Consolidated Financial Statements of

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2022

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2022

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Statement of Management's Responsibilities
Scotiabank Trinidad and Tobago Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Scotiabank Trinidad and Tobago Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;

- Ensuring that the Group keeps proper accounting records;

- Selecting appropriate accounting policies and applying them in a consistent manner;

- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;

- Ensuring that the system of internal control operated effectively during the reporting period;

- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and

- Using reasonable and prudent judgement in the determination of estimates.

In preparing these consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.



Gayle Pazos
Managing Director

Date: December 19, 2022



Reshard Mohammed
Chief Financial Officer

Date: December 19, 2022

KPMG
Chartered Accountants
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Independent Auditors' Report
To the Shareholders of Scotiabank Trinidad and Tobago Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Scotiabank Trinidad and Tobago Limited ("the Company") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at October 31, 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Trinidad and Tobago and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Expected Credit Losses on Loans to Customers

See Notes 3(c), 8 and 29 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

Description of key audit matter

The Group's Allowance for Credit Loss (ACL) was $311 million as at October 31, 2022. The Group applies a three-stage approach to measure the ACL, using an expected credit loss (ECL) approach as required under IFRS 9 Financial Instruments.

The Group's ACL calculations are outputs of complex models. The ACL calculation reflects a probability-weighted outcome that considers multiple scenarios based on the Group's view of forecasts of future events and economic conditions (assumptions). The probability of default (PD), loss given default (LGD) and exposure at default (EAD) inputs used to estimate ACL are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio.

The Group assesses when there has been a significant increase in credit risk subsequent to origination or where the financial asset is in default. If there has been a significant increase in credit risk or the financial asset is in default, lifetime ACL is recorded; otherwise, ACL equal to 12 month expected credit losses is recorded. The estimation of ECL for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgment.

Qualitative adjustments or overlays may also be recorded by the Group using expert credit judgment where the inputs and models do not capture all relevant risk factors.

Measurement of individual provisions including the assessment of probability weighted scenarios and the impact COVID-19 had on exit strategies, collateral valuations, and time to collect.

Key Audit Matters (continued)

(1) Expected Credit Losses on Loans to Customers (continued)

Description of key audit matter (continued)

We identified the assessment of the ACL as a key audit matter. Significant auditor judgment was required because of the use of complex models and there is a high degree of measurement uncertainty due to the significant judgments inherent in the Group's methodology such as judgments about forward-looking information, including the impact of the COVID-19 pandemic. These judgments impact certain inputs, assumptions, qualitative adjustments or overlays, and when there has been a significant increase in credit risk.

Assessment of the ACL also required significant auditor attention and complex auditor judgment to apply and evaluate the results of audit procedures. This required specialized skills, industry knowledge, and relevant experience.

How the matter was addressed in our audit

The following are the primary procedures we performed to address this key audit matter.

Control testing

With the involvement of our credit risk, economics, and information technology professionals with specialized skills, industry knowledge and relevant experience, we evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's ACL process.

This included internal controls related to:

(1) periodic validation and performance monitoring of models used to derive key modelled inputs into the ACL calculation being PD, LGD and EAD;

(2) the review of the macroeconomic variables and probability weighting of scenarios used in the ACL models;

(3) the assessment to identify whether there has been a significant increase in credit risk;

(4) the assessment of qualitative adjustments or overlays;

(5) information technology controls over the inputs (PD, LGD, EAD) into the ACL models driving the ACL calculation; and

(6) the Group's monitoring over the ACL calculation whereby senior credit executives review and challenge (1) to (4) above using expert credit judgment.

Key Audit Matters (continued)

(1) Expected Credit Losses on Loans to Customers (continued)

How the matter was addressed in our audit (continued)

Control testing (continued)

Additionally, for non-retail loans, we tested certain internal controls related to loan reviews, including the determination of loan risk grades and write-offs.

Substantive testing

We involved credit risk, economics, and information technology professionals with specialized skills, industry knowledge and relevant experience who assisted in:

(1) evaluating the methodology and macroeconomic variables used in certain inputs into the models including the determination of significant increases in credit risk by assessing compliance with IFRS 9 and recalculating model monitoring tests in respect of certain inputs and thresholds used for significant increases in credit risk;

(2) recalculating a sample of ECL models and related inputs;

(3) evaluating scenarios and probability-weighted outcome assumptions used in the ACL calculation by assessing the appropriateness of the underlying macroeconomic variables including consideration of alternative inputs for certain variables; and

(4) assessing the qualitative adjustments or overlays by applying our knowledge of the industry and credit judgment to evaluate the appropriateness of the Group's underlying considerations.

(5) Evaluating whether management has adequately incorporated the impact of COVID-19 in the assumptions.

We re-performed credit assessments of high risk Stage 3 Non-retail loans. For each loan selected, we challenged the Group's credit risk rating and assumptions, taking into account our assessment of the customer's financial position and the valuation of security, and the impact on the credit allowance. To do this, we used the information on the loan file, and performed our own assessment of recoverability. Exercising our judgment, our procedures included using our understanding of relevant industries and the macroeconomic environment and comparing data and assumptions used by the Group in recoverability assessments to externally sourced evidence, such as property sales and external valuations of collateral held. Where relevant we assessed the forecasted timing of future cash flows in the context of underlying valuations and challenged key assumptions in the valuations.

Key Audit Matters (continued)

(1) Expected Credit Losses on Loans to Customers (continued)

How the matter was addressed in our audit (continued)

Substantive testing (continued)

Finally, we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

Based on the audit procedures performed, we concluded that the methodology and assumptions used by management to determine the ECLs were reasonable.

(2) Actuarial Methodologies And Assumptions Used In The Valuation Of Actuarial Liabilities

See Notes 3(p) and 16 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

Description of key audit matter

The Group's Policyholder liabilities is $1.747 billion as at October 31, 2022. This is an area that involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including investment return, credit risk and associated discount rates, and operating assumptions including mortality, expenses and persistency (including consideration of policyholder behaviour) are the key inputs used to estimate these long term liabilities.

Additionally, the valuation of policyholder liabilities in relation to credit card business requires the exercise of significant judgement over the setting of mortality and credit risk assumptions.

Key Audit Matters (continued)

(2) Actuarial Methodologies And Assumptions Used In The Valuation Of Actuarial Liabilities (continued)

Description of key audit matter (continued)

We focused on this area as it involves significant judgements over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities.

Economic assumptions such as investment returns, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality and persistency are the key inputs used to estimate these long term liabilities.

Significant judgement is required to determine the carrying value of the insurance liabilities as the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities.

How the matter was addressed in our audit

We were assisted by our own actuarial experts in considering industry and Company specific facts and circumstances to evaluate the methodologies and assumptions utilized by management's actuaries.

Key procedures included assessing the Group's methodology for calculating the policyholder liabilities and their analysis of the movements in policyholder liabilities during the year, including whether the movements are in line with the assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience.

We updated our understanding of any changes impacting the assumptions, specifically, we focused on mortality, persistency, investment returns and associated discount rates and policy expenses, all of which are based on the Group's experience or published industry studies or market data.

We tested a sample of contracts to assess whether policyholder data and contract features correspond to the data in the actuarial valuation system. We also compared data, on a sample basis, between the policy administration system and the valuation system to test completeness

We made an assessment of the assumptions of policyholder behaviour, including consideration against relevant Group and industry historical data.

Key Audit Matters (continued)

(2) Actuarial Methodologies And Assumptions Used In The Valuation Of Actuarial Liabilities (continued)

Description of key audit matter (continued)

We considered the appropriateness of the mortality assumptions used in the valuation of policyholder liabilities by reference to Group and industry data on historical mortality experience and expectations of future mortality movements, including evaluation of the choice of Caribbean Policy Premium Method (PPM). We have considered the allowance for socio-economic differences within the longevity basis and the potential impact that the COVID-19 pandemic will have on the future expectation of life on the annuitant portfolio.

We considered the appropriateness of the credit risk methodology and assumptions by reference to industry practice and our expectation derived from market experience. We also challenged on the allowance made within the calculation of the credit default assumption for both observed and expected defaults in light of the COVID-19 pandemic.

We utilised the results of KPMG's benchmarking of assumptions and actuarial market practice to inform our challenge of management's assumptions in both areas noted above.

Our work on the policyholder liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of Group and industry experience data and specific product features. We also performed test work to ensure the appropriateness of changes made to the policyholder liability reserving models during the year. We considered whether the Group's disclosures in relation to the assumptions used in the calculation of policyholder liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Marissa Quashie.

KPMG

Chartered Accountants
Port of Spain
Trinidad and Tobago
December 19, 2022

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Financial Position

October 31, 2022
($ thousands)

	Notes	2022	2021
		$	$
ASSETS			
Cash on hand and in transit		138,221	218,702
Loans and advances to banks and related companies	5	652,582	854,150
Treasury bills	6	2,933,707	3,599,239
Deposits with Central Bank	7	2,369,244	3,046,104
Loans to customers	8	17,308,959	15,729,895
Investment securities	9.1	3,938,192	3,099,702
Miscellaneous assets	10	64,807	27,358
Taxation recoverable		4,916	4,916
Investment in associated companies	9.2	43,428	39,668
Deferred tax asset	17.1	109,567	59,372
Property and equipment	11.1	353,262	359,519
Defined benefit pension fund asset	12.1	138,143	129,516
Goodwill		2,951	2,951
Total assets		**28,057,979**	**27,171,092**

	Notes	2022	2021
		$	$
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	13	20,891,772	20,241,852
Deposits from banks and related companies	14	95,279	142,737
Other liabilities	15	662,933	592,766
Taxation payable		106,541	71,795
Policyholders' funds	16	1,746,579	1,651,939
Post-employment medical and life benefits obligation	12.1	184,199	175,485
Deferred tax liability	17.1	56,656	50,700
Total liabilities		23,743,959	22,927,274
EQUITY			
Stated capital	18	267,563	267,563
Statutory reserve fund	19	880,100	815,100
Investment revaluation reserve		(29,982)	30,593
Retained earnings		3,196,339	3,130,562
Total equity		4,314,020	4,243,818
Total liabilities and equity		**28,057,979**	**27,171,092**

The notes on pages 19 to 118 are an integral part of these consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on December 14, 2022 and signed on its behalf by:



Derek Hudson, Chairman



Gayle Pazos, Managing Director

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2022
($ thousands, except earnings per share data)

	Notes	2022	2021
		$	$
REVENUE			
Interest income calculated using the effective interest method	21	1,262,430	1,240,765
Interest expense	22	(16,170)	(21,593)
Net interest income		1,246,260	1,219,172
Other income	23	802,050	626,171
Fee and commission expense		(150,262)	(115,131)
Net other income		651,788	511,040
Total revenue		1,898,048	1,730,212
NON-INTEREST EXPENSES			
Salaries and other staff benefits		256,339	268,987
Premises and technology		136,616	139,590
Communication and marketing		95,092	40,093
Other expenses	24	249,373	253,317
Total non-interest expenses		737,420	701,987
Net impairment loss on financial assets	8.6	110,069	108,521
Profit before taxation		1,050,559	919,704
Taxation	25.1	366,810	316,179
Profit for the year, attributable to equity holders		683,749	603,525
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits asset/ obligation	12.7	3,813	101,968
Related tax	25.3	(1,302)	(35,690)
		2,511	66,278
Items that are or may be reclassified subsequently to profit or loss			
Remeasurement of instruments that existed throughout the year		(126,898)	25,959
Remeasurement of purchased Investments		33,706	4,184
Related tax	25.3	32,617	(10,550)
Net movement in fair value reserve		(60,575)	19,593
Other comprehensive income (loss), net of tax		(58,064)	85,871
Total comprehensive income, attributable to equity holders		625,685	689,396
Earnings per share (basic and diluted)	26	387.7¢	342.2¢

The notes on pages 19 to 118 are an integral part of these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Changes in Equity

For the year ended October 31, 2022
($ thousands)

	Notes	Stated Capital	Statutory Reserve Fund	Investment Revaluation Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at October 31, 2020		**267,563**	**804,514**	**11,000**	**3,088,548**	**4,171,625**
Profit for the year		-	-	-	603,525	603,525
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation	25.3	-	-	-	66,278	66,278
Fair value re-measurement of FVOCI debt instruments	25.3	-	-	19,593	-	19,593
Total comprehensive income		-	-	19,593	669,803	689,396
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	19	-	10,586	-	(10,586)	-
Dividends paid	20	-	-	-	(617,203)	(617,203)
		-	10,586	-	(627,789)	(617,203)
Balance as at October 31, 2021		**267,563**	**815,100**	**30,593**	**3,130,562**	**4,243,818**

The notes on pages 19 to 118 are an integral part of these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Changes in Equity (continued)

For the year ended October 31, 2022
($ thousands)

