# MEDIA RELEASE

Scotiabank®

March 11, 2021

## SCOTIA GROUP JAMAICA REPORTS FIRST QUARTER OF FISCAL 2021 RESULTS

Scotia Group reports net income of $1.75 billion for the three months ended January 31, 2021 which was marginally lower than the corresponding period by $33 million or 1.9%.

Today, the Board of Directors approved an interim dividend of 40 cents per stock unit in respect of the first quarter, which is payable on April 22, 2021 to stockholders on record as at March 31, 2021.

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

Commenting on the Group's performance, Scotia Group Jamaica's new President and CEO, Audrey Tugwell Henry said "The COVID-19 pandemic and the subsequent global and local containment measures continue to negatively impact our local macroeconomic landscape. Notwithstanding this challenging environment, Scotia Group continues to deliver solid results to shareholders. This performance was recognized by acclaimed international publication, The Banker, which named Scotiabank as the Bank of the Year in Jamaica for 2020.

The Group's core deposits increased by 8.5% year over year and is indicative of continued customer confidence. Our asset and liquidity positions remain strong and are well supported by our rigorous risk management framework and policies.

**Financial Highlights**

| | 3 months ended 31-Jan-21 $millions | 3 months ended 31-Jan-20 $millions |
|---|---|---|
| Total revenues | 11,237 | 11,074 |
| Total operating expenses | 7,771 | 7,115 |
| Net profit after tax | 1,751 | 1,784 |
| | | |
| Return on equity | 6.23% | 6.00% |
| Productivity ratio | 69.2% | 64.3% |
| Operating leverage | (7.8%) | (0.7%) |
| | | |
| Earnings per share (cents) | 56 | 57 |
| | 31-Jan-21 $millions | 31-Jan-20 $millions |
| Total assets | 552,534 | 542,306 |
| Investments | 152,630 | 155,755 |
| Loans (net of allowances for credit losses) | 216,994 | 212,534 |
| Deposits by the public | 341,929 | 315,256 |
| Liabilities under repurchase agreements and other client obligations | 18,081 | 19,867 |
| Policyholders' fund | 45,306 | 44,892 |
| Stockholders' equity | 114,155 | 119,710 |

Our prudent risk appetite consistently results in the maintenance of adequate capital levels across each entity within the Group, and is also evident in the strength of our balance sheet.

Net profit for the quarter was marginally lower than the prior year quarter, which was before the onset of the pandemic. This demonstrates the resilience of the business and the efforts of our dynamic, hardworking team of Scotiabankers. We continue to see strong, consistent growth in our mortgage portfolio which increased year over year by 14%. Our commercial banking unit also delivered strong results in the first quarter of the year with growth of 13% versus the comparative period last year.

During the quarter, we officially reopened our flagship Scotiabank Centre Head Office Branch. This branch truly represents the future of banking, combining traditional banking services with the latest technology to give our customers an elevated banking experience. As we continue to innovate and make it easier to do business with us, we also ramped up our customer education initiatives including our 'Scotia Digital Saturdays' initiative where we opened several branches on a Saturday solely to assist customers to learn to use our digital banking platforms. Additionally, Scotiabank Vision Achiever (SVA) now in its ninth year, commenced its new season in January 2020 to assist SMEs to manage their businesses. This is particularly important given the current economic reality. The SVA is a free capacity-building course, which the Bank offers to support the development of the SME sector which plays a crucial role in our economy. To date, 225 businesses have participated in this transformational programme.

The Group's main focus moving forward will be an end to end customer first strategy - delivering a great customer experience and making it easier to do business with us. Our investments in digital technology remain a key differentiator for us, and we intend to continue to leverage these investments to simplify and enhance our products and solutions. We continue to invest in our people and to develop purpose-driven teams committed to delivering results in an inclusive and high performance culture. To that end we have increased opportunities for continuous learning through the Scotia Academy which offers online courses on a wide range of topics.

I would like to thank our customers for choosing Scotia Group as their financial partner and our shareholders for their continued commitment. I must also express my sincere gratitude to our dedicated staff who give their best every day to serve our customers. I am proud to lead such a formidable organization which has served Jamaicans for over 131 years and I am optimistic as we continue to build a bank for every future."

## GROUP FINANCIAL PERFORMANCE

### TOTAL REVENUES

Total revenues excluding expected credit losses for the three months ended January 31, 2021 was $11.2 billion, representing an increase of $163 million or 1.5% over the comparative period last year.

Total revenues continue to be heavily impacted by the COVID-19 pandemic as evidenced by the ongoing reduction in interest rates offered in the market, leading to a reduction in Group's net interest income coupled with the decline in transaction volumes resulting in lower net fee and commissions as well as insurance revenues.

Net interest income after expected credit losses for the quarter was $5.4 billion up $93 million or 1.8% when compared to the comparative period last year and was primarily attributable to the reduction in expected credit losses of $465 million, partially offset by reduced yields from the current macro-economic environment. Prior period results included additional provisions of $408 million (one time impact) based on the adoption of a more prudent approach in determining credit loss provisions.

