Consolidated Financial Statements of

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2023

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2023

Contents **Page**

Statement of Management's Responsibilities	1
Independent Auditors' Report	2 - 9
Consolidated Statement of Financial Position	10 - 11
Consolidated Statement of Profit or Loss and Other Comprehensive Income	12
Consolidated Statement of Changes in Equity	13 - 14
Consolidated Statement of Cash Flows	15 - 16
Notes to the Consolidated Financial Statements	17 - 108

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 Bank) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 2023, 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.

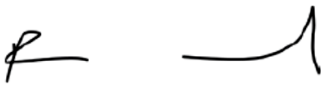
Nothing has come to the attention of management to indicate that the Group will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

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



Gayle Pazos
Managing Director

Date: December 14, 2023



Reshard Mohammed
Chief Financial Officer

Date: December 14, 2023

KPMG
Chartered Accountants
Savannah East
11 Queen's Park East
P.O. Box 1328
Port of Spain
Trinidad and Tobago, W.I.

Tel: (868) 612-KPMG
Email: kpmg@kpmg.co.tt
Web: https://home.kpmg/tt

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 Bank") and its subsidiaries (collectively, "the Group"), which comprise the consolidated statement of financial position as at October 31, 2023, 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 Bank as at October 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Standards).

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 International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (the 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.

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

To the Shareholders of
Scotiabank Trinidad and Tobago Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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 Financial Assets

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

Description of key audit matter

Loans, net of allowance for expected credit losses, represent 63% or $18 billion of the Group's total assets and financial investments subject to credit losses represent 13% or $3.9 billion of the Group's total assets. Allowance for credit losses on loans of $319 million and a charge of $151 million were recognised by the Group as at and for the year ended October 31, 2023.

The Group applies a three-stage approach to measure the allowance for credit losses, using an Expected Credit Loss (ECL) approach as required under IFRS 9 *Financial Instruments*. The Group's allowances for credit losses are outputs of complex models and there is a high degree of measurement uncertainty due to significant judgements inherent in the Group's methodology, such as judgements about forward-looking information. These judgements impact certain inputs, assumptions, qualitative adjustments or overlays, and the determination of when there has been a significant increase in credit risk.

How the matter was addressed in our audit

Our procedures in this area included the following:

- Testing the Group's controls related to data flows between source systems and the ECL models with the assistance of our Information Technology Audit Specialists.

Key Audit Matters (continued)

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

- With the assistance of our Financial Risk Management Specialists:
  - Testing model validation and/or performance monitoring controls to ensure key parameters [Probability of default (PD); Loss Given Default (LGD); Exposure at Default (EAD) and Significant Increase in Credit Risk (SIR)] used in the models are appropriate and reasonable.
  - Testing management's control over the selection of macro-economic variables and assessing the reasonableness of these variables.
  - Reviewing, assessing and evaluating limitations of the models used.
  - Assessing the appropriateness of the methodology used to calculate management's qualitative adjustment overlay.
  - Testing controls over management's evaluation of actual ECL results.
- Recalculating a sample of ECL calculations for each model.
- Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to credit risk and measurement of allowance for expected credit losses.

(2) Fair Value of Investments

See Notes 3(c) and 30 of the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

Description of key audit matter

Investment securities measured at fair value represent 14% of total assets of the Group. The valuation of the Group's investments requires significant estimation, as quoted prices are not available for some of these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions.

Management used valuation techniques which require inputs such as market yields obtained from established yield curves.

Key Audit Matters (continued)

(2) Fair value of investments

How the matter was addressed in our audit

Our procedures in this area included the following:

- Assessing and testing the design and operating effectiveness of the Group's controls over the determination and computation of fair values.
- Involving our own Financial Risk Management Specialists to determine or obtain yields or prices of specific securities and comparing these to management's estimates.
- Assessing the adequacy of the disclosures, including the degree of estimation involved in determining fair values of investment securities.

(3) Valuation of policyholders' 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

Policyholders' liabilities represent 7% or $1.7 billion of the Group's total liabilities.

Determining the settlement value of long-term policyholders' liabilities requires significant judgment, as it involves the use of economic assumptions, such as investment returns and discount rates, morbidity and mortality assumptions, maintenance expenses, lapse and withdrawals as key inputs in estimating these actuarially determined liabilities.

The combination of assumptions and judgements increases the risk that management's estimate could be materially misstated.

To the Shareholders of
Scotiabank Trinidad and Tobago Limited

Key Audit Matters (continued)

(3) Valuation of Policyholders' Liabilities (continued)

How the matter was addressed in our audit

Our procedures in this area included the following:

- Assessing and testing the design and operating effectiveness of the Group's controls over the initiation of insurance products and disbursements.
- Involving our own Information Technology Audit Specialists to assess and test the controls related to the data file provided by management to the actuarial expert.
- Selecting a sample of contracts and agreeing the terms to the data file provided by management to management's actuarial expert.
- Involving our own Actuarial Specialists to assess whether the liabilities as determined by management's actuarial expert fall within a reasonable range of our expectations, the assumptions are appropriate, changes to the product features are confirmed and the actuarial valuation has been performed in accordance with accepted and commonly used actuarial systems, methodologies and practices.
- Assessing whether disclosures in the financial statements are adequate in respect of the Group's exposure to insurance risk.

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.

To the Shareholders of
Scotiabank Trinidad and Tobago Limited

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

Those charged with governance are responsible for overseeing the 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.

As part of an audit in accordance with ISAs, we exercise professional judgement 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.

To the Shareholders of
Scotiabank Trinidad and Tobago Limited

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Bank 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.

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.

To the Shareholders of
Scotiabank Trinidad and Tobago Limited

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

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 Dushyant Sookram.



Chartered Accountants

Port of Spain
Trinidad and Tobago
December 14, 2023

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Financial Position

October 31, 2023
(presented in thousands of Trinidad and Tobago dollars)

	Notes	2023	2022
		$	$
ASSETS			
Cash on hand and in transit		187,028	138,221
Loans and advances to banks and related companies	5	1,090,429	652,582
Treasury bills	6	1,869,820	2,933,707
Deposits with Central Bank	7	3,193,913	2,369,244
Loans to customers	8	18,604,223	17,308,959
Investment securities	9.1	4,088,677	3,938,192
Miscellaneous assets	10	50,218	64,807
Taxation recoverable		-	4,916
Investment in associated companies	9.2	48,806	43,428
Deferred tax asset	17.1	72,345	74,908
Property and equipment	11	336,472	353,262
Defined benefit pension fund asset	12.1	111,147	138,143
Goodwill		2,951	2,951
Total assets		**29,656,029**	**28,023,320**

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Financial Position (continued)

October 31, 2023
(presented in thousands of Trinidad and Tobago dollars)

	Notes	2023	2022
		$	$
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	13	22,028,144	20,891,772
Deposits from banks	14	6,977	4,986
Deposits from related companies	14	315,547	90,293
Other liabilities	15	752,547	662,933
Taxation payable		77,771	106,541
Policyholders' funds	16	1,783,773	1,746,579
Post-employment medical and life benefits obligation	12.1	193,044	184,199
Deferred tax liability	17.1	29,009	21,997
Total liabilities		25,186,812	23,709,300
EQUITY			
Stated capital	18	267,563	267,563
Statutory reserve fund	19	882,055	880,100
Investment revaluation reserve		15,282	(29,982)
Retained earnings		3,304,317	3,196,339
Total equity		4,469,217	4,314,020
Total liabilities and equity		**29,656,029**	**28,023,320**