	Notes	Stated Capital	Statutory Reserve Fund	Investment Revaluation Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at October 31, 2021		**267,563**	**815,100**	**30,593**	**3,130,562**	**4,243,818**
Profit for the year		-	-	-	683,749	683,749
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation	25.3	-	-	-	2,511	2,511
Fair value re-measurement of FVOCI debt instruments	25.3	-		(60,575)	-	(60,575)
Total comprehensive income		-		(60,575)	686,260	625,685
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	19	-	65,000	-	(65,000)	-
Dividends paid	20	-	-	-	(555,483)	(555,483)
		-	65,000	-	(620,483)	(555,483)
Balance as at October 31, 2022		**267,563**	**880,100**	**(29,982)**	**3,196,339**	**4,314,020**

The notes on pages 19 to 118 are an integral part of these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Cash Flows

For the year ended October 31, 2022
($ thousands)

	Notes	2022	2021
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		683,749	603,525
Adjustments for:			
- Interest income		(1,262,430)	(1,240,765)
- Interest expense		16,170	21,593
- Depreciation and amortisation	11.1	32,665	30,123
- Share of profit of associated company		(2,395)	(2,052)
- Loss on disposal of property and equipment		7,376	4,947
- Tax expense	25.1	366,810	316,179
- Allowance for credit losses	8.5	3,278	(100,261)
Changes in:			
- Primary reserve deposits with Central Bank		(110,530)	147,923
- Net pension cost	12.6	10,671	14,482
- Policyholders' funds		94,640	93,283
- Loans to customers		(1,626,746)	583,660
- Miscellaneous assets		(47,560)	146,069
- Deposits from customers		570,004	(627,795)
- Deposits from banks and related companies		(47,457)	96,970
- Other liabilities		158,194	84,960
Interest received		1,306,834	1,327,598
Interest paid		(17,034)	(20,807)
Medical, life and pension contributions and benefits paid	12.5	-	-
Taxation paid		(338,798)	(272,084)
Net cash from operating activities		(202,559)	1,207,548
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Treasury Bills		(2,674,002)	(4,054,815)
Proceeds from redemption of Treasury Bills		3,707,686	5,124,177
Purchase of investment securities		(7,031,377)	(6,561,493)
Proceeds from redemption of investment securities		5,358,855	5,488,427
Purchase of property and equipment	11.1	(20,703)	(37,010)
Proceeds from disposal of share in associate company		-	3,134
Net cash used in investing activities		(659,541)	(37,580)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities		(20,008)	(18,224)
Dividends paid	20.2	(555,483)	(617,203)
Net cash used in financing activities		(575,491)	(635,427)

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Cash Flows (continued)

For the year ended October 31, 2022
($ thousands)

	Notes	2022	2021
		$	$
(Decrease) / increase in cash and cash equivalents		(1,437,591)	534,541
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		3,109,224	2,574,683
CASH AND CASH EQUIVALENTS, END OF YEAR		1,671,633	3,109,224
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		138,221	218,702
Loans and advances to banks and related companies	5	652,582	854,150
Surplus deposits with Central Bank	7	35,610	823,000
Treasury bills with original maturity date not exceeding 3 months	6	845,220	1,213,372
		1,671,633	3,109,224

The notes on pages 19 to 118 are an integral part of these consolidated financial statements.

1. Incorporation and Business Activities

Scotiabank Trinidad and Tobago Limited (Scotiabank) is incorporated in the Republic of Trinidad and Tobago and offers a complete range of banking and financial services as permitted under the Financial Institutions Act, 2008. Scotiabank is domiciled in Trinidad and Tobago and its registered office is 56-58 Richmond Street, Port of Spain.

These consolidated financial statements comprise Scotiabank and its wholly-owned subsidiaries (together referred to as the Group). The Group's ultimate parent company is The Bank of Nova Scotia, which is incorporated and domiciled in Canada. The Group has interests in one associated company.

Scotiabank's wholly-owned subsidiaries and associated companies and their principal activities are detailed below:

Name of Companies	Country of Incorporation	Percentage of Equity Held
Subsidiaries		
ScotiaLife Trinidad and Tobago Limited	Republic of Trinidad and Tobago	100%
Scotia Investments Trinidad and Tobago Limited	Republic of Trinidad and Tobago	100%

ScotiaLife Trinidad and Tobago Limited (ScotiaLife) is registered to conduct ordinary long-term insurance business under the Insurance Act, 2018.

Scotia Investments Trinidad and Tobago Limited's (Scotia Investments) principal activity is the provision of asset management services.

Associated companies		
InfoLink Services Limited	Republic of Trinidad and Tobago	25%

InfoLink Services Limited offers clearing and switching facilities for the electronic transfer of funds.

1. Incorporation and Business Activities (continued)

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which the subsidiaries operate. The supervisory frameworks require subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. In respect of the subsidiaries that are regulated by the Central Bank of Trinidad and Tobago, the carrying amounts of assets are $28.1 billion (2021: $27.2 billion) and liabilities $23.7 billion (2021: $22.9 billion).

These consolidated financial statements were authorised for issue by Scotiabank's Board of Directors on December 14, 2022.

2. Basis of Preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis modified for the inclusion of:

- financial instruments at fair value through profit or loss (FVTPL);
- financial assets measured at fair value through other comprehensive income (FVOCI);
- investments in equity-accounted investees are measured using the equity method;
- net defined benefit asset (obligation) is recognised at fair value of plan assets, adjusted by re-measurements through other comprehensive income (OCI), less the present value of the defined benefit obligation adjusted by experience gains (losses) on revaluation, limited as explained in Note 3(j) and Note 12; and
- policyholders' funds calculated using the Caribbean Policy Premium Method of valuation.

2. Basis of Preparation (continued)

(c) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in Trinidad and Tobago dollars, rounded to the nearest thousand, which is Scotiabank's functional and presentation currency.

(d) Basis of consolidation

(i) Subsidiaries

A subsidiary company is an entity controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting when control is transferred to the Group. Common control transactions are recorded at book value.

(ii) Transactions eliminated on consolidation

All intra-group transactions and balances are eliminated in preparing these consolidated financial statements.

(iii) Interest in equity-accounted investees

The investments in the associated companies are accounted for by the equity method whereby the Group's share of their results is included in that of the Group and added to the carrying value of the respective investments.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in the consolidated financial statements, except for those changes described in Note 3(t), and are set out below:

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured as the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risk.

The specific recognition criteria described below must also be met before revenue is recognised.

Interest Income and expense

Interest income and interest expense are accounted for on the accrual basis for financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis, other than non-accrual loans. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate for financial instruments, other than purchased or orginated credit-impired assets, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For purchased or orginated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period. Thereafter, interest income is recognised only after the loan reverts to performing status.

The Group's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

Amortised cost and gross carrying amount

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

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, accrued but uncollected interest is reversed against income of the current period. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 3(e).

Presentation

Interest income calculated using the effective interest method presented in profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost
- interest on debt instruments measured at FVOCI.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in the net income from other financial instruments at FVTPL.

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

Net income from financial instruments at fair value through profit or loss

Net income from financial instruments at FVTPL include financial assets and financial liabilities designated as at FVTPL and also non-trading assets mandatorily measured at FVTPL. The line item includes dividends and foreign exchange differences.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all fair value changes, interest, dividends and foreign exchange differences.

Other income

Other income comprises various fees and commissions, trading income and premium income. Fees and commissions that are material to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. The components of other income are described below.

Deposit and payment services

The Group provides deposit and payment services to retail and commercial customers. Revenue from account servicing fees is recognised over time as the services are provided. Transaction based fees are charged to the customer's account and recognized when the transaction takes place.

Card revenues

The Group offers a full suite of credit cards for retail and commercial customers for their cash management and financing needs. Revenues include cardholder fees, interchange fees and merchant fees. Revenues are mainly transaction based and recognized when the card transaction takes place.

3. Significant Accounting Policies (continued)

(a) Revenue recognition (continued)

Other income (continued)

Credit fees

The Group provides working capital financing and trade services including letters of credit. Transaction based fees are recognized when the transaction takes place. Loan origination fees are recognized over the term of the loan unless immaterial.

Net premium income

Premiums are recognised on the accruals basis in accordance with the terms of the underlying contracts as outlined in Note 3(p).

Wealth management services

Revenue from wealth management services include fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers. Revenue is recognised over time as the services are provided.

Other fees and commissions

Other fees and commissions are recognised in income as the related services are performed.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

Foreign currency differences arising from the translation of equity investments in respect of which on initial recognition an election has been made to present subsequent changes in fair value in OCI are recognised in OCI.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities

Financial instruments carried on the consolidated statement of financial position include cash resources, loans and advances to banks and related companies, investment securities including treasury bills, loans and leases to customers, deposits from customers, deposits from banks and related companies and policyholders' funds. The standard treatment for recognition, de-recognition, classification and measurement of the Group's financial instruments is set out below in notes (i) – (iv), whilst additional information on specific categories of the Group's financial instruments is disclosed in notes 3(d), 3(e), 3(g), 3(k), 3(m) and 3(p).

(i) Recognition

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value (for an item not at FVTPL) plus transaction costs that are directly attributable to its acquisition or issue. For financial assets or financial liabilities measured at fair value through profit or loss, transaction costs are recognized immediately in profit or loss.

(ii) Classification and measurement

The Group classifies its financial assets into the following categories: fair value through profit or loss; fair value through other comprehensive income (FVOCI) and amortized cost. Management determines the classification of its financial assets at initial recognition. Financial assets include both debt and equity instruments.

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.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Business model assessment

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

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held to collect nor held to collect and for sale.

The Group assesses business models at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Group takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Group's business lines;
- How compensation is determined for the Group's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Contractual cash flow characteristics assessment

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

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

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

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

Debt instruments measured at amortised cost

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

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

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

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

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

(i) Are held for trading purposes;

(ii) Are held as part of a portfolio managed on a fair value basis; or

(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the consolidated statement of financial position, with transaction costs recognized immediately in profit or loss as part of other income. Realized and unrealized gains and losses are recognized as part of other income in profit or loss.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in profit or loss as part of other income. Subsequent to initial recognition the changes in fair value are recognized as part of other income in profit or loss.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to profit or loss. As such, there is no specific impairment requirement. Dividends received are recorded in other income in profit or loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to Profit or Loss on sale of the security.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and undrawn loan commitments, as measured at amortised cost or fair value through profit or loss (FVTPL).

Subsequent to initial recognition all non-trading financial liabilities are measured at amortised cost.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Determination of fair value

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

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

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

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI)

is recognised in profit or loss.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition (continued)

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred financial assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a current legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(d) Cash and cash equivalents

Cash comprises cash in hand and in-transit and deposits with banks and related companies that may be accessed on demand. Cash equivalents comprise short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank of Trinidad and Tobago. Cash and cash equivalents are measured at amortised cost. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash and is subject to insignificant risk of change in value.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets

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

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

(i) Expected credit loss impairment model

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

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

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) 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. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR 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.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(ii) Measurement of expected credit loss

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

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

(iii) Forward-looking information

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

(iv) Macroeconomic factors

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

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(v) Multiple forward-looking scenarios

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

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

(vi) Assessment of significant increase in credit risk (SICR)

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

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

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(vi) Assessment of significant increase in credit risk (SICR) (continued)

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

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

(vii) Expected life

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

(viii) Presentation of allowance for credit losses in the consolidated statement of financial position

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

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(ix) Modified financial assets

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

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

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

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

(x) Definition of default

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

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

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(x) Definition of default (continued)

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, with the exception of credit card receivables that are treated as defaulted when 180 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

(xi) Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Credit card receivables over a specified period past due are written-off. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in profit or loss.

(f) Property and equipment

(i) Recognition and measurement

Property and equipment are carried at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other cost directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The Group has not incurred any significant expenditure on software that is not an integral part of related hardware as classified under property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

3. Significant Accounting Policies (continued)

(f) Property and equipment (continued)

(ii) Subsequent cost

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group over a period exceeding one year and its cost can be measured reliably. The cost of the day-to-day servicing of property and equipment is recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation and amortisation are provided, on the straight-line basis, over the estimated useful lives of the respective assets at the following rates:

Buildings	40 years
Equipment and furniture	3 to 10 years
Leasehold improvements	over the term of the respective leases or if shorter, the life of the asset.

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

(g) Leases

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

3. Significant Accounting Policies (continued)

(g) Leases (continued)

(i) As a lessee

The Group recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. An ROU asset represents a lessee's right to use an underlying asset for the lease term. The ROU asset is initially measured at cost, which is based on the initial amount of the lease liability, and any direct costs incurred, any lease payments made at or before the commencement date net of lease incentives received, and estimated decommissioning costs.

The ROU asset is subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any. The ROU asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The depreciation is recorded in Depreciation and Amortization in profit or loss. In addition, the ROU asset is adjusted for certain remeasurements of the lease liability.