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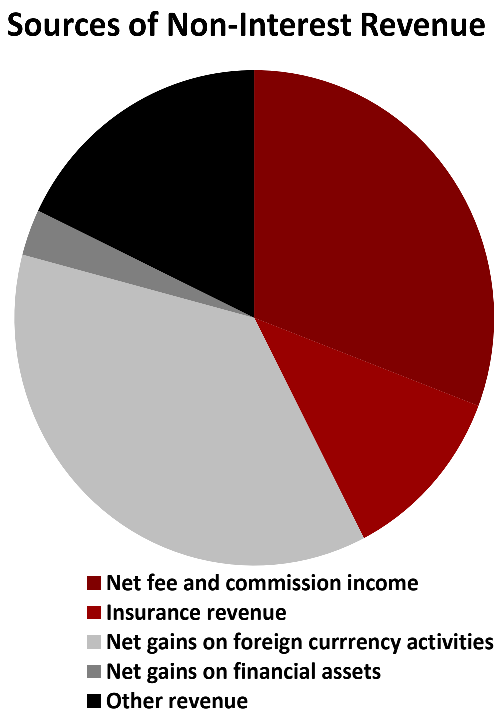
## OTHER REVENUE

Other income, defined as all income other than interest income increased by $535 million or 10.9%.




- Net fee and commission income amounted to $1.7 billion and showed a reduction of $339 million or 16.8%. The year over year decline noted in fee and commission revenues was primarily attributable to lower transaction volumes stemming from the COVID-19 pandemic in conjunction with the continued execution of the Group's digital adoption strategy geared towards educating customers about our various electronic channels which attract lower fees.
- Insurance revenues decreased by $423 million or 40% to $634 million due to the reduction in premium income stemming from the pandemic as well as lower actuarial reserve releases.
- Despite lower trading volumes as a consequence of the pandemic, net gains on foreign currency activities and financial assets amounted to $2.2 billion, representing an increase of $333 million or 18.3% above prior year given higher revaluation gains.
- Other revenue increased by $963 million (over 100%) when compared to prior year and was attributable to gains realized on the extinguishment of debt facilities.

## CREDIT QUALITY

Expected credit losses for the year showed a reduction of $465 million when compared to 2020. The higher credit losses reflected in prior year was mainly driven by additional provisions recorded on account of the revised assumptions incorporated in the Group's impairment methodology given the COVID-19 pandemic.

The Group's credit quality remains strong and we are well provisioned with accumulated credit losses (ACLs) for both our performing and non-performing loans, ensuring adequate coverage for possible future net write offs. The quality of our portfolio remains strong and continues to be more favourable than the industry average (lower non-accrual loans to gross loans).

Non-accrual loans (NALs) as at January 31, 2021 totaled $5.7 billion compared to $4.3 billion last year. The Group's NALs represent 2.6% of gross loans up from 2% last year, and represent 1.1% of total assets. The Group's aggregate expected credit losses for loans as at January 31, 2021 was $6.7 billion, representing 117% coverage of total non-performing loans.

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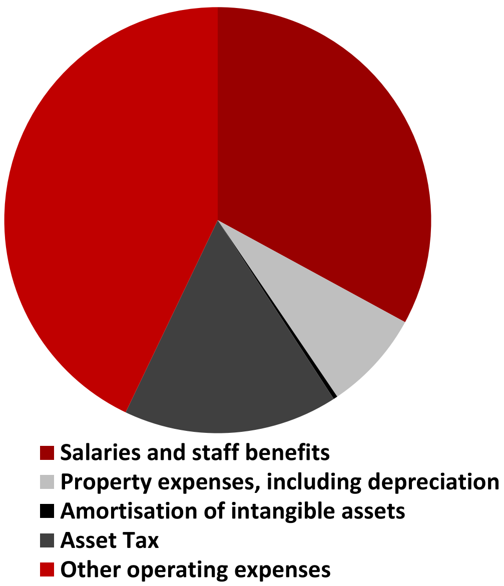
## OPERATING EXPENSES AND PRODUCTIVITY

Operating expenses amounted to $7.8 billion for the period and reflected an increase of $656 million or 9.2%. This was primarily attributable to an increase in other operating expenses of $804 million which was partially offset by the reduction in salaries and staff benefit costs of $196 million (due to continued expense management initiatives despite restructuring provisions recorded). The increase noted in other operating expenses was due to provisions for non-salary related restructuring and other technology expenses. Excluding restructuring and other one-off expenses, operating expenses would be flat compared to Q1/2020.

Asset tax expenses, increased year over year by $23 million or 1.9% to $1.3 billion given the increase in the Group's assets.

Our productivity ratio for the period was 69.2% compared to 64.3% recorded for the prior year comparative period.

**Sources of Non-Interest Expenses**




# GROUP FINANCIAL CONDITION

## ASSETS

The Group's asset base increased year over year by $10.2 billion to $552.5 billion as at January 31, 2021. This was predominantly as a result of the growth in our cash resources of $17 billion or 15% and our loan portfolio of $4.5 billion or 2.1%, which was partially offset by a reduction in investments of $3.1 billion or 2%, and other assets of $8.1 billion or 13.4%.

### Cash Resources

Our cash resources held to meet statutory reserves and the Group's prudential liquidity targets stood at $130.3 billion, increasing by $17 billion or 15% year over year. The increase noted was directly attributable to the growth in our core deposits, the proceeds from which were used to fund loans granted during the year. The Group continues to maintain adequate liquidity levels to enable us to respond effectively to changes in our cash flow requirements.

