-assets	Total
Cost						
October 31, 2019	4,425,552	482,843	7,369,785	809,298	-	13,087,478
Impact of first time application of IFRS 16	-	-	-	-	1,167,088	1,167,088
Additions	21,824	4,160	68,949	2,133,591	46,322	2,274,846
Disposals	-	-	(60,159)	-	(5,543)	(65,702)
Transfers	652,359	63,818	454,823	(1,171,000)	-	-
Translation adjustment	-	-	-	-	19,433	19,433
October 31, 2020	5,099,735	550,821	7,833,398	1,771,889	1,227,300	16,483,143
Additions	1,065,137	137,095	126,903	394,209	178,323	1,901,667
Disposals	-	-	(21,958)	-	-	(21,958)
Transfers	106,088	58,936	897,362	(1,062,386)	-	-
Translation adjustment	-	-	-	-	37,189	37,189
Write-offs	-	-	-	(637,198)	-	(637,198)
October 31, 2021	6,270,960	746,852	8,835,705	466,514	1,442,812	17,762,843
Accumulated depreciation						
October 31, 2019	1,017,212	444,509	5,836,786	-	-	7,298,507
Charge for the year	110,255	32,080	613,667	-	141,509	897,511
Eliminated on disposals	-	-	(59,788)	-	(2,827)	(62,615)
Translation adjustment	-	-	-	-	571	571
October 31, 2020	1,127,467	476,589	6,390,665	-	139,253	8,133,974
Charge for the year	139,536	65,000	526,203	-	152,489	883,228
Eliminated on disposals	-	-	(21,466)	-	-	(21,466)
Translation adjustment	-	-	-	-	5,028	5,028
October 31, 2021	1,267,003	541,589	6,895,402	-	296,770	9,000,764
Net book values						
October 31, 2021	5,003,957	205,263	1,940,303	466,514	1,146,042	8,762,079
October 31, 2020	3,972,268	74,232	1,442,733	1,771,889	1,088,047	8,349,169
October 31, 2019	3,408,340	38,334	1,532,999	809,298	-	5,788,971

28. Intangible assets

	Computer Software	
	The Group	The Bank
Cost		
October 31, 2019, 2020 and 2021	210,344	122,528
Amortisation		
October 31, 2019	103,004	95,001
Amortisation for the year	23,255	23,255
October 31, 2020	126,259	118,256
Amortisation for the year	3,692	3,692
October 31, 2021	129,951	121,948
Net book values		
October 31, 2021	80,393	580
October 31, 2020	84,085	4,272
October 31, 2019	107,340	27,527

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29. Retirement benefits asset/obligation

The Group has established a defined benefits pension plan covering all permanent employees of The Bank of Nova Scotia Jamaica Limited, its subsidiaries and fellow subsidiaries. The assets of the plan are held independently of the Group's assets in a separate trustee-administered fund. The fund established under the plan is valued by independent actuaries annually using the Projected Unit Credit Method.

In addition to pension benefits, the Bank offers post-employment medical and group life insurance benefits to retirees and their beneficiaries. The method of accounting and frequency of valuations are similar to those used for the defined benefits pension plan. Amounts recognised in the statement of financial position are as follows:

	The Group and The Bank	
	2021	2020
Defined benefits pension plan (a)	31,254,250	28,242,497
Other post retirement benefits (b)	(5,237,873)	(4,541,887)
	26,016,377	23,700,610

(a) Defined benefits pension plan

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

	The Group and the Bank	
	2021	2020
Present value of funded obligations (iii)	(38,963,167)	(33,924,123)
Fair value of plan assets (iv)	80,326,884	76,713,352
	41,363,717	42,789,229
Limitation of economic benefits	(10,109,467)	(14,546,732)
Asset in the statement of financial position	31,254,250	28,242,497

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

	2021	2020
Balance at beginning of year	28,242,497	43,704,650
Contributions paid	500	500
Pension income recognised in profit or loss (v)	1,701,664	1,841,420
Remeasurement recognised in other comprehensive income (vi)	1,309,589	(17,304,073)
Balance at end of year	31,254,250	28,242,497

(Expressed in thousands of Jamaican dollars unless otherwise stated)

29. Retirement benefits asset/obligation (continued)

(a) Defined benefits pension plan (continued)

(iii) Movement in the present value of obligation

	The Group and the Bank	
	2021	2020
Balance at beginning of year	(33,924,123)	(38,055,078)
Current service costs	(671,631)	(846,097)
Interest cost	(2,987,998)	(2,429,646)
Employees' contributions	(581,804)	(632,992)
Benefits paid	1,921,594	1,463,616
Actuarial gains arising from:		
Experience adjustments	55,693	992,819
Changes in demographic assumptions		-
Changes in financial assumptions	(2,774,898)	5,583,255
Balance at end of year	(38,963,167)	(33,924,123)

(iv) Movement in fair value of pension plan assets

	The Group and the Bank	
	2021	2020
Fair value of plan assets at beginning of year	76,713,352	81,759,728
Contributions	582,304	633,492
Benefits paid	(1,921,594)	(1,463,616)
Interest income on plan assets	6,858,560	5,284,030
Administrative fees	(164,062)	(179,106)
Remeasurement gain on plan assets included in other comprehensive income:	(1,741,676)	(9,321,176)
Fair value of plan assets at end of year	80,326,884	76,713,352
Plan assets consist of the following:		
Government stocks and bonds	47,878,994	45,663,057
Quoted equities	24,238,953	23,149,701
Reverse repurchase agreements	1,051,141	929,498
Certificates of deposit	2,448,521	2,239,667
Real estate	3,907,868	3,764,059
Net current assets	801,407	967,370
	80,326,884	76,713,352

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

	2021	2020
Current service costs	671,631	846,097
Interest cost on obligation	2,987,998	2,429,646
Interest income on plan assets	(6,858,560)	(5,284,030)
Interest on effect of ceiling	1,309,206	-
Administrative fees	188,061	166,867
	(1,701,664)	(1,841,420)

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Notes to the Financial Statements (Continued)
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29. Retirement benefits asset/obligation (continued)

(a) Defined benefits pension plan (continued)

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

	2021	2020
Remeasurement of defined benefits obligations	2,719,205	(6,576,074)
Remeasurement of plan assets	1,717,677	9,333,415
Change in effect on asset ceiling	(5,746,471)	14,546,732
	(1,309,589)	17,304,073

(vii) Sensitivity analysis on projected benefits obligation

The calculation of the projected benefits obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate would cause some reduction in the medical trend rate.

	The Group and the Bank			
	2021		2020	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(4,965,000)	6,277,000	(4,242,000)	5,343,000
Future pension increases	4,352,000	(3,620,000)	3,566,000	(2,982,000)
Future salary increases	1,190,000	(1,072,000)	1,119,000	(1,006,000)

(viii) Liability duration

The average liability duration was as follows:

	The Group and the Bank	
	2021	2020
Active members and all participants (years)	15.6	15.2

(ix) The estimated pension contributions expected to be paid into the defined benefit and contribution plans during the next financial year is $500 (2020: $500).

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

	The Group and the Bank	
	2021	2020
Discount rate	9.00%	9.00%
Future salary increases	7.00%	7.00%
Future pension increases	4.50%	3.75%

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29. Retirement benefits asset/obligation (continued)

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

(i) Movement in the present value of unfunded obligations

	The Group and the Bank	
	2021	2020
Balance at beginning of year	(4,541,887)	(4,646,759)
Current service costs	(149,295)	(164,583)
Interest cost	(402,569)	(298,038)
Benefits paid	122,670	106,721
Actuarial gains/(losses) arising from:		
Experience adjustments	126,738	29,489
Changes in financial assumptions	(731,003)	497,859
Demographic assumptions	337,473	(66,576)
Balance at end of year	(5,237,873)	(4,541,887)

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

	The Group and The Bank	
	2021	2020
Current service costs	149,295	164,583
Interest on obligation	402,569	298,038
	551,864	462,621

(iii) Credit recognised in other comprehensive income

	2021	2020
Experience adjustments	(126,738)	(29,489)
Changes in financial and demographic assumptions	393,530	(431,283)
Remeasurement gain on obligation	266,792	(460,772)

(iv) Principal actuarial assumptions

In addition to the assumptions used for the pension plan that are applicable to the group health plan, the estimate assumes a long-term increase in health costs of 7.5% (2020: 6.50%) per year.

(v) Sensitivity analysis on projected benefits obligation:

The calculation of the projected benefits obligation is sensitive to the assumptions used. The table below summarises how the projected benefit obligation measured at the end of the reporting period would have increased/(decreased) as a result of a change in the respective assumptions by one percentage point. In preparing the analyses for each assumption, all others were held constant. The economic assumptions are somewhat linked as they are all related to inflation. Hence, for example, a 1% reduction in the long-term discount rate, would cause some reduction in the medical trend rate.

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Notes to the Financial Statements (Continued)
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29. Retirement benefits asset/obligation (continued)

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

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

	The Group and The Bank			
	2021		2020	
	1% Increase	1% Decrease	1 % Increase	1 % Decrease
Discount rate	(775,000)	995,000	(639,000)	814,000
Health inflation rate	923,000	(731,000)	752,000	(601,000)
Salary increase rate	10,000	(9,000)	11,000	(10,000)

(vi) Liability duration

The average liability duration is as follows:

	The Group and The Bank	
	2021	2020
Active members and all participants	18.2	17.2

30. Deposits by the public

	The Group		The Bank	
	2021	2020	2021	2020
Personal	207,540,110	181,987,046	200,063,676	174,259,551
Business	170,906,425	154,634,525	170,534,777	154,248,506
Interest payable	26,575	38,867	12,920	19,260
	378,473,110	336,660,438	370,611,373	328,527,317

Deposits include $1,436,224 (2020: $800,325) held as collateral for irrevocable commitments under letters of credit.