At commencement date, the Group initially measures the lease liability at the present value of the future lease payments, discounted using the Group 's incremental borrowing rate. The Group 's discount rate is based on the borrowing rate on its debt of different maturities that match the term of the lease. The discount rate is also dependent on the Group's credit risk and economic environment in which the lease is entered.

The lease liability is subsequently measured at amortized cost using the effective interest method. It is re-measured if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents ROU assets in "Property and equipment" and lease liabilities in "Other liabilities" in the Consolidated Statement of Financial Position.

(ii) Short-term leases and leases of low-value assets

The Group has elected not to recognize ROU assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

3. Significant Accounting Policies (continued)

(g) Leases (continued)

(iii) Determining lease term

The Group's expectation of exercising the option to renew a lease is determined by assessing if the Group is "reasonably certain" to exercise that option. The Group will be reasonably certain to exercise an option when factors create a significant economic incentive to do so. This assessment requires a significant level of judgement as it is based on current expectations of future decisions. The Group considers the following criteria when determining whether it has an economic incentive that makes it reasonably certain to exercise an option: key locations for its branch network, locations on which the Group has spent significant capital on renovation work, contribution to profit, value of locations based on current economic environment and the remaining term of existing leases.

(iv) As a lessor

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

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

(h) Taxation

Income tax expense comprises current tax and the change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI. Current tax comprises the higher of tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date and business levy, green fund levy and any adjustment of tax payable for previous years.

Deferred tax is recognised on all temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

3. Significant Accounting Policies (continued)

(h) Taxation (continued)

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact income tax expense in the period in which such a determination is made.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used.

(i) Policyholders' funds

Provision for future policy benefits are calculated using the Caribbean Policy Premium Method of valuation. Under this method, explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. An actuarial valuation is prepared monthly. Any adjustment to the reserve is reflected in the year to which it relates.

(j) Employee benefits

(i) Short-term

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

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. Post-employment benefits are accounted for as described below.

3. Significant Accounting Policies (continued)

(j) Employee benefits (continued)

(ii) Post-employment

Independent qualified actuaries carried out a valuation of the Group's significant post-employment benefits as at October 31, 2012. The next valuation is due as at October 31, 2024.

Pension obligations

Scotiabank operates a non-contributory defined-benefit pension plan covering the majority of the Group's employees. The funds of the plan are administered by fund managers appointed by the Trustees of the plan. The pension plan is generally funded by payments from the Group, taking account of the recommendations of independent qualified actuaries.

The existing defined-benefit pension plan was closed to future pension service accrual as of October 31, 2020. Pension benefits accrued up to October 31, 2020 for the Group's employees will continue to be administered under the defined-benefit pension plan and paid on retirement as per existing policies.

The financial statements will continue to reflect the current defined benefit pension fund asset/liability position until the obligations are fulfilled.

The Group's net pension obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

3. Significant Accounting Policies (continued)

(j) Employee benefits (continued)

(ii) Post-employment (continued)

Pension obligations (continued)

On November 1, 2020, Scotiabank began operating a defined contribution pension plan in which all future pension service will be earned for the Group's employees. This new plan is non-contributory but additional voluntary contributions are be permitted. The total contributions paid for the period ending October 31, 2022 were $18.7 million (2021: $19.8 million).

Other post-employment benefits

Scotiabank provides post-employment medical and life assurance benefits for retirees of the Group. The entitlement to this benefit is usually based on the employees remaining in service up to retirement age and the completion of a minimum service period. The method of accounting used to recognise the liability is similar to that for the defined benefit plan.

(k) Acceptances, guarantees and letters of credit

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that occurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

The Group's commitments under acceptances, guarantees and letters of credit have been excluded from these consolidated financial statements because they do not meet the criteria for recognition. These commitments as at October 31, 2022 total $790 million (2021: $798 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

The Group measures allowance for credit losses on loan commitments. Refer to Note 3(e).

(l) Assets under administration and management

Assets that are not beneficially owned by the Group, but are under its administration, have been excluded from these consolidated financial statements. Assets under administration as at October 31, 2022 totaled $3.891 billion (2021: $3.638 billion).

3. Significant Accounting Policies (continued)

(m) Deposit liabilities

Deposits from customers are the Group's source of funds. Deposits are initially measured at fair value and subsequently measured at their amortised cost using the effective interest method.

The estimated fair values of deposit liabilities are assumed to be equal to their carrying values, since the rates of interest that they bear are not materially different from current market rates and discounting the contractual cash flows would approximate the carrying values.

(n) Dividends

Dividend income on equity investments is recognised when the right to receive income is established. Dividends are presented in net income from financial instruments at FVTPL. Dividends attributable to equity holders of the Company that are proposed and declared after the reporting date are not shown as a liability on the consolidated statement of financial position but are disclosed as a note to these consolidated financial statements.

(o) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets (see Note 3 (h)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for that asset, that asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in Profit or Loss.

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

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3. Significant Accounting Policies (continued)

(p) Insurance contracts – recognition and measurement

Insurance contracts

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

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is included in the Provision for Future Policy Benefits and Other Policyholders' Liabilities which are disclosed in Note 16. Income consists of fees deducted for mortality, policy administration, and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Caribbean Policy Premium Method of valuation as discussed in accounting policy 3(i). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Caribbean Policy Premium Method.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

3. Significant Accounting Policies (continued)

(p) Insurance contracts – recognition and measurement (continued)

Insurance contracts (continued)

Reinsurance contracts held

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 3(e).

(q) Insurance and investment contracts – classification

The Group issues policy contracts that transfer insurance and/or financial risk from the policyholder. Insurance risk is defined as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

(r) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(s) Provisions

A provision is recognised, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligatory event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations that became effective during the year

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

- **Amendments to IFRS 3, Business combinations**

  Amendments to IFRS 3, Business Combinations, became effective on January 1, 2020 and confirmed that a business must include inputs and a process, and clarified that the process must be substantive and that the inputs and process must together significantly contribute to creating outputs. The amendments narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs.

  The new standard added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  This is not applicable to the Group and thus had no impact.

- **Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement**

  Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement became effective on January 1, 2020 and modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. It amends the requirements for hedge accounting to support the provision of useful financial information during the period of uncertainty caused by the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs) on hedge accounting.

  The adoption of amendments to IFRS 7, IFRS 9 and IAS 39 did not result in any changes to the consolidated financial statements.

3. Significant Accounting Policies (continued)

(t) New, revised and amended standards and interpretations that became effective during the year (continued)

- **Amendments to IFRS 16 Leases**

  Amendments to IFRS 16 Leases became effective on June 1, 2020 and provide lessees with an exemption from assessing whether a COVID-19-related rent concession (a rent concession that reduces lease payments due on or before June 30, 2021) is a lease modification.

  The adoption of amendments to IFRS 16 did not result in any changes to the consolidated financial statements.

- **Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**

  Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors became effective on January 1, 2020 and clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

  The adoption of amendments to IAS 1 and IAS 8 did not result in any changes to the consolidated financial statements.

- **Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).**

  Interest Rate Benchmark Reform Overview

  Major interest rate benchmark reviews have been undertaken globally to either reform or phase out certain interbank offered rates (IBORs). As alternatives to IBORs, regulators have recommended markets begin adopting alternative risk-free rates (RFRs). Further to previous announcements by various regulators, the publication of GBP, JPY, CHF, and EUR LIBORs ceased after December 31, 2021, while most of the USD LIBOR tenors continue to be published until June 30, 2023. The Federal Reserve Board and other U.S. agencies have encouraged banks to transition away from USD LIBOR and cease entering new contracts after December 31, 2021, to facilitate an orderly transition. Similarly, OSFI stated that Federally Regulated Financial Institutions (FRFIs) should not enter new transactions using USD LIBOR as a reference rate after December 31, 2021.

  This reform did not result in any changes to the consolidated financial statements.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2022. Scotiabank has not early-adopted any of them and therefore they have not been applied in preparing these consolidated financial statements. The new standards and amendments listed below are those that are most likely to have an impact on the Group's performance, financial position or disclosures. The Group is in the process of assessing the impact of these new standards and amendments on the subsequent financial statements.

Effective November 1, 2022

- Onerous Contracts Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards not yet effective (continued)

Effective November 1, 2023

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts
- Amendments to IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendments to IAS 1
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction, Amendments to IAS 12 Income Taxes

At the date of authorisation of these consolidated financial statements the Group did not early adopt the above new, revised and amended standards.

The adoption of these standards are not expected to have a material impact on the consolidated financial statements except for IFRS 17, which is expected to change the Group's accounting and presentation of insurance contracts.

(v) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by management to make decisions about resource allocation to each segment and assesses its performance, and for which discrete financial information is available.

4. Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses and contingent assets and contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these consolidated financial statements are described below:

(i) Classification of financial assets

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(ii) Determination of control over investees

Factors considered in the determination of control are set out in accounting policy 2(d).

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year to amounts reported as at and for the year ended October 31, 2022 is included below:

(i) Allowances for credit losses

The Group's allowance calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Some of the key drivers include the following:

- Changes in risk ratings of the borrower or instrument reflecting changes in their credit quality;

- Changes in the volumes of transactions;

4. Use of Judgements and Estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(i) Allowances for credit losses (continued)

- Changes in the forward-looking macroeconomic environment reflected in the variables used in the models such as GDP growth, unemployment rates, commodity prices, and house price indices, which are most closely related with credit losses in the relevant portfolio;

- Changes in macroeconomic scenarios and the probability weights assigned to each scenario; and

- Borrower migration between the three stages which can result from changes to any of the above inputs and assumptions.

(ii) Determining fair values with significant unobservable inputs

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(c)(ii). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(iii) Measurement of defined benefit obligations

The key actuarial assumptions which underpin the value of the Group's defined benefit obligations are described in Note 12.12.

(iv) Estimate of future payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience.

4. Use of Judgements and Estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(iv) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.

The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

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

	2022	2021
	$	$
Interest rates decrease by 1%	1,466	415
Interest rates increase by 1%	478	1,282
Mortality increases by 10%	15,895	14,435
Mortality decreases by 10%	(16,684)	(15,092)
Expenses increase by 10%	7,739	7,792
Expenses decrease by 10%	(7,678)	(7,752)
Lapses and withdrawals increase by 10%	16,923	15,406
Lapses and withdrawals decrease by 10%	(19,174)	(17,398)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

4. Use of Judgements and Estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(iv) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract.

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

	2022	2021
	$	$
5. Loans and Advances to Banks and Related Companies		
Due from related companies	47,400	61,950
Due from other banks	511,255	687,529
Cheques and other instruments in the course of clearing	94,027	104,689
	652,682	854,168
Allowance for credit losses	(100)	(18)
	652,582	854,150
Maturity of assets		
Assets with original maturity date less than 3 months	652,582	854,150
Analysis of movement in loss allowance		
Allowance, beginning of year	18	310
Impairment charge (reversal) for the year (Note 8.6)	82	(292)
Allowance, end of year	100	18

	2022	2021
	$	$
6. Treasury Bills		
Government of Trinidad and Tobago	1,825,377	2,003,655
Government of United States of America	1,032,659	1,511,160
Government of Canada	75,671	84,424
	2,933,707	3,599,239
Maturity of assets		
Assets with original maturity date over 3 months	2,088,487	2,385,867
Assets with original maturity date less than 3 months	845,220	1,213,372

7. Deposits with Central Bank

In accordance with the Financial Institutions Act, 2008, Scotiabank is required to hold and maintain, as a non-interest bearing deposit with the Central Bank of Trinidad and Tobago (CBTT), a cash reserve balance equivalent to 14% (2021: 14%) of total prescribed liabilities in the Primary reserve.

	2022	2021
	$	$
7. Deposits with Central Bank (continued)		
Primary reserve	2,333,634	2,223,104
Surplus deposits	35,610	823,000
	2,369,244	3,046,104

	2022	2021
	$	$
8. Loans to Customers		
Loans to customers	17,540,402	15,913,656
Allowance for credit losses	(311,359)	(308,081)
Total loans net of allowance for credit losses	17,229,043	15,605,575
Interest receivable	79,916	124,320
Total loans to customers	17,308,959	15,729,895

8.1 Loans to customers

	2022			
	Gross loans	ECL allowance	Interest receivable	Carrying amount
	$	$	$	$
Loans to customers				
Commercial loans	4,700,103	(16,707)	21,414	5,089,966
Retail loans	12,840,299	(294,652)	58,502	12,218,993
	17,540,402	(311,359)	79,916	17,308,959

	2021			
	Gross loans	ECL allowance	Interest receivable	Carrying amount
	$	$	$	$
Loans to customers				
Commercial loans	4,422,228	(37,120)	32,943	4,418,051
Retail loans	11,491,428	(270,961)	91,377	11,311,844
	15,913,656	(308,081)	124,320	15,729,895

8. Loans to Customers (continued)

8.2 Concentration of credit

The Group monitors concentrations of credit risk by sector based on the volume of loans granted to retail and commercial customers and based on their industry sector. An analysis of concentrations of credit risk from loans to customers is shown below.