These consolidated financial statements were approved for issue by the Board of Directors on December 14, 2023 and signed on its behalf by:





Derek Hudson
Chairman

Gayle Pazos
Managing Director

The notes on pages 17 to 108 are an integral part of these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2023
(presented in thousands of Trinidad and Tobago dollars, except earnings per share data)

	Notes	2023	2022
		$	$
REVENUE			
Interest income calculated using the effective interest method	21	1,449,770	1,262,430
Interest expense	22	(35,701)	(16,170)
Net interest income		1,414,069	1,246,260
Other income	23	721,344	802,050
Fee and commission expense		(198,202)	(150,262)
Net other income		523,142	651,788
Total revenue		1,937,211	1,898,048
NON-INTEREST EXPENSES			
Salaries and other staff benefits		274,369	256,339
Premises and technology		149,635	136,616
Communication and marketing		110,332	95,092
Other expenses	24	275,211	249,373
Total non-interest expenses		(809,547)	(737,420)
Net impairment loss on financial assets	8.6	105,891	110,069
Profit before taxation		1,021,773	1,050,559
Taxation	25.1	(343,782)	(366,810)
Profit for the year, attributable to equity holders		677,991	683,749
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits asset/ obligation	12.6	(32,911)	3,813
Related tax	25.3	11,519	(1,302)
		(21,392)	2,511
Items that are or may be reclassified subsequently to profit or loss			
Remeasurement of instruments that existed throughout the year		61,056	(126,898)
Remeasurement of purchased investments		5,278	33,706
Related tax	25.3	(21,070)	32,617
Net movement in fair value reserve		45,264	(60,575)
Other comprehensive income (loss), net of tax		23,872	(58,064)
Total comprehensive income, attributable to equity holders		701,863	625,685
Earnings per share (basic and diluted)	26	384.5¢	387.7¢

The notes on pages 17 to 108 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, 2023
(presented in thousands of Trinidad and Tobago dollars)

	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	20.2	-	-	-	(555,483)	(555,483)
		-	65,000	-	(620,483)	(555,483)
Balances as at October 31, 2022		**267,563**	**880,100**	**(29,982)**	**3,196,339**	**4,314,020**

The notes on pages 17 to 108 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, 2023
(presented in thousands of Trinidad and Tobago dollars)

	Notes	Stated Capital	Statutory Reserve Fund	Investment Revaluation Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at October 31, 2022		267,563	880,100	(29,982)	3,196,339	4,314,020
Profit for the year		-	-	-	677,991	677,991
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/ obligation	25.3	-	-	-	(21,392)	(21,392)
Fair value re-measurement of FVOCI debt instruments	25.3	-	-	45,264	-	45,264
Total comprehensive income		-	-	45,264	656,599	701,863
Transaction with equity owners of Scotiabank						
Transfer to statutory reserve	19	-	1,955	-	(1,955)	-
Dividends paid	20.2	-	-	-	(546,666)	(546,666)
		-	1,955	-	(548,621)	(546,666)
Balances as at October 31, 2023		267,563	882,055	15,282	3,304,317	4,469,217

The notes on pages 17 to 108 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, 2023
(presented in thousands of Trinidad and Tobago dollars)

	Notes	2023	2022
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		677,991	683,749
Adjustments for:			
- Interest income		(1,449,770)	(1,262,430)
- Interest expense		35,701	16,170
- Depreciation	11	32,399	32,665
- Share of profit of associated company		(5,378)	(2,395)
- (Gain)/loss on disposal of property and equipment		(4,017)	7,376
- Unrealised loss on equity investments		16,432	-
- Tax expense	25.1	343,782	366,810
- Net impairment loss on financial assets	8.6	105,891	110,069
Changes in:			
- Primary reserve deposits with Central Bank		(65,279)	(110,530)
- Net pension cost	12.5	10,422	10,671
- Policyholders' funds		37,194	94,640
- Loans to customers		(1,460,016)	(1,733,537)
- Miscellaneous assets		14,589	(47,560)
- Deposits from customers		1,124,999	570,004
- Deposits from banks and related companies		227,245	(47,457)
- Other liabilities		89,614	158,194
Interest received		1,595,798	1,304,611
Interest paid		(30,091)	(17,034)
Taxation paid		(370,403)	(338,798)
Net cash generated from / (used in) operating activities		927,103	(204,782)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Treasury Bills		(3,771,331)	(2,674,002)
Proceeds from redemption of Treasury Bills		4,592,294	3,707,686
Purchase of investment securities		(687,023)	(7,031,377)
Proceeds from redemption of investment securities		455,982	5,358,855
Purchase of property and equipment	11	(12,563)	(20,703)
Net cash generated from (used in) investing activities		577,359	(659,541)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of lease liabilities	27	(19,281)	(17,785)
Dividends paid	20.2	(546,666)	(555,483)
Net cash used in financing activities		(565,947)	(573,268)

The notes on pages 17 to 108 are an integral part of these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Consolidated Statement of Cash Flows (continued)

For the year ended October 31, 2023
(presented in thousands of Trinidad and Tobago dollars)

	Notes	2023	2022
		$	$
Increase/ (decrease) in cash and cash equivalents		938,515	(1,437,591)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,671,633	3,109,224
CASH AND CASH EQUIVALENTS, END OF YEAR		2,610,148	1,671,633
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		187,028	138,221
Loans and advances to banks and related companies	5	1,090,429	652,582
Surplus deposits with Central Bank	7	795,000	35,610
Treasury bills with original maturity date not exceeding 3 months	6	537,691	845,220
		2,610,148	1,671,633

The notes on pages 17 to 108 are an integral part of these consolidated financial statements.

1. Incorporation and Business Activities

Scotiabank Trinidad and Tobago Limited ("Scotiabank" or "the Bank") 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 $29.7 billion (2022: $28.1 billion) and liabilities $25.2 billion (2022: $23.7 billion).

These consolidated financial statements were authorised for issue by Scotiabank's Board of Directors on December 14, 2023.

2. Basis of Preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS Standards 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 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, which is Scotiabank's functional currency, rounded to the nearest thousand.

(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

Interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the gross carrying amount of the financial asset or the amortised cost of financial liability.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are incremental and directly attributable to the acquisition of the financial instrument.

Amortised cost and gross carrying amount

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

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

3. Significant Accounting Policies (continued)

(a) *Revenue recognition* (continued)

Interest income and expense (continued)

Presentation

Interest income and expense presented in the Statement of profit or loss and other comprehensive income 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 Scotiabank's trading operations and are presented in net trading income.

Other income

Other income comprises various fees and commissions and trading income that are not incremental and directly attributable to the origination of financial instruments.

Deposit and payment services

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

Scotiabank 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

Transaction based credit 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.

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.

(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 (FVTPL); 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).

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 amortised cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortised cost.

