

Scotiabank Trinidad And Tobago Limited

Financial results for the period ended 31 October 2020

Scotiabank™

To Our Shareholders

Scotiabank Trinidad and Tobago Limited (The Group) has realized income after taxation of \$521 million for the year ended 31 October 2020, a decrease of \$147 million or 22% over the prior year. The Group's quarter and year to date performance has been impacted by over 7 months of reduced economic activity resulting in lower revenues. Additionally, our expected credit losses have increased by over \$86 million over the prior year as we prudently position the Group for potential future expected credit losses that could arise due to the impact of COVID-19 on the Trinidad and Tobago economy. Over the last three quarters, the Group's revenue has declined by 8% as compared to the first quarter's revenue as loan growth and fee income sources have been impacted by reduced consumer demand, lower activity levels and lower investment on the part of several business segments. In response to the lower revenues, the Group has focused on controlling its non-interest expense resulting in a decline of 7% between the first quarter and the average quarterly non-interest expense base for the final three quarters of 2020.

The Group's asset base increased year over year by \$2.1 billion to \$28 billion as at October 31, 2020, with our loan portfolio increasing by approximately \$200 million to stand at \$16.3 billion. Deposits from customers increased by \$1.8 billion or 10% year over year signalling continued confidence in the strength of the Group. Our Insurance segment also saw increased policy sales resulting in a \$100 million increase in policyholder liabilities over the prior year. Despite the significant increase in expected credit losses and lower profitability, the Group's capital adequacy remains very strong and stands at approximately 20% at the end of October. This allows the Group to continue to invest and withstand shocks that may arise in these uncertain economic times.

Based on these results, the Directors have approved a final dividend per share of 85 cents bringing the total dividend to 225 cents per share for the 2020 financial year (2019 – 300 cents). These dividends will be payable on 11 January 2021 to shareholders on record as at 21 December 2020.

During the year, Scotiabank Trinidad and Tobago Ltd made good progress on many important strategic initiatives aimed at advancing our digital footprint and supporting and deepening relationships with our customers. Our digital agenda has been accelerated due to the current health crisis. We have continuously provided upgrades and enhancements across all our digital channels to allow customers more options to bank remotely and minimize their potential exposure to the virus.

The Board of Directors and Management would like to thank Mr. Brendan King for his several years of service to the Bank of Nova Scotia as well as his tenure during the last 5 years in his role as Chairman of our Group. Brendan provided unique insights and valuable assistance to our organization and we wish him all the best in his future endeavours. The Board would also like to welcome our newest directors, Ms. Anya Schnoor, Executive Vice President, Caribbean Central America & Uruguay region of the Bank of Nova Scotia and Mr. John Hadad, Co-Founder and Co-Chief Executive Officer of the Hadco Group. Both Anya and John have considerable experience and expertise and we look forward to their contributions to our Board.

The Board of Directors and Management would also like to thank our dedicated, hardworking team of Scotiabankers for their unwavering dedication over the past several months. We would also like to thank our customers for their understanding as we made a number of necessary changes to keep them and our employees safe. Finally, thank you to our shareholders for their continued confidence in us as we execute on our strategic agenda to build a bank for every future.

8 December, 2020



Derek Hudson
Chairman



Stephen Bagnarol
Managing Director

Consolidated statement of financial position (stated in \$'000)