	2022	2021
	$	$
Mortgages - residential	7,927,424	7,266,218
Mortgages –commercial	175,737	201,505
Consumer	4,511,694	4,196,603
Energy and petrochemical	1,105,882	898,185
Construction and engineering	1,205,406	596,667
Distributive trades	903,495	916,892
Communication and transport	38,279	42,373
Manufacturing and assembly	730,481	866,178
Financial services	63,446	37,886
Business and personal services	859,466	866,633
Hospitality industry	15,177	20,902
Agriculture	3,915	3,614
	17,540,402	15,913,656

8.3 Impaired loans

Gross impaired loans represent those loans which are classified as Stage 3.

	2022		
	Gross impaired loans	Allowance for credit losses	Net
	$	$	$
Loans to customers			
Commercial loans	59,764	(12,031)	47,733
Retail loans	263,868	(84,515)	179,533
	323,632	(96,546)	227,086

8. Loans to Customers (continued)

8.3 Impaired loans (continued)

	2021		
	Gross impaired loans	**Allowance for credit losses**	**Net**
	$	**$**	**$**
Loans to customers			
Commercial loans	85,514	(27,611)	57,903
Retail loans	279,010	(74,485)	204,525
	364,524	(102,096)	262,428

8.4 Allowance for credit losses

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Loans and to customers				
Commercial loans	(159)	(4,517)	(12,031)	(16,707)
Retail loans	(64,934)	(145,203)	(84,515)	(294,652)
	(65,093)	(149,720)	(96,546)	(311,359)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Loans and to customers				
Commercial loans	(5,867)	(3,642)	(27,611)	(37,120)
Retail loans	(53,433)	(143,043)	(74,485)	(270,961)
	(59,300)	(146,685)	(102,096)	(308,081)

	2022	2021
	$	$

8. Loans to Customers (continued)

8.5 Analysis of movement in allowance for credit losses

Allowance, beginning of year	308,081	408,342
Impairment charge for the year	171,813	152,509
Write-offs	(168,535)	(252,770)
Net increase (decrease) in allowance for credit losses	3,278	(100,261)
Allowance, end of year	311,359	308,081

	2022	2021
	$	$

8.6 Net impairment loss on financial assets

Impairment charge for the year:		
- Loans to customers (Note 8.5)	171,813	152,509
- Undrawn credit commitments (Note 15)	2,071	163
- Loans and advances to banks and related companies (Note 5)	82	(292)
- Debt investments at FVOCI	2,417	69
Recoveries	(66,314)	(43,928)
Total	110,069	108,521

	2022	2021
	$	$
9.1. Investment Securities		
Debt instruments measured at FVOCI:		
- Government and state owned enterprises debt securities	3,484,723	2,820,918
- Corporate debt securities	307,626	153,428
	3,792,349	2,974,346
Debt instruments measured at amortised cost:		
- Government and state owned enterprises debt securities	22,000	22,000
Allowance for impairment	(2)	(2)
	21,998	21,998
Equity instruments designated as FVOCI:		
- Unlisted equity securities (Note 9.3)	10,734	10,048
Equity instruments measured at FVTPL:		
- Listed equity securities and mutual funds	73,526	61,470
Interest receivable	39,585	31,840
Total investment securities	3,938,192	3,099,702

Analysis of movement in loss allowance of debt instruments measured at amortised cost

Allowance, beginning and end of year	2	2

The analysis of credit quality of investment securities is disclosed in Note 29.1(iv).

9.2 Investment in Associated Companies

The following table summarises the financial information in respect of the Group's associated companies as per the unaudited financial statements of Infolink for the year ended September 30, 2022. The table also reconciles the summarized financial information to the carrying amount of the Group's investment in associated companies.

	2022	2021
	$	$
Infolink		
Total assets	180,061	166,555
Total liabilities	(6,349)	(7,884)
Net assets	173,712	158,671
Group's share of net assets (25%)	43,428	39,668
Carrying amount of investment in associate	43,428	39,668
Revenue	28,205	23,895
Net income	9,581	8,207
Group's share of net income (25%)	2,395	2,052

9.3 Equity instruments designated as FVOCI

The following table shows investments in equity securities that are designated at FVOCI. The FVOCI designation was made because the investments are expected to be held for the long term for strategic purposes.

	Fair value at October 31, 2022	Dividend income Recognised October 2022
	$	$
Investment in Trinidad and Tobago Stock exchange	10,734	-

None of these strategic investments were disposed of during the year ended October 31, 2022 (2021: NIL), and there were no transfers of any cumulative gain or loss within equity relating to these investments (2021: NIL). The change in fair value on these investments was $686 for the year ended October 31, 2022 (2021: $227).

	Fair value at October 31, 2021	Dividend income Recognised October 2021
	$	$
Investment in Trinidad and Tobago Stock exchange	10,048	-

	2022	2021
	$	$
10. Miscellaneous Assets		
Accounts receivable and prepayments	10,109	6,228
Clearing items in transit	42,903	9,492
*Other assets	11,795	11,638
	64,807	27,358

*Other assets includes value added tax, safety deposits and other intercompany settlements.

11.1 Property and Equipment

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2022						
Cost						
At beginning of year	16,396	300,845	64,959	267,513	6,960	656,673
Additions	-	38	1,582	15,571	3,512	20,703
Remeasurement of right of use assets	-	12,843	-	-	-	12,843
Disposals/transfers	-	-	(4,009)	(11,250)	(1,611)	(16,870)
At end of year	16,396	313,726	62,532	271,834	8,861	673,349
Accumulated depreciation						
At beginning of year	-	87,673	15,295	194,186	-	297,154
Charge for year	-	14,967	1,287	16,411	-	32,665
Disposals	-	-	(72)	(9,660)	-	(9,732)
At end of year	-	102,640	16,510	200,937	-	320,087
Net book value	**16,396**	**211,086**	**46,022**	**70,897**	**8,861**	**353,262**

As at October 31, 2022, property and equipment includes right-of-use assets of $110 million (2021: $109 million) related to leased branches and office premises.

11.1 Property and Equipment (continued)

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2021						
Cost						
At beginning of year	16,396	314,641	71,684	253,642	25,867	682,230
Additions	-	1,827	2,544	27,649	4,990	37,010
Adjustments to right of use assets	-	(15,623)	-	-	-	(15,623)
Disposals/transfers	-	-	(9,269)	(13,778)	(23,897)	(46,944)
At end of year	16,396	300,845	64,959	267,513	6,960	656,673
Accumulated depreciation						
At beginning of year	-	71,502	19,199	193,030	-	283,731
Charge for year	-	16,171	1,175	12,777	-	30,123
Disposals	-	-	(5,079)	(11,621)	-	(16,700)
At end of year	-	87,673	15,295	194,186	-	297,154
Net book value	**16,396**	**213,172**	**49,664**	**73,327**	**6,960**	**359,519**

As at October 31, 2021, property and equipment includes right-of-use assets of $109 million (2021: $138 million) related to leased branches and office premises.

11.2 Capital Commitment

	2022	2021
	$	$
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	-	-
Other capital expenditure authorised by the Directors not yet contracted for	-	-

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations

The Group maintains to a non-contributory defined-benefit pension plan (the Plan) which entitles a retired employee to receive an annual pension payment. Employees may retire at age 63 and are entitled to receive annual payments based on a percentage of their final salary. Employees may retire earlier than age 63 under certain conditions.

The Plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The Plan is fully funded by the Group, the assets of the Plan being managed separately by the Trustee. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

The Group does not expect to pay contributions to its defined benefit pension fund from 2021 onwards as the Plan is broadly in balance and the defined benefit component of the Plan was closed to future service accrual from November 1, 2020. Members will earn benefits on a defined contribution basis from this date.

The Group provides a post-employment medical plan to employees who either retire due to ill-health or retire from the Group and whose age at retirement plus service completed is at least 75 years.

Pensioners who retire after June 1, 2008 are currently eligible for post-retirement life insurance. The sum assured for those who retired prior to June 1, 2008 is equal to 100% of their salary at retirement up to age 65 when it reduces to 50% of salary.

12.1 Amounts recognised in the consolidated statement of financial position are as follows:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2022	2021	2022	2021
	$	$	$	$
Defined benefit obligation	(764,339)	(804,157)	(184,199)	(175,485)
Fair value of plan assets	902,482	933,673	-	-
Net asset (liability)	138,143	129,516	(184,199)	(175,485)

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.2 Reconciliation of change in defined benefit obligation:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2022	2021	2022	2021
	$	$	$	$
Defined benefit obligation at beginning of year	(804,157)	(844,253)	(175,485)	(154,260)
Current service cost	-	-	(8,215)	(6,856)
Interest cost	(45,214)	(45,491)	(9,904)	(8,328)
Transferred-in DC balances	(326)	(244)	-	-
Experience adjustments	19,246	16,491	(935)	5,379
Actuarial gains/(losses)	30,114	33,764	3,569	(19,431)
Benefits paid	35,998	35,576	6,771	8,011
Defined benefit obligation at end of year	(764,339)	(804,157)	(184,199)	(175,485)

12.3 Reconciliation of the fair value of plan assets:

	Defined Benefit Pension Fund	
	2022	2021
	$	$
Plan assets at beginning of year	933,674	857,047
Interest income	52,661	46,193
(Loss) gain on plan assets (excluding interest income)	(48,241)	65,715
Benefits paid	(35,998)	(35,576)
Transferred-in DC balances	386	294
Plan assets at end of year	902,482	933,673

The post-employment medical and life benefits are funded by Scotiabank. There are no assets explicitly set aside for this Plan.

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.4 The actual return on plan assets is as follows:

	Defined Benefit Pension Fund	
	2022	**2021**
	$	**$**
Interest income	52,661	46,193
(Loss) gain on plan assets (excluding interest income)	(48,241)	65,715
Actual return on plan assets	4,420	111,908

12.5 The movement in the asset and liability recognised in the consolidated statement of financial position as at October 31 comprised:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Opening defined benefit liability	129,516	12,794	(175,485)	(154,260)
Net pension cost	7,448	702	(18,119)	(15,184)
Remeasurement recognised in other comprehensive income	1,179	116,020	2,634	(14,052)
Benefits paid	-	-	6,771	8,011
Closing defined benefit asset (liability)	138,143	129,516	(184,199)	(175,485)

12.6 The amount recognised in the statement of profit or loss comprised:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Current service cost	-	-	(8,215)	(6,856)
Net interest on net defined benefit asset (liability)	7,448	702	(9,904)	(8,328)
Net pension cost	7,448	702	(18,119)	(15,184)

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.7 The amount recognised in other comprehensive income comprised:

	Remeasurements recognised in Other Comprehensive Income	
	2022	**2021**
	$	**$**
Defined benefit pension Fund	1,179	116,020
Post-employment medical and life benefits	2,634	(14,052)
	3,813	101,968

12.8 Experience history:

	Defined Benefit Pension Fund	
	2022	**2021**
	$	**$**
Defined benefit obligation	(764,339)	(804,157)
Fair value of Plan assets	902,482	933,673
Surplus	138,143	129,516
Experience adjustment on plan assets	1,179	116,020

12.9 Experience history:

	Post-Employment Medical and Life Benefits	
	2022	**2021**
	$	**$**
Defined benefit obligation	(184,199)	(175,485)
Deficit	(184,199)	(175,485)
Experience adjustment on plan liabilities	2,634	(14,052)

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.10 Asset allocation:

	Defined Benefit Pension Fund	
	2022	**2021**
Equity securities	42%	42%
Debt securities	52%	53%
Property	2%	2%
Other	4%	3%
Total	100%	100%

The post-employment medical and life benefits are funded by Scotiabank. There are no assets explicitly set aside for this plan.

12.11 Composition of plan assets:

	Defined Benefits Pension Plan	
	2022	**2021**
	$	**$**
Locally listed equities	210,812	203,160
Overseas equities	170,562	187,419
TT$ denominated bonds	377,002	391,126
US$ denominated bonds	89,195	99,442
Property	19,888	20,271
Mortgages	3,642	4,042
Cash and cash equivalents	31,280	28,109
Other (annuity policies)	101	104
Total	902,482	933,673

All equities have quoted prices in active markets. The fair values of all TT$ and US$ denomination government bonds and corporate bonds are calculated by discounting expected future proceeds using a constructed yield curve. The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan. As at October 31, 2022, the Plan held $36.3 million worth of the Group's shares and property assets carried at $20.9 million were occupied by Scotiabank. There are no asset-liability matching strategies used by the Plan.

