# SCOTIA GROUP JAMAICA REPORTS THIRD QUARTER OF FISCAL 2023 RESULTS


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

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

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

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

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

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

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

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

## GROUP FINANCIAL PERFORMANCE

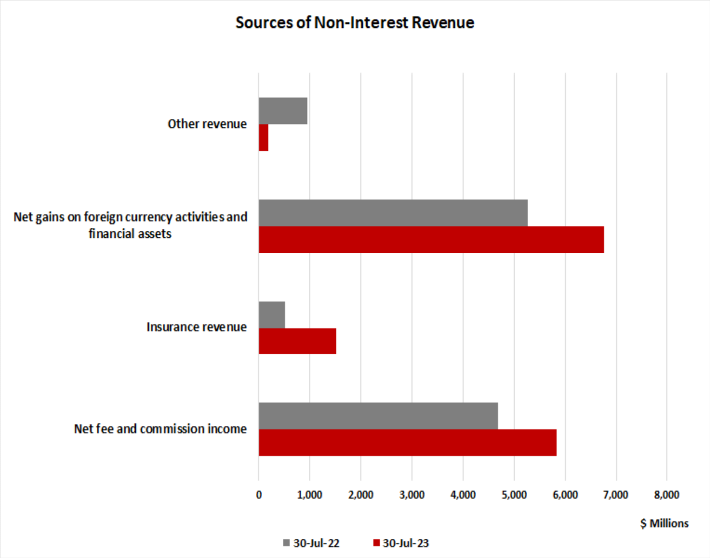
### TOTAL REVENUES

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

### OTHER REVENUE

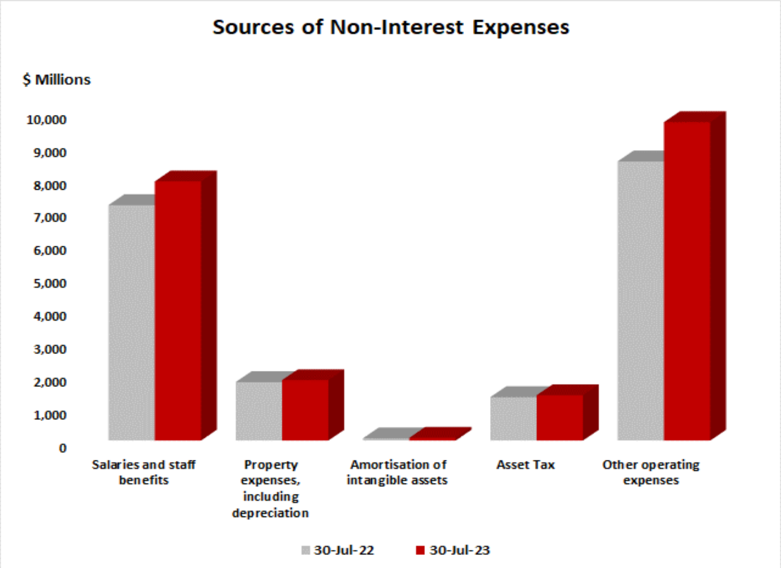
Other income, defined as all revenue other than interest income, increased by $2.9 billion or 25.3%.

- Net insurance revenue increased by $995.4 million or 194.0% from $513.1 million[1] to $1.5 billion driven by:
  - higher contractual service margin, expected claims and insurance expense releases based on the performance of the portfolio,
  - higher revenue generated from our Creditor Life portfolio given higher transaction volumes stemming from the further deepening of our customer relationships.
- Net fee and commission income for the period amounted to $5.8 billion, an increase of $1.2 billion or 24.8% given an increase in customer transactions and business activities.
- Net gains on foreign currency activities and financial assets amounted to $6.8 billion reflecting a year over year increase of $1.5 billion or 28.2%.




