BUILDING THE ECONOMY OF EVERYONE

2017 ANNUAL REPORT
SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Scotiabank

BUILDING THE ECONOMY OF EVERYONE:

We believe every customer – corporate, commercial, wealth and retail – has the right to become better off. Through advice, financial services and community support, we are committed to building the personal economy of every one of our customers. We know that when our customers and the communities they live and work in prosper, we all prosper.

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WHY INVEST IN SCOTIABANK?

CONSOLIDATED FINANCIAL HIGHLIGHTS

October 31, 2017 ($ thousands, except per share data)

	2017	2016
Total Assets	24,393,320	23,264,120
Deposits	18,538,048	17,571,183
Net Loans to Customers	13,955,789	13,275,224
Income Before Taxation	934,180	840,022
Net Income Attributable to Equity Holders	657,664	625,225
Number of Shares Outstanding	176,343,750	176,343,750
Number of Shareholders	7,518	7,484
Market Value Per Share	$58.10	$58.75
Net Book Value Per Share	$22.42	$21.97

- Diversified by business lines providing sustainable and growing earnings
- Earnings momentum in personal, commercial and wealth businesses
- Focused on digitization to strengthen customer experience and improve efficiency
- Strong risk management culture
- Strong balance sheet with prudent capital and liquidity positions

RETURN ON EQUITY: 16.80% in 2017 VS 16.43% in 2016

STRONG CAPITAL POSITION

EARNINGS PER SHARE (EPS)	RETURN ON ASSETS (ROA)	OPERATING EFFICIENCY
372.9¢ in 2017	2.76% in 2017	39.74% in 2017
354.5¢ in 2016	2.76% in 2016	42.99% in 2016

POSITIVE OPERATING LEVERAGE

THE ORDINARY SHARES OF THE BANK ARE LISTED FOR TRADING ON THE TRINIDAD AND TOBAGO STOCK EXCHANGE.

SECRETARY: Rachel Laquis, 56 – 58 Richmond Street, Port of Spain

AUDITORS: KPMG, Savannah East, 11 Queen's Park East, Port Of Spain

ATTORNEYS: Fitzwilliam Stone Furness-Smith & Morgan, 48 – 50 Sackville Street, Port of Spain

Note: All monetary amounts are stated in Trinidad and Tobago dollars, unless explicitly stated otherwise.

CHAIRMAN'S LETTER

to Shareholders

Brendan King

Chairman,
Scotiabank Trinidad and Tobago Limited;
Senior Vice President,
International Banking,
The Bank of Nova Scotia

Dear Shareholders,

This year we continued to execute on our key strategic priorities which resulted in your bank achieving another year of strong financial results. This performance demonstrates Scotiabank's ability to continue to grow even in a period of continued low economic growth and amidst aggressive competition in the market.

We maintained our passion and determination to maximize shareholder value through growth in revenue and profitability, and most importantly through our unwavering dedication to providing excellent service to our customers.

Your Board fully supports the strategic priorities of being more customer-focused, committed to enhanced leadership, being better equipped to serve our customers while reducing structural costs, driving digital transformation and aligning our business mix. Our long-term success is built on a strong foundation of corporate governance, a well-developed culture of prudent risk management, and our core values of respect, integrity, passion and accountability.

Accountability and Integrity

The Board's role is to independently supervise management's operation of the Bank for the benefit of its many stakeholders, and as such, the Board places strong emphasis upon the selection of director candidates, ensuring the Board's diversity and strength to meet the evolving needs of the Bank. During the year, two new directors were appointed to further strengthen this oversight role:

- Mr. Stephen Bagnarol was appointed as the Managing Director of Scotiabank Trinidad and Tobago Limited and the Senior Vice President & Head of the Caribbean South & East, effective November 1st, 2017. Stephen joined Scotiabank in 1998 and was most recently the Senior Vice President, Wholesale Banking, Scotiabank Peru.
- Ms. Janet Boyle is the Vice President, Real Estate Secured Lending, The Bank of Nova Scotia, Canada. Over the past 13 years, she has held progressively senior roles at Scotiabank and possesses expertise in influencing business growth and strategic thinking through acquisitions, business planning, employee development, financial and operations management.