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.12 The principal actuarial assumptions of the pension plan and other post-employment benefits were:

	2022	2021
	% pa	% pa
Discount rate:		
- Active members and deferred pensioners	6.00	5.75
- Current pensioners	6.00	5.75
Rate of inflation	4.25	4.25
Future salary increases	4.00	4.00
Future pension increases	0.00	0.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are as follows:

	2022	2021
Longevity at age 60 for current pensioners (in years)		
Males	21.9	21.8
Females	26.1	26.1
Longevity at age 60 for current members age 40 (in years)		
Males	22.7	22.7
Females	27.1	27.0

At October 31, 2022, the weighted-average duration of the defined benefit obligation is 17.1 years (2021: 16.2 years).

12.13 Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Effect on Net Defined Benefit Pension Fund Obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	103,414	(133,121)
Future salary increases (1% movement)	(47,474)	39,939

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $12.5 million.

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.13 Sensitivity analysis: (continued)

	Effect on Post-employment Medical and Life Benefits Obligation	
	Increase	**Decrease**
	$	**$**
Discount rate (1% movement)	26,110	(33,622)
Medical cost increases (1% movement)	(32,978)	26,010

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $5.2 million.

These sensitivities were calculated by re-calculating the defined benefit obligation using the revised assumptions.

	2022	**2021**
	$	**$**
13. Deposits from customers		
13.1 Deposit balances	20,890,636	20,239,852
Interest payable	1,136	2,000
	20,891,772	20,241,852
13.2 Concentration of liabilities		
Personal	8,601,765	12,448,906
Commercial	11,037,957	7,117,166
Financial institutions	1,250,914	673,780
	20,890,636	20,239,852

	2022	**2021**
	$	**$**
14. Deposits from Banks and Related Companies		
Related companies	90,293	133,216
Banks	4,986	9,521
	95,279	142,737

	2022	2021
	$	$
15. Other Liabilities		
Deferred income	178,021	160,972
Accrued charges and other payables	338,956	296,802
Lease liabilities (Note 27)	117,668	115,037
Other	25,501	19,239
Impairment allowance- Undrawn credit commitments	2,787	716
	662,933	592,766

Analysis of movement in impairment allowance- Undrawn credit commitments

	2022	2021
	$	$
Allowance, beginning of year	716	553
Impairment charge for the year (Note 8.6)	2,071	163
Allowance, end of year	2,787	716

	2022	2021
	$	$
16. Policyholders' Funds		
Ordinary life – Non-participating policies	940,260	865,965
Individual annuities	772,716	750,771
Group life – Creditor life	12,542	14,405
Provision for future policy benefits	1,725,518	1,631,141
Other policyholders' liabilities	21,061	20,798
	1,746,579	1,651,939
The movement in provision for future policy benefits is as follows:		
Balance at beginning of year	1,651,939	1,558,656
Change in reserves	94,437	93,283
Change in other policy liabilities	203	-
Balance at end of year	1,746,579	1,651,939

	2022	2021
	$	$
17. Deferred Taxation		
17.1 The net deferred tax asset is attributable to the following items:		
Deferred tax asset		
Investment securities at FVOCI	29,481	-
Allowance for credit losses	57,440	32,060
Post-employment benefits asset/obligation	16,129	18,893
Miscellaneous liabilities	6,517	8,419
	109,567	59,372
Deferred tax liability		
Investment securities at FVOCI	21,997	35,110
Property and equipment	34,659	13,076
Miscellaneous assets	-	2,514
	56,656	50,700
Net deferred tax asset	52,911	8,672
17.2 The movement in the deferred tax amount comprised:		
Balance at beginning of year	(8,672)	(90,802)
Amounts recognised in OCI (Note 25.3)		
- Debt securities at FVOCI	(32,617)	10,550
- Post-employment benefits asset/obligation	1,302	35,690
Amounts recognised in profit or loss		
- Current year's deferred tax charge (Note 25.1)	(14,672)	35,892
Change in estimates related to prior years	1,748	(2)
Balance at end of year	(52,911)	(8,672)

	2022	2021
	$	$

18. Stated Capital

Authorised

Authorised capital consists of an unlimited number of ordinary shares of no par value

Issued and fully paid

176,343,750 (2021: 176,343,750) ordinary shares	267,563	267,563

19. Statutory Reserve Fund

In accordance with the Financial Institutions Act, 2008, Scotiabank and Scotia Investments are required to transfer at the end of each financial year no less than 10 percent of their net income after taxation to a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than their paid-up capital.

The balance shown for the statutory reserve fund includes the funds of both Scotiabank and Scotia Investments as follows:

	2022		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	812,563	2,537	815,100
Amount transferred	65,000	-	65,000
Balance, end of year	877,563	2,537	880,100

	2021		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	802,563	1,951	804,514
Amount transferred	10,000	586	10,586
Balance, end of year	812,563	2,537	815,100

20. Dividends

20.1 Dividends paid and proposed are analysed as follows:

	2022		2021	
	¢ per share	$	¢ per share	$
Dividends paid				
First interim dividend	65	114,624	60	105,807
Second interim dividend	65	114,623	60	105,806
Third interim dividend	100	176,344	145	255,698
	230	405,591	265	467,311
Dividends proposed				
Final dividend	100	176,344	85	149,892
Total dividends paid and proposed	330	581,935	350	617,203

20.2 Reconciliation of dividends paid and proposed to dividends paid during the year:

	2022		2021	
	¢ per share	$	¢ per share	$
Total dividends paid and proposed	330	581,935	350	617,023
Dividends proposed	(100)	(176,344)	(85)	(149,892)
Dividends paid during the year in respect of prior year	85	149,892	85	149,892
Dividends paid during the year	315	555,483	350	617,023

	2022	2021
	$	$
21. Interest Income Calculated Using the Effective Interest Method		
Loans to customers	1,126,960	1,130,865
Investment securities:		
- FVOCI	133,690	109,628
- Amortised cost	1,780	272
	1,262,430	1,240,765

	2022	2021
	$	$
22. Interest Expense		
Deposits from customers	9,831	14,608
Interest on lease liabilities (Note 27)	5,921	6,568
Other interest expense	418	417
	16,170	21,593

	2022	2021
	$	$
23. Other Income		
Deposit and payment services	78,181	66,352
Card revenues	183,105	151,862
Credit fees	23,365	26,534
Net premium income	60,347	45,108
Wealth management services	10,462	9,277
Trading income and net income from financial instruments at FVTPL	379,656	273,671
Other fees and commissions	66,934	53,367
	802,050	626,171

Net premium income comprises premium income of $422 million (2021: 393.1 million) and related expenses of $358.5 million (2021: $344.8 million).

Fee and commission expense are expenses directly tied to the generation of card revenues and deposit and payment services

23. Other Income (continued)

The following table provides information about contract receivables and contract liabilities from contracts with customers:

	2022	2021
	$	$
Contract receivables, which are included in 'other assets'	-	-
Contract liabilities, which are included in 'other liabilities'	-	-

	2022	2021
	$	$
24. Other Expenses		
Deposit insurance premium	32,787	32,857
Directors' fees	3,634	3,105
Other operating expenses	212,952	217,355
	249,373	253,317

	2022	2021
	$	$
25. Taxation		
25.1 Taxation charge		
Current tax	373,661	273,550
Deferred tax: Origination and reversal of temporary differences	(14,762)	35,892
Green Fund levy	7,911	6,737
	366,810	316,179

25. Taxation (continued)

25.2 Taxation reconciliation

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of the home country of the parent company.

The following is a reconciliation of the application of the effective tax rate with the provision for taxation:

	2022		2021	
	$	**%**	**$**	**%**
Profit before taxation	1,050,559	100	919,704	100
Computed tax calculated at the statutory rate of 35% (2021: 35%)	367,696	35	321,896	35
Tax effect of items that are adjusted in determining taxable profit:				
- Effect of different tax rate of life insurance company	(21,162)	(2)	(21,214)	(2)
- Effect of different tax rate of asset management company	(562)	-	(380)	-
- Tax effect of non-deductible costs and non-taxable income	9,357	-	9,360	1
- Green Fund levy	7,911	1	6,737	1
- Business levy	-	1	27	-
- Tax credit	-		(247)	-
- Change in estimates related to prior years	3,570	-	-	-
Taxation charge and effective tax rate	366,810	35	316,179	35

25. Taxation (continued)

25.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	$	$	$
2022			
Fair value re-measurement of debt instruments at FVOCI	(93,192)	32,617	(60,575)
Remeasurement of post-employment benefits obligations/assets	3,813	(1,302)	2,511
	(89,379)	31,315	(58,064)
2021			
Fair value re-measurement of debt instruments at FVOCI	30,143	(10,550)	19,593
Remeasurement of post-employment benefits obligations/assets	101,968	(35,690)	66,278
	132,111	(46,240)	85,871

26. Earnings Per Share

The calculation of basic earnings per share is based on:

- Net income for the year attributable to ordinary shareholders of $683.7 million (2021: $603.5 million).
- Weighted average number of ordinary shares issued and outstanding during the year which was 176,343,750 shares (2021: 176,343,750 shares).

27. Leases

The Group leases a number of branches, ATMs and office premises. The length of the leases varies but are typically run for a period of three to five years.

Information about leases for which the Group is a lessee is presented below:

27. Leases (continued)

Right-of-use assets

Right-of-use assets relate to branch and office premises that are presented within property and equipment.

	2022	2021
	$	$
Balance at November 1	109,470	138,580
Depreciation charge for the year	(13,941)	(13,487)
Additions	14,495	3,680
Lease remeasurement	-	(15,860)
Leases terminated	-	(3,443)
Balance at October 31	110,024	109,470

Maturity analysis – contractual undiscounted cash flows

At October 31, 2022, the future maturity lease payments under non-cancellable operating leases were payable as follows:

	2022	2021
	$	$
Gross finance lease liabilities		
Less than one year	14,485	17,783
Between one and five years	65,230	81,937
Over 5 years	63,651	43,534
Total undiscounted lease liabilities	143,366	143,254
Interest	(25,698)	(28,217)
Present value of minimum lease payments	117,668	115,037

	2022	2021
	$	$
Amounts recognized in profit or loss		
Opening leases under IFRS 16		
Interest on lease liabilities	5,921	6,568
Expenses relating to leases of low-value assets	478	218

28. Commitments and Contingent Liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding (Notes 3(l) and 3(s)) which are not reflected in these consolidated financial statements. These include commitments to extend credit, which, in the opinion of management, do not represent unusual risk, and no material losses are anticipated as a result of these transactions.

As at October 31, 2022, there were certain legal proceedings against the Group. Based upon legal advice, the Bank does not expect the outcome of those actions to have a material effect on the Group's consolidated financial position at that date or profit or loss for the year then ended.

29. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

(a) Credit risk

(i) Collateral held and other credit enhancements and their financial effects
(ii) Exposure to credit risk
(iii) Changes to the allowance for credit losses
(iv) Analysis of credit quality

(b) Market risk

(i) Exposure to currency risk
(ii) Exposure to interest rate risk
(iii) Changes in the allowance for credit losses
(iv) Exposure to equity price risk

(c) Liquidity risk

(i) Exposure to liquidity risk
(ii) Maturity analysis for financial liabilities and financial assets.

(d) Capital management

(e) Operational risk

(f) Insurance risk

29. Financial Risk Management (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established the Asset and Liability Committee (ALCO), Audit Committee, Credit Committee and Operational Risk Committee, which are responsible for developing and monitoring the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by the Internal Audit function. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

29.1 Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Group. Credit risk is created in the Group's direct lending operations and in its funding, investment and trading activities where counterparties have repayment, or other obligations to the Group.

Credit risk is managed through strategies, policies and limits that are approved by the Board of Directors which routinely reviews the quality of the major portfolios and all the larger credits.

The Group's credit policies and limits are structured to ensure broad diversification across various types of credits. Limits are set for individual borrowers, particular industries and certain types of lending. These various limits are determined by taking into account the relative risk of the borrower or industry.

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

The Group's credit processes include:

- A centralised credit review system that is independent of the customer relationship function;
- Senior management, which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Relationship managers develop and structure individual proposals at branches and commercial centres. Furthermore, they conduct a full financial review for each customer at least annually, so that the Group remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, the Group is particularly sensitive to the risks posed to credit quality by environmental exposures.

Retail credits are normally authorised in branches within established criteria using a credit scoring system. The Credit Risk Management department adjudicates on those retail credits that do not conform to the established criteria. The retail portfolios are reviewed regularly for early signs of possible difficulties.

These credit scoring models are subject to ongoing review to assess their key parameters and to ensure that they are creating the desired business and risk results. Proposed changes to these models or their parameters require analysis and recommendation by the credit risk unit independent of the business line, and approval by the appropriate management credit committee.