### OPERATING EXPENSES

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




Note 1:

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

## CREDIT QUALITY

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

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

# GROUP FINANCIAL CONDITION

## ASSETS

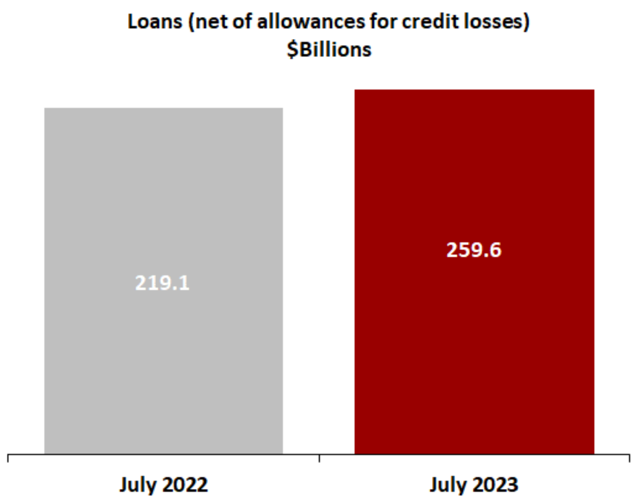
The Group's asset base grew by $55.8 billion or 9.5% to $646.4 billion as at July 2023. This was predominantly as a result of the significant growth on our loan portfolio of $40.5 billion or 18.5% and higher cash resources of $29.6 billion or 19.5%. This was partially offset by a reduction in other assets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

### Cash Resources

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

### Loans

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



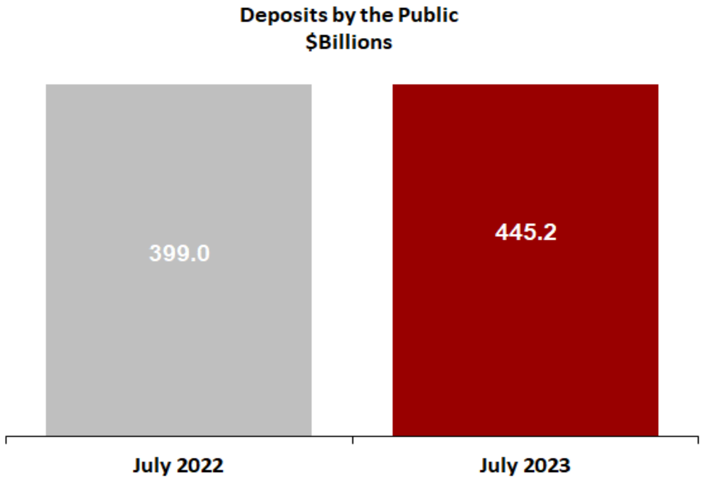
Scotiabank

## LIABILITIES

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

### Deposits

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




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

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

### Insurance Contract Liabilities/Segregated Funds

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

### Other Liabilities

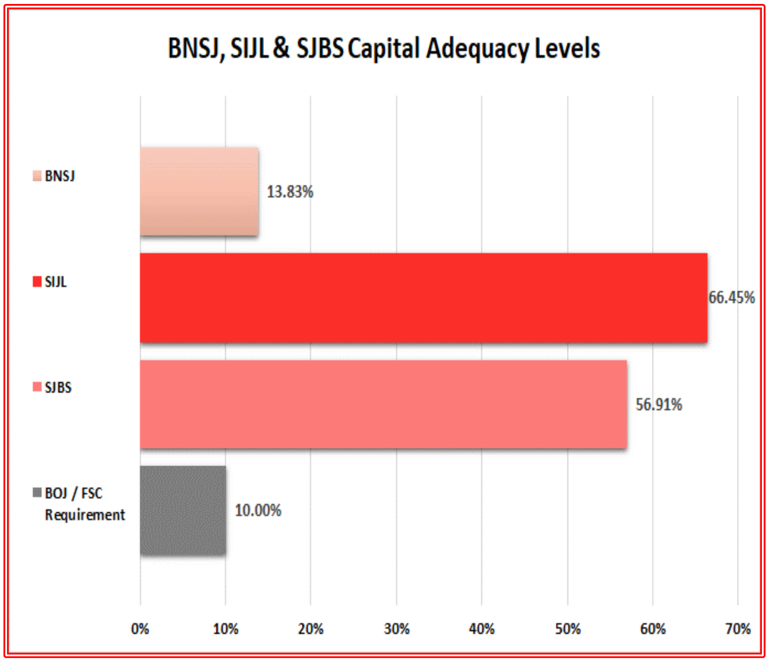
Other liabilities totaled $24.4 billion as at July 2023 and showed an increase of $2.9 billion or 13.6% over the prior period. The year over year increase was primarily attributable to an increase in other liabilities of $3.7 billion or 25.5%, driven by higher settlement account balances and income tax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