31. Due to other banks and financial institutions

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

(Expressed in thousands of Jamaican dollars unless otherwise stated)

32. Due to parent and ultimate parent company

	The Group and The Bank	
	2021	2020
The Bank of Nova Scotia:		
Loan Facility	304,694	857,547
Interest payable	3,878	10,630
	308,572	868,177
Deposits held with the Bank:		
Scotia Group Jamaica Limited	1,934,903	3,992,630
The Bank of Nova Scotia	2,702	12,857
	2,246,177	4,873,664

The facility is a US$ denominated fourteen (14) year non-revolving loan from the parent company, for on-lending. The repayment of the principal commenced May 2012, to be completed February 2022 and the balance is subject to a fixed interest rate of 5.95%.

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

33. Due to fellow subsidiaries

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

34. Other liabilities

	The Group		The Bank	
	2021	2020	2021	2020
Accrued staff benefits	2,239,922	2,127,476	2,102,801	1,998,763
Provisions	775,084	1,092,232	758,464	1,092,232
Prepaid letters of credit	-	117,901	-	117,901
Other payables	375,635	256,793	354,421	250,483
Expected credit losses on guarantees and letters of credit	54,593	37,297	54,593	37,149
Accrued liabilities	4,100,710	3,872,777	4,016,039	3,810,894
Lease liabilities [note 34(i)]	1,172,228	1,104,708	1,172,228	1,101,580
	8,718,172	8,609,184	8,458,546	8,409,002

	The Group			The Bank		
	Restructuring	Other	Total	Restructuring	Other	Total
Balance at 1 November 2020	1,068,732	23,500	1,092,232	1,068,732	23,500	1,092,232
Provisions made during the year	533,992	217,592	751,584	520,125	214,839	734,964
Provisions used during the year	(660,277)	-	(660,277)	(660,277)	-	(660,277)
Provisions reversed during the year	(408,455)	-	(408,455)	(408,455)	-	(408,455)
Balance at 31 October 2021	533,992	241,092	775,084	520,125	238,339	758,464
Current	533,992	241,092	775,084	520,125	238,339	758,464

Restructuring

In accordance with the plans announced by the Group in October 2021, the Group will be consolidating one branch and transitioning three branches to a digital operating model in order to optimise efficiency, and improve the overall service to customers. This transition is expected to be completed in the year ending October 31, 2022.

Other provisions

Other provisions relate to associated transition costs, which is also expected to be completed during the year ending October 31, 2022.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

34. Other liabilities (continued)

(i) Leases

- Leases as lessee

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

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

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

(a) Right-of-use assets

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

(b) Lease liabilities

	The Group		The Bank	
	2021	2020	2021	2020
Lease liabilities	1,172,228	1,104,708	1,172,228	1,101,580
Lease liabilities are classified as follows:				
Current	131,470	124,731	131,470	121,603
Non-current	1,040,758	979,977	1,040,758	979,977
	1,172,228	1,104,708	1,172,228	1,101,580
Maturity analysis of contractual undiscounted cash flows:				
Less than one year	153,622	147,391	153,622	144,263
One to five years	528,111	496,846	528,111	496,846
Over five years	617,801	597,184	617,801	597,184
	1,299,534	1,241,421	1,299,534	1,238,293

(c) Amounts recognised in profit or loss:

	The Group		The Bank	
	2021	2020	2021	2020
Interest expense on lease liabilities	24,608	24,772	24,607	24,728
Depreciation on right-of-use assets	155,577	153,865	152,489	141,509
Expenses related to short-term leases	31,953	33,522	23,557	17,824

(d) Amounts recognised in statement of cash flows:

	The Group		The Bank	
	2021	2020	2021	2020
Total cash outflow for leases	167,400	165,620	167,400	153,259

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34. Other liabilities (continued)

(i) Leases (continued)

- Leases as lessee (continued)

(e) Extension options

Some property leases contain extension options exercisable by the Group up to March 5, 2043. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liabilities of $371,794 (2020: $401,044).

The Bank did not have any leases with extension options.

35. Deferred tax assets and liabilities

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

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

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

	The Group		The Bank	
	2021	2020	2021	2020
Balances at beginning of year	(7,037,112)	(13,073,533)	(6,510,336)	(12,532,999)
Exchange rate adjustment on ECL	4,278	4,495	4,280	4,496
Recognised in profit [note 14(a)]	(794,154)	424,514	(870,357)	437,493
Recognised in other comprehensive income:				
Remeasurement of retirement benefits assets/obligations	(347,599)	5,614,435	(347,599)	5,614,435
Investment securities:				
- fair value remeasurement	490,420	(96,775)	122,650	(195,597)
- transfer to profit	(908)	89,752	(287)	161,836
	(647,963)	6,036,421	(1,091,313)	6,022,663
Net deferred tax liability	(7,685,075)	(7,037,112)	(7,601,649)	(6,510,336)

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35. Deferred tax assets and liabilities (continued)

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

	The Group		The Bank	
	2021	2020	2021	2020
Retirement benefits asset	(10,418,083)	(9,414,166)	(10,418,083)	(9,414,166)
Other retirement benefits obligations	1,745,958	1,513,948	1,745,958	1,513,948
Investment securities	(65,400)	(412,173)	(40,876)	(163,196)
Vacation accrued	165,866	153,213	155,454	142,818
Accelerated tax depreciation	(12,800)	17,099	(13,894)	15,242
Allowances for expected credit losses	1,049,485	1,419,992	975,780	1,447,576
Exchange rate adjustment on ECL	8,776	4,495	8,776	4,495
Interest receivable	(144,113)	(119,288)		-
Unrealised foreign exchange gains	(14,770)	(87,930)	(14,770)	(87,930)
Right-of-use assets	8,658	4,508	8,658	4,498
Residual tax from gains/losses transferred to retained earnings	-	(143,189)	-	-
Other	(8,652)	26,379	(8,652)	26,379
Net deferred tax liability	(7,685,075)	(7,037,112)	(7,601,649)	(6,510,336)

	The Group		The Bank	
	2021	2020	2021	2020
This is comprised of:-				
Deferred income tax asset	76,787	-	-	-
Deferred income tax liability	(7,761,862)	(7,037,112)	(7,601,649)	(6,510,336)
	(7,685,075)	(7,037,112)	(7,601,649)	(6,510,336)

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

	The Group		The Bank	
	2021	2020	2021	2020
Accelerated tax depreciation	29,899	(50,223)	29,136	(49,545)
Pension and other post retirement benefits	424,323	493,960	424,323	493,960
Allowance for loan expected credit losses	370,503	(961,454)	471,796	(950,180)
Vacation accrued	(12,654)	(16,527)	(12,636)	(15,162)
Interest receivable	24,824	18,644	-	-
Unrealised foreign exchange gains	(73,161)	87,930	(73,161)	87,930
Right of use of asset	(4,150)	(4,508)	(4,160)	(4,496)
Other ECLs	34,570	7,664	35,059	-
Total (note 14)	794,154	(424,514)	870,357	(437,493)

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36. Policyholders' liabilities

(a) Composition of policyholders' liabilities

		The Group	
		2021	2020
Insurance risk reserve	- Individual life	(10,030,838)	(9,528,836)
	- Individual accident and sickness	624,671	513,096
	- Whole life	184,606	106,014
	- Group life	521,689	728,174
		(8,699,872)	(8,181,552)
Policyholders' fund		53,308,449	52,384,076
Benefits and claims payable		337,664	333,220
Unprocessed premiums		38,267	18,798
Annuity fund		880,799	745,074
		45,865,307	45,299,616

(b) Movement in policyholders' liabilities

	The Group	
	2021	2020
Policyholders fund:		
At beginning of year	52,384,076	51,802,107
Gross premiums	5,129,716	4,783,316
Disbursements	(5,377,797)	(5,421,741)
Interest credited	1,172,454	1,220,394
At end of year	53,308,449	52,384,076
Benefits and claims payable:		
At beginning of year	333,220	233,934
Claims charged during the year	318,096	351,729
Benefits and claims paid	(313,652)	(252,443)
At end of year	337,664	333,220
Unprocessed premiums:		
At beginning of year	18,798	21,506
Premiums received	7,414,168	7,304,256
Premiums applied	(7,394,699)	(7,306,964)
At end of year	38,267	18,798
Annuity fund:		
At beginning of year	745,074	592,815
Issue of new annuities	175,840	178,599
Payments	(63,071)	(45,758)
Interest credited	22,956	19,418
At end of year	880,799	745,074

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36. Policyholders' liabilities (continued)

(b) Movement in policyholders' liabilities (continued)

	The Group		
	2021		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,909,726)	728,174	(8,181,552)
Changes in assumptions and fees	(12,108)	612	(11,496)
Changes to tax regime	-	-	-
Normal changes	(299,727)	(207,097)	(506,824)
At end of year	(9,221,561)	521,689	(8,699,872)

	2020		
	Individual life	Group life	Total
Insurance risk reserve:			
At beginning of year	(8,354,865)	844,546	(7,510,319)
Changes in assumptions and fees	(493,837)	1,097	(492,740)
Changes to tax regime	-	44,734	44,734
Normal changes	(61,024)	(162,203)	(223,227)
At end of year	(8,909,726)	728,174	(8,181,552)

37. Share capital

Authorised:

	Number of Units ('000)	
	2021	2020
Ordinary shares of no par value	3,000,000	3,000,000
Preference shares of no par value	100,000	100,000
	3,100,000	3,100,000

Issued and fully paid:

	Number of Units ('000)		Carrying value	
	2021	2020	2021	2020
Ordinary stock units	2,927,232	2,927,232	2,927,232	2,927,232

38. Reserve fund

In accordance with the Banking Services Act, 2014 and regulations under which it operates, the Bank is required to make transfers of a minimum of 15% of net profit, until the amount in the fund is equal to 50% of the paid-up capital of the Bank and thereafter, 10% of net profits until the reserve fund is equal to its paid-up capital.