A centralized collection unit utilizes an automated system for the follow-up and collection of delinquent accounts. All delinquent accounts are aggressively managed with slightly greater emphasis being placed on the larger dollar accounts given that they represent a potential larger loss exposure to the Group. The centralized collections unit is also responsible for the monitoring and trending of delinquency by branch, business lines and any other parameters deemed appropriate. Adverse trends, when identified, are analysed and the appropriate corrective action implemented. Maximum delinquency targets are set for each major product line and the collections unit works towards ensuring delinquency levels are below these targets. Inputs, assumptions and techniques used for estimating impairment is described in Note 3(e).

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Governments and regulatory bodies in affected countries, including Trinidad and Tobago, have imposed a number of measures designed to contain the outbreak, including government-mandated social distancing measures, travel restrictions, quarantines, and stay at home directives. The Group is closely monitoring the potential effects and impact of the pandemic, which is an evolving situation.

The COVID-19 pandemic has had disruptive effects in the global economy, as well as causing increased volatility and disruption in financial markets, interruption to supply chains, increased unemployment levels and changes to the macroeconomic environment. The disruptive effects of the pandemic have contributed to economic slowdowns both domestically and globally, leading to lower GDP growth.

Governments and central banks around the world, including Trinidad and Tobago, have taken, significant measures to provide economic assistance to individual households and businesses, stabilize the markets, and support economic growth. The success of these measures is unknown, and they may not be sufficient to fully mitigate the negative impact of the pandemic or avert continued recessionary conditions.

In addition to the impact that the COVID-19 pandemic has on the Group's business, it may also continue to increase financial stress on the Group's customers. This could lead to increased pressure on our individual customers, as well as on the financial performance of the Group's small business, commercial and corporate clients in conjunction with operational constraints due to the impacts of social distancing, including but not limited to branch closures or reduced operating hours, lost sales opportunities and/or increased operating costs. A substantial amount of the Group's business involves making loans or otherwise committing resources to borrowers, including individuals and companies in various industries and governments. The COVID-19 pandemic's impact on such borrowers could have significant adverse effects on the Group's financial results, businesses, financial condition or liquidity, by influencing the recognition of credit losses in our loan portfolios and increasing our allowance for credit losses, particularly if businesses remain closed or operate at reduced capacities and as more customers are expected to draw on their lines of credit or seek additional loans to help finance their businesses.

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

COVID-19 Pandemic (continued)

The allowance for credit losses, using an expected credit loss approach as required under IFRS 9 (the standard), is estimated using complex models and incorporates inputs, assumptions and techniques that require a high degree of judgement. These include assessment of significant increase in credit risk, the forecast of macroeconomic variables for multiple scenarios and probability weightings of the scenarios. In the current economic environment resulting from COVID-19, the models in isolation may not capture all the uncertainty as well as the impact of public support programs by the government. Therefore, management has applied significant expert credit judgment in the determination of the allowance for credit losses.

IFRS 9 requires the consideration of past events, current conditions and reasonable and supportable forward-looking information over the life of the exposure to measure expected credit losses. Furthermore, to assess significant increase in credit risk, the Standard requires that entities assess changes in the risk of a default occurring over the expected life of a financial instrument when determining staging. The IASB and global regulators issued guidance for entities, consistent with IFRS 9, to consider the exceptional circumstances of the COVID-19 pandemic. This includes significant government support, the high degree of uncertainty around historical long-term economic trends used in determining reasonable and supportable forward-looking information.

The Group's models are calibrated to consider past performance and macroeconomic forward-looking variables as inputs. Expert credit judgement is applied to consider the exceptional circumstances in this period, including consideration of the significant government assistance programs in the assessment of underlying credit deterioration and migration of balances to progressive stages.

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(i) Collateral held and other credit enhancements, and their financial effects

Collateral

The Group as part of its credit risk management strategy employs the practice of taking security in respect of funds advanced to its clients. The Group through its ALCO and its Credit Risk department develops and reviews policies related to the categories of security and their valuation that are acceptable to the Group as collateral. The principal collateral types are as follows:

- Mortgages over residential and commercial property
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over debt instruments and equity instruments.

The Group does not routinely update the valuation of collateral held. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly.

For each loan, the value of collateral is capped at the nominal amount of the loan that it is held against.

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(i) Collateral held and other credit enhancements, and their financial effects (continued)

Repossessed collateral

The Group enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations to the Group. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

(ii) Exposure to credit risk

The Group's maximum exposure to credit risk before collateral held or credit enhancements is detailed below:

	2022	2021
	$	$
Credit risk recognised on the consolidated statement of financial position		
Cash and cash equivalents	138,221	218,702
Loans and advances to banks and related companies	652,582	854,150
Treasury bills	2,933,707	3,599,239
Deposits with Central Bank	2,369,244	3,046,104
Loans to customers	17,308,959	15,729,895
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	3,792,349	2,974,346
- Debt instruments measured at amortised cost	21,998	21,998
	27,217,060	26,444,434
Credit risk not recognised on the consolidated statement of financial position		
Acceptances, guarantees and letters of credit	790,084	797,659
Undrawn credit commitments	3,090,733	2,898,520
	3,880,817	3,696,179
Total credit risk exposure	31,097,877	30,140,613

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iii) Changes to the allowance for credit losses

The following table presents the changes to the allowance for credit losses on loans. Explanation of terms 'Stage 1', 'Stage 2', and 'Stage 3' is included in Note 3(e).

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Balance at beginning of the year	53,433	143,043	74,485	270,961
Remeasurement	(73,760)	81,946	89,572	97,758
Newly originated or purchased	29,612	-	-	29,612
Derecognition and maturities	(5,607)	(15,183)	-	(20,790)
Changes in models and methodologies				
Transfers to (from):				
- Stage 1	75,312	(71,651)	(3,660)	1
- Stage 2	(13,823)	31,849	(18,026)	-
- Stage 3	(233)	(24,801)	25,034	-
Gross write offs	-	-	(148,776)	(148,776)
Recoveries	-	-	65,886	65,886
Other movements	-	-	-	-
Balance at end of year	64,934	145,203	84,515	294,652
Commercial loans				
Balance at beginning of the year	5,867	3,642	27,611	37,120
Remeasurement	(4,408)	1,220	586	(2,602)
Newly originated or purchased	9,784	-	-	9,784
Derecognition and maturities	(11,420)	(9)	-	(11,429)
Changes in models and methodologies	-	-	-	-
Transfers to (from):				
- Stage 1	(441)	441	-	-
- Stage 2	777	(777)	-	-
- Stage 3	-	-	-	-
Gross write offs	-	-	(16,773)	(16,773)
Recoveries	-	-	607	607
Other movements	-	-	-	-
Balance at end of year	159	4,517	12,031	16,707

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iii) Changes to the allowance for credit losses (continued)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Balance at beginning of the year	90,546	153,918	118,164	362,628
Remeasurement	(57,393)	60,549	143,433	146,589
Newly originated or purchased	24,615	-	-	24,615
Derecognition and maturities	(12,395)	(46,031)	-	(58,426)
Changes in models and methodologies	-	-	-	-
Transfers to (from):				
- Stage 1	29,059	(27,640)	(1,419)	-
- Stage 2	(20,690)	29,559	(8,869)	-
- Stage 3	(306)	(27,463)	27,769	
Gross write offs	-	-	(247,360)	(247,360)
Recoveries	-	-	42,700	42,700
Other movements	(3)	151	67	215
Balance at end of year	53,433	143,043	74,485	270,961
Commercial loans				
Balance at beginning of the year	8,768	4,326	32,620	45,714
Remeasurement	(2,488)	(423)	(248)	(3,159)
Newly originated or purchased	18,565	-	-	18,565
Derecognition and maturities	(19,178)	(10)	-	(19,188)
Changes in models and methodologies	(58)	13	-	(45)
Transfers to (from):				
- Stage 1	(11)	11	-	-
- Stage 2	284	(284)	-	-
- Stage 3	-	-	-	-
Gross write offs	(15)	9	(5,697)	(5,703)
Recoveries	-	-	936	936
Other movements	-	-	-	-
Balance at end of year	5,867	3,642	27,611	37,120

29. Financial Risk Management (continued)

29.1 Credit risk (continued

(iv) Analysis of credit quality

Loans to customers

The following table presents the carrying value of exposures by risk rating:

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Very low	58,436	-	-	58,436
Low	8,136,051	16,439	-	8,152,490
Medium	2,694,324	24,872	-	2,719,196
High	813,002	492,349	-	1,305,351
Very high	54	420,824	-	420,878
Loans not graded	(89,273)	9,353	-	(79,920)
Default	-	-	263,868	263,868
Total	11,612,594	963,837	263,868	12,840,299
Allowance for credit losses	(64,934)	(145,203)	(84,515)	(294,652)
Carrying value	11,547,660	818,634	179,353	12,545,647
Commercial loans				
Very low	10,251	93,116	-	103,367
Low	2,184,338	214,058	-	2,398,396
Medium	1,865,193	230,290	-	2,095,483
High	-	43,093	-	43,093
Very high	-	-	-	-
Default	-	-	59,764	59,764
Total	4,059,782	580,557	59,764	4,700,103
Allowance for credit losses	(159)	(4,517)	(12,031)	(16,707)
Carrying value	4,059,623	576,040	47,733	4,683,396

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iv) Analysis of credit quality (continued)

Loans to customers (continued)

	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Very low	48,453	-	-	48,453
Low	6,856,887	10,497	-	6,867,384
Medium	2,471,253	52,836	-	2,524,089
High	684,712	573,832	-	1,258,544
Very high	144	440,816	-	440,960
Loans not graded	40,146	32,842	-	72,988
Default	-	-	279,010	279,010
Total	10,101,595	1,110,823	279,010	11,491,428
Allowance for credit losses	(53,433)	(143,043)	(74,485)	(270,961)
Carrying value	10,048,162	967,780	204,525	11,220,467
Commercial loans				
Very low	489,306	66,372	-	555,678
Low	912,929	130,997	-	1,043,926
Medium	2,519,160	188,632	-	2,707,792
High	-	29,318	-	29,318
Very high	-	-	-	-
Default	-	-	85,514	85,514
Total	3,921,395	415,319	85,514	4,422,228
Allowance for credit losses	(5,867)	(3,642)	(27,611)	(37,120)
Carrying value	3,915,528	411,677	57,903	4,385,108

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iv) Analysis of credit quality (continued)

Loans to customers (continued)

Probability of default (PD) measures the likelihood that a borrower will default within a one-year time horizon. Each category of PD grades is assigned a PD range as follows:

Category of (PD) grades	PD Range
Exceptionally low	0.0000% - 0.0499%
Very low	0.0500% - 0.1999%
Low	0.20000% - 0.9999%
Medium low	1.0000% - 2.9999%
Medium	3.0000% - 9.9999%
High	10.0000% - 19.9999%
Extremely high	20.0000% - 99.9999%
Default	100%

Investment securities

The credit quality of FVOCI debt instruments as well as loan commitments and financial guarantee contracts are all classified as "very low". See Note 8.6 for expected credit loss allowance.

Cash equivalents and loans and advances to banks

The Group held cash equivalents and loans and advances to banks and related parties of $688 (2021: $1,677). Cash equivalents and loans and advances to banks and related parties are held with reputable financial institutions with no history of default.

29. Financial Risk Management (continued)

29.2 Market risk

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange, market prices and other price risks.

The Scotiabank Group Asset Liability Committee (ALCO) provides senior management oversight of the various activities that expose the Group to market risk. This includes asset liability management, while also approving limits for funding and investment activities, and reviewing the Group's interest rate strategies and performance against established limits.

The Group measures and controls market risk primarily through the use of risk sensitivity analysis. This method of stress testing provides an indication of the potential size of losses that could arise in extreme conditions. These tests are conducted by the market risk function, the results of which are reviewed by senior management.

All market risk limits are reviewed at least annually. The key sources of the Group's market risk are as follows:

29.2.1 Currency risk

The Group has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks. Currency exposure resides mainly in trading activity where the Group buys and sells currencies in the spot and forward markets to assist customers in meeting their business needs. Trading portfolios are managed with the intent to buy and sell over short periods of time, rather than to hold positions for investment. Explicit limits are established by currency, position and term. Daily reports are independently reviewed for compliance. There were no changes to the policies and procedures for managing foreign exchange when we compared with last year.

The results of the sensitivity analysis conducted as at October 31 on the possible impact on net profits before tax and on equity of fluctuations of the US dollar foreign exchange rate relative to the TT dollar are presented below.

