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INDEPENDENT AUDITORS' REPORT

To the Shareholder
Scotiabank (Turks and Caicos) Ltd.:

Report on the financial statements

We have audited the accompanying financial statements of Scotiabank (Turks and Caicos) Ltd. (the Bank), which comprise the statement of financial position at October 31, 2011, the statements of operations, comprehensive income, shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank at October 31, 2011, and its financial performance and cash flows for the year then ended in accordance with IFRS.

Intended use of report

This report is intended solely for the information and use of the board of directors and shareholder of the Bank and the Financial Services Commission of the Turks and Caicos Islands and should not be used by anyone other than these specified parties.

KPMG Ltd.

Chartered Accountants

Providenciales, Turks and Caicos Islands

January 27, 2012

SCOTIABANK (TURKS AND CAICOS) LTD.

Statement of Financial Position

At October 31, 2011

with comparative figures at October 31, 2010

		2011	2010
Assets			
Cash and cash equivalents (note 6)	US\$	9,576,212	11,519,589
Short-term investments (note 7)		30,573	20,902,181
Other investments (note 8)		138,864	119,001
Loans to customers, net (notes 9 and 10)		411,573,443	390,157,605
Other assets (note 11)		1,746,476	2,424,412
Property and equipment, net (note 12)		4,948,650	5,000,321
	US\$	428,014,218	430,123,109

Liabilities and Shareholder's Equity

Liabilities

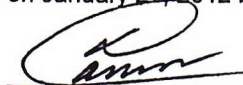
Deposits from banks (note 13)	US\$	12,230,457	889,810
Deposits from customers (note 14)		221,581,954	186,151,708
Loans from related party (note 15)		113,552,801	172,218,391
Other liabilities (note 16)		5,472,579	6,185,307
		352,837,791	365,445,216


Shareholder's equity

Share capital (note 17)		6,130,000	6,130,000
Reserves (note 18)		7,179,040	7,159,177
Retained earnings		61,867,387	51,388,716
		75,176,427	64,677,893
	US\$	428,014,218	430,123,109

See accompanying notes to financial statements.

These financial statements
were approved on behalf of the Board of Directors
on January 27, 2012 by the following:


Director


Managing Director

SCOTIABANK (TURKS AND CAICOS) LTD.

Statement of Operations

Year ended October 31, 2011

with comparative figures for year ended October 31, 2010

		2011	2010
Income			
Net interest income			
Interest income	US\$	24,410,787	24,693,450
Interest expense		(5,396,687)	(7,223,144)
		<u>19,014,100</u>	<u>17,470,306</u>
Other income			
Fee and commission income (note 19)		9,516,589	7,864,176
Other income (note 20)		–	950,000
Investment income (note 8)		–	188,740
Net interest and other income		<u>28,530,689</u>	<u>26,473,222</u>
Expenses			
Salaries and benefits		(5,627,938)	(5,513,281)
Other operating expenses (note 21)		(5,259,980)	(4,886,986)
Property expenses		(1,992,344)	(2,173,484)
Allowances for impairment (note 10)		(3,555,282)	(1,798,472)
Communication and marketing		(995,718)	(1,127,401)
Depreciation (note 12)		(620,756)	(592,343)
		<u>(18,052,018)</u>	<u>(16,091,967)</u>
Net profit for year	US\$	<u>10,478,671</u>	<u>10,381,255</u>

See accompanying notes to financial statements.