An important element of our Board composition is the diversity of viewpoints, backgrounds and experience. At present, 7 of your Bank's 11 directors are independent, including a diverse contingent of female directors, who represent 45% of your Board, as well as directors of varying age, professional experience and geographical background.

Operating Environment

The International Monetary Fund (IMF), in its October 2017 publication, World Economic Outlook, advised that global growth is projected to rise to 3.7% in 2018. The global pickup in activity that started in the second half of 2016 gained further momentum in the first half of 2017. Growth is projected to rise over this year and next year in emerging markets and developing economies, supported by improved external factors – a benign global financial environment and a recovery in advanced economies. Growth in China and other parts of emerging Asia remain strong with more subdued prospects for medium-term growth for advanced economies such as the United States, Canada and the Euro area.

The Caribbean region's outlook remains fragile and depends broadly on the continuing recovery of the hurricane hit countries. We continue to stand with and support our customers, our employees and affected communities in the region by actively supporting the hurricane relief and reconstruction efforts.

In late 2016 and early 2017, international credit rating agencies downgraded some countries including Barbados, The Bahamas, Suriname and Trinidad and Tobago, attributed in part to fiscal deficits and increasing debt. Conversely, Belize and Jamaica secured upgrades during the period.

According to the IMF, real GDP in Latin America and the Caribbean is projected to increase by 1.2% in 2017 and 1.9% in 2018. Growth is consistent in Central America and strengthening, however domestic demand continues to underperform in much of the rest of the region.

We maintained our passion and determination to maximize shareholder value through growth in revenue and profitability, and most importantly through our unwavering dedication to providing excellent service to our customers.

The Trinidad and Tobago economy is expected to improve with the IMF projecting an increase in real GDP by 1.9% in 2018. Early signs of improvement have appeared in the energy sector, as exploration activity increased in the third quarter of 2017, and output of natural gas is expected to rise with the coming on-stream of key projects. The 2018 National Budget highlighted plans to reduce the government budget deficit through a broad range of fiscal measures combined with maintenance of total expenditure compared to the 2017 forecast. The additional increase in corporation taxes to be levied upon commercial banks will be an additional challenge for your Bank in 2018.

CHAIRMAN'S LETTER

The Digital Future

As we enter 2018, your Bank's 64th year, I am very excited about the future. The face and future of banking continues to change. Our core belief that every customer has the right to become better off is being well supported by our digital transformation, as we change to meet our customers' rapidly evolving expectations. With this in mind, our parent company The Bank of Nova Scotia opened Digital Factories in Toronto, Mexico, Columbia, Peru and Chile this year. These facilities bring together a wealth of talent who are working on exciting projects that will 'digitize' the Bank with a focus on vastly improving customer experience, making it easier for customers to do business with us, how and when they want. Our operations across the Caribbean and your Bank will benefit from these investments as we rapidly rollout new technology to meet customer needs. Finally, to better understand our customers' needs, we will be launching the 'Customer Pulse' in Trinidad in 2018. This is an integrated system using the Net Promoter Score to gauge customer satisfaction and through thousands of customer interviews, will help us craft solutions and improve processes to make banking better and easier for our customers. This is truly an exciting time in banking, with an ever accelerating pace of change and by putting the customer at the centre of everything we do, your Bank is well positioned for long term success.

A New Managing Director

In November 2017, after five successful years at the helm, the Group bade farewell to Ms. Anya Schnoor who was promoted to Executive Vice President, Retail Payments, Deposits and Unsecured Lending at our parent Bank in Canada. This is a very significant movement with Anya being the first Caribbean national to achieve such a senior position in the Bank. On behalf of the Directors, Management Team and employees, I would like to thank Anya for her outstanding performance and service to the Scotiabank Trinidad and Tobago Group over the last five years and wish her all the success in her new role.

In turn, I extend a warm welcome to Mr. Stephen Bagnarol, who was appointed the Managing Director of Scotiabank Trinidad & Tobago Limited. Stephen has over 20 years' experience in various management roles across The Bank of Nova Scotia.

