

Financial Statements of
THE BANK OF NOVA SCOTIA
- GUYANA BRANCH

October 31, 2023

Scotiabank[®]

THE BANK OF NOVA SCOTIA – GUYANA BRANCH

October 31, 2023

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Statement of Management's Responsibilities
The Bank of Nova Scotia - Guyana Branch

Management is responsible for the following:

- Preparing and fairly presenting the accompanying financial statements of The Bank of Nova Scotia – Guyana Branch (Scotiabank or the Bank), which comprise the statement of financial position as at October 31, 2023, the 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 Scotiabank 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 Scotiabank's assets, detection/prevention of fraud, and the achievement of the Scotiabank's operational efficiencies;
- Ensuring that the system of internal controls 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 judgment in the determination of estimates.

In preparing these 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 Guyana. 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 Scotiabank will not remain a going concern for the next twelve months from the date the accompanying financial statements have been authorised for issue.

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



Nafeeza Gaffoor
Country Manager

Date: January 26, 2024

INDEPENDENT AUDITORS' REPORT

To the Directors of The Bank of Nova Scotia- Guyana Branch Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Bank of Nova Scotia –Guyana Branch, which comprise the statement of financial position as at October 31, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Bank as at October 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Emphasis of Matter

Without qualifying our opinion, we draw attention to:

- (i) Note 25 (b) (ii), which explains that the Guyana Revenue Authority (GRA) has issued revised assessments for Corporation Tax liability of \$542,674,469 for the years of assessment 2011 to 2017 and new assessments for Corporation & Property Taxes for years of assessment 2018 to 2022 for \$266,156,032 an overall liability of \$808,830,501. The Bank has appealed the GRA's assessment and paid one third of the total amount being claimed, which amounted to \$269,610,167. No further provision has been recognised in these financial statements for the effect of the additional assessments, as management believes that the appeal will be successful.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Guyana, 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.

Going Concern

The Bank's financial statements have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Bank's financial statements is appropriate. Management has not identified a material uncertainty that may cast significant doubt on the Bank's ability to continue as a going concern, and accordingly none is disclosed in the financial statements. Based on our audit of the financial statements, we also have not identified such a material uncertainty. However, neither management nor the auditor can guarantee the Bank's ability to continue as a going concern.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they can reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

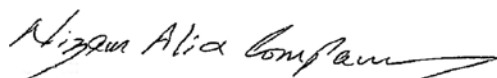
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period.

Report on Other Legal and Regulatory Requirements

The financial statements comply with the requirements of the Financial Institutions Act 1995 and the Companies Act 1991.



Chartered Accountants
Georgetown, Guyana

January 26, 2024

THE BANK OF NOVA SCOTIA – GUYANA BRANCH

Statement of Financial Position
October 31, 2023 (\$ thousands)

	Notes	2023	2022
ASSETS			
Cash on hand and in transit		1,566,510	1,422,041
Due from banks and related companies	5	31,720,799	22,058,599
Deposits with Central Bank	6	10,829,693	9,339,415
Investment securities	7	6,771,574	6,734,761
Loans to customers	8.1	51,581,434	51,191,441
Assets classified as held for sale		6,200	6,200
Property and equipment	10	1,138,420	815,373
Deferred tax asset	15.1	47,470	304,669
Other assets	11	497,678	305,584
Total assets		104,159,778	92,178,083
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from customers	12.1	85,957,384	74,860,788
Due to banks and other related companies	13	1,972,304	919,499
Taxation payable		162,878	856,228
Deferred tax liability	15.1	18,145	18,429
Other liabilities	14	2,911,240	2,336,448
Total liabilities		91,021,951	78,991,392
CAPITAL AND EQUITY			
Assigned capital		251,327	251,327
Other capital		801,700	801,700
Statutory reserve fund		251,400	251,400
Investment revaluation reserve		47,285	43,297
Retained earnings		11,786,115	11,838,967
Total capital and equity		13,137,827	13,186,691
Total Liabilities, Capital and Equity		104,159,778	92,178,083

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

These financial statements were approved for issue by the Country Manager on January 26, 2023 and signed accordingly:



Nafeeza Gaffoor
Country Manager

THE BANK OF NOVA SCOTIA – GUYANA BRANCHStatement of Profit or Loss and Other Comprehensive Income
For the year ended October 31, 2023 (\$ thousands)

	Notes	2023	2022
REVENUE			
Interest income	20	4,767,938	4,471,172
Interest expense	21	(252,591)	(231,207)
Net interest income		4,515,347	4,239,965
Other income		3,890,227	3,367,008
Fee and commission expense		(885,523)	(667,706)
Net other income	22	3,004,704	2,699,302
Total revenue		7,520,051	6,939,267
NON-INTEREST EXPENSES			
Salaries and other staff benefits		963,530	908,110
Premises and technology		850,521	804,941
Communication and marketing		137,339	91,582
Other expenses	23	1,500,085	1,219,213
Total non-interest expenses		3,451,475	3,023,846
Net impairment loss on financial assets	8.9	(96,394)	(116,372)
Profit before taxation		3,972,182	3,799,049
Income tax expense	24.1	(1,638,124)	(1,579,416)
Profit for the year		2,334,058	2,219,633
OTHER COMPREHENSIVE INCOME			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Expected credit losses on deposits with banks at FVTOCI		4,857	7,762
Expected credit losses on investment securities at FVTOCI		(443)	7,578
Fair value re-measurement of investments at FVTOCI		(710)	38,946
Related tax	24.3	284	(15,578)
Other comprehensive (loss)/income for the year, net of tax		3,988	38,708
Total comprehensive income		2,338,046	2,258,341

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

THE BANK OF NOVA SCOTIA - GUYANA BRANCH

Statement of Changes in Equity

For the year ended October 31, 2023 (\$ thousands)

	Assigned Capital	Other Capital Reserve	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total
<u>Year ended October 31, 2023</u>						
Balance as at October 31, 2022	251,327	801,700	251,400	43,297	11,838,967	13,186,691
Net Income for the period	-	-	-	-	2,334,058	2,334,058
Other Comprehensive Income, net of tax						
Revaluation of FVTOCI/AFS	-	-	-	4,431	-	4,431
Revaluation of Deposits with Bank at FVTOC	-	-	-	(443)	-	(443)
Withholding Tax	-	-	-	-	(386,910)	(386,910)
Transfer of Profits	-	-	-	-	(2,000,000)	(2,000,000)
Balance as at October 31, 2023	251,327	801,700	251,400	47,285	11,786,115	13,137,827
<u>Year ended October 31, 2022</u>						
Balance as at October 31, 2021	251,327	801,700	251,400	4,589	11,943,468	13,252,484
Net Income for the period	-	-	-	-	2,219,633	2,219,633
Other Comprehensive Income, net of tax						
Revaluation of FVTOCI/AFS	-	-	-	30,946	-	30,946
Revaluation of Deposits with Bank at FVTOC	-	-	-	7,762	-	7,762
Withholding Tax	-	-	-	-	(324,134)	(324,134)
Transfer of Profits	-	-	-	-	(2,000,000)	(2,000,000)
Balance as at October 31, 2022	251,327	801,700	251,400	43,297	11,838,967	13,186,691