Change in currency rate	**Effect on PBT**		**Effect on equity**	
	2022	**2021**	**2022**	**2021**
	$	**$**	**$**	**$**
Increase of 1%	958	653	623	424
Decrease of 1%	(958)	(653)	(623)	(424)

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.1 Currency risk (continued)

Concentration of assets and liabilities by currency

Scotiabank has the following significant currency positions, shown in TT$ equivalents:

	2022			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Cash on hand and in transit	114,371	22,201	1,649	138,221
Loans and advances to banks and related companies	87,295	246,361	318,926	652,582
Treasury bills	1,825,280	1,032,659	75,768	2,933,707
Deposits with Central Bank	2,369,244	-	-	2,369,244
Loans to customers	15,543,438	1,765,521	-	17,308,959
Investment securities	2,692,577	1,262,610	5	3,955,192
Total financial assets	22,632,205	4,329,352	396,348	27,357,905
Financial Liabilities				
Deposits from customers	16,316,849	4,182,709	392,214	20,891,772
Deposits from banks and related companies	17,510	77,769	-	95,279
Lease liabilities	117,668	-	-	117,668
Policyholders' funds	1,729,847	16,732	-	1,746,579
Total financial liabilities	18,181,874	4,277,210	392,214	22,851,298
Net financial position	**4,450,331**	**52,142**	**4,134**	**4,506,607**
Undrawn credit Commitments	3,086,351	4,422	-	3,090,773

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.1 Currency risk (continued)

Concentration of assets and liabilities by currency (continued)

	2021			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Cash on hand and in transit	206,272	10,245	2,185	218,702
Loans and advances to banks and related companies	102,092	462,923	289,135	854,150
Treasury bills	2,003,659	1,511,158	84,422	3,599,239
Deposits with Central Bank	3,046,104	-	-	3,046,104
Loans to customers	14,027,111	1,702,784	-	15,729,895
Investment securities	2,367,650	732,037	15	3,099,702
Total financial assets	21,752,888	4,419,147	375,757	26,547,792
Financial Liabilities				
Deposits from customers	16,050,322	3,820,661	370,859	20,241,852
Deposits from banks and related companies	9,293	133,444	-	142,737
Lease liabilities	115,037	-	-	115,037
Policyholders' funds	1,636,067	15,872	-	1,651,939
Total financial liabilities	17,810,719	3,969,977	370,859	22,151,555
Net financial position	3,942,169	449,170	4,898	4,396,237
Undrawn credit Commitments	2,891,135	7,385	-	2,898,520

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.2 Interest rate risk

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specific period. In the Group's funding, lending and investment activities, fluctuations in interest rates are reflected in interest rate margins and consequently its earnings. A negative gap, which is not unusual, occurs when more liabilities than assets are subject to rate changes during a prescribed period of time. Interest rate risk is managed through the matching of funding products with financing services, regular review of structural gaps, which may exist and monitoring market conditions through a centralised treasury operation. The interest rates on a material amount of the Group's assets can be repriced as and when required.

There were no changes to the policies and procedures for managing interest rate risk when compared to last year.

The results of the sensitivity analysis conducted as at October 31, on the impact on net profits before tax and on equity as a consequence of a reasonably possible change in interest rates at that date, are presented below:

Sensitivity of projected net interest income

	100bp parallel decrease	25bp parallel decrease	25bp parallel increase	100bp increase
	$	$	$	$
2022				
At October 31	37,023	9,253	(9,253)	(37,012)
Average for the period	42,839	10,710	(10,710)	(42,839)
Maximum for the period	48,933	12,233	(12,233)	(48,933)
Minimum for the period	36,584	9,146	(9,146)	(36,584)
2021				
At October 31	41,722	10,431	(10,432)	(41,728)
Average for the period	38,592	9,648	(9,648)	(38,593)
Maximum for the period	49,207	12,302	(12,302)	(49,207)
Minimum for the period	31,898	7,974	(7,974)	(31,898)

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.2 Interest rate risk (continued)

Interest sensitivity of financial assets and financial liabilities

The following table summarises carrying amounts of financial assets and financial liabilities on the consolidated statement of financial position, in order to arrive at the Group's interest rate gap on the earlier of contractual repricing or maturity dates:

	2022					
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Non-interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash on hand and in transit	-	-	-	-	138,221	138,221
Loans and advances to banks and related companies	44,396	-	-	-	608,186	652,582
Treasury bills	-	2,933,707	-	-	-	2,933,707
Deposits with Central Bank	-	-	-	-	2,369,244	2,369,244
Net loans to customers	401,482	6,454,864	3,944,088	6,408,993	99,532	17,308,959
Investment securities	-	484,042	1,640,388	1,652,122	161,640	3,938,192
Total financial assets	445,878	9,872,613	5,584,476	8,061,115	3,376,823	27,340,905
Financial liabilities						
Deposits from customers	14,458,804	1,115,109	136,715	-	5,181,144	20,891,772
Deposits from banks and related companies	4,986	-	-	-	90,293	95,279
Lease liabilities	-	12,548	54,724	50,396	-	117,668
Policyholders' funds	88,593	117,947	388,690	1,151,349	-	1,746,579
Total financial liabilities	14,552,383	1,245,604	580,129	1,201,745	5,271,437	22,851,298
Net gap	(14,106,505)	8,627,009	5,004,347	6,859,370	(1,894,614)	4,489,607
Cumulative gap	(14,106,505)	(5,479,496)	(475,149)	6,384,221	4,489,607	

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.2 Interest rate risk (continued)

Interest sensitivity of financial assets and financial liabilities (continued)

	2021					
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Non-interest bearing**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash on hand and in transit	-	-	-	-	218,702	218,702
Loans and advances to banks and related companies	60,872	-	-	-	793,278	854,150
Treasury bills	-	3,599,239	-	-	-	3,599,239
Deposits with Central Bank	-	-	-	-	3,046,104	3,046,104
Net loans to customers	406,037	6,113,035	3,419,706	5,651,194	139,923	15,729,895
Investment securities	-	73,164	1,530,764	1,424,146	71,628	3,099,702
Total financial assets	466,909	9,785,438	4,950,470	7,075,340	4,269,635	26,547,792
Financial liabilities						
Deposits from customers	13,893,894	1,327,043	115,939	-	4,904,976	20,241,852
Deposits from banks and related companies	9,521	-	-	-	133,216	142,737
Lease liabilities	-	25,102	38,930	51,005	-	115,037
Policyholders' funds	87,878	94,424	329,428	1,140,209	-	1,651,939
Total financial liabilities	13,991,293	1,446,569	484,297	1,191,214	5,038,192	22,151,565
Net gap	(13,524,384)	8,338,869	4,466,173	5,884,126		
Cumulative gap	(13,524,384)	(5,185,515)	(719,342)	5,164,784		

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of equity indices and/or the value of individual equities.

The effect on equity will arise from changes in stock prices for equity instruments designated as FVOCI, whereas the impact on income will arise from equity instruments measured at FVTPL.

The Group is exposed to an insignificant amount of equity price risk**.**

29.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due under contractual arrangements, settlement of securities, borrowing and repurchase transactions and lending and investing commitments.

Liquidity risk arises from fluctuations in cash flows. The objective of the liquidity management process is to ensure that the Group honours all of its financial commitments as they fall due. The Group through its Treasury function measures and forecasts its cash flow commitments and ensures that sufficient liquidity is available to meet its needs. The ALCO monitors the Group's liquidity management process, policies and strategies.

To fulfil this objective, the Group maintains diversified sources of funding, sets prudent limits and ensures immediate access to liquid assets. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. The principal sources of funding are capital, core deposits from retail and commercial customers and wholesale deposits raised in the interbank and commercial markets. The Group's extensive branch network provides a strong foundation for diversifying its funding and raising the level of core deposits. Fallback techniques include access to local interbank and institutional markets and stand-by lines of credit with external parties.

There were no changes to the policies and procedures for managing liquidity risk when compared to last year.

29. Financial Risk Management (continued)

29.3 Liquidity risk (continued)

The table below shows a maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2022				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial assets					
Cash on hand and in transit	138,221	-	-	-	138,221
Loans and advances to banks and related companies	652,582	-	-	-	652,582
Treasury bills	-	2,933,707	-	-	2,933,707
Deposits with Central Bank	2,369,244	-	-	-	2,369,244
Net loans to customers	501,015	6,454,864	3,944,088	6,408,992	17,308,959
Investment securities (excluding equities)	-	484,043	1,640,388	1,689,916	3,814,347
Total financial assets	3,661,062	9,872,614	5,584,476	8,098,908	27,217,060
Financial liabilities					
Deposits from customers	19,639,948	1,115,109	136,715	-	20,891,772
Deposits from banks and related companies	95,279	-	-	-	95,279
Lease liabilities	-	12,548	54,724	50,396	117,668
Policyholders' funds	88,573	117,947	388,690	1,151,369	1,746,579
Total financial liabilities	19,823,800	1,245,604	580,129	1,201,765	22,851,298
Net Gap	(16,162,738)	8,621,010	5,004,347	6,897,143	4,365,762
Cumulative Gap	(16,162,738)	(7,535,728)	(2,531,381)	4,365,762	

The table below shows the contractual maturities of financial guarantee contracts:

	2022				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial guarantee contracts	-	788,858	1,226	-	790,084

29. Financial Risk Management (continued)

29.3 Liquidity risk (continued)

The table below shows a maturity analysis of financial instruments using discounted cash flows of the Group's financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2021				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial assets					
Cash on hand and in transit	218,702	-	-	-	218,702
Loans and advances to banks and related companies	854,150	-	-	-	854,150
Treasury bills	-	3,599,239	-	-	3,599,239
Deposits with Central Bank	3,046,104	-	-	-	3,046,104
Net loans to customers	545,960	6,113,035	3,419,706	5,651,194	15,729,895
Investment securities (excluding equities)	-	73,164	1,530,764	1,392,416	2,996,344
Total financial assets	4,664,916	9,785,438	4,950,470	7,043,610	26,444,434
Financial liabilities					
Deposits from customers	18,798,869	1,327,043	115,940	-	20,241,852
Deposits from banks and related companies	142,737	-	-	-	142,737
Lease liabilities	-	25,102	38,930	51,005	115,037
Policyholders' funds	87,878	94,424	329,428	1,140,209	1,651,939
Total financial liabilities	19,029,484	1,446,569	484,298	1,191,214	22,151,565
Net Gap	(14,364,568)	8,338,869	4,466,172	5,852,396	4,292,869
Cumulative Gap	(14,364,568)	(6,025,699)	(1,559,527)	4,292,869	4,292,869

The table below shows the contractual maturities of financial guarantee contracts:

	2021				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial guarantee contracts	-	795,990	1,226	443	797,659

29. Financial Risk Management (continued)

29.3 Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on their undiscounted cash flows at October 31. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the Group's consolidated statement of financial position.

	2022					
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total contractual cash flows**	**Total carrying value**
	$	**$**	**$**	**$**	**$**	**$**
Financial Liabilities						
Deposits from customers	19,639,948	1,115,564	136,913	-	20,892,425	20,891,772
Deposits from banks and related companies	95,279	-	-	-	95,279	95,279
Lease liabilities	-	14,485	65,230	63,651	143,366	117,668
Policyholders' funds	66,958	118,252	423,906	1,869,175	2,478,291	1,746,579
Total liabilities	19,802,185	1,248,301	626,049	1,932,826	23,609,361	22,851,298

	2021					
	Due on demand	**Due in one year**	**Due in two to five years**	**Over five years**	**Total contractual cash flows**	**Total carrying value**
	$	**$**	**$**	**$**	**$**	**$**
Financial Liabilities						
Deposits from customers	18,798,869	1,327,692	116,149	-	20,242,710	20,241,852
Deposits from banks and related companies	142,737	-	-	-	142,737	142,737
Lease liabilities	-	17,783	81,937	43,534	143,254	115,037
Policyholders' funds	87,878	96,864	361,450	1,891,597	2,437,789	1,651,938
Total liabilities	19,029,484	1,442,339	559,536	1,935,131	22,966,490	22,151,564

29.4 Capital management

The Group's capital management policies seek to achieve several objectives:

- Compliance with capital requirements as set by the Central Bank of Trinidad and Tobago;
- Assurance of the Group's ability to continue as a going concern;
- Maintenance of a strong capital base to support the development of its business.

29. Financial Risk Management (continued)

29.4 Capital management (continued)

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group employs techniques derived from the guidelines developed by the Basel Committee on Banking Supervision as implemented by the Central Bank of Trinidad and Tobago (CBTT). The required information is filed with the regulatory authority on a monthly basis.

The Group's regulatory capital up to 2022 consisted of the sum of the following elements:

- *Tier 1 capital*. Tier 1 capital comprises shareholder equity and retained earnings and is a measure of the Group's financial position. Deductions such as losses incurred in the current year of operations, whether audited or unaudited and whether or not publicly disclosed are made from Tier 1.

- *Tier 2 capital.* Tier 2 capital comprises revaluation reserves created by the revaluation of investments.