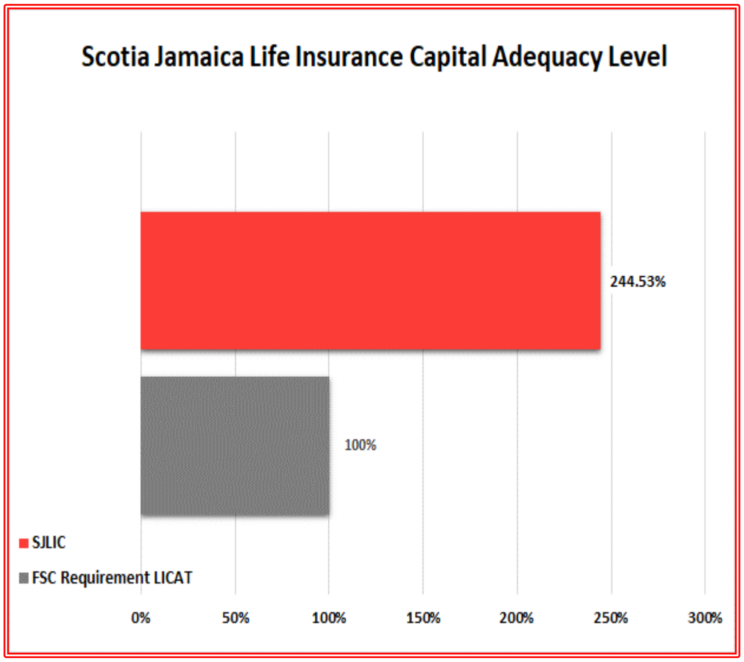
### CAPITAL

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

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

Our regulatory capital adequacy levels versus the minimum requirements are shown below:



## OUR COMMITMENT TO THE COMMUNITY

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

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

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

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


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


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

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

Scotiabank®

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

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

Consolidated Statement of Comprehensive Income

Period ended July 31, 2023

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

Scotiabank®

**Consolidated Statement of Financial Position**
**July 31, 2023**

| Unaudited | July 31, 2023 | Restated October 31, 2022 | Restated July 31, 2022 |
|---|---|---|---|
| ($ Thousands) | | | |
| **ASSETS** | | | |
| **CASH RESOURCES, NET OF ALLOWANCES** | 182,019,260 | 148,992,184 | 152,380,480 |
| **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | 2,390,160 | 3,035,413 | 3,396,442 |
| **INVESTMENT SECURITIES** | 155,158,325 | 148,846,066 | 158,272,139 |
| **PLEDGED ASSETS** | 10,963,742 | 15,598,720 | 16,156,970 |
| **GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS** | 500,582 | 751,427 | 1,502,599 |
| **LOANS, NET OF ALLOWANCES FOR CREDIT LOSSES** | 259,576,985 | 237,044,011 | 219,108,983 |
| **SEGREGATED FUND ASSETS** | 1,192,362 | 978,078 | 950,173 |
| **REINSURANCE CONTRACT ASSETS** | 2,334 | 2,481 | 2,551 |
| **OTHER ASSETS** | | | |
| Property and equipment, including right of use assets | 9,448,855 | 9,311,741 | 9,262,926 |
| Deferred taxation | 2,034,526 | 2,594,677 | 2,037,500 |
| Taxation recoverable | 2,727,166 | 2,591,341 | 2,519,238 |
| Retirement benefit asset | 15,625,053 | 23,561,041 | 18,676,976 |
| Other assets | 4,293,551 | 3,119,420 | 5,795,467 |
| Intangible assets | 472,479 | 552,036 | 502,201 |
| | 34,601,630 | 41,730,256 | 38,794,308 |
| **TOTAL ASSETS** | **646,405,380** | **596,978,636** | **590,564,645** |
| **LIABILITIES** | | | |
| Deposits by the public | 445,172,347 | 397,176,483 | 398,986,218 |
| Amounts due to banks and other financial institutions | 2,786,392 | 1,561,132 | 838,226 |
| | 447,958,739 | 398,737,615 | 399,824,444 |
| **OTHER LIABILITIES** | | | |
| Capital management and government securities funds | 9,381,372 | 14,128,403 | 14,545,279 |
| Deferred taxation | 1,540,770 | 3,501,883 | 2,497,781 |
| Retirement benefit obligation | 4,606,018 | 4,557,782 | 4,424,873 |
| Other liabilities | 18,207,317 | 17,537,336 | 14,511,266 |
| | 33,735,477 | 39,725,404 | 35,979,199 |
| **INSURANCE CONTRACT LIABILITIES** | 49,681,329 | 50,139,394 | 49,370,429 |
| **REINSURANCE CONTRACT LIABILITIES** | 1,641 | 1,780 | 1,780 |
| **SEGREGATED FUND ASSETS** | 1,192,362 | 978,078 | 950,173 |
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 6,569,810 | 6,569,810 | 6,569,810 |
| Reserve fund | 3,249,976 | 3,249,976 | 3,249,976 |
| Retained earnings reserve | 47,891,770 | 45,891,770 | 45,891,770 |
| Capital reserve | 11,340 | 11,340 | 11,340 |
| Loan loss reserve | 313,794 | 361,367 | 473,273 |
| Other reserves | 9,964 | 9,964 | 9,964 |
| Insurance Finance Reserve | (782,987) | (1,218,549) | (825,493) |
| Translation reserve | 37,371 | 34,935 | 34,599 |
| Cumulative remeasurement on investment securities | (3,205,932) | (5,431,669) | (3,809,803) |
| Unappropriated profits | 59,740,726 | 57,917,421 | 52,833,184 |
| | 113,835,832 | 107,396,365 | 104,438,620 |
| **TOTAL EQUITY AND LIABILITIES** | **646,405,380** | **596,978,636** | **590,564,645** |