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

THE BANK OF NOVA SCOTIA – GUYANA BRANCH

Statement of Cash Flows

For the year ended October 31, 2023 (\$ thousands)

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,972,182	3,799,049
Adjustments for:			
- Interest income	20	(4,767,938)	(4,471,172)
- Interest expense	21	252,591	231,207
- Depreciation and amortisation	10	152,673	165,107
- Loss on disposal of property and equipment		-	-
Changes in:			
- Right of use asset		(389,786)	(64,716)
- Deposits with Central Bank		(1,490,278)	(2,348,927)
- Loans to customers		268,554	(2,825,771)
- Allowance for credit losses		(654,107)	82,689
- Other assets		49,581	(20,628)
- Deposits from customers		11,095,012	10,716,426
- Other liabilities		574,792	(307,473)
- Due to banks and related companies		1,057,662	(128,683)
- Interest received		4,791,433	4,495,613
- Interest paid		(251,007)	(231,914)
- Taxation paid		(2,343,885)	(619,794)
Net cash from operating activities		12,317,479	8,468,013
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in investments securities		(37,966)	(5,862,876)
Proceeds from disposal of property and equipment		-	-
Purchase of property and equipment	10	(85,934)	(44,120)
Net cash (used in) from investing activities		(123,900)	(5,906,996)
CASH FLOWS FROM FINANCING ACTIVITIES			
Remittances including withholding tax		(2,386,910)	(2,324,134)
Net cash used in financing activities		(2,386,910)	(2,324,134)
Net increase in cash and cash equivalents		9,806,669	236,883
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		23,480,640	23,243,757
CASH AND CASH EQUIVALENTS, END OF YEAR		33,287,309	23,480,640
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		1,566,510	1,422,041
Due from banks and related companies	5	31,720,799	22,058,599
		33,287,309	23,480,640

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

Notes to the Financial Statements

For the year ended October 31, 2023 (\$ thousands)

1. Incorporation and Business Activities

The Bank of Nova Scotia – Guyana Branch (Scotiabank or The Bank) was registered on September 23, 1968 as a branch of The Bank of Nova Scotia, which is incorporated in Canada. During 1997, the Bank of Nova Scotia – Guyana Branch obtained a Certificate of Continuance under the Companies Act of 1991.

The Bank offers a complete range of banking and financial services and operates under the provisions of the Financial Institutions Act 1995.

On September 14, 2005 the Bank was designated an approved mortgage finance company in accordance with Section 15 of the Income Tax Act Chapter 81:01.

2. Basis of Preparation**(a) Basis of accounting**

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

(b) Basis of measurement

These 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 instruments designated at fair value through other comprehensive income.

(c) Functional and presentation currency

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

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements have been applied consistently to all periods presented in the 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.

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 the 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 recognised 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 recognised when the card transaction takes place.

Credit fees

Scotiabank Branch provides working capital financing and trade services including bankers' acceptances and letters of credit. Transaction based fees are recognised when the transaction takes place. Loan origination fees are recognised over the term of the loan unless immaterial.

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.

(c) Financial assets and financial liabilities

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

(i) Recognition

Scotiabank 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 Scotiabank 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 recognised immediately in profit or loss.

(ii) *Classification and measurement*

Scotiabank classifies its financial assets and financial liabilities into the following categories: fair value through profit or loss; fair value through other comprehensive income (FVOCI) and amortised cost. Management determines the classification of its financial assets at initial recognition. Financial assets and financial liabilities 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.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. Scotiabank'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.

Scotiabank 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, Scotiabank takes into consideration the following factors:

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

Contractual cash flow characteristics assessment

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

If Scotiabank 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).

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 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 provision for credit losses in the statement of 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 recognised immediately in profit or loss as part of other income. Subsequent to initial recognition, the changes in fair value are recognised as part of other income in profit or loss.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for Scotiabank 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 to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognised/sold are recorded in OCI and are not subsequently reclassified to the statement of profit or loss and other comprehensive income. As such, there is no specific impairment requirement. As at October 31 2021, there were no equity instruments recognised.

Financial liabilities

Scotiabank 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).

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 Scotiabank has access at the measurement date.

Scotiabank 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, Scotiabank maximises the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

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

(iii) *Derecognition*

Scotiabank derecognises a financial asset when the contractual rights to the cash flows from the financial asset have expired, 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 Scotiabank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

- (i) the consideration received (including any new asset obtained less any new liability assumed); and
- (ii) any cumulative gain or loss that had been recognised in other comprehensive income (OCI) is recognised in profit or loss.

Scotiabank 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 statement of financial position when, and only when, Scotiabank has a current legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

(d) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and in transit, deposits with banks and related companies and short-term highly liquid investments with maturities of three months or less when purchased. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily convertible to known amounts of cash on hand and is subject to insignificant risk of change in value.

(e) Impairment of financial assets

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

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

(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.

- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

(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.

(iv) *Macroeconomic factors*

In its models, Scotiabank 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*

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

The 'base case' represents the most likely outcome and is aligned with information used by Scotiabank for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Scotiabank 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, Scotiabank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SICR on retail and non-retail portfolios include macroeconomic outlook, management judgement, delinquency and monitoring. 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 Scotiabank 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, Scotiabank considers the maximum contractual period over which Scotiabank 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 Scotiabank is exposed to credit risk and how the credit losses are mitigated by management actions.

(viii) Presentation of allowance for credit losses in the Statement of Financial Position

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

(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 derecognised. Where a modification does not result in derecognition, the date of origination continues to be used to determine SIR. Where a modification results in derecognition, the new financial asset is recognised at its fair value on the modification date. The modification date is also the date of origination for this new asset.

Scotiabank 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, authorised amount, term, or type of underlying collateral. The original loan is derecognised and the new loan is recognised at its fair value. The difference between the carrying value of the derecognised asset and the fair value of the new asset is recognised in the statement of profit or loss and other comprehensive income.

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 net impairment loss on financial assets line in the statement of profit or loss and other comprehensive income.

(x) *Definition of default*

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

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

Scotiabank 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*

Scotiabank 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. The Central Bank's Supervision Guideline #5 (section 41) also mandates that "a credit exposure whether secured or unsecured, shall be written-off 36 months after being classified as loss." Actual write-off therefore adheres to whichever requirement is most stringent (i.e. Scotiabank or regulatory requirements). In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in the statement of profit or loss and other comprehensive income.