The Building Society is required to make transfers of a minimum of 10% of net profit, until the amount at the credit of the reserve fund is equal to the total of the amount paid up on its capital shares and the amount of its deferred shares.

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39. Retained earnings reserve

The Banking Services Act, 2014 permits transfers from the Bank's net profit to retained earnings reserve, which constitutes a part of the capital base. Transfers to the retained earnings reserve are made at the discretion of the Board of Directors. Such transfers must be notified to Bank of Jamaica and any reversal must be approved by Bank of Jamaica.

40. Cumulative remeasurement gains from investment securities

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

41. Capital reserve

	The Group		The Bank	
	2021	2020	2021	2020
Liquidation of Scotia Jamaica General Insurance Brokers Limited	9,383	9,383	9,383	9,383
Dissolution of SDBG Merchant Bank Limited	-	-	32,704	32,704
	9,383	9,383	42,087	42,087

42. Loan loss reserve

This is a non-distributable loan loss reserve which represents the excess of the regulatory loan loss provision over the expected credit losses determined under IFRS requirements (note 23).

43. Related party transactions and balances

The Group is controlled by Scotia Group Jamaica Limited, which is incorporated and domiciled in Jamaica. Scotia Group Jamaica Limited is a 71.78% subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada is the ultimate parent company.

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party or both parties are subject to common control or significant influence. A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorships, in the normal course of business. These include loans, deposits, investment management services and foreign currency transactions.

Pursuant to Sections 58(3) and 57(1) of the Banking Services Act, 2014, connected companies include companies that have directors in common with the Bank and/or its subsidiaries. Related party credit facilities in excess of the limits set out in Sections 58(3) and 57(1), subject to the maximum of the limits in Section 59(1) of the Banking Services Act, 2014, are supported by guarantees issued by the parent company.

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43. Related party transactions and balances (continued)

Related party transactions with the ultimate parent company comprise the payment of dividends, management fees, guarantee fees, centralised computing and other service fees. There were no balances due to the ultimate parent company, other than those set out in note 32. No impairment losses have been recognised in respect of loans made to related parties.

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

	The Group					
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2021	Total 2020
Loans						
Balance at October 31	-	-	1,296,737	6,831,683	8,128,420	8,306,990
Interest earned	-	-	63,104	420,544	483,648	676,868
Deposit liabilities						
Balance at October 31	(2,246,177)	(6,060,171)	(1,042,852)	(3,978,723)	(13,327,923)	(16,156,693)
Interest expense	(33,716)	(68,455)	(1,010)	(6,029)	(109,210)	(220,130)
Investments/Resale agreements						
Securities purchased under resale agreements	-	-	-	-	-	2,700,222
Interest received on resale agreements	-	699	-	-	699	1,110
Other investments		329,873	-	-	329,873	295,369
Interest earned on other investments	-	61,157	-	-	61,157	66,441
Deposits with Banks						
Due from banks and other financial institutions	2,018,422	18,517,580	-	-	20,536,002	19,005,987
Interest earned from banks and other financial institutions	-	3,732	-	-	3,732	117,759
Other						
Fees and commission (paid)/earned	-	(130,869)	(62,081)	-	(192,950)	(185,423)
Insurance products	-	-	31,876	-	31,876	15,292
Technical service fees (paid)/received	(2,528,405)	(215,886)	-	-	(2,744,291)	(1,862,794)
Other operating (expense) /income	(4,292,059)	(2,265,822)	-	-	(6,557,881)	(6,311,624)

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43. Related party transactions and balances (continued)

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	The Bank					
	Ultimate parent	Fellow subsidiaries	Directors and key management personnel	Connected companies	Total 2021	Total 2020
Loans						
Balance at October 31	-	-	1,201,174	6,831,683	8,032,857	8,130,431
Interest earned	-	-	52,419	420,544	472,963	661,112
Deposit liabilities						
Balance at October 31	(2,246,177)	(9,045,402)	(1,030,239)	(3,977,401)	(16,299,219)	17,651,105
Interest expense	(33,716)	(49,754)	(968)	(6,018)	(90,456)	(137,308)
Investments/Resale agreements						
Securities purchased under resale agreement	-	-	-	-	-	2,700,222
Interest received on resale agreements	-	529	-	-	529	548
Other investments	-	-	-	-	-	-
Interest earned on other investments	-	-	-	-	-	5,284
Deposit assets						
Due from banks and other financial institutions	2,018,422	18,517,580	-	-	20,536,002	19,005,987
Interest earned from banks and other financial institutions	-	3,732	-	-	3,732	117,759
Due (to)/from fellow subsidiaries	-	1,197	-	-	1,197	(3,743)
Other						
Fees and commission	-	(59,361)	(56,166)	-	(115,527)	(58,561)
Technical service fees (paid)/received	(2,418,929)	267,001	-	-	(2,151,928)	(1,882,325)
Other operating (expense)/income	(4,292,059)	(1,542,360)	-	-	(5,834,419)	(4,325,649)

	The Group 2021	The Group 2020	The Bank 2021	The Bank 2020
Key management compensation				
Salaries and other short-term benefits	749,054	712,294	657,757	612,367
Post-employment benefits	204,572	(47,801)	204,572	(47,801)
	953,626	664,493	862,329	564,566

44. Financial risk management

(a) Overview and risk management framework

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

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

44. Financial risk management (continued)

(a) Overview and risk management framework (continued)

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

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

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

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

(i) Board Audit Committee

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

(ii) Executive and Enterprise Risk Committee

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

(iii) Asset and Liability Committee

The Asset and Liability Committee (ALCO), a committee of management, has the responsibility of ensuring that risks are managed within the limits established by the Board of Directors. The Committee meets at least once monthly to review risks, evaluate performance and provide strategic direction. The Committee reviews investment, loan and funding activities, and ensures that the existing policies comprehensively deal with the management and diversification of the Group's investment and loan portfolios and that appropriate limits are being adhered to.

44. Financial risk management (continued)

(a) Overview and risk management framework (continued)

(iii) Asset and Liability Committee (continued)

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

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

(b) Credit risk

(i) Credit risk management

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

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

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

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

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

44. Financial risk management (continued)

(b) Credit risk (continued)

(ii) Credit-related commitments

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

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

(iii) Credit quality

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

Commercial loans: In measuring credit risk of commercial loans at the counterparty level, the Group assesses the probability of default of individual counterparties using internal rating tools. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison to externally available data. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class:

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

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

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

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44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

The table below shows the percentage of the loan portfolio as at the reporting date relating to loans and credit commitments for each of the internal rating categories:

	The Group		The Bank	
	Loans and credit commitments		Loans and credit commitments	
	2021 (%)	2020 (%)	2021 (%)	2020 (%)
Excellent	17.9	18.0	14.7	14.4
Very Good	0.3	0.5	0.3	0.6
Good	25.0	24.0	23.2	21.9
Acceptable	7.4	11.8	8.2	13.1
Higher Risk	49.4	45.7	53.6	50.0
	100.0	100.0	100.0	100.0

The following table sets out information about the credit risk and the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Retail loans including all credit card segments:

The Group 2021					
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	18,540,032	7,478	-	18,547,510
Low	0.2% to < 1%	33,185,258	58,447	-	33,243,705
Medium	1% to < 3%	42,409,846	1,900,986	-	44,310,832
High	3% to < 20%	16,352,599	3,031,003	-	19,383,602
Very High	20% to < 99.99%	61,209	3,100,188	-	3,161,397
Subtotal: PD Grades (Advanced Models)		110,548,944	8,098,102	-	118,647,046
Loans not graded (intermediate or simplified or gross-up)		3,450,336	216,484	-	3,666,820
Default		-	-	5,375,912	5,375,912
Total		113,999,280	8,314,586	5,375,912	127,689,778
Expected credit losses retail (including all credit card segments)		(1,236,888)	(1,537,609)	(3,108,273)	(5,882,770)
Carrying amount		112,762,392	6,776,977	2,267,639	121,807,008

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44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Retail loans including all credit card segments (continued):

		The Group 2020			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	22,186,228	33,267	-	22,219,495
Low	0.2% to < 1%	28,694,380	75,459	-	28,769,839
Medium	1% to < 3%	41,788,654	1,788,120	-	43,576,774
High	3% to < 20%	20,975,692	3,359,484	-	24,335,176
Very High	20% to < 99.99%	219,016	3,900,251	-	4,119,267
Subtotal: PD Grades (Advanced Models)		113,863,970	9,156,581	-	123,020,551
Loans not graded (intermediate or simplified or gross-up)		269,610	(58,751)	-	210,859
Default		-	-	4,013,629	4,013,629
Total		114,133,580	9,097,830	4,013,629	127,245,039
Expected credit losses retail (including all credit card segments)		(3,204,237)	(2,094,976)	(2,035,663)	(7,334,876)
Carrying amount		110,929,343	7,002,854	1,977,966	119,910,163