I would like to thank my fellow Directors for their expertise and support in the past year, and on behalf of the Board I would like to congratulate the staff of the Scotiabank Group on another successful year. I would like to express my sincere gratitude to Anya, her leadership team, and our committed employees across the Group for their hard work and commitment to our customers, helping our clients thrive and communities prosper.

Thank you to our shareholders for your continued confidence and support.

Brendan King
Chairman

MANAGING DIRECTOR'S REPORT

Stephen Bagnarol

Senior Vice President
and Managing Director,
Scotiabank Trinidad and
Tobago Limited

Dear Shareholders,

Having joined the Scotiabank Trinidad and Tobago family on November 1, this is my first Managing Director's Report and I am pleased to report that the Scotiabank Trinidad and Tobago Limited Group recorded another year of solid performance. Our years of experience in the local market positioned us well to successfully deal with the challenging local economic environment. In 2017, we continued to make it easier for our customers to do business with us through enhancements to our digitization platforms and continued excellent customer service.

I use this opportunity to recognize Scotiabank Trinidad and Tobago's former Managing Director, Ms. Anya Schnoor for her invaluable contribution to the organization and congratulate her on her success and new role. We wish her well as she begins this new chapter. Her contribution to Scotiabank Trinidad & Tobago and the wider Caribbean is significant. The legacy she has left on the overall financial industry makes us all proud.

We are also extremely proud to have been recognised during the year by the Employers' Consultative Association (ECA) Champion Employer of the Year Awards with the inaugural special award for Staff Development and Industrial Relations, as well as 3rd place (large category) for the Champion Employer of the Year.

In 2017, for the 7th consecutive year, Global Finance Magazine recognized Scotiabank as the Best Consumer Digital Bank in Trinidad and Tobago. In total, Scotiabank received recognition in 24 countries in Latin America and the Caribbean.

Financial Highlights of the Scotiabank Group's Performance

Scotiabank Trinidad & Tobago achieved another year of increased profitability for our shareholders. I am very pleased to announce that your bank has earned $658 million in 2017, representing a 5% increase over 2016. Our results once again demonstrate Scotiabank's ability to earn through a prolonged period of slow economic growth as well as in a rapidly changing and highly competitive environment.

Earnings per share closed at 372.9 cents, resulting in total dividends for the year of 300 cents. Return on Equity was 16.80% while Return on Assets measured 2.76%. Total Assets at the end of October 2017 stood at $24.4 billion, an increase of 5% or $1.1 billion from 2016. The Bank's Capital Adequacy Ratio stood strong at 24.87% as at October 31st, 2017 which continues to be well above the minimum Capital Adequacy ratio of 8% specified by regulators and is consistent with international standards.

Business Segments Highlights

Notwithstanding the economic challenges in the country, Retail Banking continued its growth trend, out-performing the market whilst showing good growth across all retail products, including improved market share in personal loans and residential mortgages. At the start of fiscal 2017 we implemented a new and improved sales management tool, aimed at enhancing the Sales Officers effectiveness and productivity while improving the customers' experience through a better needs-based sales conversation.

Our new Customer Advocacy Program (CAP) launched early fiscal 2017 encapsulated a series of customer centric disciplines, processes and a complaint management system all designed to support our strategic agenda of becoming a more customer focused organization. This proprietary system helps us to understand and take proactive measures focused on improving service levels in all delivery channels.

This year the Bank accelerated its focus on improving customer experience in our self–service channels. We expanded our offsite ATM network to improve coverage and instituted cash back on ATM deposits. We introduced Mobile top-up at ATMs and On-line banking. In 2017 we saw significant growth in both on-line and mobile adoption as we implemented real-time credit card settlements, on-line self-help, on-line cheque images and Wi-Fi in branches. We expanded into digital sales through our on-line platform where we delivered personalized, pre-filled and pre-approved Credit Card offers to customers when they log in to Scotia Online or Mobile banking. This is a first in the local market.

During the year Business Banking also benefitted from a number of new initiatives. Scotiabank INSIGHTS, a thought leadership series, engaged the services of accomplished business leaders who presented to a cross section of business clients focusing on various topics from entrepreneurship and surviving challenging economic times to the sustainability of NGOs. Our Scotiabank Vision Achiever program employed the services of a world class Business coach to train young entrepreneurs and small-medium business clients on how to manage and grow their businesses. This program was developed with the business owner in mind, not only to provide financial solutions, but also to build the management capabilities of young business owners. During the fiscal we also launched the SME Development Credit Fund. This fund offers low cost debt financing to qualified SMEs from a wide cross section of industries and provides opportunities for businesses to make a greater contribution to economic growth and diversification.