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

Debt instruments measured at FVOCI

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

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

Debt instruments measured at FVOCI (continued)

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.

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 equity investments held for strategic or longer term investment purposes.

This election is made on an instrument-by-instrument basis and is not available for 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. Cumulative gains and losses recognised in OCI are transferred to retained earning on disposal of an investment.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(ii) Classification and measurement (continued)

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.

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.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(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, excluding equity instruments measured at FVOCI, 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.

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.

3. Significant Accounting Policies (continued)

(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 values approximate the fair value due to their highly liquid nature and the fact that they are readily converted to known amounts of cash and are subject to insignificant risk of change in value.

(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 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.

3. Significant Accounting Policies (continued)

(e) *Impairment of financial assets* (continued)

(i) Expected credit loss impairment model

- 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.

(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 judgement.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(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 judgement.

(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.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

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

The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, delinquency and monitoring. 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.

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.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(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.

(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.

3. Significant Accounting Policies (continued)

(e) Impairment of financial assets (continued)

(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.

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

(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.

3. Significant Accounting Policies (continued)

(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.

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

(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.

3. Significant Accounting Policies (continued)

(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.

(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 the cost of Premises and Technology in the statement of profit and loss and other comprehensive income. In addition, the ROU asset is adjusted for certain re-measurements 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 discount rate depends on the term of the lease, the Group's credit risk and the 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.

3. Significant Accounting Policies (continued)

(g) Leases (continued)

(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.

(iii) Determining lease term

The Group will be "reasonably certain" to exercise a lease 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.

(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 for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investment in subsidiaries and associate to the extent that the Bank is able to control the timing of the reversal of the temporary difference, and it is probably that they not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant Accounting Policies (continued)

(h) Taxation (continued)

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.

In determining the amount of current and deferred tax, Scotiabank 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 Scotiabank 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.

3. Significant Accounting Policies (continued)

(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.

(ii) Post-employment

Independent qualified actuaries carried out a valuation of the Group's significant post-employment benefits as at October 31, 2023. The next valuation is due as at October 31, 2024.

Pension obligations

Scotiabank currently operates a non-contributory defined contribution 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 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.

3. Significant Accounting Policies (continued)

(j) Employee benefits

(ii) Post-employment (continued)

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.

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 to be permitted. The total contributions paid for the year ended October 31, 2023 were $19.4 million (2022: $18.7 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.

3. Significant Accounting Policies (continued)

(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 separate financial statements because they do not meet the criteria for recognition. However, fee and commission income on these facilities are recognised in these separate financial statements.

(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, 2023 totaled $4.56 billion (2022: $4.28 billion).

(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.

(n) Dividends

Dividend income on equity investments is recognised when the right to receive income is established. Dividends attributable to equity holders of the Bank 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 non-financial 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.

3. Significant Accounting Policies (continued)

(o) Impairment of non-financial assets (continued)

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.

(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.

3. Significant Accounting Policies (continued)

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

Insurance contracts (continued)

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.

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.

3. Significant Accounting Policies (continued)

(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.

(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:
Following new and amended standards came into effect the during the current financial year, none of which had any significant impact on these consolidated financial statements.

- 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 and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2023. The Group has not early-adopted any of them and therefore they have not been applied in preparing these consolidated financial statements. The Group has assessed them with respect to its operations and has determined that the following are relevant:

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

- Amendments to IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help entities provide accounting policy disclosures based on materiality.

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with early adoption permitted. The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

- Amendments to IFRS 16 *Leases* will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

3. Significant Accounting Policies (continued)

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

- IFRS 17, *Insurance Contracts*, which is effective for annual reporting periods beginning on or after January 1, 2023, provides a comprehensive principle-based framework for the measurement and presentation of all insurance contracts. The new standard replaces IFRS 4 *Insurance Contracts* and requires insurance contracts to be measured at their current fulfilment value, using one of three measurement models, depending on the nature of the contract. IFRS 17 introduces three measurement models: the general model, the premium allocation approach, and the variable fee approach.

- Amendments to IFRS 17 *Insurance Contracts*, effective for annual reporting periods beginning on or after January 1, 2023.

The Group will disclose its assessment of the impact of adopting IFRS 17 in its 2024 financial statements. The Group does not expect the adoption of other new, revised and amended standards to have a significant impact on its financial statements.

(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. Operating segment results are reviewed regularly by management to make decisions about resource allocation to each segment and assesses its performance and discrete financial information is available.

4. Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements, 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.

4. Use of Judgements and Estimates (continued)

(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, 2023 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;
- 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;

4. Use of Judgements and Estimates (continued)

(b) Assumptions and estimation uncertainties (continued)

(i) Allowances for credit losses (continued)

- 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 judgement 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 12.9.

(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.

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.

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)

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:

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

	2023	2022
	$	$
Interest rates decrease by 1%	607	1,466
Interest rates increase by 1%	(1,384)	(478)
Mortality increases by 10%	17,131	15,895
Mortality decreases by 10%	(17,912)	(16,684)
Expenses increase by 10%	9,354	7,739
Expenses decrease by 10%	(9,328)	(7,678)
Lapses and withdrawals increase by 10%	21,601	16,923
Lapses and withdrawals decrease by 10%	(24,766)	(19,174)

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 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 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.

5. Loans and Advances to Banks and Related Companies

	2023	2022
	$	$
Due from related companies	84,669	47,400
Due from other banks	909,302	511,255
Cheques and other instruments in the course of clearing	96,568	94,027
	1,090,539	652,682
Allowance for credit losses	(110)	(100)
	1,090,429	652,582
Maturity of assets		
Assets with original maturity date less than 3 months	1,090,429	652,582
Analysis of movement in loss allowance		
Allowance, beginning of year	100	18
Impairment charge for the year (Note 8.6)	10	82
Allowance, end of year	110	100

6. Treasury Bills

	2023	2022
	$	$
Government of Trinidad and Tobago	1,163,621	1,825,377
Government of United States of America	681,257	1,032,659
Government of Canada	24,942	75,671
	1,869,820	2,933,707
Maturity of assets		
Assets with original maturity date over 3 months	1,332,129	2,088,487
Assets with original maturity date less than 3 months	537,691	845,220

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% (2022: 14%) of total prescribed liabilities in the Primary reserve.

	2023	2022
	$	$
Primary reserve	2,398,913	2,333,634
Surplus deposits	795,000	35,610
	3,193,913	2,369,244

8. Loans to Customers

	2023	2022
	$	$
Loans to customers	18,848,587	17,540,402
Interest receivable	75,039	79,916
Allowance for credit losses	(319,403)	(311,359)
Total loans to customers	18,604,223	17,308,959

8.1. Loans to customers

	2023			
	Gross Loans	Interest Receivable	ECL Allowance	Carrying Amount
	$	$	$	$
Loans to customers				
Commercial loans	5,242,071	23,193	(23,210)	5,242,054
Retail loans	13,606,516	51,846	(296,193)	13,362,169
	18,848,587	75,039	(319,403)	18,604,223

	2022			
	Gross Loans	Interest Receivable	ECL Allowance	Carrying Amount
	$	$	$	$
Loans to customers				
Commercial loans	4,700,103	21,414	(16,707)	4,704,810
Retail loans	12,840,299	58,502	(294,652)	12,604,149
	17,540,402	79,916	(311,359)	17,308,959

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.