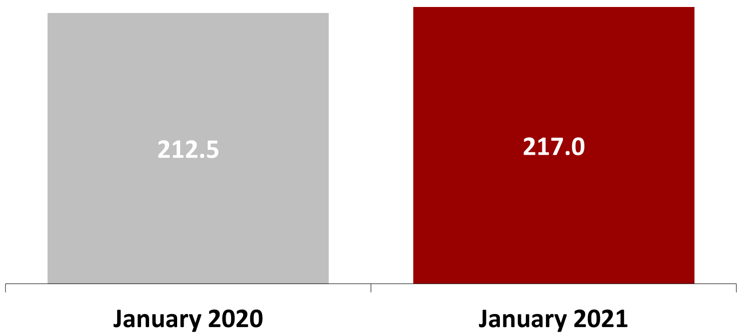
## Securities

Total investment securities including pledged assets totaled $152.6 billion and showed a reduction of $3.1 billion or 2%. The decrease noted was due to the timing of maturities during the period.

## Loans

Our loan portfolio grew by $4.5 billion or 2.1 % year over year, with loans after allowances for credit losses, increasing to $217 billion. We continue to see solid performance across our business lines year over year.

**Loans (net of allowances for credit losses) $Billions**




## Other Assets

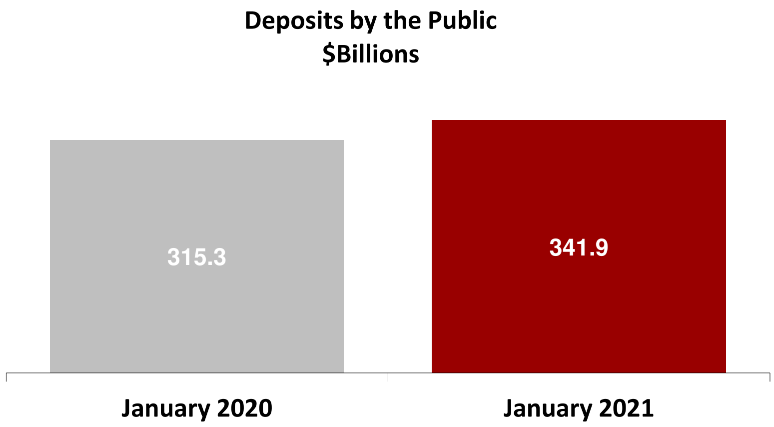
Other assets as at January 31, 2021 was $52.6 billion and showed a reduction of $8.1 billion or 13.4% given the decline in the retirement benefit asset of $12.1 billion or 26.2% due to the lower fair value of the pension investment portfolio given the fall off in the equity market. This was partially offset by an increase in other assets of $3.0 billion or 77.9%, and property plant and equipment of $1 billion or 14% due to capital expenditure associated with the renovation of our flagship Scotiabank Centre branch as well as our head office building.

## LIABILITIES

Total liabilities were $438.4 billion as at January 31, 2021 and showed an increase over prior year of $15.8 billion or 3.7%. The increase noted was driven mainly by increased customer deposits and other liabilities which was partially offset by the reduction in capital management fund balances and deferred taxation given the reduction in the retirement benefit asset.

## Deposits

Deposits by the public increased to $341.9 billion, up from $315.3 billion in the previous year. This $26.7 billion or 8.5% growth in core deposits was reflected in higher inflows from our retail and commercial customers, signaling continued confidence in the strength of the Group.




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

Net obligations decreased by $1.8 billion or 9% year over year. Our strategic focus continues to be geared towards growing our off-balance sheet business, namely, mutual funds and unit trusts. The increased liquidity needs of customers given the COVID-19 pandemic coupled with lower stock market valuation has resulted in the year over year reduction noted in our management portfolios of $7.4 billion or 3.9%.

## Policyholders' Fund

The Policyholders' Fund reflects the insurance contract liabilities held at Scotia Insurance for our flagship product ScotiaMINT. The Fund stood at $45.3 billion as at January 2021 compared to $44.9 billion as at January 2020. Our Scotia Affirm product launched in 2014 has performed well, growing 17.9% year over year with a current net asset value of $978 million. The increase noted was attributable to our strong sales effort year over year despite the recent decline in the performance of the stock market.