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

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44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Retail loans including all credit card segments (continued):

		The Bank			
		2020			
Category of PD Grade	PD Range	Stage 1	Stage 2	Stage 3	Total
Very Low	< 0.2%	1,706,425	-	-	1,706,425
Low	0.2% to < 1%	26,186,298	11,284	-	26,197,582
Medium	1% to < 3%	41,680,590	349,944	-	42,030,534
High	3% to < 20%	20,975,692	3,037,994	-	24,013,686
Very High	20% to < 99.99%	219,016	3,900,251	-	4,119,267
Subtotal: PD Grades (Advanced Models)		90,768,021	7,299,473	-	98,067,494
Loans not graded (intermediate or simplified or gross-up)		1,031,883	111,802	-	1,143,685
Default		-	-	3,363,025	3,363,025
Total		91,799,904	7,411,275	3,363,025	102,574,204
Expected credit loss allowance		(3,114,422)	(1,967,107)	(1,786,057)	(6,867,586)
Carrying amount		88,685,482	5,444,168	1,576,968	95,706,618

Commercial loans excluding all credit card segments :

			The Group			
			2021			
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	78,955	835,801	-	914,756
	95	AA to A+	-	281,893	-	281,893
	90	A to A-	-	1,253,306	-	1,253,306
	87	BBB+	6,688	7,830	-	14,518
	85	BBB	621,772	2,220,065	-	2,841,837
	83	BBB-	2,228,938	3,089,711	-	5,318,649
Non-investment	80	BB+	8,580,879	2,416,869	-	10,997,748
	77	BB	12,006,065	400,292	-	12,406,357
	75	BB-	20,747,117	1,053,397	-	21,800,514
	73	B+	16,326,030	696,519	-	17,022,549
	70	B to B-	10,969,709	1,061,300	-	12,031,009
Watch	65	CCC+	-	433,015	-	433,015
	60	CCC	-	733,130	-	733,130
	40	CCC- to CC	-	-	-	-
	30		-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			71,566,153	14,800,641	652,493	87,019,287
Expected credit losses			(93,750)	(163,050)	(96,548)	(353,348)
Carrying amount			71,472,403	14,637,591	555,945	86,665,939

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44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Commercial loans excluding all credit card segments (continued):

The Group
2020

Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	-	909,296	-	909,296
	95	AA to A+	-	221,805	-	221,805
	90	A to A-	-	1,112,473	-	1,112,473
	87	BBB+	-	65,055	-	65,055
	85	BBB	8,803,706	2,004,231	-	10,807,937
	83	BBB-	1,572,683	3,599,742	-	5,172,425
Non-investment	80	BB+	3,858,836	3,255,146	-	7,113,982
	77	BB	14,656,894	584,957	-	15,241,851
	75	BB-	32,674,795	3,075,402	-	35,750,197
	73	B+	21,353,012	227,063	-	21,580,075
	70	B to B-	713,800	1,163,981	-	1,877,781
Watch	65	CCC+	-	274,141	-	274,141
	60	CCC	-	474,243	-	474,243
	40	CCC- to CC	-	53,418	-	53,418
Default			-	-	744,674	744,674
Total			83,633,726	17,020,953	744,674	101,399,353
Expected credit losses			(317,401)	(161,890)	(154,727)	(634,018)
Carrying amount			83,316,325	16,859,063	589,947	100,765,335

The Bank
2021

Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	78,955	835,801	-	914,756
	95	AA to A+	-	281,893	-	281,893
	90	A to A-	-	1,253,306	-	1,253,306
	87	BBB+	6,688	7,830	-	14,518
	85	BBB	621,772	2,220,065	-	2,841,837
	83	BBB-	2,228,938	3,089,711	-	5,318,649
Non-investment	80	BB+	8,580,879	2,416,869	-	10,997,748
	77	BB	12,006,065	400,292	-	12,406,357
	75	BB-	20,747,117	1,053,397	-	21,800,514
	73	B+	16,326,030	696,519	-	17,022,549
	70	B to B-	10,969,709	1,061,300	-	12,031,009
Watch	65	CCC+	-	433,015	-	433,015
	60	CCC	-	733,130	-	733,130
	40	CCC- to CC	-	-	-	-
	30		-	317,513	-	317,513
Default			-	-	652,493	652,493
Total			71,566,153	14,800,641	652,493	87,019,287
Expected credit losses			(93,750)	(163,050)	(96,548)	(353,348)
Carrying amount			71,472,403	14,637,591	555,945	86,665,939

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44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

Commercial loans excluding all credit card segments (continued):

			The Bank			
			2020			
Internal Grade	IG Code	S&P	Stage 1	Stage 2	Stage 3	Total
Investment grade	99-98	AAA to AA+	-	909,296	-	909,296
	95	AA to A+	-	221,805	-	221,805
	90	A to A-	-	1,112,473	-	1,112,473
	87	BBB+	-	65,055	-	65,055
	85	BBB	8,803,706	2,004,231	-	10,807,937
	83	BBB-	1,572,683	3,599,742	-	5,172,425
Non-investment	80	BB+	3,858,836	3,255,146	-	7,113,982
	77	BB	14,656,894	584,957	-	15,241,851
	75	BB-	32,674,795	3,075,402	-	35,750,197
	73	B+	21,353,012	227,063	-	21,580,075
	70	B to B-	713,800	1,163,981	-	1,877,781
Watch	65	CCC+	-	274,141	-	274,141
	60	CCC	-	474,243	-	474,243
	40	CCC- to CC	-	53,418	-	53,418
Default			-	-	744,674	744,674
Total			83,633,726	17,020,953	744,674	101,399,353
Expected credit losses			(317,401)	(161,890)	(154,727)	(634,018)
Carrying amount			83,316,325	16,859,063	589,947	100,765,335

Debt securities: Internal grades are used to differentiate the risk of default of a borrower. The following table cross references the Group's internal grades with external rating agency designation of debt and similar securities, other than loans, based on Standard & Poor's ratings or their equivalent:

	The Group			
	2021		2020	
	Stage 1	Total	Stage 1	Total
AAA to AA+	24,894,632	24,894,632	10,065,435	10,065,435
AA to A+	17,510,196	17,510,196	15,239,866	15,239,866
A to A-	4,848,230	4,848,230	-	-
BBB+ to BB+	1,937,522	1,937,522	-	-
BB to B-	93,398,108	93,398,108	90,351,080	90,351,080
Unrated	4,364,770	4,364,770	3,739,587	3,739,587
	146,953,458	146,953,458	119,395,968	119,395,968

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(b) Credit risk (continued)

(iii) Credit quality (continued)

	The Bank			
	2021		2020	
	Stage 1	Total	Stage 1	Total
AAA to AA+	24,894,632	24,894,632	10,065,435	10,065,435
AA to A+	17,510,196	17,510,196	15,239,866	15,239,866
A to A-	4,848,230	4,848,230	-	-
BBB+ to BB+	1,937,522	1,937,522	-	-
BB to B-	40,673,332	40,673,332	38,518,871	38,518,871
Unrated	-	-	754,336	754,336
	89,863,912	89,863,912	64,578,508	64,578,508

Classified as follows:

	The Group		The Bank	
	2021	2020	2021	2020
Amortised cost	7,482,669	6,283,936	3,501,940	2,001,219
Fair value through OCI	135,379,640	108,905,012	83,845,426	60,025,193
Fair value through profit or loss	2,261,878	2,376,649	687,275	721,725
Pledged assets:				
Fair value through OCI	1,829,271	1,830,371	1,829,271	1,830,371
	146,953,458	119,395,968	89,863,912	64,578,508

(iv) Maximum exposure to credit risk

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

Collateral and other credit enhancements held against loans

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

The Group holds collateral against credits to borrowers primarily in the form of cash, motor vehicles, real estate, charges over business assets such as premises, inventory and accounts receivable, and charges over financial instruments such as debt securities. Estimates of fair values are based on the value of collateral assessed at the time of borrowing and are generally not updated, except when credits to borrowers are individually assessed as impaired.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Maximum exposure to credit risk (continued)

Collateral and other credit enhancements held against loans (continued)

The estimated fair value of the collateral with enforceable legal right pursuant to the agreements for outstanding loans and guarantees is $163,967,916 (2020: $152,087,882) for the Group and $142,728,994 (2020: $127,717,731) for the Bank.

(v) Concentration of exposure to credit risk

(1) Loans

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

	The Group	
	2021	2020
	Loans and Leases	
Agriculture, fishing and mining	655,687	737,213
Construction and real estate	3,582,236	3,757,966
Distribution	16,388,746	16,093,258
Financial institutions	876,072	7,584,942
Government and public entities	9,810,858	9,559,474
Manufacturing	11,354,070	14,611,096
Transportation, electricity, water and other	23,504,834	21,591,399
Personal	124,954,408	125,603,733
Professional and other services	11,641,381	12,688,417
Tourism and entertainment	10,385,720	13,972,346
Interest receivable	1,555,053	2,444,548
Total	214,709,065	228,644,392
Expected credit losses	(6,236,118)	(7,698,894)
	208,472,947	220,945,498

	The Bank	
	2021	2020
	Loans and Leases	
Agriculture, fishing and mining	655,687	737,213
Construction and real estate	3,582,236	3,757,966
Distribution	16,388,746	16,093,258
Financial institutions	876,072	7,584,942
Government and public entities	9,810,858	9,559,474
Manufacturing	11,354,070	14,611,096
Transportation, electricity, water and other	23,504,834	21,591,399
Personal	103,837,604	101,389,120
Professional and other services	11,641,381	12,688,417
Tourism and entertainment	10,385,719	13,972,346
Interest receivable	1,225,462	1,988,326
Total	193,262,669	203,973,557
Expected credit losses	(5,765,370)	(7,501,604)
	187,497,299	196,471,953

44. Financial risk management (continued)

(c) Market risk

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

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

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

The management of the individual elements of market risk – interest rate and currency risks are as follows:

(i) Interest rate risk

Interest rate risk is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; changes in the market price of credit; and the creditworthiness of a particular issuer. The Group actively manages its interest rate exposures with the objective of enhancing net interest income within established risk tolerances. Interest rate risk arising from the Group's funding and investment activities is managed in accordance with Board-approved policies and limits, which are designed to control the risk to net interest income and economic value of shareholders' equity.