	2023	2022
	$	$
Mortgages – residential	8,401,575	7,927,424
Mortgages – commercial	147,887	175,737
Consumer	5,200,849	4,511,694
Energy and petrochemical	1,066,302	1,105,882
Construction and engineering	1,006,146	1,205,406
Distributive trades	996,571	903,495
Communication and transport	25,087	38,279
Manufacturing and assembly	559,837	730,481
Financial services	16,900	63,446
Business and personal services	1,409,149	859,466
Hospitality industry	15,808	15,177
Agriculture	2,476	3,915
	18,848,587	17,540,402

8. Loans to Customers (continued)

8.3 Impaired loans

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

	2023		
	Gross impaired loans	**Allowance for credit losses**	**Net**
	$	**$**	**$**
Loans to customers			
Commercial loans	37,158	(12,287)	24,871
Retail loans	330,299	(78,159)	252,140
	367,457	(90,446)	277,011

	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)	179,353
	323,632	(96,546)	227,086

8.4 Allowance for credit losses

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Loans to customers				
Commercial loans	(7,694)	(3,229)	(12,287)	(23,210)
Retail loans	(78,091)	(139,943)	(78,159)	(296,193)
	(85,785)	(143,172)	(90,446)	(319,403)

8. Loans to Customers (continued)

8.4 Allowance for credit losses (continued)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Loans 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)

8.5 Analysis of movement of allowance for credit losses

	2023	2022
	$	**$**
Allowance, beginning of year	311,359	308,081
Impairment charge for the year	151,832	171,813
Write-offs	(143,788)	(168,535)
Net increase in allowance for credit losses	8,044	3,278
Allowance, end of year	319,403	311,359

8.6 Net impairment loss on financial assets

	2023	2022
	$	**$**
Impairment charge for the year:		
- Loans to customers (Note 8.5)	151,832	171,813
- Undrawn credit commitments (Note 15)	936	2,071
- Loans and advances to banks and related companies(Note 5)	10	82
- Debt investments at FVOCI	426	2,417
Recoveries	(47,313)	(66,314)
Total	105,891	110,069

9.1 Investment Securities

	2023	2022
	$	$
Debt instruments measured at FVOCI:		
- Government and state-owned enterprises debt securities	3,577,724	3,484,723
- Corporate debt securities	312,332	307,626
	3,890,056	3,792,349
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)	3,773	10,734
Equity instruments measured at FVTPL:		
- Listed equity securities and mutual funds	133,495	73,526
Interest receivable	39,355	39,585
Total investment securities	4,088,677	3,938,192

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, 2023. The table also reconciles the summarised financial information to the carrying amount of the Group's investment in associated companies.

	2023	2022
	$	$
Infolink		
Total assets	207,171	180,061
Total liabilities	(11,949)	(6,349)
Net assets	195,222	173,712
Group's share of net assets (25%)	48,806	43,428
Revenue	37,705	28,205
Net income	21,512	9,581
Group's share of net income (25%)	5,378	2,395

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.

	Number of units	Fair value at October 31, 2023
	$	$
Investment in Trinidad and Tobago Stock exchange	56,000	3,773

	Number of units	Fair value at October 31, 2022
	$	$
Investment in Trinidad and Tobago Stock exchange	166,400	10,734

During the year ended October 31, 2023, the Bank sold 110,400 units of equity securities FVOCI (2022: NIL). The change in fair value on these investments was $297,000 for the year ended October 31, 2023 (2022: $686,000). No dividend income was recognised for the years ended October 31, 2023 and 2022.

10. Miscellaneous Assets

	2023	2022
	$	$
Accounts receivable and prepayments	21,377	10,109
Clearing items in transit	11,123	42,903
*Other assets	17,718	11,795
	50,218	64,807

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

11 Property and Equipment

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2023						
Cost						
At beginning of year	16,396	313,726	62,532	271,834	8,861	673,349
Additions	-	10	2,385	9,159	1,009	12,563
Remeasurement of right-of-use assets	-	13,590	-	-	-	13,590
Disposals/ transfers	(1,039)	(4,551)	-	(2,456)	(4,125)	(12,171)
At end of year	15,357	322,775	64,917	278,537	5,745	687,331
Accumulated depreciation						
At beginning of year	-	102,640	16,510	200,937	-	320,087
Charge for year	-	15,233	1,328	15,838	-	32,399
Disposals	-	-	-	(1,627)	-	(1,627)
At end of year	-	117,873	17,838	215,148	-	350,859
Net book value	**15,357**	**204,902**	**47,079**	**63,389**	**5,745**	**336,472**

As at October 31, 2023, property and equipment includes right-of-use assets of $109 million (2022: $110 million) related to leased branches and office premises.

Work in progress comprises several ongoing projects relating to premises and equipment to be used in banking operations, which are expected to be completed in the coming fiscal year.

11 Property and Equipment (continued)

	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**

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 annual pension payments. 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	
	2023	2022	2023	2022
	$	$	$	$
Defined benefit obligation	(771,855)	(764,339)	(193,044)	(184,199)
Fair value of plan assets	883,002	902,482	-	-
Net asset (liability)	111,147	138,143	(193,044)	(184,199)

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	
	2023	2022	2023	2022
	$	$	$	$
Defined benefit obligation at beginning of year	(764,339)	(804,157)	(184,199)	(175,485)
Current service cost	-	-	(7,884)	(8,215)
Interest cost	(44,798)	(45,214)	(10,827)	(9,904)
Transferred-in DC balances	(183)	(326)	-	-
Experience adjustments	2,236	19,246	(368)	(935)
Actuarial gains	-	30,114	2,742	3,569
Benefits paid	35,229	35,998	7,492	6,771
Defined benefit obligation at end of year	(771,855)	(764,339)	(193,044)	(184,199)

12.3 Reconciliation of the fair value of plan assets:

	Defined Benefit Pension Fund	
	2023	2022
	$	$
Plan assets at beginning of year	902,482	933,674
Interest income	53,087	52,661
Loss on plan assets (excluding interest income)	(37,552)	(48,241)
Benefits paid	(35,229)	(35,998)
Transferred-in DC balances	214	386
Plan assets at end of year	883,002	902,482

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 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	
	2023	2022	2023	2022
	$	$	$	$
Opening defined benefit asset (liability)	138,143	129,516	(184,199)	(175,485)
Net pension credit (cost)	8,289	7,448	(18,711)	(18,119)
Remeasurement recognised in other comprehensive income	(35,285)	1,179	2,374	2,634
Benefits paid	-	-	7,492	6,771
Closing defined benefit asset (liability)	111,147	138,143	(193,044)	(184,199)

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2023	2022	2023	2022
	$	$	$	$
Current service cost	-	-	(7,884)	(8,215)
Net interest on net defined benefit asset (liability)	8,289	7,448	(10,827)	(9,904)
Administration expenses	-	-	-	-
Net pension cost	8,289	7,448	(18,711)	(18,119)

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

12.6 The amount recognised in other comprehensive income comprised:

	Remeasurements recognised in Other Comprehensive Income	
	2023	**2022**
	$	**$**
Defined benefit pension fund	(35,285)	1,179
Post-employment medical and life benefits	2,374	2,634
	(32,911)	3,813

12.7 Asset allocation:

	Defined Benefit Pension Fund	
	2023	**2022**
Equity securities	41%	42%
Debt securities	53%	52%
Property	2%	2%
Other	4%	4%
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. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

12.8 Composition of plan assets:

	2023	2022
	$	$
Locally listed equities	186,059	210,812
Overseas equities	175,006	170,562
TT$ denominated bonds	373,433	377,002
US$ denominated bonds	90,642	89,195
Property	19,469	19,888
Mortgages	7,833	3,642
Cash and cash equivalents	30,560	31,381
Total	883,002	902,482

All equities have quoted prices in active markets. The fair values of all TT$ and US$ denominated 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, 2023, the Plan held $39.2 million worth of the Group's shares and property assets carried at $19.5 million were occupied by Scotiabank. There are no asset-liability matching strategies used by the Plan.