	UNAUDITED As at 31 October 2020	AUDITED As at 31 October 2019
ASSETS		
Cash on hand and in transit	\$ 150,566	\$ 198,721
Loans and advances to banks and related companies	437,537	432,831
Treasury bills	3,455,229	3,559,184
Deposits with Central Bank	4,357,607	3,271,132
Loans to customers	16,274,409	16,095,492
Investment securities	2,140,181	1,433,122
Investment in associated companies	38,243	34,920
Deferred tax assets	143,108	83,116
Property and equipment	398,499	254,385
Miscellaneous assets	87,639	18,887
Defined benefit pension fund asset	12,793	24,277
Taxation recoverable	4,916	4,436
Goodwill	2,951	2,951
TOTAL ASSETS	27,503,678	\$ 25,413,454
LIABILITIES AND EQUITY		
LIABILITIES		
Deposits from customers	20,868,861	19,041,461
Deposits from banks and related companies	45,767	87,375
Other liabilities	574,996	393,186
Taxation payable	77,207	64,480
Policyholders' funds	1,558,656	1,460,778
Post-employment medical and life benefits obligation	154,260	145,618
Deferred tax liabilities	52,306	38,448
TOTAL LIABILITIES	23,332,053	21,231,346
EQUITY		
Stated capital	267,563	267,563
Statutory reserve fund	804,514	734,012
Investment revaluation reserve	11,000	28,211
Retained earnings	3,088,548	3,152,322
TOTAL EQUITY	4,171,625	4,182,108
TOTAL LIABILITIES AND EQUITY	\$ 27,503,678	\$ 25,413,454

Consolidated statement of income (stated in \$'000)

	UNAUDITED Three months ended 31 October 2020	UNAUDITED Three months ended 31 October 2019	UNAUDITED Year ended 31 October 2020	AUDITED Year ended 31 October 2019
REVENUE				
Net Interest Income	\$ 324,675	\$ 334,778	\$ 1,313,052	\$ 1,326,018
Other Income	108,673	121,193	465,070	534,704
Total Revenue	433,348	455,971	1,778,122	1,860,722
EXPENSES				
Non-Interest Expenses	175,431	204,079	757,343	767,125
Net impairment loss on financial assets	19,693	36,498	229,917	144,346
INCOME BEFORE TAXATION	238,224	215,394	790,862	949,251
Income tax expense	83,560	70,663	270,060	280,923
INCOME AFTER TAXATION	\$ 154,664	\$ 144,731	\$ 520,802	\$ 668,328
Dividends per share	85.0c	50.0c	225.0c	300.0c
Earnings per share	87.7c	82.1c	295.3c	379.0c

Consolidated statement of total comprehensive income (stated in \$'000)

	UNAUDITED Three months ended 31 October 2020	UNAUDITED Three months ended 31 October 2019	UNAUDITED Year ended 31 October 2020	AUDITED Year ended 31 October 2019
NET INCOME FOR THE YEAR	\$ 154,664	\$ 144,731	\$ 520,802	\$ 668,328
OTHER COMPREHENSIVE INCOME				
Remeasurement of post-employment benefits asset/obligation, net of tax	27,953	4,178	(2,677)	17,463
Fair value remeasurement of debt instruments at FVOCI, net of tax	(12,969)	6,225	(17,211)	12,249
TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO EQUITY HOLDERS	\$ 169,648	\$ 155,134	\$ 500,914	\$ 698,040

Consolidated statement of cash flows (stated in \$'000)

	UNAUDITED Year ended 31 October 2020	AUDITED Year ended 31 October 2019
Cash flows from operating activities		
Net income after taxes	\$ 520,802	\$ 668,328
Change in loans to customers	(183,199)	(1,652,724)
Change in deposits from customers	1,833,453	1,753,583
Taxation paid	(301,511)	(315,464)
Other adjustments to reconcile income after taxation to net cash from operating activities	585,478	525,152
Net cash from operating activities	\$ 2,455,023	\$ 978,875
Cash flows used in investing activities		
Change in Treasury Bills with original maturity date due over 3 months	\$ 103,955	\$ (4,650)
Change in investments	(729,314)	(75,807)
Purchase of property and equipment	(28,737)	(24,275)
Proceeds from disposal of property, plant & equipment	14,000	17,000
Net cash used in investing activities	\$ (640,096)	\$ (87,732)
Cash flows used in financing activities		
Payment of lease liabilities	(21,259)	-
Dividends paid	(511,397)	(529,031)
Net cash used in financing activities	\$ (532,656)	\$ (529,031)
Increase in cash and cash equivalents	\$ 1,282,271	\$ 362,112
Cash and cash equivalents, beginning of period	1,292,412	930,300
Cash and cash equivalents, end of period	\$ 2,574,683	\$ 1,292,412
Cash and cash equivalents		
Cash on hand and in transit	\$ 150,566	\$ 198,721
Loans and advances to banks and related companies	437,537	432,831
Surplus deposits with Central Bank	1,986,580	660,860
Cash and cash equivalents	\$ 2,574,683	\$ 1,292,412