Our Corporate and Commercial unit had another strong year in terms of revenue growth and loan and deposit volumes, especially given the headwinds facing the business sector and the foreign exchange market. We remain focused on being customer centric and continue to see the benefits of this strategy. We have worked with our clients and migrated them to using more of the Bank's electronic channels and services. The benefits our clients have seen include this being a more efficient and low cost way of getting their day to day banking done while also reducing the possibility of fraud. We continue to bring the whole Bank to our clients, so their employees benefit from special offers provided by our Retail unit, while we provide tailored financial solutions to our Corporate and Commercial clients. This results in a win-win-win solution for company, employee and Bank. Given our unique footprint across the Caribbean and Latin America regions, we have been able to assist our corporate clients in their desire to expand outside of our local home market. This geographical diversification for these clients is very important as they desire to grow their business and also become an earner of foreign exchange. We continue to see opportunities that the Scotiabank Group can provide to our clients and that makes us very excited as we look ahead.

Through our commitment to customers, employees, communities, the environment, and strong governance practices, we aim to create a better future for both society and Scotiabank.

Our wholly owned Life Insurance subsidiary, Scotia Insurance had another solid performance in 2017 and accounted for 14% of the Group's after tax profits. Policy sales remained robust across all products with Net Income after Tax up by 2% compared to prior year.

The company also continues to maintain a solid capital structure which is well above the requirement under the proposed new Insurance legislation.

Scotia Insurance maintained its position as the second largest life insurance company as measured by number of policies issued during fiscal 2017, and closed the year with over 50,000 in-force policies.

We are confident that the Insurance Business will continue to grow and play a pivotal role in our diversification strategy.

Corporate Social Responsibility (CSR)

Scotiabank Trinidad and Tobago continues to incorporate the guiding principles of our Corporate Social Responsibility (CSR) into the way we work. The Bank is committed to making a positive impact on the lives of stakeholders in communities throughout the country. Best practices in corporate governance, customer satisfaction, employee relations, community involvement and environmental concerns remain key considerations in the day-to-day business decisions of the Bank.

We believe every customer has the right to become better off. Through our commitment to customers, employees, communities, the environment, and strong governance practices, we aim to create a better future for both society and Scotiabank. We protect and enhance Scotiabank's reputation by leveraging our resources, reach, and expertise to drive economic growth and social impact for all stakeholders and the communities where we operate.

Scotiabankers believe we have a responsibility to give back and make a positive difference in the communities in which we live and work. Our employees demonstrate this annually through volunteerism and dedication of time and energy to various causes within local communities.

MANAGING DIRECTOR'S REPORT

The Scotiabank Trinidad and Tobago Foundation remains dedicated to furthering the cause of community development and through our charitable efforts, the Foundation seeks to be a vehicle for capacity building for communities. In 2017, we invested in projects that supported community and youth development, impacting the lives of approximately 30,000 individuals in more than 2,000 schools, organizations and communities.

This year, we are proud to produce a distinct CSR Report highlighting the areas in which the Bank strives to make a positive difference. The full statement is available on our website at www.tt.scotiabank.com

Focus on 2018

In October 2017 the Minister of Finance presented the National Budget for 2018 and the Government acknowledged its commitment to prudent expenditure and macroeconomic stability while growing revenue through new tax collection measures. With slow recovery expected in 2018 and the IMF forecasting 1.9% growth in real GDP, our continued emphasis will be on improving customer experience and sustaining long term growth whilst managing risk appropriately.

Continued increased fraud, intense competitive pressures and aggressive fiscal measures imposed on Banks will make 2018 a challenging one. We remain confident in our ability to continue to navigate through these challenges while helping our customers become better off.

In closing, I thank my Management Team, and all employees for the many contributions that they have made to the Bank over the course of this challenging year. I want to acknowledge their dedication to serving our customers and living the Bank's core values each and every day.