The income limit measures the effect of a specified shift in interest rates on the Group's annual net income over the next twelve months, while the economic value limit measures the impact of a specified change in interest rates on the present value of the Group's net assets. Interest rate exposures in individual currencies are also controlled by gap limits.

Sensitivity analysis assesses the effect of changes in interest rates on current earnings and on the economic value of assets and liabilities. Stress testing scenarios are also important for managing risk in the Group's portfolios.

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44. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

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

The Group

2021

	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	65,586,120	29,923,039	-	-	-	62,243,980	157,753,139
Financial assets at fair value through profit or loss	-	-	-	2,249,947	-	341,803	2,591,750
Pledged assets	-	1,824,898			-	4,373	1,829,271
Loans (2)	92,045,600	22,981,618	24,102,810	53,658,275	9,973,188	5,711,456	208,472,947
Investment securities (3)		31,148,409	29,730,967	55,755,229	17,792,073	958,067	135,384,745
Other assets	-	-	-	-	-	44,865,946	44,865,946
Total assets	157,631,720	85,877,964	53,833,777	111,663,451	27,765,261	114,125,625	550,897,798
Deposits by the public	371,560,612	8,884,666	6,773,274	826,206	-	18,110	388,062,868
Other liabilities	-	-	-	-	-	23,871,011	23,871,011
Policyholders' liabilities	43,079,947	2,607,821	8,877,412	-	-	(8,699,873)	45,865,307
Stockholders' equity	-	-	-	-	-	93,098,612	93,098,612
Total liabilities and stockholders' equity	414,640,559	11,492,487	15,650,686	826,206	-	108,287,860	550,897,798
Total interest rate sensitivity gap	(257,008,839)	74,385,477	38,183,091	110,837,245	27,765,261	5,837,765	-
Cumulative gap	(257,008,839)	(182,623,362)	(144,440,271)	(33,603,026)	(5,837,765)	-	-

2020

	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	113,400,352	119,336,827	42,062,363	112,359,018	25,711,664	95,644,430	508,514,654
Total liabilities and stockholders' equity	372,211,375	10,266,073	19,491,994	1,822,656	-	104,722,556	508,514,654
Total interest rate sensitivity gap	(258,811,023)	109,070,754	22,570,369	110,536,362	25,711,664	(9,078,126)	-
Cumulative gap	(258,811,023)	(149,740,269)	(127,169,900)	(16,633,538)	9,078,126	-	-

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44. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Bank						
	2021						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Cash resources	65,586,120	25,945,752	-	-	-	62,138,660	153,670,532
Financial assets at fair value through profit or loss	-	-	-	675,345	-	11,930	687,275
Pledged assets		1,824,898	-		-	4,373	1,829,271
Loans (2)	75,402,365	21,863,383	21,490,499	53,532,622	9,961,919	5,246,511	187,497,299
Investment securities (3)	-	31,148,409	12,910,543	39,426,724	-	364,855	83,850,531
Subsidiaries	-	-	-	-	-	220,000	220,000
Other assets	-	-	-	-	-	43,817,732	43,817,732
Total assets	140,988,485	80,782,442	34,401,042	93,634,691	9,961,919	111,804,061	471,572,640
Deposits by the public	371,705,111	6,250,167	5,170,063	61,020	-	-	383,186,361
Other liabilities	-	-	-	-	-	23,260,534	23,260,534
Stockholders' equity	-	-	-	-	-	65,125,745	65,125,745
Total liabilities and stockholders' equity	371,705,111	6,250,167	5,170,063	61,020	-	88,386,279	471,572,640
Total interest rate sensitivity gap	(230,716,626)	74,532,275	29,230,979	93,573,671	9,961,919	23,417,782	-
Cumulative gap	(230,716,626)	(156,184,351)	(126,953,372)	(33,379,701)	(23,417,782)	-	-

	2020						
	(1) Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-rate sensitive	Total
Total assets	95,667,093	99,772,335	33,756,978	95,350,035	10,266,634	92,427,643	427,240,718
Total liabilities and stockholders' equity	328,901,487	6,129,962	5,901,529	1,049,357	-	85,258,383	427,240,718
Total interest rate sensitivity gap	(233,234,394)	93,642,373	27,855,449	94,300,678	10,266,634	7,169,260	-
Cumulative gap	(233,234,394)	(139,592,021)	(111,736,572)	(17,435,894)	(7,169,260)	-	-

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

(2) This includes impaired loans.

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

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44. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Average effective yields by the earlier of the contractual repricing and maturity dates:

	The Group					
	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted Average
	%	%	%	%	%	%
ASSETS						
Cash resources	1.19	1.18	-	-	-	0.72
Financial assets at fair value through profit or loss	-	-	-	3.11	-	2.07
Pledged assets	-	1.83			-	1.82
Loans (1)	10.30	6.82	8.87	9.80	7.09	9.18
Investment securities (2)	-	1.54	1.73	1.85	5.40	2.21
LIABILITIES						
Deposits (3)	0.15	0.79	0.45	0.57	-	0.17
Policyholders' liabilities	2.21	2.31	2.39	-	-	2.67

	2020					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted Average
	%	%	%	%	%	%
ASSETS						
Cash resources	0.04	0.15	3.30	-	-	0.16
Securities purchased under resale agreements	-	1.18	-	-	-	1.18
Financial assets at fair value through profit or loss	-	-	-	6.23	-	6.23
Pledged assets	-	0.73	-	-	-	0.73
Loans (1)	12.59	12.34	9.16	9.08	7.17	10.70
Investment securities (2)	-	1.47	1.87	4.34	4.88	2.86
LIABILITIES						
Deposits (3)	0.21	0.72	1.07	3.48	-	0.26
Policyholders' liabilities	2.21	2.49	2.40	-	-	2.26

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44. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

	The Bank					
	2021					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	1.19	1.05	-	-	-	0.69
Pledged assets	-	-	-	3.11	-	3.05
Financial assets at fair value through profit or loss	-	1.83				1.82
Loans (1)	10.99	6.57	8.85	9.80	7.08	9.37
Investment securities (2)	-	1.54	0.90	1.15	-	1.25
LIABILITIES						
Deposits (3)	0.15	0.24	0.25	0.28	-	0.16

	2020					
	Immediately rate sensitive	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Weighted average
	%	%	%	%	%	%
ASSETS						
Cash resources	-	0.10	-	-	-	0.06
Securities purchased under resale agreements	-	1.18	-	-	-	1.18
Pledged assets	-	0.73	-	-	-	0.73
Financial assets at fair value through profit or loss	-	-	-	3.32	-	3.32
Loans (1)	14.16	12.39	9.14	9.09	7.16	11.07
Investment securities (2)	-	1.44	2.46	4.15	2.28	2.43
LIABILITIES						
Deposits (3)	0.18	0.36	0.52	5.28	-	0.20

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

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

(3) Yields are based on contractual interest rates.

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44. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity to interest rate movements

The following shows the sensitivity to interest rate movements using scenarios that are based on recently observed market movements. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant. The analyses is performed on the same basis as 2020.

	2021	2020
JMD Interest rates	Increase/decrease by 140 bps	Increase/decrease by 140 bps
USD Interest rates	Increase/decrease by 400 bps	Increase/decrease by 400 bps

	The Group		The Bank	
	2021	2020	2021	2020
Effect on profit	4,114,051	3,097,448	3,834,468	2,829,976
Effect on Stockholders' equity	9,759,336	13,438,123	10,079,216	13,638,191

(ii) Currency risk

The Group has an exposure to the effects of fluctuations in the foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The main currencies giving rise to this risk are the USD, CAD, GBP, and EUR. The Group ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

The tables below summarise the exposure to relevant currencies:

	The Group						
	2021						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	85,386,804	62,138,826	3,935,561	5,645,208	496,000	150,740	157,753,139
Pledged assets	1,829,271	-	-	-	-	-	1,829,271
Loans	176,926,526	31,546,123	296	2	-	-	208,472,947
Financial assets at FVPL	2,591,750	-	-	-	-	-	2,591,750
Investments securities	85,085,246	49,035,445	1,264,054	-	-	-	135,384,745
Other assets	43,592,701	1,261,244	9,191	199	2,611	-	44,865,946
	395,412,298	**143,981,638**	**5,209,102**	**5,645,409**	**498,611**	**150,740**	**550,897,798**
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	235,300,479	141,556,198	5,103,004	5,520,437	581,316	1,434	388,062,868
Other liabilities	21,936,201	1,787,237	97,552	35,124	1,936	12,961	23,871,011
Policyholder liabilities	45,865,307	-	-	-	-	-	45,865,307
Capital Managed	-	-	-	-	-	-	-
	303,101,987	143,343,435	5,200,556	5,555,561	583,252	14,395	457,799,186
NET POSITION	**92,310,311**	**638,203**	**8,546**	**89,848**	**(84,641)**	**136,345**	**93,098,612**