(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
Motor Vehicles	5 years
Leasehold improvements	over the term of the respective leases or if shorter, the life of the asset.

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

(g) Leases

At inception of a contract, the Bank 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 Bank uses the definition of a lease in IFRS 16.

(i) *As a lessee*

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

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

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

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured if the Bank changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured 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 Bank presents ROU assets in “Property and equipment” and lease liabilities in “Other liabilities” in the Statement of Financial Position.

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

The Bank has elected not to recognise 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 Bank recognises the lease payment associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Determining lease term

The Bank 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 Bank 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 Bank 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 probable that they do 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.

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) Employee benefits*(i) Short-term*

Employee benefits are all forms of consideration given by Scotiabank 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

Scotiabank operates a non-contributory defined benefit pension plan covering the majority of its employees. The funds of the plan are administered by the Head Office. Normal retirement age is sixty five (65) years and membership of the plan is non-contributory. This defined-benefit pension plan is closed to new employees from November 1, 2018.

In fiscal 2021, Scotiabank began operating a defined contribution pension plan in which all pension service from November 1, 2018 will be earned for Scotiabank's employees. This new plan will also be non-contributory but additional voluntary contributions will be permitted. All regular full-time employees as at November 1, 2018 will be eligible for membership in this new plan. The twelve (12) months of continuous service with the Bank criterion will still be in effect. The Bank is not exposed to any obligation, since such obligation will be met by our Head Office.

Other post-employment benefits

Scotiabank provides post-employment medical and life assurance benefits for retirees. 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.

(j) Acceptances, guarantees and letters of credit

Financial guarantees are contracts that require Scotiabank 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.

Scotiabank's commitments under acceptances, guarantees and letters of credit have been excluded from these financial statements because they do not meet the criteria for recognition. These commitments as at October 31, 2023 total \$2,516 million (2022: \$2,125 million). In the event of a call on these commitments, Scotiabank has equal and offsetting claims against its customers.

(k) Deposit liabilities

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

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

(l) Impairment of non-financial assets

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

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.

(m) Provisions

A provision is recognised, if as a result of a past event, Scotiabank 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.

(n) 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 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)

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

(p) Segment reporting

An operating segment is a distinguishable component of the Bank 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 Bank'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.

(q) Comparative information

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year.

4. Use of Judgments and Estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of Scotiabank'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 recognised prospectively.

(a) Judgments

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

Classification of financial assets

Scotiabank'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.

(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 on pages 37-38.

(i) Allowances for credit losses

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

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

(ii) Determining fair values with significant unobservable inputs

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

(iii) *Taxation*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Scotiabank recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Due from banks and related companies

Due from banks and related companies in the statement of financial position comprise the following amounts:

	2023	2022
Deposits with Central Bank other than statutory deposits	17,027,325	9,541,140
Deposits with head office and related companies	1,551,302	730,409
Deposits with other banks	4,573,372	-
Deposits with Scotiabank & Trust (Cayman) Ltd.	8,568,800	11,787,050
	31,720,799	22,058,599
Maturity of assets		
Assets with original maturity date less than 3 months	31,720,799	22,058,599

6. Deposits with the Central Bank

In accordance with the Financial Institutions Act 1995, The Bank of Nova Scotia – Guyana Branch is required to hold and maintain, as a non-interest bearing deposit with the Bank of Guyana, a cash reserve balance equivalent to 12% of total prescribed liabilities.

Additionally, in accordance with the Financial Institutions Act 1995, Section 7(2), an assigned capital has been maintained and pledged with the Bank of Guyana.

	2023	2022
Primary Reserve	10,578,366	9,088,088
Assigned Capital Pledged	251,327	251,327
	10,829,693	9,339,415

7. Investment Securities

	2023	2022
Government of Guyana	6,771,574	6,734,761
	6,771,574	6,734,761
Maturity of assets		
Assets with original maturity date over 3 months	4,575,047	4,577,497

8. Loans and advances to customers**8.1 Loans and advances**

	2023	2022
Loans and advances to customers	52,722,068	52,990,622
Allowance for impairment	(1,377,845)	(2,031,952)
Total loans net of impairment allowance	51,344,223	50,958,670
Interest receivable	237,211	232,771
Total loans to customers	51,581,434	51,191,441

8.2 Loans and advances impairment profile

	2023	2022
Principal neither past due nor impaired	44,973,414	43,394,775
Principal which is past due but not impaired	6,357,347	6,904,327
Principal which is impaired	1,391,307	2,691,520
Gross loans	52,722,068	52,990,622
Loan loss provision	(1,377,845)	(2,031,952)
Total net of provision	51,344,223	50,958,670
Interest receivable	237,211	232,771
	51,581,434	51,191,441

8.3 Loans past due but not impaired

	2023			
	Less than 30 days	30 – 60 days	61 – 89 days	Total
Loans and advances to customers				
Commercial loans	876,679	93,361	126,993	1,097,033
Retail loans	4,158,186	533,042	569,086	5,260,314
	5,034,865	626,403	696,079	6,357,347
	2022			
	Less than 30 days	30 – 60 days	61 – 89 days	Total
Loans and advances to customers				
Commercial loans	268,294	340,044	83,602	691,940
Retail loans	4,768,735	816,144	627,508	6,212,387
	5,037,029	1,156,188	711,110	6,904,327

8.4 Loans and advances to customers

	2023			
	Gross loans	Impairment allowance	Interest receivable	Carrying amount
Loans and advances to customers				
Commercial loans	19,152,664	(179,373)	136,926	19,110,217
Retail loans	33,569,404	(1,198,472)	100,285	32,471,217
	52,722,068	(1,377,845)	237,211	51,581,434

	2022			
	Gross loans	Impairment allowance	Interest receivable	Carrying amount
Loans and advances to customers				
Commercial loans	20,419,010	(219,924)	99,469	20,298,555
Retail loans	32,571,612	(1,812,028)	133,302	30,892,886
	52,990,622	(2,031,952)	232,771	51,191,441

8.5 Concentration of credit

Scotiabank monitors concentrations of credit risk by sector based on the volume of loans granted to retail and commercial customers based on their industry sector. An analysis of concentrations of credit risk from gross loans, inclusive of interest receivable, to customers is shown below.