I thank my fellow Directors for their support and sound guidance and extend a deep appreciation to all our Scotiabank customers and shareholders for your continued loyalty and trust.

Stephen Bagnarol
Senior Vice President and Managing Director

BOARD OF DIRECTORS

1. **Brendan King, B.A., M.B.A.**
Chairman, Scotiabank Trinidad and Tobago Limited;
Senior Vice President, International Banking
The Bank of Nova Scotia

As Senior Vice President, International Banking, Brendan King is responsible for Scotiabank's personal, commercial, wealth management and insurance operations in all countries in Spanish and English Caribbean, Central America, Uruguay and Thailand and has responsibility for the Bank's investment in Bank of Xian, China.

Brendan started his career with Scotiabank in 1990 in Commercial Banking and after assignments in branch banking and risk management, joined the International Banking Division in 1994 with his first assignment in the Cayman Islands. He took on increasingly responsible roles in Trinidad and Tobago and the Bahamas where he was Managing Director of Corporate Finance. Brendan joined the Asia Pacific region in 2004 as Country Head for Greater China and added Corporate Development responsibilities in 2006 when he led the investment in Thanachart Bank and subsequently joined the board. After leading the Thanachart Bank acquisition of Siam City Bank in 2010, Brendan moved to Thailand as Deputy CEO of the group. As SVP & Deputy CEO Thanachart Bank, Brendan played a key role during the integration phase and has been key to the financial performance success and the achievement of synergy objectives.

He was appointed to his current role in November 2014.

Brendan holds an M.B.A. in Finance and International Banking and a B.A. (Business & Economics) from York University, Toronto, Canada, a Diploma in General Management from the Canadian Bankers Association and a Marketing Certificate from Queen's University, Kingston, Ontario.

He joined the Board of Directors of Scotiabank Trinidad and Tobago as Chairman in March 2015.

2. **George Janoura**
Vice Chairman, Scotiabank Trinidad and Tobago Limited;
Managing Director, Janouras Custom Design Limited

George Janoura is the co-owner, Chairman and Managing Director of Janouras Custom Design Limited, the largest manufacturer and supplier of career apparel in the Eastern Caribbean. The company has been involved in the textile business for over 75 years and the uniform business for over 50 years. George is well recognised in the local community for his business acumen and is involved in several other businesses, including property holding companies. In 2013, he received the Hummingbird Medal Gold, a national award for business achievement.

He has served on the Bank's Board of Directors since February 1999 and is currently the Vice Chairman. George is also a Director of the Bank's subsidiary, ScotiaLife Trinidad and Tobago.

Committee Member:
Enterprise and Credit Risk Management Committee
Corporate Governance and Human Resources Advisory Committee

3. **Stephen Bagnarol, M.B.A., CFA**
Senior Vice President and Managing Director,
Scotiabank Trinidad and Tobago Limited

Stephen Bagnarol was appointed to Senior Vice President & Head, Caribbean South & East, on November 1, 2017.

Stephen joined Scotiabank in 1998 as part of the International Associate Development Program, working both in Commercial Banking and Global Risk Management. Upon graduation from the program, he accepted his first international assignment in Mexico, where he held progressively senior roles in Corporate Banking, including Head of Real Estate Banking. In 2005, Stephen relocated to New York, USA as Managing Director, Derivatives, Capital Markets. He was appointed to Vice-President in 2008 when he accepted the role as VP & Country Head in Panama. In 2011, Stephen was appointed to his current role, SVP, Wholesale Banking in Peru.

Stephen's extensive knowledge and experience leading teams and driving results position him well to lead our team. In this capacity, he will continue to develop and implement local business strategy in alignment with Scotiabank's strategy and risk appetite, and in compliance with government and regulatory laws.

Stephen possesses a Master's of Business Administration in Finance from Schulich School of Business in Toronto and is a CFA Charter holder.

Committee Member:
Enterprise and Credit Risk Management Committee
Corporate Governance and Human Resources Advisory Committee

4. **Roxane De Freitas, B.A.**
Director, Unilever Caribbean Limited.