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44. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

	The Group						
	2020						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	50,249,990	70,027,178	2,849,228	5,527,974	883,545	147,281	129,685,196
Government securities purchased under resale agreements	3,801,093	-	-	-	-	-	3,801,093
Pledged assets	1,830,371	-	-	-	-	-	1,830,371
Loans	185,436,509	35,239,767	(782)	4	-	-	220,675,498
Financial assets at FVTPL	2,672,017	-	-	-	-	-	2,672,017
Investments	78,159,608	29,531,747	1,218,762	-	-	-	108,910,117
Other assets	39,589,193	1,343,938	1,311	6,920	(379)	(621)	40,940,362
	361,738,781	136,142,630	4,068,519	5,534,898	883,166	146,660	508,514,654
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	212,664,499	127,863,759	3,968,343	5,319,762	554,771	1,155	350,372,289
Other liabilities	21,061,320	1,445,467	54,894	33,734	2,733	11,250	22,609,398
Policyholders' liabilities	45,299,616	-	-	-	-	-	45,299,616
	279,025,435	129,309,226	4,023,237	5,353,496	557,504	12,405	418,281,303
NET POSITION	**82,713,346**	**6,833,404**	**45,282**	**181,402**	**325,662**	**134,255**	**90,233,351**

	The Bank						
	2021						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	81,305,603	62,138,066	3,935,561	5,644,563	496,000	150,739	153,670,532
Pledged assets	1,829,271	-	-	-	-	-	1,829,271
Loans	155,950,878	31,546,123	296	2	-	-	187,497,299
Financial assets at FVPL	687,275	-	-	-	-	-	687,275
Investments securities	33,551,032	49,035,445	1,264,054	-	-	-	83,850,531
Investment in subsidiaries	220,000	-	-		-	-	220,000
Other assets	42,544,487	1,261,244	9,191	199	2,611	-	43,817,732
	316,088,546	**143,980,878**	**5,209,102**	**5,644,764**	**498,611**	**150,739**	**471,572,640**
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	230,425,401	141,555,415	5,103,004	5,519,791	581,316	1,434	383,186,361
Other liabilities	21,325,724	1,787,237	97,552	35,124	1,936	12,961	23,260,534
	251,751,125	143,342,652	5,200,556	5,554,915	583,252	14,395	406,446,895
NET POSITION	**64,337,421**	**638,226**	**8,546**	**89,849**	**(84,641)**	**136,344**	**65,125,745**

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

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

	The Bank						
	2020						
JMD Equivalent	JMD	USD	CAD	GBP	EUR	OTHER	TOTAL
ASSETS							
Cash resources	45,868,236	70,026,479	2,849,228	5,527,400	883,545	147,281	125,302,169
Government securities purchased under resale agreements	3,801,093	-	-	-	-	-	3,801,093
Pledged assets	1,830,371	-	-	-	-	-	1,830,371
Loans	161,232,964	35,239,767	(782)	4	-	-	196,471,953
Financial assets at FVPTL	721,725	-	-	-	-	-	721,725
Investment securities	29,279,789	29,531,747	1,218,762	-	-	-	60,030,298
Investment in subsidiaries	220,000	-	-	-	-	-	220,000
Other assets	37,511,940	1,343,938	1,311	6,920	(379)	(621)	38,863,109
	280,466,118	136,141,931	4,068,519	5,534,324	883,166	146,660	427,240,718
LIABILITIES							
Deposits, due to financial institutions, parent and fellow subsidiaries	204,305,811	127,863,035	3,968,343	5,319,187	554,771	1,155	342,012,302
Other liabilities	20,170,375	1,445,467	54,894	33,734	2,733	11,250	21,718,453
	224,476,186	129,308,502	4,023,237	5,352,921	557,504	12,405	363,730,755
NET POSITION	**55,989,932**	**6,833,429**	**45,282**	**181,403**	**325,662**	**134,255**	**63,509,963**

The following significant exchange rates were applied during the year:

	Average rate for the period		Reporting date spot rate	
	2021	2020	2021	2020
USD	149.6036	140.2926	154.6673	145.1010
CAD	119.3382	104.7737	126.4370	110.8010
GBP	205.7707	180.7931	211.4054	188.0946
EUR	178.2695	159.4470	178.6397	170.3776

Sensitivity to foreign exchange rate movements

A weakening of the JMD against the currencies indicated at October 31 would have increased/(decreased) equity and profit by the amounts shown below. This analysis is performed on the same basis as 2020 The strengthening of the JMD against the same currencies at October 31 would have had an equal but opposite effect on the amounts shown, on the basis that all other variables remain constant.

	2021	2020
	Increase/decrease	Increase/decrease
USD	by 6.00%	by 8.25%
CAD	by 7.25%	by 12.25%
GBP	by 8.25%	by 15.25%
EUR	by 7.50%	by 14.00%

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44. Financial risk management (continued)

(c) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity to foreign exchange rate movements (continued)

	The Group		The Bank	
	2021	2020	2021	2020
Effect on profit and stockholders' equity	(79,318)	200,005	(84,597)	199,208

(iii) Equity price risk

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

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

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

	The Group	
	2021	2020
Effect on profit and stockholders' equity	(48,725)	(41,251)

(d) Liquidity risk

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

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Notes to the Financial Statements (Continued)
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44. Financial risk management (continued)

(d) Liquidity risk (continued)

The Group's liquidity management process includes:

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

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group's business. It is unusual for companies to be completely matched, as transacted business is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates. Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and central bank balances, government and corporate bonds, treasury bills, and loans.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Group does not generally expect all third parties to draw funds under the agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, as many of these commitments will expire or terminate without being funded.

Financial liabilities cash flows

The tables below present the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities, based on contractual repayment obligations. However, the Group expects that many policyholders/depositors/customers will not request repayment on the earliest date the Group could be required to pay.

	The Group					
	2021					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	379,973,508	7,133,701	839,172	777,687	388,724,068	388,062,869
Other liabilities	1,944,419	-	-	-	1,944,419	1,944,419
Policyholders' liabilities	44,590,049	9,082,820	-	-	53,672,869	45,865,307
Total liabilities	426,507,976	16,216,521	839,172	777,687	444,341,356	435,872,595

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44. Financial risk management (continued)

(d) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	The Group 2020					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	337,185,818	9,481,320	2,872,162	1,770,694	351,309,994	350,372,289
Other liabilities	1,774,136	-	-	-	1,774,136	1,774,136
Policyholders' liabilities	43,106,094	9,565,295	-	-	52,671,389	45,299,616
Total liabilities	382,066,048	19,046,615	2,872,162	1,770,694	405,755,519	397,446,041

	The Bank 2021					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	377,681,537	5,497,701	61,485	-	383,240,723	383,186,361
Other liabilities	1,962,466	-	-	-	1,962,466	1,962,466
Total liabilities	379,644,003	5,497,701	61,485	-	385,203,189	385,148,827

	2020					
	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total	Carrying amount
Financial liabilities						
Deposits, due to financial institutions, parent company and fellow subsidiaries	335,847,941	5,966,559	220,817	-	342,035,317	342,012,302
Other liabilities	1,890,757	-	-	-	1,890,757	1,890,757
Total liabilities	337,738,698	5,966,559	220,817	-	343,926,074	343,903,059

(e) Insurance risk

The Group issues long term contracts that transfer insurance risk or financial risk or both. The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(e) Insurance risk (continued)

Two key matters affecting insurance risk are discussed below:

(i) Long-term insurance contracts

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

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

(1) Frequency and severity of claims

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

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

Insurance risk for contracts disclosed in this note is also affected by the policyholders' right to pay reduced or no future premiums and to terminate the contract completely. As a result, the amount of insurance risk is also subject to the policyholders' behaviour. The Group has factored the impact of policyholders' behaviour into the assumptions used to measure these liabilities.

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

	The Group			
	Total benefits assured			
	2021		2020	
	Before and after reinsurance	%	Before and after reinsurance	%
(i) Individual Life				
Benefits assured per life				
0 to 250,000	4,094,592	6	4,344,472	8
250,001 to 500,000	3,078,660	5	3,151,961	5
500,001 to 750,000	6,748,109	10	5,817,142	8
750,001 to 1,000,000	3,784,771	6	3,759,905	6
1,000,001 to 1,500,000	12,332,652	18	11,881,314	19
1,500,001 to 2,000,000	7,733,277	11	7,400,363	12
Over 2,000,000	29,733,266	44	27,209,760	42
Total	67,505,327	100	63,564,917	100

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44. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long-term insurance contracts (continued)

(1) Frequency and severity of claims (continued)

	The Group			
	Total benefits assured			
	2021		2020	
	Before and after reinsurance	%	Before and after reinsurance	%
(ii) Group Life				
Benefits assured per life				
0 to 250,000	11,881,526	14	11,132,665	11
250,001 to 500,000	7,263,771	8	4,530,015	4
500,001 to 750,000	10,276,285	12	8,540,533	8
750,001 to 1,000,000	9,155,998	11	6,655,342	6
1,000,001 to 1,500,000	14,909,669	17	20,521,027	21
1,500,001 to 2,000,000	7,954,216	9	14,063,933	14
Over 2,000,000	24,631,885	29	36,500,127	36
Total	86,073,350	100	101,943,642	100

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

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

Estimates are made of the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's experience.