## Other Liabilities

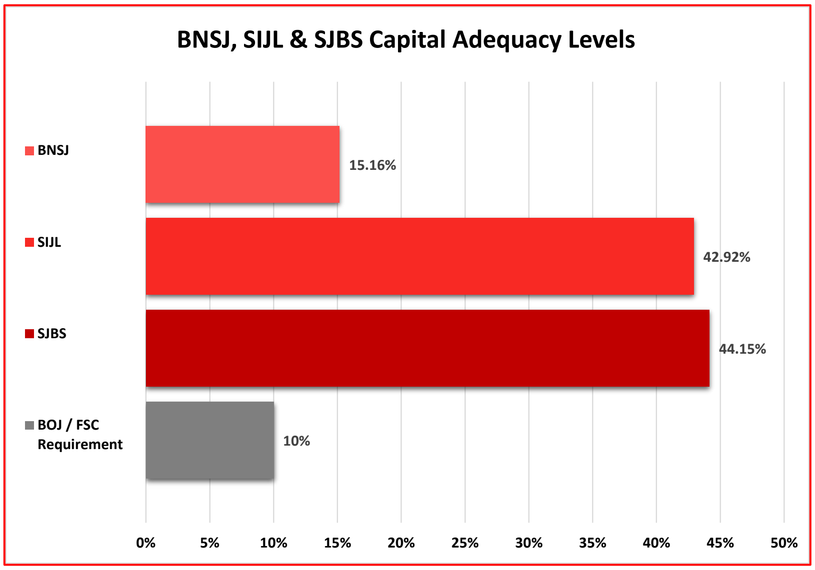
Other liabilities showed a reduction of $1.5 billion or 4.6% over prior year and totaled $31.8 billion as at January 2021. The reduction noted was attributable to the decline in deferred taxation of $4.7 billion or 34.1% due to the reduction in the retirement benefit asset. This was partially offset by an increase in accrued dividends payable to shareholders owning greater than 1%.

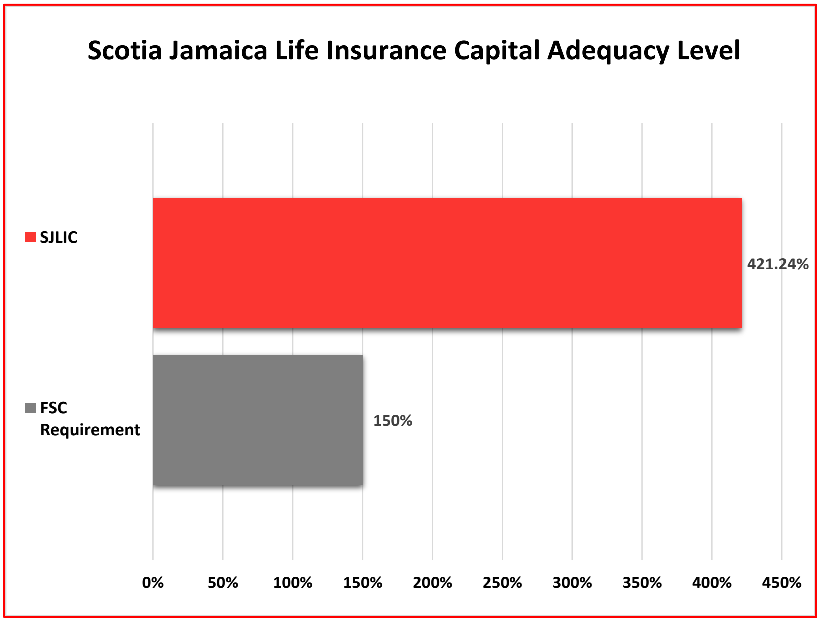
## CAPITAL

Shareholders' equity available to common shareholders decreased to $114.2 billion, down $5.6 billion or 4.6% year over year. This was due primarily to the re-measurement of the defined benefit pension plan assets which was partially offset by internally generated profits.

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

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



## SCOTIABANK COMMITMENT TO THE COMMUNITY

Scotiabank continued its support for education and students who have been severely impacted by the COVID-19 pandemic.

In February, the Bank in partnership with the United Nations International Children's Emergency Fund (UNICEF) and Food for the Poor Resilient Schools Programme, handed over handwashing stations to the first of 19 schools located in those parishes which were considered high-risk. Scotiabank provided $2.2 million in funding for the projects which is also being led in consultation with the Ministry of Education, Youth and Information.

We continued to work on our project with the United Way of Jamaica ($6.7 million programme) through which we have been distributing sanitation equipment and printing supplies to fifty (50) early childhood institutions in rural and inner city communities.

We also provided support to the Salvation Army with donations totalling $1 million which is being used to facilitate outreach to communities in need.

## Consolidated Statement of Revenue and Expenses
## Period ended January 31, 2021

| | For the three months ended | | |
|---|---|---|---|
| Unaudited<br>($ Thousands) | January<br>2021 | October<br>2020 | January<br>2020 |
| Interest income | 6,307,886 | 6,700,962 | 6,794,941 |
| Interest expense | (512,443) | (552,885) | (627,921) |
| Net interest income | 5,795,443 | 6,148,077 | 6,167,020 |
| Expected credit losses | (430,162) | (590,445) | (894,869) |
| Net interest income after expected credit losses | 5,365,281 | 5,557,632 | 5,272,151 |
| Net fee and commission income | 1,674,935 | 2,078,035 | 2,013,668 |
| Insurance revenue | 634,181 | 587,731 | 1,057,223 |
| Net gains on foreign currency activities | 1,995,601 | 1,546,378 | 1,711,142 |
| Net gains on financial assets | 164,114 | 403,485 | 115,258 |
| Other revenue | 972,520 | 1,192,067 | 9,501 |
| | 5,441,351 | 5,807,696 | 4,906,792 |
| **Total Operating Income** | 10,806,632 | 11,365,328 | 10,178,943 |
| **Operating Expenses** | | | |
| Salaries and staff benefits | 2,560,210 | 2,712,278 | 2,755,779 |
| Property expenses, including depreciation | 589,843 | 607,188 | 560,848 |
| Amortisation of intangible assets | 24,498 | 29,422 | 29,385 |
| Asset tax | 1,262,644 | - | 1,239,334 |
| Other operating expenses | 3,333,812 | 2,697,704 | 2,529,790 |
| | 7,771,007 | 6,046,592 | 7,115,136 |
| **Profit before taxation** | 3,035,625 | 5,318,736 | 3,063,807 |
| Taxation | (1,285,098) | (1,830,575) | (1,280,096) |
| **Profit for the period** | 1,750,527 | 3,488,161 | 1,783,711 |
| **Attributable to:-** | | | |
| **Equityholders of the Company** | 1,750,527 | 3,488,161 | 1,783,711 |
| Earnings per share (cents) | 56 | 112 | 57 |
| Return on average equity (annualized) | 6.23% | 12.64% | 6.00% |
| Return on assets (annualized) | 1.27% | 2.57% | 1.32% |
| Productivity ratio | 69.16% | 50.57% | 64.25% |

