



Financial Statements of

**SCOTIABANK (BAHAMAS) LIMITED**

Year ended October 31, 2017

# SCOTIABANK (BAHAMAS) LIMITED

## Financial Statements

Year ended October 31, 2017

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	Page
Independent Auditors' Report	1 – 2
Statement of Financial Position	3
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Statement of Cash Flows	6
Notes to Financial Statements	7



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## INDEPENDENT AUDITORS' REPORT

To the Shareholder of Scotiabank (Bahamas) Limited

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Scotiabank (Bahamas) Limited ("the Bank"), which comprise the statement of financial position as at October 31, 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, including 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, 2017, 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 International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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.



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

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

- Identify and assess the risks of material misstatement of the 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**

Nassau, Bahamas  
February 26, 2018

# SCOTIABANK (BAHAMAS) LIMITED

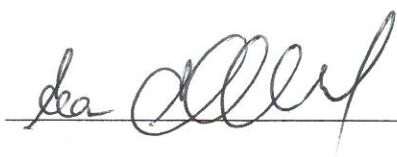
## Statement of Financial Position

October 31, 2017, with corresponding figures for 2016  
(Expressed in thousands of Bahamian dollars)

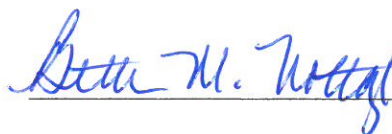
	2017 (\$'000s)	2016 (\$'000s)
<b>Assets</b>		
Cash, treasuries and balances with Central Bank	307,882	366,257
Due from banks	432,779	428,498
Other assets	20,906	20,153
Investment securities	159,413	120,144
Loans and advances to customers	1,257,856	1,219,514
Property and equipment	25,458	27,038
<b>Total Assets</b>	<b>2,204,294</b>	<b>2,181,604</b>
<b>Liabilities</b>		
Deposits	1,474,083	1,460,748
Other liabilities	62,046	60,108
<b>Total Liabilities</b>	<b>1,536,129</b>	<b>1,520,856</b>
<b>Equity</b>		
Share capital	25,000	25,000
Share premium	40,000	40,000
Revaluation Reserve	(381)	—
Retained earnings	603,546	595,748
<b>Total Equity</b>	<b>668,165</b>	<b>660,748</b>
<b>Total Liabilities and Equity</b>	<b>2,204,294</b>	<b>2,181,604</b>

See accompanying notes to financial statements.

These financial statements were approved on behalf of the Board of Directors on February 26, 2018 by the following:



Director



Director

## SCOTIABANK (BAHAMAS) LIMITED

### Statement of Comprehensive Income

Year ended October 31, 2017, with corresponding figures for 2016  
(Expressed in thousands of Bahamian dollars)

	2017 (\$'000s)	2016 (\$'000s)
Net interest income	89,239	94,259
Non-interest income	41,623	40,860
<b>Total Income</b>	<b>130,862</b>	<b>135,119</b>
Loan loss impairment	15,697	18,569
Non-interest expenses	76,591	85,774
<b>Operating Expenses</b>	<b>92,288</b>	<b>104,343</b>
Net and total comprehensive income for the year	38,574	30,776

See accompanying notes to financial statements.

## SCOTIABANK (BAHAMAS) LIMITED

### Statement of Changes in Equity

Year ended October 31, 2017, with corresponding figures for 2016  
(Expressed in thousands of Bahamian dollars)

	Share Capital (\$'000s)	Share Premium (\$'000s)	Revaluation Reserves (\$'000s)	Retained Earnings (\$'000s)	Total (\$'000s)
Balance at October 31, 2015	25,000	40,000	–	644,483	709,483
Total comprehensive income for the year:					
Net income for the year	–	–	–	30,776	30,776
Transactions with the owners of the Bank recognized directly in equity:					
Dividends	–	–	–	(79,511)	(79,511)
Balance at October 31, 2016	25,000	40,000	–	595,748	660,748
Total comprehensive income for the year:					
Net income for the year	–	–	–	38,574	38,574
Revaluation reserves:					
Net unrealized loss arising from changes in fair value of available for sale securities	–	–	(381)	–	(381)
Transactions with the owners of the Bank recognized directly in equity:					
Dividends	–	–	–	(30,776)	(30,776)
Balance at October 31, 2017	25,000	40,000	(381)	603,546	668,165

See accompanying notes to financial statements.

# SCOTIABANK (BAHAMAS) LIMITED

## Statement of Cash Flows

Year ended October 31, 2017, with corresponding figures for 2016  
(Expressed in thousands of Bahamian dollars)

	2017 (\$'000s)	2016 (\$'000s)
<b>Cash flows from operating activities:</b>		
Net income for the year	38,574	30,776
Adjustments for:		
Interest income	(93,214)	(97,850)
Interest expense	3,975	3,591
Loan loss impairment	15,697	18,569
Depreciation	2,663	2,564
Net loss from other financial instruments at fair value through profit & loss	–	121
Gain on disposal of property and equipment	(7)	(19)
Net cash used in operations before changes in operating assets and liabilities	(32,312)	(42,248)
Increase in restricted balances with Central Bank	(3,884)	(694)
Decrease in treasury bills with original maturities greater than three months	28,102	21,950
(Increase)/decrease in due from banks with original maturities greater than three months	(20,477)	78,077
Increase in loans and advances to customers	(53,545)	(22,289)
(Increase)/decrease in other assets	(976)	532
Increase in deposits	13,335	83,107
Increase in other liabilities	2,002	28,785
Interest received	92,942	96,414
Interest paid	(4,038)	(3,458)
Net cash provided by operating activities	21,149	240,176
<b>Cash flows from investing activities:</b>		
Net proceeds from (purchase)/maturity of investment securities	(39,269)	4,014
Purchase of property and equipment	(1,125)	(2,908)
Proceeds from the disposal of property and equipment	49	133
Net cash (used in)/provided by investing activities	(40,345)	1,239
<b>Cash flows from financing activities:</b>		
Dividends paid	(30,776)	(79,511)
Net cash used in financing activities	(30,776)	(79,511)
Net (decrease)/increase in cash and cash equivalents	(49,972)	161,904
Cash and cash equivalents, beginning of year	696,454	534,550
Cash and cash equivalents, end of year	646,482	696,454
<b>Composition:</b>		
Cash, treasuries and balances with Central Bank	245,470	279,246
Due from banks	401,012	417,208
Cash and cash equivalents, end of the year	646,482	696,454

See accompanying notes to financial statements.



# SCOTIABANK (BAHAMAS) LIMITED

Notes to Financial Statements

Year ended October 31, 2017

(Expressed in thousands of Bahamian dollars)

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## **1. General information**

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, Rawson Square.