12.9 The principal actuarial assumptions of the Pension Plan and Post-Employment benefits were:

	2023	2022
	%	%
Discount rate:		
- Active members, current and deferred pensioners	6.00	6.00
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:

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

12.9 The principal actuarial assumptions of the Pension Plan and Post-Employment benefits were (continued):

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:

	2023	2022
Longevity at age 60 for current pensioners (in years)		
Males	21.9	21.9
Females	26.2	26.1
Longevity at age 60 for current members age 40 (in years)		
Males	22.8	22.7
Females	27.1	27.1

At October 31, 2023, the weighted-average duration of the defined benefit obligation is 17.2 years (2022: 17.0 years).

12.10 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)	102,765	(131,759)
Future salary increases (1% movement)	(46,067)	38,948

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $12 million.

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

12.11 Sensitivity analysis (continued):

	Effect on Post-employment Medical and Life Benefits Obligation	
	Increase	**Decrease**
	$	**$**
Discount rate (1% movement)	27,664	(35,682)
Medical cost increases (1% movement)	(35,048)	27,578

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $6.062 million.

13. Deposits from Customers

		2023	2022
		$	**$**
13.1	Deposit balances	22,015,636	20,890,636
	Interest payable	12,508	1,136
		22,028,144	20,891,772
13.2	***Concentration of liabilities***		
	Personal	11,247,040	11,037,957
	Commercial	9,593,689	8,601,765
	Financial institutions	1,174,907	1,250,914
		22,015,636	20,890,636

14. Deposits from Banks and Related Companies

	2023	2022
	$	**$**
Related companies	315,547	90,293
Banks	6,977	4,986
	322,524	95,279

15. Other Liabilities

	2023	2022
	$	$
Customer loyalty programs*	194,616	178,021
Accrued charges and other payables	361,003	338,956
Lease liabilities (Note 27)	117,588	117,668
Other	75,617	25,501
Provision for undrawn credit commitments and others	3,723	2,787
	752,547	662,933

Movement *in ECL allowance for undrawn credit commitments*

	2023	2022
	$	$
Allowance at beginning of year	2,787	716
Impairment charge for the year (Note 8.6)	936	2,071
Allowance at end of year	3,723	2,787

*The contract liability with customer loyalty programs is related to unredeemed customer loyalty points. This will be recognised as revenue when the points are redeemed by customers, which is expected to occur over next two years. The value of previously deferred revenue recognised in the income statement was $97.1 million (2022:$69.9 million)

16. Policyholders' Funds

	2023	2022
	$	$
Ordinary life- Non-participating policies	1,002,735	940,260
Individual annuities	749,504	772,716
Group life- Creditor life	10,692	12,542
Provision for future policy benefits	1,762,931	1,725,518
Other policyholders' liabilities	20,842	21,061
	1,783,773	1,746,579

The movement in provision for future policy benefits is as follows:

Balance at beginning of year	1,746,579	1,651,939
Change in reserves	37,413	94,437
Change in other policy liabilities	(219)	203
Balance at end of year	1,783,773	1,746,579

17. Deferred Taxation

		2023	2022
		$	$
17.1	The net deferred tax asset is attributable to the following items:		
	Deferred tax asset		
	Investment securities at FVOCI	18,446	29,481
	Allowance for credit losses	60,985	57,440
	Post-employment benefits asset/obligation	28,664	16,129
	Property and equipment	(39,138)	(34,659)
	Miscellaneous liabilities	3,388	6,517
		72,345	74,908
	Deferred tax liability		
	Shareholders income	29,009	21,997
17.2	The movement in the deferred tax amount comprised:		
	Balance at beginning of year	(52,911)	(8,672)
	Amounts recognised in OCI (Note 25.3)		
	- Debt securities at FVOCI	21,070	(32,617)
	- Post-employment benefits asset/ obligation	(11,519)	1,302
	Amounts recognised in profit or loss		
	- Current year's deferred tax charge (Note 25.1)	1,429	(14,672)
	Change in estimates related to prior years	(1,405)	1,748
	Balance at end of year	(43,336)	(52,911)

18. Stated Capital

	2023	2022
	$	$
Authorised		
Unlimited number of ordinary shares of no par value		
Issued and fully paid		
176,343,750 (2022:176,343,750) 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 its 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 its paid-up capital. In addition, this fund is also required to be reserved to support deposit liabilities at not less than twenty times its balance as at October 31, 2023.

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

	2023		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	877,563	2,537	880,100
Amount transferred	-	1,955	1,955
Balance, end of year	877,563	4,492	882,055

	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

20. Dividends

20.1 Dividends paid and proposed are analysed as follows:

	2023		2022	
	¢ per share	$	¢ per share	$
Dividends paid				
First interim dividend	70	123,440	65	114,624
Second interim dividend	70	123,441	65	114,623
Third interim dividend	70	123,441	100	176,344
	210	370,322	230	405,591
Dividends proposed				
Final dividend	70	123,441	100	176,344
Total dividends paid and proposed	280	493,763	330	581,935

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

	2023		2022	
	¢ per share	$	¢ per share	$
Total dividends paid and proposed	280	493,763	330	581,935
Dividends proposed	(70)	(123,441)	(100)	(176,344)
Dividends paid during the year in respect of prior year	100	176,344	85	149,892
Dividends paid during the year	310	546,666	315	555,483

21. Interest Income Calculated Using the Effective Interest Method

	2023	2022
	$	$
Loans to customers	1,300,548	1,126,960
Investment securities:		
- FVOCI	147,442	133,690
- Amortised cost	1,780	1,780
	1,449,770	1,262,430

22. Interest Expense

	2023	2022
	$	$
Deposits from customers	29,601	9,831
Interest on lease liabilities (Note 27)	5,610	5,921
Other interest expense	490	418
	35,701	16,170

23. Other Income

	2023	2022
	$	$
Deposit and payment services	93,881	78,181
Card revenues	239,988	183,105
Credit fees	22,389	23,365
Net premium income	84,689	60,347
Wealth management services	10,475	10,462
Trading income and net income from financial instruments at FVTPL	218,476	379,656
Other fees and commissions	51,446	66,934
	721,344	802,050

Net premium income comprises premium income of $428.5 million (2022: $422.4 million) and related expenses of $340.8 million (2022: $358.5 million).