(3) Process used in deriving assumptions

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

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

44. Financial risk management (continued)

(e) Insurance risk (continued)

(i) Long-term insurance contracts (continued)

(3) Process used in deriving assumptions (continued)

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

(ii) Reinsurance risk

Reinsurance risk is the risk that a reinsurer will default and not honour its obligations arising from claims. To limit its exposure of potential loss on an insurance policy, the Group cedes certain levels of risk to a reinsurer. Reinsurance ceded does not discharge the Group's liability as primary issuer. The company also limits the probable loss in the event of a single catastrophic occurrence by reinsuring this type of risk with reinsurers. The Group manages reinsurance risk by selecting reinsurers which have established capability to meet their contractual obligations and which generally have favourable credit ratings, as determined by a reputable rating agency.

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

Type of insurance contract	**Retention**
Individual, group & creditor life catastrophe	Maximum retention of $420 for a single event; Treaty limits apply;
Group creditor life contracts & Individual Universal Life	Maximum retention of $15,000 per insured

(iii) Sensitivity analysis of actuarial liabilities

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

The determination of actuarial liabilities is sensitive to a number of assumptions, and changes in these assumptions could have a significant effect on the valuation results.

In summary, the valuation of actuarial liabilities of life insurance and annuity contracts is sensitive to:

- the economic scenario used in the Policy Premium Method (PPM)
- the investments allocated to back the liabilities
- the underlying assumptions used, and
- the margins for adverse deviations.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

44. Financial risk management (continued)

(e) Insurance risk (continued)

(iii) Sensitivity analysis of actuarial liabilities (continued)

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

Under the PPM methodology, the Appointed Actuary is required to test the actuarial liability under several economic scenarios. The tests have been done and the results of the valuation provide adequately for liabilities derived from the worst of these different scenarios.

The assumption for future investment yields has a significant impact on actuarial liabilities. The different scenarios tested under PPM reflect the impact of different yields.

The other assumptions which are most sensitive in determining the actuarial liabilities of the Group, are in descending order of impact:

- mortality
- lapse and withdrawals
- operating expenses and taxes
- morbidity

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

	2021	2020
Interest rates increase by 1%	85,126	69,350
Interest rates decrease by 1%	(38,746)	(22,595)
Mortality increase by 10%	530,021	477,813
Mortality decrease by 10%	(552,977)	(497,621)
Expenses increase by 10%	412,530	401,696
Expenses decrease by 10%	(410,334)	(399,368)
Lapses and withdrawals increase by 10%	439,561	398,596
Lapses and withdrawals decrease by 10%	(479,280)	(432,375)
Morbidity increase by 10%	142,745	137,246
Morbidity decrease by 10%	(144,364)	(138,633)

45. Fair value of financial instruments

Determination of fair value

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

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

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

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

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1 - fair value measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - fair value measurement includes inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - fair value measurement based on valuation techniques that includes inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the date of the event or change in circumstances that caused the transfer to occur. There were no such transfers during the year.

Basis of valuation

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

(i) financial instruments classified as fair value through other comprehensive income (FVOCI) are measured at fair value by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or other recognised valuation techniques, which include utilising recent transaction prices or broker quotes. Investments in unit trusts are measured at fair value by reference to prices quoted by the fund managers.

(ii) financial instruments classified as fair value through profit or loss: fair value is estimated by reference to quoted market prices where available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows. Fair value is equal to the carrying amount for these investments.

(Expressed in thousands of Jamaican dollars unless otherwise stated)

45. Fair value of financial instruments (continued)

Basis of valuation (continued)

(iii) the fair values of liquid assets and other assets maturing within one year are considered to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and liabilities;

(iv) the fair values of demand deposits and savings accounts with no specific maturity are considered to be the amount payable on demand at the reporting date; the fair values of fixed-term interest bearing deposits are based on discounted cash flows using interest rates for new deposits;

(v) the fair values of variable rate financial instruments are considered to approximate their carrying amounts as they are frequently repriced to current market rates;

(vi) the fair values of fixed rate loans are estimated by comparing actual interest rates on the loans to current market rates offered on similar loans. For match-funded loans the fair value is assumed to be equal to their carrying value, as gains and losses offset each other. Changes in the credit quality of loans within the portfolio are not taken into account in determining gross fair values, as the impact of credit risk is recognised separately by deducting the amount of the allowance for credit losses from both book and fair values; and

(vii) The fair values of quoted equity investments are based on quoted market bid prices. Equity securities for which fair values cannot be measured reliably are recognised at asset based values.

(viii) The fair values of other liabilities due to be settled within one year are considered to approximate their carrying amount.

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

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

	The Group							
	2021							
	Carrying amount				Fair value			
	Amortised Cost	Fair value through OCI	Fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	127,133,236	2,261,877	129,395,113	-	129,395,113		129,395,113
Bank of Jamaica securities	-	5,782,855	-	5,782,855	-	5,782,855	-	5,782,855
Treasury bills	-	1,264,054	-	1,264,054	-	1,264,054	-	1,264,054
Corporate bonds		1,199,495	-	1,199,495	-	1,199,495	-	1,199,495
Unitised funds	-	-	329,873	329,873	-	329,873	-	329,873
	-	135,384,745	2,591,750	137,976,495	-	137,971,390	5,105	137,976,495
Pledged assets measured at fair value								
Government securities	-	1,829,271	-	1,829,271	-	1,829,271	-	1,829,271
Financial assets not measured at fair value								
Loans and receivables	78,915,653	-	-	78,915,653	-	-	81,247,005	81,247,005

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45. Fair value of financial instruments (continued)

Accounting classifications and fair values

	The Group							
	2020							
	Carrying amount				Fair value			
	Amortised Cost	Fair value through OCI	Fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	98,438,285	2,376,649	100,814,934	-	100,814,934	-	100,814,934
Bank of Jamaica securities	-	7,043,423	-	7,043,423	-	7,043,423	-	7,043,423
Treasury bills	-	2,669,565	-	2,669,565	-	2,669,565	-	2,669,565
Corporate bonds	-	753,739	-	753,739	-	753,739	-	753,739
Unitised funds	-	-	295,368	295,368	-	295,368	-	295,368
	-	108,910,117	2,672,017	111,582,134	-	111,577,029	5,105	111,582,134
Pledged assets measured at fair value								
Government securities	-	1,830,371	-	1,830,371	-	1,830,371	-	1,830,371
Financial assets not measured at fair value								
Loans and receivables	62,871,520	-	-	62,871,520	-	-	65,532,073	65,532,073

	The Bank							
	2021							
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	78,568,811	687,275	79,256,086	-	79,256,086	-	79,256,086
Treasury bills	-	1,264,054	-	1,264,054	-	1,264,054	-	1,264,054
Bank of Jamaica securities	-	4,012,561	-	4,012,561	-	4,012,561	-	4,012,561
	-	83,850,531	687,275	84,537,806	-	84,532,701	5,105	84,537,806
Pledged assets measured at fair value								
Government securities	-	1,829,271	-	1,829,271	-	1,829,271	-	1,829,271
Financial assets not measured at fair value								
Loans and receivables	57,846,213	-	-	57,846,213	-	-	59,875,147	59,875,147

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45. Fair value of financial instruments (continued)

Accounting classifications and fair values (continued)

	The Bank							
	2020							
	Carrying amount				Fair value			
	Amortised cost	Fair value through OCI	Fair value through profit and loss	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Unquoted shares	-	5,105	-	5,105	-	-	5,105	5,105
Government securities	-	51,247,513	721,725	51,969,238	-	51,969,238	-	51,969,238
Bank of Jamaica securities	-	5,354,376	-	5,354,376	-	5,354,376	-	5,354,376
Treasury bills	-	2,669,565	-	2,669,565	-	2,669,565	-	2,669,565
Corporate bonds	-	753,739	-	753,739	-	753,739	-	753,739
	-	60,030,298	721,725	60,752,023	-	60,746,918	5,105	60,752,023
Pledged assets measured at fair value								
Government securities	-	1,830,371	-	1,830,371	-	1,830,371	-	1,830,371
Financial assets not measured at fair value								
Loans and receivables	60,336,158	-	-	60,336,158	-	-	62,756,610	62,756,610

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

46. Capital risk management

Capital risk is the risk that the Group fails to comply with mandated regulatory requirements, resulting in a breach of its minimum capital ratios and the possible suspension or loss of its licences.

Regulators are primarily interested in protecting the rights of depositors and policyholders, and they monitor closely to ensure that the Group is satisfactorily managing its fiduciary responsibility to depositors and policyholders. The regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

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

- To comply with the capital requirements established by the regulatory authorities responsible for banking, insurance and other financial intermediaries;
- To safeguard its ability to continue as a going concern, and meet future obligations to depositors, policyholders and stockholders;
- To provide adequate returns to stockholders by pricing investment, insurance and other contracts commensurate with the level of risk; and

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46. Capital risk management (continued)

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

- To maintain a strong capital base to support the future development of the Group's operations. Capital is managed in accordance with the Board approved Capital Management Policy.

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

  Banking and Mortgage lending

  Capital adequacy is reviewed by Executive Management, the Audit Committee and the Board of Directors. Based on the guidelines developed by Bank of Jamaica, each regulated entity is required to:

  - Hold the minimum level of regulatory capital; and
  - Maintain a minimum ratio of total regulatory capital to risk weighted assets.

Regulatory capital is divided into two tiers:

1. Tier 1 capital comprises share capital and reserves created by appropriations of retained earnings. The carrying value of goodwill is deducted in arriving at Tier 1 capital; and

2. Tier 2 capital comprises qualifying subordinated loan capital, collective impairment allowances and revaluation surplus on property, plant and equipment.