Roxane De Freitas is currently a non-executive member of the Board of Directors, Unilever Caribbean Limited. She recently retired from Unilever Caribbean where she held the position of Regional North Exports Director and was a member of the Unilever Greater Caribbean Board. Roxane was the first female Managing Director of Unilever Caribbean Limited where she served for five years up to August 2012 when she was expatriated to the Head Office in Puerto Rico.

Roxane started her career with Unilever Caribbean Limited (formerly Lever Brothers West Indies Limited) in 1987, after graduating from the University of Western Ontario, Canada, with a Bachelor's degree in Business Administration. Since then, she has worked in different capacities in the sales, marketing and general management sectors in Trinidad and Tobago and the Caribbean. Over the years, Roxane has held senior positions in companies such as 3M Interamerica Inc. and SmithKline Beecham, before returning to Unilever Caribbean Limited at the senior management level in 1999.

Roxane was appointed to the Bank's Board of Directors in February 2009.

Committee Member:
Enterprise and Credit Risk Management Committee
Corporate Governance and Human Resources Advisory Committee

5. **Wendy-Fae Thompson, B.Sc., L.L.B., L.E.C.**
Managing Counsel, BP Trinidad and Tobago LLC

Wendy-Fae Thompson is an Attorney-at-Law with over 26 years' post-qualification experience. She is currently the Managing Counsel and Vice President at BP Trinidad and Tobago LLC where she manages the company's legal portfolio with specific focus on risk management, corporate governance, regulatory, compliance, energy and commercial matters.

Wendy-Fae holds a Bachelor of Science in Economics and Management and Bachelor of Laws degree from the University of the West Indies, and is a graduate of the Hugh Wooding Law School. She began her career at Messrs. Pollonais, Blanc, de la Bastide & Jacelon, Attorneys-at-Law, Notaries Public and Trademark Agents. As a Partner at the firm, her areas of responsibility included corporate, civil, intellectual property, commercial, insurance and energy matters. Wendy-Fae has also served at the Board level of the Industrial Development Corporation, the Port Authority of Trinidad and Tobago and the Public Transport Service Corporation.

Wendy-Fae was appointed to the Bank's Board of Directors in February 2012. She is the Chairman of the Bank's Corporate Governance and Human Resources Committee and also serves as a Director of ScotiaLife Trinidad and Tobago Limited.

Committee Member:
Audit and Conduct Review Committee
Corporate Governance and Human Resources Advisory Committee

6. **Lisa Mackenzie, F.C.C.A., C.A.**
Finance and Administration Director and Co-Owner,
Access & Security Solutions Ltd.

Lisa Mackenzie is a chartered accountant of several years' standing. She is the Finance and Administration Director and Co-Owner of Access and Security Solutions Ltd. She is also a Director of Agostini's Limited, Hand Arnold Trinidad Limited and SuperPharm Limited.

Lisa is a Fellow of The Association of Chartered Certified Accountants and a Member of the Institute of Chartered Accountants of Trinidad and Tobago.

She joined the Bank's Board of Directors in March 2013 and also serves as a Director of ScotiaLife Trinidad and Tobago Limited.

Committee Member:
Audit and Conduct Review Committee
Corporate Governance and Human Resources Advisory Committee

7. **Steve Ragobar, F.C.C.A., C.A.**
Chartered Accountant

Steve Ragobar is a Chartered Accountant who retired in 2013 as a Senior Partner at PricewaterhouseCoopers in Trinidad and Tobago. He has over 35 years of experience in providing Assurance and Business Advisory Services to a wide variety of clients, inclusive of those in the Oil and Gas, Petrochemical, Banking, Manufacturing, State, Construction and Distributive sectors. His expertise extends to key activities such as mergers and acquisitions, corporate finance, financial restructuring and corporate recovery.

Steve is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Member of the Institute of Chartered Accountants of Trinidad and Tobago.

He joined the Bank's Board of Directors in April 2015. He also serves as a Director of ScotiaLife Trinidad and Tobago Limited and Scotia Investments Trinidad and Tobago Limited.

Committee Member:
Audit and Conduct Review Committee
Enterprise and Credit Risk Management Committee

8. Alan Fitzwilliam, B.A.

Managing Director / Chief Executive Officer, F.T. Farfan Limited

Alan Fitzwilliam was appointed to the Board of Directors in December 2015.