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

24. Other Expenses

	2023	2022
	$	$
Deposit insurance premium	33,580	32,787
Directors' fees	3,849	3,634
Other operating expenses	237,782	212,952
	275,211	249,373

25. Taxation

	2023	2022
	$	$

25.1 Taxation charge

Current tax	336,238	373,661
Deferred tax: Origination and reversal of temporary differences	1,4 29	(14,762)
Green Fund levy	6,115	7,911
	343,782	366,810

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:

	2023		2022	
	$	%	$	%
Profit before taxation	1,021,773	100	1,050,559	100
Computed tax calculated at the statutory rate of 35% (2022: 35%)	357,621	35	367,696	35
Tax effect of items that are adjusted in determining taxable profit:				
- Effect of different tax rate of life insurance company	(27,107)	(3)	(19,340)	(2)
- Effect of different tax rate of asset management company	(762)	-	(562)	-
- Tax effect of non-deductible costs and non-taxable income	9,320	1	9,357	1
- Green Fund levy	6,115	1	7,911	1
- Change in estimates related to prior years	(1,405)	-	1,748	-
Taxation charge and effective tax rate	343,782	34	366,810	35

25. Taxation (continued)

25.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	$	$	$
2023			
Fair value re-measurement of debt instruments at FVOCI	66,334	(21,070)	45,264
Remeasurement of post-employment benefits obligations/ assets	(32,911)	11,519	(21,392)
	33,423	(9,551)	23,872
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)

26. Earnings Per Share

The calculation of basic earnings per share is based on:

- Net income for the year attributable to ordinary shareholders of $678 million (2022: $683.7 million).

- Weighted average number of ordinary shares issued and outstanding during the year which was 176,343,750 shares (2022: 176,343,750 shares).

27. Leases

The Group leases a number of branches, ATMs and office premises. The length of the leases vary but 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, ATMs and office premises that are presented within property and equipment.

	2023	2022
	$	$
Balance at beginning of year	110,024	109,470
Depreciation charge for the year	(14,917)	(13,941)
Additions	13,591	14,495
Balance at end of year	108,698	110,024

Maturity analysis- contractual undiscounted cash flows

At October 31, 2023, lease payments under non-cancellable operating leases were payable as follows:

	2023	2022
	$	$
Gross finance lease liabilities:		
Less than one year	18,825	14,485
Between one and five years	83,932	65,230
Over 5 years	41,151	63,651
Total undiscounted lease payments	143,908	143,366
Future interest	(26,320)	(25,698)
Present value of minimum lease payments	117,588	117,668

	2023	2022
	$	$
Amounts recognized in profit or loss		
Interest on lease liabilities	5,610	5,921
Expenses relating to leases of low-value assets	498	478
Amounts recognised in statement of cash flows		
Balance at start of the year	117,668	117,668
Changes from financing cash flows	(19,281)	(17,785)
Interest expense	5,610	5,921
New lease	13,591	14,495
	117,588	117,668

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, 2023, 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
(b) Market risk
(c) Liquidity risk
(d) Capital management
(e) Operational risk
(f) Insurance risk

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 an 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.

29. Financial Risk Management (continued)

Risk management framework (continued)

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.

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.

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.

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

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).

(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.

The mortgage loan portfolio of the Group represents 72% (2022:73%) of the Group's total loans and a large portion of the Group's lending portfolio is comprised of residential mortgages, which are well diversified by borrower. As at October 31, 2023, these loans accounted for $7.8 billion or 43% of the Group's total loans and acceptances outstanding (2022: $7.5 billion or 43%). The estimated value of the collateral with enforceable legal right pursuant to this residential mortgage is $9.3 billion (2022: $8.8 billion).

(ii) Exposure to credit risk

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

	2023	2022
	$	$
Credit risk recognized on the consolidated statement of financial position		
Cash and cash equivalents	187,028	138,221
Loans and advances to banks and related companies	1,090,429	652,582
Treasury bills	1,869,820	2,933,707
Deposits with Central Bank	3,193,913	2,369,244
Loans to customers	18,604,223	17,308,959
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	3,890,056	3,792,349
- Debt instruments measured at amortised cost	21,998	21,998
- Interest receivable on investment securities	39,355	39,585
	28,896,822	27,256,645

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(ii) Exposure to credit risk (continued)

	2023 $	2022 $
Credit risk not recognized on the consolidated statement of financial position		
Acceptances, guarantees and letters of credit	841,134	790,084
Undrawn credit commitments	3,337,539	3,090,733
	4,178,673	3,880,817
Total credit risk exposure	33,075,495	31,137,462

(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).

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Balance at beginning of the year	64,934	145,203	84,515	294,652
Remeasurement	(92,517)	79,622	129,013	116,118
Newly originated or purchased	69,932	(179)	-	69,753
Derecognition and maturities	(19,481)	(34,562)	-	(54,043)
Transfers to (from):				
- Stage 1	92,779	(85,785)	(6,994)	-
- Stage 2	(37,125)	68,990	(31,865)	-
- Stage 3	(431)	(33,346)	33,777	-
Gross write offs	-	-	(130,287)	(130,287)
Balance at end of year	78,091	139,943	78,159	296,193

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial loans				
Balance at beginning of the year	159	4,517	12,031	16,707
Remeasurement	2,494	39	13,757	16,290
Newly originated or purchased	16,256	-	-	16,256
Derecognition and maturities	(11,734)	(808)	-	(12,542)
Transfers to (from):				
- Stage 1	(998)	998	-	-
- Stage 2	1,517	(1,517)	-	-
Gross write offs	-	-	(13,501)	(13,501)
Balance at end of the year	7,694	3,229	12,287	23,210

	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	155,458	163,644
Newly originated or purchased	29,612	-	-	29,612
Derecognition and maturities	(5,607)	(15,183)	-	(20,790)
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)
Balance at end of year	64,934	145,203	84,515	294,652

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

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

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Commercial loans				
Balance at beginning of the year	5,867	3,642	27,611	37,120
Remeasurement	(4,408)	1,220	1,174	(2,014)
Newly originated or purchased	9,784	-	-	9,784
Derecognition and maturities	(11,420)	(9)	-	(11,429)
Transfers to (from):				
- Stage 1	(441)	441	-	-
- Stage 2	777	(777)	-	-
Gross write offs	-	-	(16,773)	(16,773)
Balance at end of the year	159	4,517	12,031	16,707

(iv) Analysis of credit quality

Loans to customers

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Very low	74,425	-	-	74,425
Low	8,223,505	17,415	-	8,240,920
Medium	2,506,589	10,096	-	2,516,685
High	963,184	555,386	-	1,518,570
Very high	121	441,093	-	441,214
Loans not graded	436,499	49,248	-	485,747
Default	-	-	328,955	328,955
Total	12,204,323	1,073,238	328,955	13,606,516
Allowance for credit losses	(78,091)	(139,943)	(78,159)	(296,193)
Carrying value	12,126,232	933,295	250,796	13,310,323

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iv) Analysis of credit quality