	2023	2022
Agriculture	985,368	625,207
Mining & Quarrying	397,809	530,628
Manufacturing	1,678,297	2,923,061
Mortgages - Residential	28,964,206	27,929,331
Construction & Engineering	642,306	576,978
Services	9,060,483	10,464,506
Public Sector	-	5,069
Trade Credit Instruments	2,182,391	1,973,910
Resident Consumers	2,523,044	2,753,808
Non – Resident consumers	6,525,375	5,440,895
	52,959,279	53,223,393

8.6 Impaired loans

	2023	
	Gross impaired loans	Allowance for credit losses
Loans and advances to customers		Net
Commercial loans	280,012	(74,855)
Retail loans	1,111,295	(543,855)
	1,391,307	(618,710)

		2022	
	Gross impaired loans	Allowance for credit losses	Net
Loans and advances to customers			
Commercial loans	914,681	(98,301)	816,380
Retail loans	1,776,839	(898,852)	877,987
	2,691,520	(997,153)	1,694,367

8.7 Allowance for credit losses

	2023			
	Stage1	Stage2	Stage3	Total
Loans and advances to customers				
Commercial loans	57,219	47,299	74,855	179,373
Retail loans	160,128	494,489	543,855	1,198,472
	217,347	541,788	618,710	1,377,845

	2022			
	Stage1	Stage2	Stage3	Total
Loans and advances to customers				
Commercial loans	51,521	70,102	98,301	219,924
Retail loans	153,857	759,320	898,851	1,812,028
	205,378	829,422	997,152	2,031,952

8.8 Analysis of movement of impairment allowance

	2023	2022
Allowance, beginning of year	2,031,952	1,949,263
Additions/ deductions		
Impairment		
Charge/ (credit) for the year	539,880	443,297
Write-offs	(1,193,987)	(360,608)
Net (decrease) / increase in impairment allowance for the year	(654,107)	82,689
Allowance, end of year	1,377,845	2,031,952

8.9 Net impairment loss on financial assets

Impairment charge for the year (loans)	539,880	443,297
Impairment charge for the year (other)	8,528	19,045
Recoveries	(452,014)	(345,970)
	96,394	116,372

9. Assets classified as held for sale

A non-current asset is classified as held for sale when its carrying amount will be recovered principally through a sale transaction, the asset is available for immediate sale in its present condition and its sale is highly probable. Assets classified as held for sale are not depreciated or amortised and are carried at the lower of carrying amount and fair value less cost to sell.

10. Property and Equipment

	Land & Building	Leasehold Imp.	Furniture, Fittings & Equipment	Motor Vehicles	Work in progress	Right-of-Use Asset	Total
October 31, 2023							
Cost							
At beginning of year	643,751	293,340	1,563,676	29,682	14,149	529,162	3,073,760
Additions	3,454	-	36,590	-	45,890	389,786	475,720
Transfers/Disposal	-	(2,161)	2,161	-	-	-	-
At end of year	647,205	291,179	1,602,427	29,682	60,039	918,948	3,549,480
Accumulated Depreciation							
At beginning of year	287,953	268,259	1,434,657	29,666	-	237,852	2,258,387
Charge for the year	13,714	5,925	50,217	16	-	82,801	152,673
Transfers/Disposal	-	-	-	-	-	-	-
At end of year	301,667	274,184	1,484,874	29,682	-	320,653	2,411,060
Net book value	345,538	16,995	117,553	-	60,039	598,295	1,138,420
October 31, 2022							
Cost							
At beginning of year	643,751	283,316	1,541,193	29,682	2,536	464,446	2,964,924
Additions	-	10,024	19,947	-	14,149	64,716	108,836
Transfers/Disposal	-	-	2,536	-	(2,536)	-	-
At end of year	643,751	293,340	1,563,676	29,682	14,149	529,162	3,073,759
Accumulated Depreciation							
At beginning of year	273,616	262,989	1,374,680	29,608	-	155,387	2,096,280
Charge for the year	14,336	5,270	59,977	58	-	82,465	162,107
Transfers/Disposal	-	-	-	-	-	-	-
At end of year	287,953	268,259	1,434,657	29,666	-	237,852	2,258,387
Net book value	355,798	25,081	129,019	16	14,149	291,310	815,373

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2022: NIL).

11. Other Assets

	2023	2022
Tax recoverable	269,610	-
Accounts receivable and prepayments	100,093	142,948
Clearing items in transit	75,854	118,855
Others	52,121	43,781
	497,678	305,584

12. Deposits from customers

	2023	2022
12.1 Demand	37,139,559	28,927,104
Savings	45,824,408	43,478,758
Term	2,983,274	2,446,367
	85,947,241	74,852,229
Accrued Interest	10,143	8,559
	85,957,384	74,860,788

12.2 Concentration of deposits

Public Sector	2,421,039	2,300,221
Financial Corp. other than Commercial Banks	870,604	1,043,061
Private Sector	34,557,510	27,210,586
Individuals	35,301,174	32,605,373
Non-Residents	12,807,057	11,701,547
	85,957,384	74,860,788

13. Due to banks and related companies

Related companies	1,052,274	(4,806)
Banks	920,030	924,305
	1,972,304	919,499

14. Other liabilities

Deferred Income	42,149	32,223
Unclaimed accounts	301,647	305,740
Accrued charges and other payables	2,162,873	1,619,199
Provision for operational losses	17,287	15,234
Other	387,284	364,052
	2,911,240	2,336,448

15. Deferred taxation

15.1 The net deferred tax liabilities (asset) is attributable to the following items:

Deferred tax liability

Investment securities at FVOCI

Deferred tax asset

Property and equipment

IFRS 16 ROU Asset/Lease liability

IFRS 9 ECL

Deferred Income

Net deferred tax liability (asset)

15.2 The movement in the deferred tax amount comprised:

Balance at beginning of year

Amounts recognised in OCI

- Investment securities at FVOCI

Amounts recognised in profit or loss

- Current year's deferred tax (Note 24.1)

Balance at end of year

	2023	2022
	18,145	18,429
	18,145	18,429
	(43,483)	(48,117)
	(4,387)	(2,691)
	17,260	(240,972)
	(16,860)	(12,889)
	(47,470)	(304,669)
	(29,325)	(286,240)
	(286,240)	(265,219)
	(284)	15,578
	257,199	(36,599)
	(29,325)	(286,240)

16. Assigned capital

In accordance with the Financial Institutions Act 1995, Section 7(2), a provision has been maintained as assigned capital.

17. Other capital

The account relates to capital fund provided by Head Office in addition to assigned capital.

18. Statutory reserve

This account represents amounts transferred from net profit after taxation in accordance with the provisions of the Financial Institutions Act 1995, Section 20(1).

19. General banking risk reserve

The Bank carries out a detailed review of its loan portfolio twice yearly in accordance with the requirements of the Financial Institutions Act (FIA) 1995. The General Banking Reserve is created as an appropriation of retained earnings for the difference between the specific provision as required per Supervision Guideline # 5 and the accounting provision in line with IFRS requirements.