The Basel II framework expands the rules for minimum capital requirements established under Basel I by incorporating the credit risk of assets to determine regulatory capital ratios. It consists of three pillars:

- *Capital adequacy requirements.* Takes into consideration operational risks in addition to credit risks associated with risk-weighted assets.

- *Supervisory review.* Mandates periodic assessments of internal capital adequacy in accordance with the institution's risk profile.

- *Market discipline.* Ensures market discipline by obligation to disclose relevant market information.

29. Financial Risk Management (continued)

29.4 Capital management (continued)

The following table summarises the regulatory qualifying capital ratios of the applicable individual entities within the Group. The Group complied with all the externally imposed capital requirements to which it is subject.

	Qualifying Capital Ratios	2022	2021
Scotiabank Trinidad and Tobago Limited	10.0%	17.55%	18.06%
Scotia Investments Trinidad and Tobago Limited	10.0%	144.6%	232.5%

29. Financial Risk Management (continued)

29.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Operational Risk Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Periodic assessment of operational risks, the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic review undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

29.6 Management of insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

29. Financial Risk Management (continued)

29.6 Management of insurance risk (continued)

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits is greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

The Group pledges assets to the Statutory Fund at the Central Bank of Trinidad & Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. The Group pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts

The fair value of financial instruments that is recognised on the consolidated statement of financial position and the fair value of financial instruments that is not recognised on the consolidated statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies Note 3(c)(ii).

(a) Valuation models

The Group classifies fair value using the following three-level fair value hierarchy based on the extent to which one or more significant inputs are observable or not observable:

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.

- Level 2 - Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

(a) Valuation models (continued)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between levels during the year.

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

(b) Financial instruments measured at fair value – Fair value Hierarchy

The table below is an analysis of financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Treasury bills	-	2,933,707	-	2,933,707
Investment securities	1,144,455	2,682,980	-	3,827,435
	1,144,455	5,616,687	-	6,761,142

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Treasury bills	-	3,599,239	-	3,599,239
Investment securities	363,135	2,682,729	-	3,045,864
	363,135	6,281,968	-	6,645,103

The fair value of level 2 instruments was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

(c) Financial instruments not measured at fair value

The table below is an analysis of financial instruments *not* measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	$	$	$	$	$
2022					
Financial assets					
Loans to customers	-	14,635,814	-	14,635,814	17,229,043
Debt instruments measured at amortised cost	-	21,998	-	21,998	21,998
	-	14,657,812	-	14,657,812	17,251,041
Financial liabilities					
Deposits from customers	-	20,890,636	-	20,890,636	20,890,636
Lease liabilities	-	117,668	-	117,668	117,668
Policyholders' funds	-	1,725,518	-	1,725,518	1,725,518
	-	22,733,822	-	22,733,822	22,733,822

	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	$	$	$	$	$
2021					
Financial assets					
Loans to customers	-	13,012,346	-	13,012,346	15,605,575
Debt instruments measured at amortised cost	-	21,998	-	21,998	21,998
	-	13,034,344	-	13,034,344	15,627,573
Financial liabilities					
Deposits from customers	-	20,239,852	-	20,239,852	20,239,852
Lease liabilities	-	115,037	-	115,037	115,037
Policyholders' funds	-	1,631,141	-	1,631,141	1,631,141
	-	21,986,030	-	21,986,030	21,986,030

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

(c) Financial instruments not measured at fair value (continued)

(a) Cash on hand and in transit

These amounts are short-term in nature and are taken to be equivalent to fair value.

(b) Loans and advances to banks and related companies

Amounts due from banks and related companies are negotiated at market rates for relatively short tenors and are assumed to have discounted cash flow values that approximate the carrying values.

(c) Deposits with Central Bank

The fair value of deposits with Central Bank is determined to approximate to their carrying value using discounted cash flow analysis. A significant portion of the deposits is receivable on demand.

(d) Loans to customers

Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates at the reporting date for similar type facilities.

(e) Debt instruments measured at amortised cost

The fair value of investment securities at amortised cost was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

(f) Deposits from customers, banks and related companies

Customer deposits and deposits from banks and related companies are negotiated at market rates for relatively short terms. Deposits that are fixed rate facilities are at rates that approximate market rates and are assumed to have discounted cash flow values that approximate the carrying values.

(g) Policyholders' funds

Policyholders' funds are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

30. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

(c) Financial instruments not measured at fair value (continued)

(h) Lease liabilities

The fair value is approximate to the carrying value which is determined using the discounted cash flow analysis. The present value of the future lease payments is discounted using the incremental borrowing rate.

The instruments above are classified into level 2 in the fair value hierarchy.

31. Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the statement of financial position and the categories of financial instruments:

	2022				
	FVTPL	**FVOCI Debt**	**FVOCI Equity**	**Amortised Cost**	**Total**
	$	**$**	**$**	**$**	**$**
Financial Assets					
Cash and cash equivalents	-	-	-	138,221	138,221
Loans and advances to banks and related companies	-	-	-	652,582	652,582
Treasury bills	-	2,933,707	-	-	2,933,707
Deposits with Central Bank	-	-	-	2,369,244	2,369,244
Loans to customers	-	-	-	17,308,959	17,308,959
Investment securities	73,526	3,792,349	10,734	61,583	3,938,192
Total financial assets	73,526	6,726,056	10,734	20,530,589	27,340,905
Financial Liabilities					
Deposits from customers	-	-	-	20,891,772	20,891,772
Deposits from banks and related companies	-	-	-	95,279	95,279
Lease liabilities				117,668	117,668
Policyholders' funds	-	-	-	1,746,579	1,746,579
Total financial liabilities	-	-	-	22,851,298	22,851,298

31. Classification of Financial Assets and Financial Liabilities (continued)

	2021				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Financial Assets					
Cash and cash equivalents	-	-	-	218,702	218,702
Loans and advances to banks and related companies	-	-	-	854,150	854,150
Treasury bills	-	3,599,239	-	-	3,599,239
Deposits with Central Bank	-	-	-	3,046,104	3,046,104
Loans to customers	-	-	-	15,729,895	15,729,895
Investment securities	61,470	2,974,346	10,048	53,838	3,099,702
Total financial assets	61,470	6,573,585	10,048	19,902,689	26,547,792
Financial Liabilities					
Deposits from customers	-	-	-	20,241,852	20,241,852
Deposits from banks and related companies	-	-	-	142,737	142,737
Lease liabilities	-	-	-	115,037	115,037
Policyholders' funds	-	-	-	1,651,939	1,651,939
Total financial liabilities	-	-	-	22,151,565	22,151,565

32. Related Party Balances and Transactions

A party is related to the Group if:

(a) The party is a subsidiary or an associate of the Group;

(b) The party is, directly or indirectly, either under common control or subject to significant influence with the Group or has significant or joint control of the Group.

(c) The party is a close family member of a person who is part of key management personnel or who controls the Group;

32. Related Party Balances and Transactions (continued)

A party is related to the Group if (continued)

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Group;

(e) The party is a joint venture in which the Group is a venture partner;

(f) The party is a member of the Group's or its parent's key management personnel;

(g) The party is a post-employment benefit plan for the Group's employees.

(h) The party, or any member of a group of which it is a part, provides key management personnel services to Scotiabank or its Parent.

A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions, except for certain loans made to officers. Loans deemed to be below market rates, in accordance with personal income tax legislation, are taxed in accordance with legal requirements.

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Delinquent account collection services

	2022	2021
	$	$
(i) Outstanding balances		
Loans, investments and other assets		
Directors, key management personnel and close family members	14,474	12,774
Other related entities	407,558	213,428
	422,032	226,202
Provisions for amounts due from related parties	-	-

	2022	2021
	$	$

32. Related Party Balances and Transactions (continued)

(i) Outstanding balances (continued)

Deposits and other liabilities		
Directors, key management personnel and close family members	31,647	8,554
Other related entities	369,291	174,315
	400,938	182,869

(ii) Transactions

Interest and other income		
Directors, key management personnel and close family members	413	389
Other related entities	30,802	17,282
	31,215	17,671
Interest and expenses		
Directors, key management personnel and close family members	3,634	3,111
Other related entities	187,371	209,406
	191,005	212,517

(iii) Key management compensation

Key management comprises individuals responsible for planning, directing and controlling the activities of the Group. The compensation paid to said individuals is as follows:

	2022	2021
	$	$
Short-term benefits and pension cost	34,849	32,033

33. Operating Segments

The operations of the Group are concentrated within the Republic of Trinidad and Tobago. The Group operations are managed by strategic business units which offer different financial products and services to various market segments. The management function of the various business units review internal reports at least monthly, whilst the Group management do so at least quarterly.

The following summary describes the operations of each of the Group's reportable segments:

- Retail, Corporate and Commercial – Includes the provision of loans, deposits, trade financing and other financial services to businesses and individuals.

- Other – Includes the functions of a centralised treasury unit and other centralised services.

The results of the various operating segments are set out below. Performance is measured based on segment profits before tax as included in the internal management reports reviewed by senior management. Segment profitability is used by management to assess product pricing, productivity and hence the allocation of resources to the various operating segments.

	2022				
	Retail, Corporate & Commercial Banking	**Asset Management**	**Insurance Services**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Interest income	1,160,029	225	102,176	-	1,262,430
Interest expense	(16,170)	-	-	-	(16,170)
Net other income	559,594	24,710	65,089	-	649,393
Income from associated companies	2,395	-	-	-	2,395
Total revenue	1,705,848	24,935	167,265	-	1,898,048
Material non-cash items:					
Depreciation	32,665	-	-	-	32,665
Segment profit before taxes	909,801	12,910	126,168	-	1,050,559
Segment assets	25,458,658	43,255	2,555,139	927	28,057,979
Segment liabilities	21,937,283	4,075	1,801,679	922	23,743,959

33. Operating Segments (continued)

	2021				
	Retail, Corporate & Commercial Banking	**Asset Management**	**Insurance Services**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Interest income	1,138,855	206	101,704	-	1,240,765
Interest expense	(21,593)	-	-		(21,593)
Net other income	443,016	9,991	55,981	-	508,988
Income from associated companies	2,052	-	-	-	2,052
Total revenue	1,562,330	10,197	157,685	-	1,730,212
Material non-cash items: Depreciation	30,439	-	-	-	30,439
Segment profit before taxes	786,003	7,612	124,447	1,642	919,704
Segment assets	15,729,895	42,794	2,424,489	8,973,914	27,171,092
Segment liabilities	20,241,852	1,563	1,704,182	979,677	22,927,274

34. Events after the Reporting Date

There are no events occurring after the consolidated statement of financial position date and before the date of approval of these consolidated financial statements by the Board of Directors that require adjustment to or disclosure in these consolidated financial statements.

35. Russia-Ukraine Tension

On February 24, 2022, the geopolitical situation in Eastern Europe intensified, with the invasion of Ukraine by Russia. This war continued to evolve as global sanctions were imposed, immediately impacting entities that have counterparty relationships in Russia and certain neighboring countries. In addition, the war impacted global financial markets, exacerbating economic challenges that already existed as a result of the global pandemic, including issues such as supply-chain disruptions and rising inflation.

35. Russia-Ukraine Tension (continued)

The Group has concluded that given the composition of our statement of financial position, its exposure to the negative impacts of these risks is not significant to its profitability and going concern. However, through its risk management function, the Group continuously assesses the impact of such risks and has an established series of early warning indicators through various risk metrics to ensure that liquidity and capital positions to sufficiently support banking operations. There were no material changes in valuations or impairment provisions as at October 31, 2022.

36. Climate Related Risks

Climate change presents immediate and long-term risks to the Group and its clients with the risks expected to increase over time. Climate change risk refers to the risk of loss arising from climate change and is comprised of both physical risk and transition risk.

Physical risk considers how chronic and acute climate change, for example, increased storms and floods can directly damage physical assets or otherwise impact their value or productivity.

Transition risk considers how changes in policy, technology, business practices and market preferences to address climate change can lead to changes in the value of assets. Climate change risk is an overarching risk that can act as a driver of other categories of risk, such as credit risk from obligors exposed to high climate risk, reputational risk from increased stakeholder concerns about financing high carbon industries and operational risk from physical climate risks to the Group's facilities.

The Group currently identifies climate change risk as an emerging risk within its enterprise risk management framework. Emerging risks are risks or thematic issues that are either new to the landscape, or in the case of climate risk, existing risks that are rapidly changing or evolving in an escalating fashion, which are difficult to assess due to limited data or other uncertainties.

In addition, the Group has made further progress in developing a comprehensive environmental and social policy geared at enhancing and complementing our existing lending policies, guidelines and business practices to better manage sustainability challenges and promote responsible growth across our core business line.

While there is no formal climate related policy in place, there are mitigants in place for climate related events such as insurance for its physical assets as well as assets held as collateral for loan facilities. There is also a Business Continuity Plan (BCP) in place to ensure that the Group can operate in situations where climate related disruptions to business may occur.