He is the Managing Director/Chief Executive Officer of F.T. Farfan Limited, which represents some of the world's leading construction and industrial brands, providing products and services to customers in various sectors.

Mr. Fitzwilliam also has a wealth of experience in banking, project financing, capital market operations and corporate account management. He has sat on several private and public sector Boards in a non executive capacity.

He holds a B.A. in Finance from the University of Western Ontario, London, Ontario, Canada and is a Non- Executive Director on the Board of AS Bryden & Sons Holdings Limited.

Committee Member:
Enterprise and Credit Risk Management Committee

9. Derek Hudson

Vice President, Shell Trinidad and Tobago

Derek Hudson was appointed to the Board of Directors in June 2016. He is a geologist by profession and has worked in the oil and gas industry for almost 30 years. He joined BG Group in 1995 and held several senior roles as Vice President of one of BG's UK upstream businesses from 2000 – 2004; Chief of Staff in Trinidad and Tobago from 2005 – 2007; President and Asset General Manager of BG Trinidad and Tobago from 2007 – 2012 and thereafter assumed a similar role for BG in East Africa, covering Tanzania, Kenya and Madagascar.

Following the combination of Royal Dutch Shell and BG Group in February 2016, Mr. Hudson served as Shell's Vice President, Tanzania before his appointment to the position of Vice President and Country Chairman, Shell Trinidad and Tobago.

Derek was the non-Executive Chairman of the Port Authority of Trinidad and Tobago from 2005 – 2010 and also served on the Boards of United Way and the Development and Endowment Fund of the University of the West Indies for extended periods. At present, he is a member of the Board of Atlantic LNG in which Shell Trinidad and Tobago is the majority shareholder.

Committee Member:
Enterprise and Credit Risk Management Committee

10. Tracy Bryan

Senior Vice President, Contact Centres,
The Bank of Nova Scotia

Tracy Bryan was appointed to the Board in June 2016. In her role as Senior Vice President, Contact Centres, she is responsible for the overall leadership, strategic direction and performance management of the Bank's Contact Centres, located in Canada, Latin and Central America, and the Caribbean, supporting 28 markets with over 4,500 staff.

Tracy possesses a wealth of knowledge in customer experience and satisfaction, multi-channel distribution, digital channel strategies and change management having held progressively senior roles in technology, operations and retail banking at Scotiabank since 1994. She is an experienced leader with a proven track record of developing and delivering large transformational programs for the Bank globally.

Committee Member:
Corporate Governance and Human Resources Advisory Committee

11. Janet Boyle, B.A., M.B.A

Vice President, Real Estate Secured Lending, The Bank of Nova Scotia

Janet Boyle was appointed to the Board in June 2017.

Over the past 13 years, she has held progressively senior roles at Scotiabank and possesses expertise in influencing business growth and strategic thinking through acquisitions, business planning, employee development, financial and operations management.

Janet holds a Master of Business Administration (MBA) (FS) from Dalhousie University and a Bachelor of Arts (B.A.) in Economics and Political Science from the University of Toronto.

Committee Member:
Audit and Conduct Review Committee

EXECUTIVE/SENIOR MANAGEMENT TEAM


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1. Stephen Bagnarol, M.B.A., CFA

See full bio on Page 12

2. Savon Persad, B.Sc., M.B.A., F.C.C.A.

Vice President, Retail and Small Business Banking

Savon Persad currently holds the position of Vice President, Retail and Small Business Banking, with responsibility for Retail Banking, Small Business, Non-Branch Sales and Channels, Products, Customer Experience and Retail Asset Management. He also serves as a Director on the board of ScotiaLife Trinidad and Tobago Limited, a wholly owned subsidiary of the Bank. Since joining the Bank in 1994, Savon has excelled in managerial positions in several spheres of banking, including Corporate and Commercial Banking, Global Risk Management (Toronto, Canada), Branch banking, Finance and Treasury, Trade Finance and Banking Operations.

Prior to joining Scotiabank, Savon spent nine years working in finance and accounting in Industry, at PricewaterhouseCoopers and abroad at a New York-based Investment Company.