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Consolidated statement of changes in equity (stated in \$'000)

	Stated Capital	Statutory Reserve	Investment Revaluation Reserve	Retained Earnings	Total Shareholders' Equity
UNAUDITED					
Year ended 31 October 2020					
Balance as at 31 October 2019	267,563	734,012	28,211	3,152,322	4,182,108
Net income for the year	-	-	-	520,802	520,802
Other comprehensive income, net of tax					
- Fair value remeasurement of FVOCI investments	-	-	(17,211)	-	(17,211)
- Remeasurement of post-employment benefits asset/obligation	-	-	-	(2,677)	(2,677)
Total comprehensive income	\$ -	-	(17,211)	518,125	500,914
Transactions with equity owners of Scotiabank					
Transfer to statutory reserve	-	70,502	-	(70,502)	-
Dividends paid	-	-	-	(511,397)	(511,397)
	-	70,502	-	(581,899)	(511,397)
Balance as at 31 October 2020	\$ 267,563	804,514	11,000	3,088,548	4,171,625
AUDITED					
Year ended 31 October 2019					
Restated Balance as at 31 October 2018	267,563	688,562	15,962	3,041,012	4,013,099
Net income for the year	-	-	-	668,328	668,328
Other comprehensive income, net of tax					
- Fair value remeasurement of FVOCI investments	-	-	12,249	-	12,249
- Remeasurement of post-employment benefits asset/obligation	-	-	-	17,463	17,463
Total comprehensive income	\$ -	-	12,249	685,791	698,040
Transactions with equity owners of Scotiabank					
Transfer to statutory reserve	-	45,450	-	(45,450)	-
Dividends paid	-	-	-	(529,031)	(529,031)
	-	45,450	-	(574,481)	(529,031)
Balance as at 31 October 2019	\$ 267,563	734,012	28,211	3,152,322	4,182,108

Segment reporting (stated in \$'000)

	Retail Corporate & Commercial Banking	Asset Management	Insurance Services	Other	Total
UNAUDITED					
Year ended 31 October 2020					
Total Revenue	\$ 1,612,253	7,930	157,937	-	1,778,122
Material non-cash items					
Depreciation	30,439	-	-	-	30,439
Income before taxation	\$ 660,557	5,042	125,259	-	790,862
Assets	\$ 16,274,409	40,420	2,350,942	8,837,907	27,503,678
Liabilities	\$ 20,868,861	555	1,606,548	856,089	23,332,053
AUDITED					
Year ended 31 October 2019					
Total Revenue	\$ 1,685,800	7,726	165,084	2,112	1,860,722
Material non-cash items					
Depreciation	17,123	-	-	-	17,123
Income before taxation	\$ 806,286	4,325	136,743	1,897	949,251
Assets	\$ 16,095,492	45,828	2,171,412	7,100,722	25,413,454
Liabilities	\$ 19,041,461	675	1,509,664	679,546	21,231,346

Significant Accounting Policies:

Basis of preparation

These financial statements, in all material aspects, have been prepared in accordance with International Financial Reporting Standards. The accounting policies used in the preparation of the financial statements are the same as were followed in the financial statements as at 31 October 2019, except for the adoption of IFRS 16 - Leases, which was implemented effective 1 November, 2019.

IFRS 16

The Group adopted IFRS 16 - Leases, which is effective for the 2020 financial statements. The new standard requires operating leases to be recorded on the Statement of Financial Position as a right-of-use asset with a corresponding lease liability and recognize amortization expense on the right-of-use asset in non-interest expenses and interest expense on the lease liability in interest expenses. Comparative periods have not been restated.

Comparative information

Comparative amounts have been restated to conform to presentation changes in the current financial period.