



Financial Statements of

SCOTIABANK (BAHAMAS) LIMITED

Year ended October 31, 2020

SCOTIABANK (BAHAMAS) LIMITED

Financial Statements

Year ended October 31, 2020

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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, 2020, 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, 2020, 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 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.

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.

A stylized, handwritten-style logo of the letters 'KPMG' in black ink.

February 25, 2021

SCOTIABANK (BAHAMAS) LIMITED

Statement of Financial Position


October 31, 2020, with corresponding figures for 2019
(Expressed in thousands of Bahamian dollars)

	2020 ¹ (\$'000s)	2019 (\$'000s)
Assets		
Cash and cash equivalents	170,219	167,376
Treasury bills and notes	55,731	95,584
Deposits with Central Bank	39,507	38,534
Due from banks	387,796	442,180
Other assets	6,968	4,629
Investment securities	127,586	87,843
Loans and advances to customers, net	1,331,285	1,331,378
Property and equipment ⁽¹⁾	37,292	23,753
Total Assets	2,156,384	2,191,277
Liabilities		
Deposits	1,493,101	1,549,625
Other liabilities	282,676	213,731
Total Liabilities	1,775,777	1,763,356
Equity		
Share capital	25,000	25,000
Share premium	40,000	40,000
Revaluation reserve	(328)	(712)
Retained earnings	315,935	363,633
Total Equity	380,607	427,921
Total Liabilities and Equity	2,156,384	2,191,277

(1)The amounts for the year ended October 31, 2020 have been prepared in accordance with IFRS 16; prior period amounts have not been restated

See accompanying notes to financial statements.

These financial statements were approved on behalf of the Board of Directors on February 25, 2021 by the following:



Director



Director

SCOTIABANK (BAHAMAS) LIMITED

Statement of Comprehensive Income

Year ended October 31, 2020 with corresponding figures for 2019

(Expressed in thousands of Bahamian dollars)

	2020 (\$'000s)	2019 (\$'000s)
Interest income, calculated using effective interest method	90,324	98,073
Interest expense	3,359	5,406
Net interest income	86,965	92,667
Fee and commission income	37,129	46,470
Total operating income	124,094	139,137
Loan loss impairment	25,281	14,185
Non-interest expenses	85,686	89,127
Operating expenses	110,967	103,312
Net income for the year	13,127	35,825
Other comprehensive income		
Net unrealized gain from change in fair value of treasury bills and notes, and securities (FVOCI)	384	233
Total comprehensive income for the year	13,511	36,058

See accompanying notes to financial statements.

SCOTIABANK (BAHAMAS) LIMITED

Statement of Changes in Equity

Year ended October 31, 2020, with corresponding figures for 2019
(Expressed in thousands of Bahamian dollars)

	Share Capital (\$'000s)	Share Premium (\$'000s)	Revaluation Reserve (\$'000s)	Retained Earnings (\$'000s)	Total (\$'000s)
Balance at October 31, 2018	25,000	40,000	(945)	614,877	678,932
Transition impact of IFRS 9	–	–	–	(12,164)	(12,164)
Balance as 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 loss arising from changes in fair value of available for sale securities	–	–	233	–	233
Total comprehensive income	–	–	233	35,825	36,058
Transactions with the owners of the Bank recognized directly in equity:					
Dividends paid	–	–	–	(274,905)	(274,905)
Balance at October 31, 2019	25,000	40,000	(712)	363,633	427,921
Total comprehensive income for the year:					
Net income for the year	–	–	–	13,127	13,127
Revaluation reserves:					
Net unrealized gain arising from changes in fair value of treasury bills and notes and securities	–	–	384	–	384
Total comprehensive income	–	–	384	13,127	13,511
Transactions with the owners of the Bank recognized directly in equity:					
Dividends paid	–	–	–	(60,825)	(60,825)
Balance at October 31, 2020	25,000	40,000	(328)	315,935	380,607

See accompanying notes to financial statements.

SCOTIABANK (BAHAMAS) LIMITED

Statement of Cash Flows

Year ended October 31, 2020, with corresponding figures for 2019
(Expressed in thousands of Bahamian dollars)

	2020 (\$'000s)	2019 (\$'000s)
Cash flows from operating activities:		
Net income for the year	13,127	35,825
Adjustments for:		
Interest income	(90,324)	(98,073)
Interest expense	3,359	5,406
Loan loss impairment	25,281	14,185
Depreciation	3,592	2,389
Impairment loss on property and equipment	–	1,011
Loss on early sale of treasury bills and notes	–	97
Loss on disposal of property and equipment	176	–
Net cash used in operations before changes in operating assets and liabilities	(44,789)	(39,160)
Changes in operating assets and liabilities:		
Restricted balances with Central Bank	(973)	(719)
Treasury bills with original maturities greater than three months	39,853	(30,277)
Due from banks with original maturities greater than three months	80,619	(83,847)
Loans and advances to customers	(16,873)	(55,089)
Other assets	(13,828)	(1,510)
Deposits	(56,524)	72,442
Other liabilities	25,648	11,886
Interest received	81,634	97,706
Interest paid	(3,553)	(5,405)
Net cash provided by/(used in) operating activities	91,214	(33,973)
Cash flows from investing activities:		
Net proceeds (payments) from maturity/(purchase) of investment securities	(39,359)	(10,165)
Purchase of property and equipment	(3,927)	(2,978)
Proceeds from the disposal of property and equipment	5	2
Net cash used in investing activities	(43,281)	(13,141)
Cash flows from financing activities:		
Payment of lease liabilities	(1,633)	–
Dividends paid	(17,222)	(116,016)
Net cash used in financing activities	(18,855)	(116,016)
Net change in cash and cash equivalents	29,078	(163,130)
Cash and cash equivalents, beginning of year	507,512	670,642
Cash and cash equivalents, end of year	536,590	507,512
Composition:		
Cash and cash equivalents	170,219	167,376
Due from banks	366,371	340,136
Cash and cash equivalents, end of the year	536,590	507,512

See accompanying notes to financial statements.

SCOTIABANK (BAHAMAS) LIMITED

Notes to Financial Statements

Year ended October 31, 2020,
(Expressed in thousands of Bahamian dollars)

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.