Director

Director

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

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

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

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

Scotiabank

## Segmental Financial Information

**July 31, 2023**

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

## Segmental Financial Information

## July 31, 2022 (Restated)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**July 31, 2023**

**1. Identification**

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

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

**2. Significant accounting policies**

**(a) Basis of presentation**

***Statement of compliance***

The condensed interim consolidated financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting'. The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual audited consolidated financial statements for the year ended October 31, 2022, which was prepared in accordance with International Financial Reporting Standards (IFRS).

***Functional and presentation currency***

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

***Basis of consolidation***

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

**3. Critical accounting estimates and judgements**

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

## 4. Financial Assets

Financial assets include both debt and equity instruments.

**Classification and measurement**

*Debt instruments*

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

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

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

*Equity instruments*

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

**Allowance for expected credit losses**

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

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

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

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

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

## 5. Pledged Assets

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

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

## 6. Insurance and investment contracts

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

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

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

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

## 8. Cash and cash equivalents

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

## 9. Employee benefits

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

### (i) Defined Benefit Plan

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

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

9. **Employee benefits (continued)**

(i) **Defined Benefit Plan (continued)**

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

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

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

**(iii) Defined contribution plan**

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

10. **Segment reporting**

The Group is organized into six main business segments:

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

Segment assets and liabilities comprise operating assets and liabilities, being the majority of items on the statement of financial position, but exclude items such as taxation, retirement benefits asset and obligation and borrowings. Eliminations comprise intercompany transactions and balances. The Group's operations are located mainly in Jamaica. The operations of subsidiaries located overseas represent less than 10% of the Group's operating revenues and assets.

## 11. Prior year adjustment

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

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

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

## 11. Prior year adjustment (continued)

**SCOTIA GROUP JAMAICA (CONSOLIDATED)**

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

| Statement of Comprehensive Income | | | |
|---|---|---|---|
| *Items that will not be reclassified to profit and loss* | | | |
| Remeasurement Of Defined Benefit Plans/Obligations net of taxes | (8,566,940) | - | (8,566,940) |
| *Items that will be reclassified to profit and loss* | | | |
| Unrealized Losses on Investment Securities | (4,734,939) | - | (4,734,939) |
| Realised Gains on Investment Securities | 41,702 | - | 41,702 |
| Foreign Currency Translation | (4,106) | - | (4,106) |
| Expected Credit Losses on Investment Securities | 116,336 | - | 116,336 |
| Insurance Finance Reserve | - | (1,100,657) | (1,100,657) |
| | (13,147,947) | (1,100,657) | (14,248,604) |
| Taxation | 1,376,773 | 275,164 | 1,651,937 |
| | **(11,771,174)** | **(825,493)** | **(12,596,667)** |
| **OTHER COMPREHENSIVE INCOME, NET OF TAX** | **(3,396,256)** | **(1,858,242)** | **(5,254,498)** |