**Consolidated Statement of Comprehensive Income**
**Period ended January 31, 2021**

| | For the three months ended | | |
|---|---|---|---|
| Unaudited<br>($ Thousands) | January<br>2021 | October<br>2020 | January<br>2020 |
| **Profit for the period** | 1,750,527 | 3,488,161 | 1,783,711 |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurement of defined benefit plan/obligations | 4,660,859 | (3,163,745) | 2,186,138 |
| Taxation | (1,553,619) | 1,054,583 | (728,713) |
| | 3,107,240 | (2,109,162) | 1,457,425 |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Unrealised (losses) / gains on investment securities | (122,675) | (222,401) | 137,738 |
| Realised losses / (gains) on investment securities | 13,516 | (359,315) | 1,396 |
| Foreign currency translation | 10,581 | (6,280) | 1,634 |
| Expected credit losses on investment securities | 4,191 | (25,232) | (40,251) |
| | (94,387) | (613,228) | 100,517 |
| Taxation | 36,420 | 196,984 | (34,564) |
| | (57,967) | (416,244) | 65,953 |
| **Other comprehensive income, net of tax** | 3,049,273 | (2,525,406) | 1,523,378 |
| **Total comprehensive income for the period** | 4,799,800 | 962,755 | 3,307,089 |

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**Consolidated Statement of Financial Position**
**January 31, 2021**

| Unaudited | January 31, 2021 | *Restated October 31, 2020 | *Restated January 31, 2020 |
|---|---|---|---|
| ($ Thousands) | | | |
| **ASSETS** | | | |
| **CASH RESOURCES, NET OF ALLOWANCES** | 130,310,903 | 141,256,766 | 113,274,272 |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | 4,077,881 | 3,685,340 | 4,476,819 |
| **INVESTMENT SECURITIES** | 132,173,874 | 116,397,816 | 132,973,462 |
| **PLEDGED ASSETS** | 14,776,412 | 17,179,792 | 17,303,907 |
| **GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS** | 1,601,468 | 1,100,871 | 1,000,339 |
| **LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES** | 216,993,589 | 220,726,834 | 212,534,437 |
| **OTHER ASSETS** | | | |
| Property, plant and equipment, including right of use assets | 8,183,797 | 8,558,323 | 7,180,161 |
| Deferred taxation | 84,318 | 149,744 | 101,560 |
| Taxation recoverable | 2,683,042 | 2,675,632 | 2,540,818 |
| Retirement benefit asset | 34,182,480 | 28,242,497 | 46,328,609 |
| Other assets | 6,822,272 | 2,597,940 | 3,835,521 |
| Intangible assets | 643,595 | 668,093 | 756,269 |
| | 52,599,504 | 42,892,229 | 60,742,938 |
| **TOTAL ASSETS** | **552,533,631** | **543,239,648** | **542,306,174** |
| **LIABILITIES** | | | |
| Deposits by the public | 341,929,283 | 336,660,438 | 315,256,294 |
| Amounts due to banks and other financial institutions | 1,247,418 | 4,713,140 | 9,233,314 |
| | 343,176,701 | 341,373,578 | 324,489,608 |
| **OTHER LIABILITIES** | | | |
| Capital management and government securities funds | 18,080,965 | 19,157,775 | 19,867,136 |
| Deferred taxation | 9,160,804 | 7,037,160 | 13,898,360 |
| Retirement benefit obligation | 5,505,308 | 4,541,887 | 4,710,614 |
| Other liabilities | 17,148,640 | 15,073,998 | 14,738,572 |
| | 49,895,717 | 45,810,820 | 53,214,682 |
| **POLICYHOLDERS' LIABILITIES** | 45,305,996 | 45,299,616 | 44,892,095 |
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 6,569,810 | 6,569,810 | 6,569,810 |
| Reserve fund | 3,249,976 | 3,249,976 | 3,249,976 |
| Retained earnings reserve | 45,891,770 | 45,891,770 | 47,891,770 |
| Capital reserve | 11,340 | 11,340 | 11,340 |
| Loan loss reserve | (10,933) | 220,791 | 200,946 |
| Other reserves | 9,964 | 9,964 | 9,964 |
| Translation reserve | 16,269 | 6,614 | (3,450) |
| Cumulative remeasurement on investment securities | 788,925 | 857,473 | 980,985 |
| Unappropriated profits | 57,628,096 | 53,937,896 | 60,798,448 |
| | 114,155,217 | 110,755,634 | 119,709,789 |
| **TOTAL EQUITY AND LIABILITIES** | **552,533,631** | **543,239,648** | **542,306,174** |