20. Interest Income

	2023	2022
Loans and receivables	4,230,226	4,219,710
Investment securities	73,554	45,248
Others	464,158	206,214
	4,767,938	4,471,172

21. Interest Expense

	2023	2022
Savings deposits	214,893	202,173
Term deposits	25,013	23,293
Lease interest	12,685	5,741
	252,591	231,207

22. Other Income (Net)

	2023	2022
Foreign exchange gains	1,869,148	1,580,069
Fees and commission	1,135,556	1,110,233
Others	-	9,000
	3,004,704	2,699,302

23. Other Expenses

	2023	2022
Property tax	106,596	101,988
Business licenses	3,979	3,750
Deposit insurance premium	82,998	82,607
Professional fees	53,831	38,360
Stationery	84,210	48,835
Outsourced services	673,700	599,436
Other operating expenses	494,771	344,237
	1,500,085	1,219,213

24. Taxation

	2023	2022
24.1 Taxation charge		
Current tax	1,390,287	1,637,499
Origination and reversal of temporary differences	257,199	(36,599)
Change in estimates related to prior years	(9,362)	(21,484)
	1,638,124	1,579,416

24.2 Taxation reconciliation

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of The Bank of Nova Scotia – Guyana Branch.

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

	2023		2022	
		%		%
Profit before taxation	3,972,182	100	3,799,049	100
Computed tax calculated at the statutory rate of 40% (2021: 40%)	1,588,872	40	1,519,619	40
Tax effect of items that are adjusted in determining taxable profit:				
- Tax effect of non-taxable income	(4,532)	40	(5,539)	40
- Tax effect of non-deductible costs	(163,466)	40	153,985	40
- Rental cost	(36,464)	40	(35,858)	40
- Accounting depreciation vs. capital allowances	5,877	40	5,292	40
- Change in estimates related to prior years	(9,362)	40	(21,484)	40
Current tax charge and effective tax rate	1,380,925	34.8	1,616,015	42.5
Deferred tax charge / (credit)	257,199		(36,599)	
Tax charge and effective tax rate	1,638,124	41.2	1,579,416	41.6

24.3 Amounts recognised in OCI:

	Before Tax	Tax (Expense) Benefit	Net of Tax
2023			
Fair value re-measurement of investments at FVOCI	(710)	284	(426)
2022			
Fair value re-measurement of investments at FVOCI	38,946	(15,578)	23,368

25. Commitments and Contingent Liabilities

(a) Commitments

The undiscounted commitment under the terms of various leases used primarily for banking purposes, exclusive of any related value-added tax, is:

	2023	2022
Rental due within one year	87,400	91,519
Rental due between one and five years	659,207	223,694
Rental due after five years	-	-
	746,607	315,213

(b) Contingent liabilities

(i) General

In the normal course of business, various commitments and contingent liabilities are outstanding which are not reflected in these 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 Scotiabank. Based upon legal advice, the Directors do not expect the outcome of those actions to have a material effect on Scotiabank's financial position at that date or profit or loss for the year then ended.

(ii) Additional Corporation Tax Assessment

Further to the original assessment done by the Guyana Revenue Authority (GRA) during 2018 in which they determined that the Bank owed additional Corporation Tax of \$1,122,791,107 for Years of Assessment

2011 to 2017, the GRA made a re-assessment of the aforementioned years in 2022 and reduced the claim to \$542,674,469. Assessments were also raised for the years 2018 to 2022 resulting in additional Corporation and Property Tax claims for those years of \$266,156,032 bringing the total claim for Years of Assessment 2011 to 2022 to \$808,830,501. The premise of the GRA's additional assessment is that the Bank incorrectly claimed provision for loan loss expense as a tax deductible expense citing Section 16(1) of the Income Tax Act Chapter 81:01. The Bank does not agree with the GRA's position regarding the deductibility of loan loss provision and has filed an appeal to the GRA's Board of Review which required one third payment of the amount being claimed to the tune of \$269,610,167 in accordance with Section 82 of the Income Tax Act Chapter 81:01. The amount paid has been recognized in the Financial Statements as tax recoverable under Other Assets as Management believes that there is high probability that the appeal will be successful.

26. Financial Risk Management

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

(a) **Credit risk**

- (i) Collateral held and other credit enhancements and their financial effects
- (ii) Exposure to credit risk
- (iii) Analysis of credit quality

(b) **Market risk**

- (i) Exposure to currency risks
- (ii) Exposure to interest rate risk
- (iii) Exposure to equity price risk

(c) **Liquidity risk**

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

(d) **Capital management**

(e) **Operational risk**

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

Risk management framework

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

Scotiabank's risk management policies are established to identify and analyse the risks faced by Scotiabank, 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. Scotiabank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Scotiabank Group Audit Committee is responsible for monitoring compliance with Scotiabank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by Scotiabank. The Scotiabank Group Audit Committee is assisted in these functions by the Group 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 Group Audit Committee.

26.1 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 Scotiabank. Credit risk is created in Scotiabank's direct lending operations, and in its funding, investment and trading activities where counterparties have repayment or other obligations to Scotiabank.

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.

Scotiabank'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.

Scotiabank'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 Scotiabank's 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 Scotiabank remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, Scotiabank is particularly sensitive to the risks posed to credit quality by economic exposures.

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

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

A centralised collection unit utilises 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 Scotiabank. The centralised 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.

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

Collateral

Scotiabank, as part of its credit risk management strategy, employs the practice of taking security in respect of funds advanced to its clients. Scotiabank, 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 Scotiabank as collateral. The principal collateral types are as follows:

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

Repossessed collateral

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

(ii) Exposure to credit risk

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

	2023	2022
<i>Credit risk recognised on the statement of financial position</i>		
Due from banks and related companies	31,720,799	22,058,599
Deposits with Central Bank	10,829,693	9,339,415
Loans to customers	51,581,434	51,191,441
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	6,771,574	6,734,761
	100,903,500	89,324,216
<i>Credit risk not recognised on the statement of financial position</i>		
Acceptances, guarantees and letters of credit	2,515,578	2,124,659
Total credit risk exposure	103,419,078	91,448,875

(iii) Changes to the allowance for credit losses

The following table presents the changes to the allowance for credit losses on loans:

	2023			
	Stage 1	Stage 2	Stage 3	Total
Retail loans				
Balance at beginning of the year	153,857	759,320	898,851	1,812,028
Remeasurement	(340,909)	(6,728)	63,865	(283,772)
Newly originated or purchased	138,301	-	-	138,301
Derecognition and maturities	(25,390)	(76,007)	-	(101,397)
Changes in models & methodologies	-	-	-	-
Transfers to (from):				
Stage 1	346,778	(330,955)	(15,823)	-
Stage 2	(112,147)	238,911	(126,764)	-
Stage 3	(171)	(64,954)	65,125	-
Gross write offs	-	-	(675,025)	(675,025)
Recoveries	-	-	304,557	304,557
Foreign exchange & other movements	(191)	(25,098)	29,069	3,780
Balance at end of year	160,128	494,489	543,855	1,198,472
	2023			
	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Balance at beginning of the year	51,521	70,102	98,301	219,924
Remeasurement	(1,428)	(7,082)	141,642	133,132
Newly originated or purchased	41,941	-	-	41,941
Derecognition and maturities	(37,490)	(9,192)	-	(46,682)
Changes in models & methodologies	-	-	-	-
Transfers to (from):				
Stage 1	(2,797)	2,797	-	-
Stage 2	10,153	(10,153)	-	-
Stage 3	-	-	-	-
Gross write offs	-	-	(518,962)	(518,962)
Recoveries	-	-	147,457	147,457
Foreign exchange & other movements	(4,679)	825	206,417	202,563
Balance at end of year	57,221	47,297	74,855	179,373

(iv) Analysis of Credit Quality

The following tables present the carrying value of exposures by risk rating.

