

Financial Statements of

SCOTIABANK (BAHAMAS) LIMITED

Year ended October 31, 2022

SCOTIABANK (BAHAMAS) LIMITED

Financial Statements

Year ended October 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Scotiabank (Bahamas) Limited

Opinion

We have audited the financial statements of Scotiabank (Bahamas) Limited (the "Bank"), which comprise the statement of financial position as at October 31, 2022, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 IFRS, 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 the aggregate, they could 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 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.

KPMG

February 28, 2023
Nassau, Bahamas

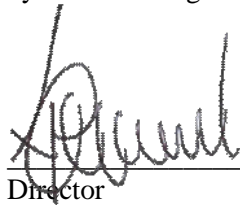
SCOTIABANK (BAHAMAS) LIMITED

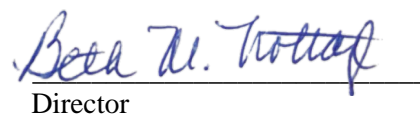
Statement of Financial Position

October 31, 2022, with corresponding figures for 2021
(Expressed in thousands of Bahamian dollars)

	2022 (\$'000s)	2021 (\$'000s)
Assets		
Cash and cash equivalents	221,138	216,838
Treasury bills and notes	126,019	90,483
Deposits with Central Bank	50,490	42,059
Due from banks	496,075	400,892
Other assets	11,890	7,981
Investment securities	150,659	138,220
Loans and advances to customers, net	1,344,023	1,326,655
Property, plant and equipment, net	37,319	35,446
Total assets	2,437,613	2,258,574
Liabilities		
Deposits	1,903,415	1,630,771
Other liabilities	148,551	254,121
Provisions	9,165	11,559
Total liabilities	2,061,131	1,896,451
Equity		
Share capital	25,000	25,000
Share premium	40,000	40,000
Fair value reserve	(2,030)	(1,994)
Retained earnings	313,512	299,117
Total equity	376,482	362,123
Total liabilities and equity	2,437,613	2,258,574

These financial statements were approved on behalf of the Board of Directors on February 28, 2023 by the following:



Director

Director

SCOTIABANK (BAHAMAS) LIMITED

Statement of Comprehensive Income

Year ended October 31, 2022 with corresponding figures for 2021
(Expressed in thousands of Bahamian dollars)

	2022 (\$'000s)	2021 (\$'000s)
Interest income	91,452	85,823
Interest expense	(4,161)	(2,091)
Net interest income	87,291	83,732
Fee and commission income	49,433	45,520
Total operating income	136,724	129,252
Provision for credit losses	8,092	17,654
Depreciation and amortization	3,502	3,727
Non-interest expenses	76,926	74,062
Total operating expenses	88,520	95,443
Net income for the year	48,204	33,809
Other comprehensive income		
Net unrealized loss from change in fair value of treasuries and investment securities (FVOCI)	(36)	(1,666)
Total comprehensive income for the year	48,168	32,143

SCOTIABANK (BAHAMAS) LIMITED

Statement of Changes in Equity

Year ended October 31, 2022, with corresponding figures for 2021
(Expressed in thousands of Bahamian dollars)

	Share capital (\$'000s)	Share premium (\$'000s)	Reserves (\$'000s)	Retained earnings (\$'000s)	Total (\$'000s)
Balance at October 31, 2020	25,000	40,000	(328)	315,935	380,607
Total comprehensive income for the year:					
Net income for the year	–	–	–	33,809	33,809
Fair value reserves:					
Net unrealized loss arising from changes in fair value of treasuries and securities	–	–	(1,666)	–	(1,666)
Total comprehensive income	–	–	(1,666)	33,809	32,143
Transactions with the owners of the Bank recognized directly in equity:					
Dividends declared	–	–	–	(50,627)	(50,627)
Balance at October 31, 2021	25,000	40,000	(1,994)	299,117	362,123
Total comprehensive income for the year:					
Net income for the year	–	–	–	48,204	48,204
Fair value reserves:					
Net unrealized loss arising from changes in fair value of treasuries and securities	–	–	(36)	–	(36)
Total comprehensive income	–	–	(36)	48,204	48,168
Transactions with the owners of the Bank recognized directly in equity:					
Dividends declared	–	–	–	(33,809)	(33,809)
Balance at October 31, 2022	25,000	40,000	(2,030)	313,512	376,482

SCOTIABANK (BAHAMAS) LIMITED

Statement of Cash Flows

Year ended October 31, 2022, with corresponding figures for 2021
(Expressed in thousands of Bahamian dollars)

	2022 (\$'000s)	2021 (\$'000s)
Cash flows from operating activities:		
Net income for the year	48,204	33,809
Adjustments for:		
Interest income	(91,452)	(85,823)
Interest expense	4,161	2,091
Loan loss impairment	8,092	17,654
Depreciation	3,502	3,727
Gain on disposal of property and equipment	(49)	(1,975)
Net cash used in operations before changes in operating assets and liabilities	(27,542)	(30,517)
Changes in operating assets and liabilities:		
Restricted balances with Central Bank	(8,431)	(2,552)
Treasury bills with original maturities greater than three months	(35,536)	(34,752)
Due from banks with original maturities greater than three months	491	(748)
Loans and advances to customers	(29,428)	(19,030)
Other assets	(3,932)	(752)
Deposits	272,644	137,670
Provisions	(2,394)	(3,476)
Other liabilities	4,209	8,270
Interest received	95,443	91,568
Interest paid	(3,380)	(1,787)
Net cash provided by operating activities	262,144	143,894
Cash flows from investing activities:		
Net payments for purchases of investment securities	(12,475)	(12,300)
Purchase of property and equipment	(3,743)	(2,764)
Proceeds from the disposal of property and equipment	60	2,858
Net cash used in investing activities	(16,158)	(12,206)
Cash flows from financing activities:		
Payment of lease liabilities	(1,518)	(1,597)
Dividends paid	(144,494)	(71,124)
Net cash used in financing activities	(146,012)	(72,721)
Net change in cash and cash equivalents	99,974	58,967
Cash and cash equivalents, beginning of year	595,557	536,590
Cash and cash equivalents, end of year	695,531	595,557
Composition:		
Cash and cash equivalents	221,138	216,838
Due from banks	474,393	378,719
Cash and cash equivalents, end of the year	695,531	595,557

SCOTIABANK (BAHAMAS) LIMITED

Notes to Financial Statements

Year ended October 31, 2022

(Expressed in thousands of Bahamian dollars)

Reporting entity

The accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows are abridged extracts from Scotiabank (Bahamas) Limited's ("the Bank's") financial statements. The auditors' report included herewith should be read in conjunction with the full set of financial statements, which can be obtained at, or requested in writing from, the Bank's Managing Director's Office, Scotia Bank (Bahamas) Limited, Rawson Square, Nassau, The Bahamas.