Director　　　　　　　　　　Director

*** See note 11.**

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**Consolidated Statement of Changes in Shareholders' Equity**
**as at January 31, 2021**

| Unaudited ($ Thousands) | Share Capital | Reserve Fund | Retained Earnings Reserve | Capital Reserves | Cumulative Remeasurement on Investment Securities | Loan Loss Reserve | Other Reserves | Translation Reserve | Unappropriated Profits | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 31 October 2019** | **6,569,810** | **3,249,976** | **45,891,770** | **11,340** | **916,666** | **2,304,057** | **9,964** | **(5,084)** | **59,165,577** | **118,114,076** |
| Net Profit | - | - | - | - | - | - | - | - | 1,783,711 | 1,783,711 |
| **Other Comprehensive Income** | | | | | | | | | | |
| Re-measurement of defined benefit plan/obligations | - | - | - | - | - | - | - | - | 1,457,425 | 1,457,425 |
| Foreign Currency Translation | - | - | - | - | - | - | - | 1,634 | - | 1,634 |
| Unrealised gains on investment securities, net of taxes | - | - | - | - | 63,389 | - | - | - | - | 63,389 |
| Realised losses on investment securities, net of taxes | - | - | - | - | 930 | - | - | - | - | 930 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **64,319** | **-** | **-** | **1,634** | **3,241,136** | **3,307,089** |
| **Transfers between reserves** | | | | | | | | | | |
| Transfer to Retained Earnings Reserve | - | - | 2,000,000 | - | - | - | - | - | (2,000,000) | - |
| Transfer from Loan Loss Reserve | - | - | - | - | - | (2,103,111) | - | - | 2,103,111 | - |
| Dividends Paid | - | - | - | - | - | - | - | - | (1,711,376) | (1,711,376) |
| **Balance as at 31 January 2020** | **6,569,810** | **3,249,976** | **47,891,770** | **11,340** | **980,985** | **200,946** | **9,964** | **(3,450)** | **60,798,448** | **119,709,789** |
| | | | | | | | | | | |
| **Balance as at 31 October 2020** | **6,569,810** | **3,249,976** | **45,891,770** | **11,340** | **857,473** | **220,791** | **9,964** | **6,614** | **53,937,896** | **110,755,634** |
| Net Profit | - | - | - | - | - | - | - | - | 1,750,527 | 1,750,527 |
| **Other Comprehensive Income** | | | | | | | | | | |
| Re-measurement of defined benefit plan/obligations | - | - | - | - | - | - | - | - | 3,107,240 | 3,107,240 |
| Foreign Currency Translation | - | - | - | - | - | - | - | 9,655 | 926 | 10,581 |
| Unrealised losses on investment securities, net of taxes and provisions | - | - | - | - | (82,285) | - | - | - | - | (82,285) |
| Realised Losses on investment securities, net of taxes | - | - | - | - | 13,737 | - | - | - | - | 13,737 |
| **Total Comprehensive Income** | **-** | **-** | **-** | **-** | **(68,548)** | **-** | **-** | **9,655** | **4,858,693** | **4,799,800** |
| **Transfers between reserves** | | | | | | | | | | |
| Transfer from Loan Loss Reserve | - | - | - | - | - | (231,724) | - | - | 231,724 | - |
| Dividends Paid | - | - | - | - | - | - | - | - | (1,400,217) | (1,400,217) |
| **Balance as at 31 January 2021** | **6,569,810** | **3,249,976** | **45,891,770** | **11,340** | **788,925** | **(10,933)** | **9,964** | **16,269** | **57,628,096** | **114,155,217** |

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**Condensed Statement of Consolidated Cash Flows**
**Period ended January 31, 2021**