	2023			
	Stage 1	Stage 2	Stage 3	Total
Retail loans				
Very low	8,127	-	-	8,127
Low	21,691,542	49,757	-	21,741,299
Medium	5,851,766	35,315	-	5,887,081
High	1,138,183	2,015,182	-	3,153,365
Very high	2,304	1,622,649	-	1,624,953
Loans not graded	108,997	34,572	-	143,569
Default	-	-	1,111,295	1,111,295
Total	28,800,919	3,757,475	1,111,295	33,669,689
Allowance for credit losses	(160,128)	(494,489)	(543,855)	(1,198,472)
Carrying value	28,640,791	3,262,986	567,440	32,471,217

	2023			
	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Investment grade	1,216,378	2,619,970	-	3,836,348
Non-Investment	13,140,693	1,905,457	-	15,046,150
Watch list	-	127,080	-	127,080
Loans not graded	-	-	-	-
Default	-	-	280,012	280,012
Total	14,357,071	4,652,507	280,012	19,289,590
Allowance for credit losses	(57,221)	(47,297)	(74,855)	(179,373)
Carrying value	14,299,850	4,605,210	205,157	19,110,217

The definitions of the internal ratings are as follows:

- Excellent - An obligor rated as “Excellent” has an excellent financial position characterised by very high equity, liquidity and debt serviceability. These obligors are only susceptible to extreme adverse changes in economic conditions or circumstances. These facilities are generally fully secured by readily realisable collateral or by a first mortgage on real estate of sufficient value to cover all amounts advanced.
- Very Good - An obligor rated as “Very Good” has a very strong financial position, characterised by high equity, liquidity and debt serviceability. These obligors have a high level of tolerance to adverse changes in economic conditions or circumstances. Facilities are generally well collateralised.
- Good - An obligor rated as “Good” has a strong financial position, characterised by adequate equity, liquidity and debt serviceability. These obligors though susceptible to adverse changes in economic conditions or circumstances are generally able to tolerate moderate levels of changes. Facilities are generally collateralised.
- Acceptable - An obligor rated as “Acceptable” has a good financial position characterised by sufficient equity, liquidity and debt serviceability. These obligors are susceptible to adverse changes in economic conditions or circumstances and can handle these changes with some level of difficulty. Facilities may or may not be secured by collateral.

26.2 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 Scotiabank to market risk. This includes, asset liability management, while also approving limits for funding and investment activities, and reviewing Scotiabank's interest rate strategies and performance against established limits.

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

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

26.2.1 Currency risk

Scotiabank 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 Scotiabank 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.

The results of the sensitivity analyses conducted as at October 31, on the possible impact on net profits before tax (PBT) and on equity, of fluctuations of the US dollar foreign exchange rate relative to the Guyana dollar are presented below.

Change in currency rate

	Effect on PBT		Effect on Equity	
	2023	2022	2023	2022
Increase of 1%	(14,999)	(29,290)	(13,562)	(22,139)
Decrease of 1%	14,999	29,290	13,562	22,139

Concentration of assets and liabilities by currency

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

	2023			
	GY	US	Others	Total
Assets				
Cash on hand and in transit	1,527,240	37,366	1,904	1,566,510
Due from banks and related companies	17,205,331	14,241,584	273,884	31,720,799
Deposit with central bank	10,827,512	2,181	-	10,829,693
Investment securities	6,771,574	-	-	6,771,574
Net loans to customers	51,440,720	140,714	-	51,581,434
Assets classified as held for sale	6,200	-	-	6,200
Property, plant and equipment	633,315	505,105	-	1,138,420
Deferred tax asset	47,470	-	-	47,470
Other assets	427,404	70,274	-	497,678
Total assets	88,886,766	14,997,224	275,788	104,159,778

Liabilities

Deposits	75,220,831	10,733,527	3,026	85,957,384
Due to banks and related companies	641,519	1,132,984	197,801	1,972,304
Other liabilities	1,271,648	1,630,849	8,743	2,911,240
Deferred tax liability	18,145	-	-	18,145
Provision for taxation	162,878	-	-	162,878

Total liabilities	77,315,021	13,497,360	209,570	91,021,951
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Net financial position

11,571,745	1,499,864	66,218	13,137,827
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	2022			
	GY	US	Others	Total
Assets				
Cash on hand and in transit	1,288,859	108,892	24,290	1,422,041
Due from banks and related companies	10,145,691	11,590,618	322,290	22,058,599
Deposit with central bank	9,337,234	2,181	-	9,339,415
Investment securities	6,734,761	-	-	6,734,761
Net loans to customers	51,028,202	163,239	-	51,191,441
Assets classified as held for sale	6,200	-	-	6,200
Property, plant and equipment	637,994	177,379	-	815,373
Deferred tax asset	304,669	-	-	304,669
Other assets	187,143	118,441	-	305,584
Total assets	79,670,753	12,160,750	346,580	92,178,083

Liabilities

Deposits	66,891,973	7,966,521	2,294	74,860,788
Due to banks and related companies	576,061	106,738	236,700	919,499
Other liabilities	1,177,950	1,158,498	-	2,336,448
Deferred tax liability	18,429	-	-	18,429
Provision for taxation	856,228	-	-	856,228

Total liabilities	69,520,641	9,231,757	238,994	78,991,392
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Net financial position	10,150,112	2,928,993	107,586	13,186,691
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26.2.2 Interest rate risk