Loans to customers (continued)

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

	2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Commercial loans				
Very low	14,214	83,015	-	97,229
Low	2,995,365	131,362	-	3,126,727
Medium	1,793,492	149,018	-	1,942,510
High	-	38,447	-	38,447
Default	-	-	37,158	37,158
Total	4,803,071	401,842	37,158	5,242,071
Allowance for credit losses	(7,694)	(3,229)	(12,287)	(23,210)
Carrying value	4,795,377	398,613	24,871	5,218,861

29. Financial Risk Management (continued)

29.1 Credit risk (continued)

(iv) Analysis of credit quality (continued)

Loans to customers (continued)

	2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	$	**$**	**$**	**$**
Retail loans				
Very low	58,436	-	-	58,436
Low	8,046,778	25,792	-	8,072,570
Medium	2,694,324	24,872	-	2,719,196
High	813,002	492,349	-	1,305,351
Very high	54	420,824	-	420,878
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
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)

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%

The following tables show certain key macroeconomic variables used to calculate the modelled estimate for the allowance for credit losses. Further changes in these variables up to the date of the financial statements is incorporated through expert credit judgment. For the base case, optimistic and pessimistic scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-erm view.

Real GDP growth, y/y % change	Base Case Scenario	Alternative Scenario – Optimistic	Alternative Scenario – Pessimistic	Alternative Scenario – Very Pessimistic
2023	3.8	4.5 - 4.9	2.8 - 4.2	0.5 - 4.7
2022	4.4-4	5 - 4.9	0.5 - 5.2	-1 - 3.8

Investment securities

The credit quality of FVOCI debt instruments as well as loan commitments and financial guarantee contracts are all classified as “very low”. Total ECL provision as at October 31 2023 is $1.2 million (2022: $1.2 million) See Note 8.6 for allowance for credit losses.

Cash equivalents and loans and advances to banks

The Group held cash equivalents and loans and advances to banks and related parties of $1,090 million (2022: $652 million). 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 and the results 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**	
	2023	**2022**	**2023**	**2022**
	$	**$**	**$**	**$**
Increase of 1%	1,553	958	1,012	623
Decrease of 1%	(1,553)	(958)	(1,010)	(623)

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:

	2023			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Cash on hand an in transit	161,730	23,411	1,887	187,028
Loans and advances to banks and related companies	93,794	707,485	289,150	1,090,429
Treasury bills	1,163,621	681,252	24,947	1,869,820
Deposits with Central Bank	3,193,913	-	-	3,193,913
Loans to customers	16,868,206	1,736,017	-	18,604,223
Investment securities	2,824,860	1,263,817	-	4,088,677
Total financial assets	24,306,124	4,411,982	315,984	29,034,090
Financial Liabilities				
Deposits from customers	17,412,413	4,303,779	311,952	22,028,144
Deposits from banks and related companies	64,970	257,554	-	322,524
Lease liabilities	117,588	-	-	117,588
Policyholders' funds	1,768,411	15,362	-	1,783,773
Total financial liabilities	19,363,382	4,576,695	311,952	24,252,029
Net position	**4,942,742**	**(164,713)**	**4,032**	**4,782,061**
Undrawn credit Commitments	**3,315,588**	**21,951**	-	**3,337,539**
Financial Guarantee Contracts	**367,453**	**473,681**	-	**841,134**

29. Financial Risk Management (continued)

29.2 Market risk (continued)

29.2.1 Currency risk (continued)

Concentration of assets and liabilities by currency (continued)

	2022			
	TT	**US**	**Other**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Cash on hand an 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	2,675,577	1,262,610	5	3,938,192
Total financial assets	22,615,205	4,329,352	396,348	27,340,905
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 position	**4,433,331**	**52,142**	**4,134**	**4,489,607**
Undrawn credit Commitments	**3,086,351**	**4,422**	**-**	**3,090,773**
Financial guarantee Contracts	**289,072**	**501,012**	**-**	**790,084**

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. 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 for variable rate instruments

	100bp parallel decrease	25bp parallel decrease	25bp parallel increase	100bp parallel increase
	$	$	$	$
2023				
At October 31	26,100	6,525	(6,526)	(26,103)
Average for the period	36,341	9,085	(9,085)	(36,343)
Maximum for the period	42,414	10,603	(10,604)	(42,415)
Minimum for the period	26,100	6,525	(6,526)	(26,103)
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)

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 if floating rate or the maturity date if fixed rate:

	2023					
	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	-	-	-	-	187,028	187,028
Loans and advances to banks and related Companies	181,298	-	-	-	909,131	1,090,429
Treasury bills	-	1,869,820	-	-	-	1,869,820
Deposits with Central Bank	-	-	-	-	3,193,913	3,193,913
Net loans to customers	62,670	4,546,199	6,275,363	7,676,707	43,284	18,604,223
Investment securities	90,947	1,373,738	1,206,209	1,348,656	69,127	4,088,677
Total financial assets	334,915	7,789,757	7,481,572	9,025,363	4,402,483	29,034,090
Financial Liabilities						
Deposits from customers	13,623,107	2,538,046	118,588	-	5,748,403	22,028,144
Deposits from banks and related companies	243,094	-	-	-	79,430	322,524
Lease liabilities	-	13,455	66,796	37,337	-	117,588
Policyholders' funds	81,621	212,843	566,499	922,810	-	1,783,773
Total financial liabilities	13,947,822	2,764,344	751,883	960,147	5,827,833	24,252,029
Net Gap	(13,612,907)	5,025,413	6,729,689	8,065,216	(1,425,350)	4,782,061
Cumulative Gap	(13,612,907)	(8,587,494)	(1,857,805)	6,207,411	4,782,061	

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)

	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)

29.2.3 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 immaterial 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.

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.

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.

	2023				
	Due on demand	**Up to one year**	**Two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Financial assets					
Cash on hand and in transit	187,028	-	-	-	187,028
Loans and advances to banks and related companies	1,090,429	-	-	-	1,090,429
Treasury bills	-	1,869,820	-	-	1,869,820
Deposits with Central Bank	3,193,913	-	-	-	3,193,913
Net loans to customers	105,954	4,546,199	6,275,363	7,676,707	18,604,223
Investment securities (excluding equities)	-	1,334,383	1,206,209	1,371,462	3,912,054
Total financial assets	4,577,324	7,750,402	7,481,572	9,048,169	28,857,467
Financial Liabilities					
Deposits from customers	19,371,510	2,538,046	118,588	-	22,028,144
Deposits from banks and related companies	86,407	236,117	-	-	322,524
Lease liabilities	13,455	66,796	37,337	-	117,588
Policyholders' funds	81,621	212,843	566,499	922,810	1,783,773
Total financial liabilities	19,552,993	3,053,802	722,424	922,810	24,252,029
Net Gap	(14,975,669)	4,696,600	6,759,148	8,125,359	4,605,438
Cumulative Gap	(14,975,669)	(10,279,069)	(3,519,921)	4,605,438	

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

	2023				
	Due on demand	**Up to one year**	**Two to five years**	**Over five years**	**Total**
	$	**$**	**$**	**$**	**$**
Undrawn credit commitments	3,337,539	-	-	-	3,337,539
Financial guarantee contracts	-	837,702	2,364	1,068	841,134

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.