| **Unaudited**<br>**($ Thousands)** | **2021** | **2020** |
|---|---|---|
| **Cash flows provided by / (used in) operating activities** | | |
| Profit for the period | 1,750,527 | 1,783,711 |
| Items not affecting cash: | | |
| Depreciation and amortisation of right of use assets | 274,041 | 207,061 |
| Amortisation of intangible assets | 24,498 | 29,385 |
| Expected credit losses | 553,194 | 1,047,098 |
| Taxation | 1,285,098 | 1,280,096 |
| Net interest income | (5,795,443) | (6,167,020) |
| Loss / (Gain) on disposal of property | (1,113) | (114) |
| Gain on extinquishment of debt | (953,779) | - |
| | (2,862,977) | (1,819,783) |
| Changes in operating assets and liabilities | | |
| Loans | 2,817,200 | (7,936,856) |
| Deposits | 4,166,068 | 1,842,605 |
| Policyholders reserve | 6,380 | (247,947) |
| Financial assets at fair value through profit and loss | (362,448) | (1,207,372) |
| Interest received | 6,107,641 | 6,359,500 |
| Interest paid | (489,054) | (603,574) |
| Taxation paid | (712,148) | (1,026,814) |
| Amounts with parent and fellow subsidiaries | (2,015,484) | (687,083) |
| Other | (4,617,888) | (821,514) |
| | 2,037,290 | (6,148,838) |
| **Cash flows used in investing activities** | | |
| Investments and pledged assets | (12,484,773) | (11,952,516) |
| Lease payments on right of use asset | (161,072) | (47,829) |
| Purchase of property, plant, equipment and intangibles | (332,212) | (189,703) |
| Proceeds on sale of property, plant and equipment | 1,113 | 429 |
| | (12,976,944) | (12,189,619) |
| **Cash flows used in financing activities** | | |
| Dividends paid | (1,400,217) | (1,711,376) |
| | (1,400,217) | (1,711,376) |
| Effect of exchange rate on cash and cash equivalents | 1,827,943 | 615,654 |
| Net change in cash and cash equivalents | (10,511,928) | (19,434,179) |
| Cash and cash equivalents at beginning of year | 105,494,541 | 93,450,557 |
| **Cash and cash equivalents at end of period** | **94,982,613** | **74,016,378** |
| **Represented by :** | | |
| Cash resources, net of expected credit losses | 130,310,903 | 113,274,272 |
| Less statutory reserves at Bank of Jamaica | (28,902,509) | (32,573,624) |
| Less amounts due from other banks greater than ninety days | (8,749,763) | (9,546,842) |
| Expected credit losses on cash resources | 5,437 | 15,412 |
| Less accrued interest on cash resources | (5,074) | (96,337) |
| Pledged assets, investment securities and repurchase agreements assets less than ninety c | 5,309,476 | 6,534,325 |
| Cheques and other instruments in transit, net | (2,985,857) | (3,590,828) |
| **Cash and cash equivalents at the end of the period** | **94,982,613** | **74,016,378** |

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**Segmental Financial Information**

**January 31, 2021**

| **Unaudited ($ Thousands)** | **Banking** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Treasury** | **Retail** | **Corporate and Commercial** | **Investment Management Services** | **Insurance Services** | **Other** | **Eliminations** | **Group** |
| Net external revenues | 1,829,665 | 5,352,505 | 1,973,604 | 878,969 | 984,857 | 217,194 | - | 11,236,794 |
| Revenues from other segments | (315,599) | 27,677 | 190,683 | 136,015 | 8,242 | - | (47,018) | - |
| **Total revenues** | 1,514,066 | 5,380,182 | 2,164,287 | 1,014,984 | 993,099 | 217,194 | (47,018) | 11,236,794 |
| Expenses | (503,437) | (4,915,061) | (2,061,183) | (296,722) | (425,670) | (42,609) | 43,513 | (8,201,169) |
| Profit before tax | 1,010,629 | 465,121 | 103,104 | 718,262 | 567,429 | 174,585 | (3,505) | 3,035,625 |
| Taxation | | | | | | | | (1,285,098) |
| **Profit for the period** | | | | | | | | **1,750,527** |
| Segment assets | 183,758,283 | 139,257,473 | 100,833,144 | 30,108,531 | 59,458,470 | 25,928,072 | (27,259,737) | 512,084,236 |
| Unallocated assets | | | | | | | | 40,449,395 |
| **Total assets** | | | | | | | | **552,533,631** |
| Net interest income | | | | | | | | |
| Segment liabilities | - | 192,581,435 | 168,410,217 | 19,934,401 | 46,131,926 | 2,491,513 | (14,360,043) | 415,189,449 |
| Unallocated liabilities | | | | | | | | 23,188,965 |
| **Total liabilities** | | | | | | | | **438,378,414** |
| **Other Segment items:** | | | | | | | | |
| Capital expenditure | - | 161,956 | 170,256 | - | - | - | - | 332,212 |
| Expected credit losses | 4,760 | 450,799 | (28,073) | 1,141 | 1,535 | - | - | 430,162 |
| Depreciation and amortisation | 1,607 | 172,198 | 87,526 | 33,684 | 3,524 | - | - | 298,539 |

**Segmental Financial Information**

**January 31, 2020**

| Unaudited ($ Thousands) | Banking: Treasury | Banking: Retail | Banking: Corporate and Commercial | Investment Management Services | Insurance Services | Other | Eliminations | Group |
|---|---|---|---|---|---|---|---|---|
| Net external revenues | 1,822,774 | 5,064,900 | 1,978,173 | 759,079 | 1,321,278 | 127,608 | - | 11,073,812 |
| Revenues from other segments | (445,156) | 148,745 | 256,982 | 32,271 | (1,111) | - | 8,269 | - |
| **Total revenues** | 1,377,618 | 5,213,645 | 2,235,155 | 791,350 | 1,320,167 | 127,608 | 8,269 | 11,073,812 |
| Expenses | (448,316) | (4,769,863) | (1,935,719) | (391,062) | (383,668) | (59,253) | (22,124) | (8,010,005) |
| Profit before tax | 929,302 | 443,782 | 299,436 | 400,288 | 936,499 | 68,355 | (13,855) | 3,063,807 |
| Taxation | | | | | | | | (1,280,096) |
| **Profit for the period** | | | | | | | | **1,783,711** |
| Segment assets | 171,908,454 | 140,919,356 | 82,116,977 | 37,112,954 | 58,619,806 | 24,464,295 | (22,501,950) | 492,639,892 |
| Unallocated assets | | | | | | | | 49,666,282 |
| **Total assets** | | | | | | | | **542,306,174** |
| Segment liabilities | - | 176,249,274 | 155,834,491 | 27,697,730 | 45,943,617 | 131,869 | (9,564,775) | 396,292,206 |
| Unallocated liabilities | | | | | | | | 26,304,179 |
| **Total liabilities** | | | | | | | | **422,596,385** |
| **Other Segment items:** | | | | | | | | |
| Capital expenditure | - | 116,764 | 72,939 | - | - | - | - | 189,703 |
| Expected credit losses | (18,795) | 941,855 | (11,375) | 5,310 | (22,126) | - | - | 894,869 |
| Depreciation and amortisation | 1,182 | 132,050 | 67,099 | 32,807 | 3,308 | - | - | 236,446 |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**January 31, 2021**