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

Interest Sensitivity of Financial Assets and Financial Liabilities

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

	2023					Total
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	
Financial assets						
Cash on hand and in transit	-	-	-	-	1,566,510	1,566,510
Due from banks and related companies	12,273,715	-	-	-	19,447,084	31,720,799
Deposits with Central Bank	-	251,327	-	-	10,578,366	10,829,693
Investment securities	-	6,771,574	-	-	-	6,771,574
Net loans to Customers	4,306,724	4,701,075	13,108,131	28,692,907	772,597	51,581,434
Assets classified as held for sale	-	-	-	-	6,200	6,200
Deferred tax assets	-	-	-	-	47,470	47,470
Other assets	-	-	-	-	497,678	497,678
Total financial assets	16,580,439	11,723,976	13,108,131	28,692,907	32,915,905	103,021,358
Financial liabilities						
Deposits	45,844,809	2,482,777	510,200	-	37,119,598	85,957,384
Due to banks and related companies	-	-	-	-	1,972,304	1,972,304
Provision for taxation	-	-	-	-	162,878	162,878
Other liabilities	-	-	-	-	2,911,240	2,911,240
Deferred tax liability	-	-	-	-	18,145	18,145
Total financial liabilities	45,844,809	2,482,777	510,200	-	42,184,165	91,021,951
	2022					Total
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	
Financial assets						
Cash on hand and in transit	-	-	-	-	1,422,041	1,422,041
Due from banks and related companies	12,519,529	-	-	-	9,539,070	22,058,599
Deposits with Central Bank	-	251,327	-	-	9,088,088	9,339,415
Investment securities	-	6,734,761	-	-	-	6,734,761
Net loans to Customers	5,428,425	8,480,733	10,279,231	24,311,532	2,691,520	51,191,441
Assets classified as held for sale	-	-	-	-	6,200	6,200
Deferred tax assets	-	-	-	-	304,669	304,669
Other assets	-	-	-	-	305,584	305,584
Total financial assets	17,947,954	15,466,821	10,279,231	24,311,532	23,357,172	91,362,710
Financial liabilities						
Deposits	43,487,890	1,741,683	712,814	-	28,918,401	74,860,788
Due to banks and related companies	-	-	-	-	919,499	919,499
Provision for taxation	-	-	-	-	856,228	856,228
Other liabilities	-	-	-	-	2,336,448	2,336,448
Deferred tax liability	-	-	-	-	18,429	18,429
Total financial liabilities	43,487,890	1,741,683	712,814	-	33,049,005	78,991,392

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 prices for those instruments that are categorised as held-to-maturity.

Scotiabank is exposed to an insignificant amount of equity price risk.

26.3 Liquidity risk

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

Liquidity risk arises from fluctuations in cash flows. The objective of the liquidity management process is to ensure that Scotiabank honours all of its financial commitments as they fall due. Scotiabank, 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 Scotiabank's liquidity management process, policies and strategies.

To fulfill this objective, Scotiabank maintains diversified sources of funding, sets prudent limits and ensures immediate access to liquid assets. Scotiabank 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. Scotiabank'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.

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
Assets					
Cash on hand and in transit	1,566,510	-	-	-	1,566,510
Due from banks and related companies	31,720,799	-	-	-	31,720,799
Deposit with Central bank	10,578,366	251,327	-	-	10,829,693
Investment securities included	-	6,771,574	-	-	6,771,574
Other Assets	497,678	-	-	-	497,678
Net loans to customers	5,079,321	4,701,075	13,108,131	28,692,907	51,581,434
	49,442,674	11,723,976	13,108,131	28,662,907	102,967,688
Liabilities					
Taxation payable	162,878	-	-	-	162,878
Other liabilities	2,911,240	-	-	-	2,911,240
Deposits	82,964,407	2,482,777	510,200	-	85,957,384
Due to banks and related companies	1,972,304	-	-	-	1,972,304
	88,010,829	2,482,777	510,200	-	91,003,806
Net gap	(38,568,155)	9,241,199	12,597,931	28,692,907	11,963,882
Cumulative gap	(38,568,155)	(29,326,956)	(16,729,025)	11,963,882	11,963,882

	2022				
	Due on demand	Up to one year	Two to five years	Over five years	Total
Assets					
Cash on hand and in transit	1,422,041	-	-	-	1,422,041
Due from banks and related companies	22,058,599	-	-	-	22,058,599
Deposit with Central bank	9,088,088	251,327	-	-	9,339,415
Investment securities included	-	6,734,761	-	-	6,734,761
Other Assets	305,584	-	-	-	305,584
Net loans to customers	8,119,945	8,480,733	10,279,231	24,311,532	51,191,441
	40,994,257	15,466,821	10,279,231	24,311,532	91,051,841
Liabilities					
Taxation payable	856,228	-	-	-	856,228
Other liabilities	2,336,448	-	-	-	2,336,448
Deposits	72,406,291	1,741,683	712,814	-	74,860,788
Due to banks and related companies	919,499	-	-	-	919,499
	76,518,466	1,741,683	712,814	-	78,972,963
Net gap	(35,524,209)	13,725,138	9,566,417	24,311,532	12,078,878
Cumulative gap	(35,524,209)	(21,799,071)	(12,232,654)	12,078,878	12,078,878

26.4 Capital management

Scotiabank's capital management policies seek to achieve several objectives:

- Compliance with capital requirements as set by the Bank of Guyana
- Ensuring Scotiabank's ability to continue as a going concern
- Maintaining a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by Scotiabank's management. Scotiabank employs techniques derived from the guidelines developed by the Basel Committee on Banking Supervision - Basel I 1998 Capital Accord as implemented by the Bank of Guyana.

The required information is filed with the regulatory authority on a monthly basis. Scotiabank complied with all the externally imposed capital requirements to which it is subject.

Scotiabank's regulatory capital consists of the sum of the following elements:

- *Tier 1 capital.* Tier 1 capital comprises equity and retained earnings and is a measure of Scotiabank'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 and general banking risk reserves.

The following table summarizes the composition of regulatory capital and the ratios for Scotiabank as at October 31.

	2023	2022
Tier 1 capital		
Assigned capital	251,327	251,327
Statutory reserve	251,400	251,400
Other capital and reserves	12,587,815	12,640,667
Other deductions (net)	730,329	1,463,325
Total qualifying Tier 1 capital	13,820,871	14,606,719
Tier 2 capital		
General provision and banking risk reserve	-	-
Investment revaluation reserve	47,285	43,297
Total qualifying Tier 2 capital	47,285	43,297
Risk weighted assets:		
On balance sheet	49,332,386	49,152,812
Off balance sheet	503,116	424,932
Operational Risk	6,907,602	9,167,501
Market Risk	1,659,300	9,550,275
Total risk weighted assets	58,402,404	68,295,520
Total regulatory capital to risk weighted assets - Actual	23.66%	21.39%
Total regulatory capital to risk weighted assets - Minimum	8%	8%

26.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with Scotiabank'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 Scotiabank's operations.

Scotiabank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to Scotiabank'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 Internal Controls Committee. This responsibility is supported by the development of overall Scotiabank standards for the management of operational risk in the following areas:

- Appropriate segregation of duties, including the independent authorization 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 Scotiabank 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 senior management of Scotiabank.