	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)	8,627,010	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**
	$	**$**	**$**	**$**	**$**
Undrawn credit commitments	3,090,773	-	-	-	3,090,773
Financial guarantee contracts	-	788,858	1,226	-	790,084

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.

	2023					
	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	19,374,952	2,529,272	129,283	486	22,033,993	22,028,144
Deposits from banks and related companies	322,524	-	-	-	322,524	322,524
Lease liabilities	-	18,825	69,607	55,064	143,496	117,588
Policyholders' funds	60,187	216,194	616,305	1,443,187	2,335,873	1,783,773
Total liabilities	19,757,663	2,764,291	815,195	1,498,737	24,835,886	24,252,029

	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	-	17,781	84,012	40,995	142,788	117,668
Policyholders' funds	66,958	118,252	423,906	1,869,175	2,478,291	1,746,579
Total liabilities	19,802,185	1,251,597	644,831	1,910,170	23,608,783	22,851,298

29. Financial Risk Management (continued)

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.

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 consists 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 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	**2023**	**2022**
Scotiabank Trinidad and Tobago Limited	10.0%	17.03%	17.55%
Scotiabank Investments Trinidad and Tobago Limited	10.0%	94.66%	144.6%

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 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.

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.

(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:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
Financial Assets				
Treasury bills	681,257	1,188,563	-	1,869,820
Investment securities	316,169	3,733,153	-	4,049,322
	997,426	4,921,716	-	5,919,142

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

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

	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

The fair value of level 2 instruments was determined using a pricing formula and 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.

(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**
	$	**$**	**$**	**$**	**$**
2023					
Financial Assets					
Loans to customers	-	-	17,315,546	17,315,546	18,604,223
Debt instruments measured at amortised cost	-	-	21,998	21,998	21,998
			17,337,544	17,337,544	18,626,221
Financial Liabilities					
Deposits from customers	-	-	22,015,636	22,015,636	22,015,636
Lease liabilities	-	-	117,668	117,668	117,668
Policyholders' funds	-	-	1,783,773	1,783,773	1,783,773
	-	-	23,917,077	23,917,077	23,917,077

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

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

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	17,308,959
Debt instruments measured at amortised cost	-	-	21,998	21,998	21,998
	-	-	14,657,812	14,657,812	17,330,957
Financial Liabilities					
Deposits from customers	-	-	20,891,772	20,891,772	20,891,772
Lease liabilities	-	-	117,668	117,668	117,668
Policyholders' funds	-	-	1,746,579	1,746,579	1,746,579
	-	-	22,756,019	22,756,019	22,756,019

(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 tenures 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 payable on demand.

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

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

(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. 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.

(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.

(h) Lease liabilities

The fair value is approximate to the carrying value, which is determined using 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, except for lease liabilities, which are measured using an internally determined discount rate and therefore considered level 3.

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:

	2023				
	FVTPL	**FVOCI Debt**	**FVOCI Equity**	**Amortised Cost**	**Total**
Financial Assets					
Cash and cash equivalents	-	-	-	187,028	187,028
Loans and advances to banks and related companies	-	-	-	1,090,429	1,090,429
Treasury bills	-	1,869,820	-	-	1,869,820
Deposits with Central Bank	-	-	-	3,193,913	3,193,913
Loans to customers	-	-	-	18,604,223	18,604,223
Investment securities	133,495	3,890,056	3,773	61,353	4,088,677
Total financial assets	133,495	5,759,876	3,773	23,136,946	29,034,090
Financial Liabilities					
Deposits from customers	-	-	-	22,028,144	22,028,144
Deposits from banks and related companies	-	-	-	322,524	322,524
Lease liabilities	-	-	-	117,588	117,588
Policyholders' funds	-	-	-	1,783,773	1,783,773
Total financial liabilities	-	-	-	24,252,029	24,252,029

	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

32. Related Party Balances and Transactions

Scotiabank is a subsidiary of Scotiabank Caribbean Holdings Limited, which is incorporated and domiciled in Barbados. The Bank of Nova Scotia, which is incorporated and domiciled in Canada is the ultimate parent company. The remaining stock units are widely held.

Parties are considered to be related if one party has the ability to control or exercise significant influence over, or be controlled or significantly influenced by the other party, or both parties are subject to common control or significant influence.

A number of banking transactions are entered into with related parties, including companies connected by virtue of common directorships, in the normal course of business. These include loans, deposits, investment management services and foreign currency transactions.

Related party transactions with the parent company include the payment of dividends. Related party transactions with the ultimate parent company comprise the payment of management fees, guarantee fees, centralised computing and other service fees. There were no other balances due to the ultimate parent company, outside of those balances set out in note 30.

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.

32. Related Party Balances and Transactions (continued)

	2023	2022
(i) Outstanding balances		
Loans, investments and other assets		
Directors, key management personnel and close family members	15,288	14,474
Parent company	86,030	51,275
Other related entities	106,509	356,283
	207,827	422,032
Deposits and other liabilities		
Directors, key management personnel and close family members	14,643	31,647
Other related entities	345,188	369,291
	359,831	400,938

Related party balances are unsecured, interest at market rate and due for settlement twelve months after the reporting date.

(ii) Transactions

Interest and other income		
Directors, key management personnel and close family members	413	413
Parent company	-	35
Other related entities	27,503	30,767
	27,916	31,215
Interest and expenses		
Directors, key management personnel and close family members	3,848	3,634
Parent company	65,769	54,201
Other related entities	147,943	133,170
	217,560	191,005

(iii) *Key* management compensation

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

	2023	2022
Short-term benefits and pension cost	40,016	34,849

33. Operating Segments (continued)

	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	127,848	-	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

34. Reclassifications

Deferred tax liability in respect of property and equipment, presented within liabilities for the year ended October 31, 2022 is now presented net within deferred tax asset. This resulted in a reduction of the total assets and total liabilities for the prior year, of $34,659.

The above reclassifications did not result in any change in prior year's reported profit or equity.

33. Operating Segments

The operations of the Group are concentrated within the Republic of Trinidad and Tobago. The Group's operations are managed by strategic business units which offer different financial products and services to various market segments. The management 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.
- Asset management, which includes provision of assets management services.
- Insurance services provided by the Group's Insurance subsidiary
- Other – Includes the functions of a centralised treasury unit and other centralised services.

The results of the Group's 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.

	2023				
	Retail, Corporate & Commercial Banking	**Asset Management**	**Insurance Services**	**Other**	**Total**
	$	**$**	**$**	**$**	**$**
Interest income	1,330,885	340	118,545	-	1,449,770
Interest expense	(35,701)	-	-	-	(35,701)
Net other income	433,056	19,462	66,444	-	518,962
Income from associated companies	4,180	-	-	-	4,180
Total revenue	1,732,420	19,802	184,989	-	1,937,211
Material non-cash items:					
Depreciation	32,399	-	-	-	32,399
Segment profit before taxes	854,089	15,244	152,440	-	1,021,773
Segment assets	26,930,443	44,829	2,680,757	-	29,656,029

35. 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.

The Group has made 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.