



Financial Statements of

**SCOTIABANK (BAHAMAS) LIMITED**

Year ended October 31, 2019

# SCOTIABANK (BAHAMAS) LIMITED

## Financial Statements

Year ended October 31, 2019

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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, 2019, 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, 2019, 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 *Auditor's 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*

February 27, 2020

# SCOTIABANK (BAHAMAS) LIMITED

## Statement of Financial Position


October 31, 2019, with corresponding figures for 2018  
(Expressed in thousands of Bahamian dollars)

	2019 (\$'000s)	2018 (\$'000s)
<b>Assets</b>		
Cash and cash equivalents	167,376	263,677
Treasury bills and notes	95,584	65,404
Deposits with Central Bank	38,534	37,815
Due from banks	442,180	425,162
Other assets	4,629	3,119
Investment securities	87,843	77,445
Loans and advances to customers, net	1,331,378	1,302,271
Property and equipment	23,753	24,178
<b>Total Assets</b>	<b>2,191,277</b>	<b>2,199,071</b>
<b>Liabilities</b>		
Deposits	1,549,625	1,477,183
Other liabilities	213,731	42,956
<b>Total Liabilities</b>	<b>1,763,356</b>	<b>1,520,139</b>
<b>Equity</b>		
Share capital	25,000	25,000
Share premium	40,000	40,000
Revaluation reserve	(712)	(945)
Retained earnings	363,633	614,877
<b>Total Equity</b>	<b>427,921</b>	<b>678,932</b>
<b>Total Liabilities and Equity</b>	<b>2,191,277</b>	<b>2,199,071</b>

### Commitments & Contingencies

See accompanying notes to financial statements.

These financial statements were approved on behalf of the Board of Directors on February 27, 2020 by the following:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## SCOTIABANK (BAHAMAS) LIMITED

### Statement of Comprehensive Income

Year ended October 31, 2019, with corresponding figures for 2018  
(Expressed in thousands of Bahamian dollars)

	2019 (\$'000s)	2018 (\$'000s)
Interest income, calculated using effective interest method	98,073	97,773
Interest expense	5,406	5,017
Net interest income	92,667	92,756
Fee and commission income	46,470	47,027
<b>Total operating income</b>	<b>139,137</b>	<b>139,783</b>
Loan loss impairment	14,185	10,937
Non-interest expenses	89,127	78,941
<b>Operating Expenses</b>	<b>103,312</b>	<b>89,878</b>
Net income for the year	35,825	49,905
<b>Other comprehensive income/(loss)</b>		
Net unrealized gain/(loss) from change in fair value of treasuries (FVOCI)	233	(564)
<b>Total comprehensive income for the year</b>	<b>36,058</b>	<b>49,341</b>

See accompanying notes to financial statements.

# SCOTIABANK (BAHAMAS) LIMITED

## Statement of Changes in Equity

Year ended October 31, 2019, with corresponding figures for 2018  
(Expressed in thousands of Bahamian dollars)

	Share Capital (\$'000s)	Share Premium (\$'000s)	Revaluation Reserve (\$'000s)	Retained Earnings (\$'000s)	Total (\$'000s)
Balance at October 31, 2017	25,000	40,000	(381)	603,546	668,165
Total comprehensive income for the year:					
Net income for the year	–	–	–	49,905	49,905
Revaluation reserves:					
Net unrealized loss arising from changes in fair value of available for sale securities	–	–	(564)	–	(564)
Total comprehensive income	–	–	(564)	49,905	49,341
Transactions with the owners of the Bank recognized directly in equity:					
Dividends	–	–	–	(38,574)	(38,574)
Balance at October 31, 2018	25,000	40,000	(945)	614,877	678,932
Transition impact of IFRS 9	–	–	–	(12,164)	(12,164)
Balance at November 1, 2018	25,000	40,000	(945)	602,713	666,768
Total comprehensive income for the year:					
Net income for the year	–	–	–	35,825	35,825
Revaluation reserves:					
Net unrealized gain arising from changes in fair value of treasuries and securities	–	–	233	–	233
Total comprehensive income	–	–	233	38,825	36,058
Transactions with the owners of the Bank recognized directly in equity:					
Dividends	–	–	–	(274,905)	(274,905)
Balance at October 31, 2019	25,000	40,000	(712)	363,633	427,921

See accompanying notes to financial statements.

# SCOTIABANK (BAHAMAS) LIMITED

## Statement of Cash Flows

Year ended October 31, 2019, with corresponding figures for 2018  
(Expressed in thousands of Bahamian dollars)

	2019 (\$'000s)	2018 (\$'000s)
<b>Cash flows from operating activities:</b>		
Net income for the year	35,825	49,905
Adjustments for:		
Interest income	(98,073)	(97,773)
Interest expense	5,406	5,017
Loan loss impairment	14,185	10,937
Depreciation	2,389	2,527
Impairment loss on property and equipment	1,011	-
Loss on early sale of treasury bills and notes	97	-
Gain on disposal of property and equipment	-	(254)
Net cash used in operations before changes in operating assets and liabilities	(39,160)	(29,641)
Increase in restricted balances with Central Bank	(719)	(970)
Increase in treasury bills with original maturities greater than three months	(30,277)	(40,401)
(Increase)/decrease in due from banks with original maturities greater than three months	(83,847)	13,570
Increase in loans and advances to customers	(55,089)	(54,358)
Increase in other assets	(1,510)	(409)
Increase in deposits	72,442	3,100
Increase in other liabilities	11,886	7,299
Interest received	97,706	96,831
Interest paid	(5,405)	(5,145)
Net cash used in operating activities	(33,973)	(10,124)
<b>Cash flows from investing activities:</b>		
Net (payments)/payments from maturity/(purchase) of investment securities	(10,165)	81,968
Purchase of property and equipment	(2,978)	(1,617)
Proceeds from the disposal of property and equipment	2	624
Net cash (used in)/ provided by investing activities	(13,141)	80,975
<b>Cash flows from financing activities:</b>		
Dividends paid	(116,016)	(38,574)
Net cash used in financing activities	(116,016)	(38,574)
Net (decrease)/increase in cash and cash equivalents	(163,130)	32,277
Cash and cash equivalents, beginning of year	670,642	638,365
Cash and cash equivalents, end of year	507,512	670,642
<b>Composition:</b>		
Cash and cash equivalents	167,376	263,677
Due from banks	340,136	406,965
Cash and cash equivalents, end of the year	507,512	670,642

See accompanying notes to financial statements.



# SCOTIABANK (BAHAMAS) LIMITED

Notes to Financial Statements

Year ended October 31, 2019

(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.