27. Fair Value of Financial Assets and Financial Liabilities and Other Contracts

The fair value of financial instruments that are recognised on the statement of financial position and the fair value of financial instruments that are not recognised on the statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies note 3(c)(i-iv).

A. Valuation models

Scotiabank 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.

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

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

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

Scotiabank 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

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
Assets				
Investment securities	-	6,771,574	-	6,771,574
	-	6,771,574	-	6,771,574
	2022			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities	-	6,734,761	-	6,734,761
	-	6,734,761	-	6,734,761

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 categorised. 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.

	Carrying Value		Fair Value	
	2023	2022	2023	2022
Financial assets				
Cash on hand and in transit	1,566,510	1,422,041	1,566,510	1,422,041
Due from banks and related companies	31,720,799	22,058,599	31,720,799	22,058,599
Deposits with Bank of Guyana	10,829,693	9,339,415	10,829,693	9,339,415
Net loans to customers	51,581,434	51,191,441	51,581,434	51,191,441
	95,698,436	84,011,496	95,698,436	84,011,496
Financial liabilities				
Deposits	85,957,384	74,860,788	85,957,384	74,860,788
Due to banks and related Companies	1,972,304	919,499	1,972,304	919,499
	87,929,688	75,780,287	87,929,688	75,780,287

(a) Cash on hand and in transit

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

(b) Due from banks and related companies

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

(c) Deposits with Central Bank

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

(d) Loans to customers

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

(e) Deposits and due to banks and related companies

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

D. 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				
Assets				
Asset classified as held for sale	-	-	-	6,200
Cash on hand and in transit	-	-	-	1,566,510
Due from banks and related companies	-	-	-	31,720,799
Deposits with Central Bank	-	-	-	10,829,693
Investment securities	-	6,771,574	-	-
Net loans to customers	-	-	-	51,581,434
Deferred tax asset	-	-	-	47,470
Other Assets	-	-	-	497,678
Total financial assets	-	6,771,574	-	96,249,784
Liabilities				
Deposits	-	-	-	85,957,384
Due to banks and related companies	-	-	-	1,972,304
Other liabilities	-	-	-	2,911,240
Deferred tax liability	-	-	-	18,145
Provision for tax	-	-	-	162,878
Total financial liabilities	-	-	-	91,021,951
	2022			
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost
Total				
Assets				
Asset classified as held for sale	-	-	-	6,200
Cash on hand and in transit	-	-	-	1,422,041
Due from banks and related companies	-	-	-	22,058,599
Deposits with Central Bank	-	-	-	9,339,415
Investment securities	-	6,734,761	-	-
Net loans to customers	-	-	-	51,191,441
Deferred tax asset	-	-	-	304,669
Other Assets	-	-	-	305,584
Total financial assets	-	6,734,761	-	84,627,949
Liabilities				
Deposits	-	-	-	74,860,788
Due to banks and related companies	-	-	-	919,499
Other liabilities	-	-	-	2,336,448
Deferred tax liability	-	-	-	18,429
Provision for tax	-	-	-	856,228
Total financial liabilities	-	-	-	78,991,392

28. Operating segments

The operations of the Bank of Nova Scotia - Guyana Branch are concentrated within the Co-operative Republic of Guyana. The Bank's operations are managed by strategic business units which offer different financial products and services to various market segments. The management function of the various business units review internal reports at least monthly, whilst The Bank of Nova Scotia - Guyana Branch's management do so at least quarterly.

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

- Corporate, Commercial and Small Business Banking – Includes the provision of loans, deposits, trade financing and other financial services to businesses.
- Retail Banking – Includes the provision of loans, deposits and other financial services to individuals.
- Treasury – Includes the functions of a centralised treasury unit and other centralised services.

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

	2023					
	Corporate, Commercial & Small Business Banking	Retail Banking	Treasury	Total Segment	Others	Total Bank
Net interest income	1,540,828	2,449,492	525,027	4,515,347	-	4,515,347
Non-interest revenue	997,681	154,973	1,852,050	3,004,704	-	3,004,704
Net segment interest and other income	2,538,509	2,604,465	2,377,077	7,520,051	-	7,520,051
Net segment profit before taxes	1,571,124	525,567	1,875,490	3,972,182	-	3,972,182
Segment assets	19,110,217	32,471,217	50,888,575	102,470,009	1,689,769	104,159,778
Segment liabilities	49,112,270	36,845,115	1,972,304	87,929,689	3,092,262	91,021,951
	2022					
	Corporate, Commercial & Small Business Banking	Retail Banking	Treasury	Total Segment	Others	Total Bank
Net interest income	1,467,585	2,525,259	247,121	4,236,965	-	4,239,965
Non-interest revenue	516,294	446,522	1,736,486	2,699,302	-	2,699,302
Net segment interest and other income	1,983,879	2,971,781	1,983,607	6,939,267	-	6,939,267
Net segment profit before taxes	1,333,956	1,055,112	1,409,981	3,799,049	-	3,799,049
Segment assets	20,298,555	30,892,886	39,554,816	90,746,257	1,431,826	92,178,083
Segment liabilities	40,474,144	34,386,644	919,499	75,780,287	3,211,105	78,991,392

29. Related Party Balances and Transactions

A party is related to the Bank of Nova Scotia - Guyana Branch if:

- i. Directly or indirectly the party
 - controls, is controlled by, or is under common control with the Bank ;
 - has an interest in the Bank that gives it significant influence over the Bank ; or
 - has joint control over the Bank.
- ii. The party is a member of the key management personnel of the Bank of Nova Scotia - Guyana Branch.
- iii. The party is a close member of the family of any individual referred to in (i) or (ii) above.
- iv. The party is a post-employment benefit plan for the benefit of employees of the Bank of Nova Scotia - Guyana Branch, or any company that is a related party of the Bank.

A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions, except for certain loans made available to officers.

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.

Outstanding balances

	2023	2022
Loans, investments and other assets		
Directors and key management personnel	164,022	218,451
Bank of Nova Scotia and other related entities	10,120,102	12,519,529
	<u>10,284,124</u>	<u>12,737,980</u>
Deposits and other liabilities		
Directors and key management personnel	82,469	57,416
Bank of Nova Scotia and other related entities	1,052,275	(4,806)
	<u>1,134,744</u>	<u>52,610</u>
Interest and other income		
Directors and key management personnel	9,890	4,394
Bank of Nova Scotia and other related entities	359,041	203,627
	<u>368,931</u>	<u>208,021</u>
Interest and expenses		
Directors and key management personnel	605	275
Bank of Nova Scotia and other related entities	689,793	599,699
	<u>690,398</u>	<u>599,974</u>

Key management comprises individuals responsible for planning, directing and controlling the activities of the Bank of Nova Scotia – Guyana Branch

Key management compensation

	2023	2022
Short term benefits	196,888	189,475

30. Events after the Reporting Date

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