## 1. Identification

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

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

## 2. Significant accounting policies

### (a) Basis of presentation

***Statement of compliance***

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual audited consolidated financial statements for the year ended October 31, 2020, which was prepared in accordance with International Financial Reporting Standards (IFRS).

***Functional and presentation currency***

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

***Basis of consolidation***

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

## 3. Critical accounting estimates and judgements

The preparation of financial statements, in conformity with IFRS requires management to make estimates, apply judgements and make assumptions that affect the reported amount of and disclosures relating to assets, liabilities, income and expenses at the date of the condensed interim consolidated financial statements. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

## 4. Financial Assets

Financial assets include both debt and equity instruments.

**Classification and measurement**

*Debt instruments*

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

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

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

*Equity instruments*

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

**Allowance for expected credit losses**

The group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9. Financial assets migrate through three stages based on the change in credit risk since initial recognition.

The Group's allowance for credit loss calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. This impairment model uses a three-stage approach based on the extent of credit deterioration since origination:

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

Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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

## 5. Pledged Assets

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

| ($ Millions) | 2021 | 2020 |
|---|---|---|
| Capital Management and Government Securities funds | 12,947 | 15,472 |
| Securities with regulators, clearing houses and other financial institutions | 1,829 | 1,832 |
| | **14,776** | **17,304** |

## 6. Insurance and investment contracts

Insurance contracts are those contracts that transfer significant insurance risks. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk, the possibility of having to pay benefits at the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

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

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

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

## 8. Cash and cash equivalents

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

## 9. Employee benefits

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

### (i) Defined Benefit Plan

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

Where a pension asset arises, the amount recognized is limited to the present value of any economic benefits available in the form of refunds from the plan or reduction in future contributions to the plan. The pension costs are assessed using the Projected Unit Credit Method.

**9. Employee benefits (cont.)**

(i) **Defined Benefit Plan (cont.)**

Under this method, the cost of providing pensions is charged as an expense in such a manner as to spread the regular cost over the service lives of the employees in accordance with the advice of the actuaries, who carry out a full valuation of the plan every year in accordance with IAS 19. Re-measurements comprising actuarial gains and losses, return on plan assets and change in the effect of asset ceiling are reported in other comprehensive income. The pension obligation is measured as the present value of the estimated future benefits of employees, in return for service in the current and prior periods, using estimated discount rates based on market yields on Government securities which have terms to maturity approximating the terms of the related liability.

**(ii) Other post-retirement obligations**

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

**(iii) Defined contribution plan**

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

**10. Segment reporting**

The Group is organized into six main business segments:

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

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.

## 11. Prior year adjustment

The Group has determined that acceptances, guarantees and letters of credit have not met the requirement for recognition as an asset or as a liability. 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 does not have an impact on the group's and company's statements of revenue and expenses, comprehensive income, changes in shareholders' equity and cash flows for the year ended October 31, 2020. The following table summarizes the impact on the Company's and the Group's financial statements.

Statement of financial position

| | October 2020 | | | January 2020 | | |
|---|---|---|---|---|---|---|
| | As previously reported | Adjustments | As Restated | As previously reported | Adjustments | As Restated |
| Customers' liabilities under guarantees | 13,041,700 | (13,041,700) | - | 14,489,715 | (14,489,715) | - |
| Others | 543,239,648 | - | 543,239,648 | 542,306,174 | - | 542,306,174 |
| **Total Assets** | **556,281,348** | **(13,041,700)** | **543,239,648** | **556,795,889** | **(14,489,715)** | **542,306,174** |
| Guarantees issued | 13,140,840 | (13,140,840) | - | 14,614,361 | (14,614,361) | - |
| Others | 432,384,874 | 99,140 | 432,484,014 | 422,471,739 | 124,646 | 422,596,385 |
| **Total Liabilities** | 445,525,714 | (13,041,700) | 432,484,014 | 437,086,100 | (14,489,715) | 422,596,385 |
| **Total Equity** | 110,755,634 | - | 110,755,634 | 119,709,789 | - | 119,709,789 |
| **Total Liabilities and Equity** | **556,281,348** | **(13,041,700)** | **543,239,648** | **556,795,889** | **(14,489,715)** | **542,306,174** |