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

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

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

	Regulated by BOJ			
	The Scotia Jamaica Building Society		The Bank	
	2021	2020	2021	2020
Tier 1 Capital	5,250,000	5,250,000	47,958,609	47,954,917
Tier 2 Capital	-	-	-	-
	5,250,000	5,250,000	47,958,609	47,954,917
Less prescribed deductions	-	-	(220,000)	(220,000)
Total regulatory capital	5,250,000	5,250,000	47,738,609	47,734,917
Risk weighted assets				
On-balance sheet	10,912,647	12,428,145	237,075,177	260,681,581
Off balance sheet	-	12,837	55,928,469	43,807,670
Foreign exchange exposure	-	-	310,466	1,946,370
Total risk weighted assets	10,912,647	12,440,982	293,314,112	306,435,621
Actual regulatory capital to risk weighted assets	48.11%	42.20%	16.28%	15.58%
Regulatory requirement	10.00%	10.00%	10.00%	10.00%

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46. Capital risk management (continued)

Life Insurance

Capital adequacy is calculated by the Appointed Actuary and reviewed by Executive Management, the Audit Committee and the Board of Directors. The Group seeks to maintain internal capital adequacy levels higher than the regulatory requirement. To assist in evaluating the current financial strength, the risk-based assessment measure which has been adopted is the Minimum Continuing Capital and Surplus Requirement (MCCSR) standard as defined by the Financial Services Commission and required by the Insurance Regulations 2001. Under Jamaican regulations, the minimum standard recommended for companies is a MCCSR of 150%. The MCCSR for the insurance subsidiary as of the reporting date are set out below:

	2021	2020
Regulatory capital held	7,432,724	7,218,589
Minimum regulatory capital	1,940,195	1,463,386
Minimum Continuing Capital and Surplus Requirement Ratio	383%	493%

47. Commitments

	The Group		The Bank	
	2021	2020	2021	2020
(a) Capital expenditure authorised and contracted	181,153	1,154,990	181,153	1,154,990
(b) Commitments to extend credit: Originated term to maturity of more than one year	41,084,066	43,995,656	41,084,066	43,995,656

48. Litigation and contingent liabilities

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

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

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49. Dividends

(a) Paid

The Bank paid dividends of $0.60 per share amounting to $1,756,339 on July 21, 2021 and October 20, 2021.

	The Group and the Bank	
	2021	2020
In respect of 2019	-	1,492,889
In respect of 2020	1,170,893	1,346,526
In respect of 2021	1,756,339	-
	2,927,232	2,839,415

(b) Proposed

At the Board of Directors meeting on December 10, 2021, a dividend in respect of 2021 of $0.30 per share (2020: $0.40 per share) amounting to $878,170 was proposed (2020: $1,170,893).

50. Employee Share Ownership Plan

The Bank has an Employee Share Ownership Plan ("ESOP" or "Plan"), the purpose of which is to encourage eligible employees of the Group to steadily increase their ownership of the parent company's shares. Participation in the Plan is voluntary; any employee who has completed at least one year's service with any Group entity is eligible to participate.

The operation of the ESOP is facilitated by a Trust. The employer and employees make contributions to the Trust and these contributions are used to fund the acquisition of shares for the employees. Employees' contributions are determined by reference to the length of their employment and their annual basic remuneration. The employer contributions are as prescribed by the formula set out in the rules of the Plan.

The contributions are used by the trustees to acquire the parent company's shares at market value. The shares purchased with the employees' contributions vest immediately, although they are subject to the restriction that they may not be sold within two years of acquisition. Out of shares purchased with the Bank's contributions, allocations are made to participating employees, but are held by the Trust for a two-year period, at the end of which they vest with the employees; if an employee leaves the Group within the two-year period, the right to these shares is forfeited; such shares then become available to be granted by the employer to other participants in accordance with the formula referred to previously.

The amount contributed by the Group to employee share purchase during the year, included in employee compensation, amounted to $36,821 (2020: $36,792).

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

	The Group	
	2021	2020
Number of shares	1,164,450	1,186,470
Fair value of shares	41,309	53,243

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51. Fiduciary activities

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

As at the reporting date, the Group had financial assets under administration of approximately $14,715,407 (2020: $12,952,056).

52. Prior year adjustment

During 2021, the Group determined that acceptances, guarantees and letters of credit have not met the requirement for recognition as an asset or as a liability. Consequently, total assets and total liabilities balances have been overstated. This has been corrected by restating each of the affected financial statement line items for prior periods. The expected credit losses on acceptances, guarantees and letters of credit are included in other liabilities as a provision. This prior period adjustment did not have an impact on the Group's and Bank's statements of revenue and expenses, comprehensive income, changes in shareholders' equity and cash flows for the year ended October 31, 2020. The following tables summarise the impacts on the Group's and Bank's financial statements.

Statement of financial position

	The Group		
	October 31, 2020		
	As previously Reported	Adjustments	As restated
	$'000	$'000	$'000
Customers' liabilities under acceptances, guarantees & LCs	7,090,948	(7,090,948)	-
Others	508,514,654	-	508,514,654
Total assets	**515,605,602**	**(7,090,948)**	**508,514,654**
Acceptances, guarantees & LCs	7,128,245	(7,128,245)	-
Other liabilities	8,571,887	37,297	8,609,184
Others	409,672,119	-	409,672,119
Total liabilities	**425,372,251**	**(7,090,948)**	**418,281,303**
Total equity	**90,233,351**	-	**90,233,351**
Total liabilities and equity	**515,605,602**	**(7,090,948)**	**508,514,654**

THE BANK OF NOVA SCOTIA JAMAICA LIMITED

Notes to the Financial Statements (Continued)
October 31, 2021
(*Expressed in thousands of Jamaican dollars unless otherwise stated*)

52. Prior year adjustment (continued)

Statement of financial position

	The Group		
	November 1, 2019		
	As previously Reported	Adjustments	As restated
	$'000	$'000	$'000
Customers' liabilities under acceptances, guarantees & LCs	7,089,788	(7,089,788)	-
Others	500,925,998	-	500,925,998
Total assets	**508,015,786**	**(7,089,788)**	**500,925,998**
Acceptances, guarantees & LCs	7,129,452	(7,129,452)	-
Other liabilities	5,916,986	39,664	5,956,650
Others	398,010,654	-	398,010,654
Total liabilities	**411,057,092**	**(7,089,788)**	**403,967,304**
Total equity	**96,958,694**	**-**	**96,958,694**
Total liabilities and equity	**508,015,786**	**(7,089,788)**	**500,925,998**

	The Bank		
	October 31, 2020		
	As previously Reported	Adjustments	As restated
	$'000	$'000	$'000
Customers' liabilities under acceptances, guarantees & LCs	7,078,111	(7,078,111)	-
Others	427,240,718	-	427,240,718
Total assets	**434,318,829**	**(7,078,111)**	**427,240,718**
Acceptances, guarantees & LCs	7,115,260	(7,115,260)	-
Other liabilities	8,371,853	37,149	8,409,002
Others	355,321,753	-	355,321,753
Total liabilities	**370,808,866**	**(7,078,111)**	**363,730,755**
Total equity	**63,509,963**	**-**	**63,509,963**
Total liabilities and equity	**434,318,829**	**(7,078,111)**	**427,240,718**

(Expressed in thousands of Jamaican dollars unless otherwise stated)

52. Prior year adjustment (continued)

Statement of financial position

	The Bank		
	November 1, 2019		
	As previously Reported	Adjustments	As restated
	$'000	$'000	$'000
Customers' liabilities under acceptances, guarantees & LCs	6,962,563	(6,962,563)	-
Others	417,318,070	-	417,318,070
Total assets	**424,280,633**	**(6,962,563)**	**417,318,070**
Acceptances, guarantees & LCs	7,000,742	(7,000,742)	-
Other liabilities	5,701,649	38,179	5,739,828
Others	339,141,067	-	339,141,067
Total liabilities	**351,843,458**	**(6,962,563)**	**344,880,895**
Total equity	**72,437,175**	**-**	**72,437,175**
Total liabilities and equity	**424,280,633**	**(6,962,563)**	**417,318,070**

53. Impact of COVID-19

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020 and the Government of Jamaica declared the island a disaster area on March 13, 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. In light of the heightened concerns and in accordance with the directives of the various governments, the Group activated its Business Continuity Plan to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum. With the launch of the Business Continuity and Contingency Plan ("BCCP") as at March, 2020, specific work from home protocols were established and implemented to minimize the number of employees physically in office. In-Office staff are equipped with hand sanitizers, masks and face shields (where necessary), and are required to comply with the social/physical distancing rules mandated by governments in the various jurisdictions. Furthermore, the Group acquired additional equipment, including computer hardware and software, to support the increased flexible working arrangements.

The Group continues to monitor the impact of COVID-19 on its members/customers and has implemented forbearance measures inclusive of granting moratoria, which included deferral of loan payments for up to three months. The Group ensures that all its locations remain compliant with government/public health restrictions and attendant mitigating measures. Under IFRS 9, businesses are expected to include the impact of forward-looking macroeconomic indicators in their Expected Credit Loss (ECL) computation as at October 31, 2021. Management continues to review the effect of developments arising from the pandemic on the risks faced by the Bank and the Group. Management believes the Group is in a sufficiently strong position to deal with any potential future economic downturn. The management team continues to be mindful that the prolonged duration of the pandemic and the attendant containment measures could have a material adverse effect on the Group, its customers, employees and suppliers and as such monitors these events on an ongoing basis.