He is a Chartered Accountant and a Fellow of the Association of Chartered Certified Accountants (ACCA) of England. He holds a Master's Degree in Business Administration (MBA) with a Distinction in Finance and a Bachelor of Science Degree with Honours in Economics from the University of the West Indies, St. Augustine Campus.

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3. Reshard Mohammed, B.Sc., M.Sc.
Vice President, Chief Financial Officer and
Chief Administrative Officer

Reshard Mohammed joined Scotiabank Trinidad and Tobago Limited in August 2014 in the capacity of Senior General Manager and Chief Administrative Officer where he was responsible for the strategic financial and operational management of the Scotiabank Trinidad and Tobago Group. In November 2016, he was appointed as Vice President, Chief Financial Officer and Chief Administrative Officer, overseeing the finance, administrative and operational functions of Scotiabank's South and East English Caribbean region districts.

Reshard has spent over 17 years working in the financial services sector and possesses the expertise of local and regional financial markets within the Caribbean.

He holds a Bachelor of Science degree in Business Administration with a major in Accounting from Boston University and possesses the Certified Public Accountant designation from the United States. He also holds a Master of Science degree in Management from the London School of Economics.

EXECUTIVE/SENIOR MANAGEMENT TEAM

4. Carlene Seudat, B.Sc. (Hons), C.I.M.A.
Vice President, Operations and Shared Services
Company Limited

Carlene Seudat was appointed Vice President, Operations and Shared Services Company Limited in August 2017.

She joined Scotiabank in 1999 and has moved from strength to strength in her career at Scotiabank. She brings to the role her expertise in retail management, corporate and commercial banking and credit risk. Most recently, Carlene headed up the team at the Caribbean South Collections Unit which, under her leadership, expanded triple fold to service over numerous markets in the region including Trinidad & Tobago and Guyana.

In her new role, Carlene oversees the key functional areas in Banking Operations, Accounting Support and Controls, Branch Operations, Credit and Customer Support Activities for 18 countries over the English Speaking Caribbean region. Carlene possesses a Bachelor of Science in Economics and Mathematics and a Bachelor of Science in Accounting from the University of the West Indies, Trinidad and Tobago. She also completed her Chartered Management Accounting Accreditation with the Chartered Institute of Management Accountants.

5. Gayle M. Pazos, H.B.A.
Vice President & Chief Risk Officer

Gayle Pazos was appointed to the role of Vice President & Chief Risk Officer, Caribbean South and East in October 2017.

In this capacity Gayle provides strategic direction and leadership for the Caribbean South and East. She ensures effective communication of the Bank's risk appetite and manages all risks including retail credit, commercial credit, small business credit, operational, compliance and anti-money laundering.

Gayle joined Scotiabank in 1996 as a Management Trainee, in Trinidad & Tobago and held progressively senior roles until 2011, when she was appointed to General Manager of Corporate & Commercial Banking. Throughout her time in the Corporate Banking Centre, she made significant contributions to the business and our clients while leading and inspiring her team to do the same. In 2015, Gayle was appointed to General Manager, Risk Management, Trinidad & Tobago and has fostered a high-performance culture by strengthening risk control and oversight within the Caribbean South.

Gayle holds a B.A. Honours degree in Business Administration from the Richard Ivey School of Business, University of Western Ontario, Canada.

6. Rachel Laquis, L.L.B., M.B.A.
Regional Director, Legal and Corporate Secretary

Rachel joined Scotiabank as the General Manager, Legal and Corporate Secretary in July 2013.

She is a graduate of the University of the West Indies where she attained a Bachelor of Laws degree in 1993, and the University of Hull in England where she attained a Master's degree in Business Administration in 2002.

Rachel is an Attorney-at-Law with over 15 years post-call experience, internationally qualified to practise in Trinidad and Tobago, Barbados, the British Virgin Islands, and England and Wales with experience in Banking and Commercial/Corporate law.

7. Robert Soverall, B.Sc. (Hons.), CFA
Managing Director, ScotiaLife Trinidad and Tobago Limited

Robert Soverall is the Managing Director of ScotiaLife Trinidad and Tobago Limited. He has over 20 years' experience in the financial services sector in the areas of Investment Banking, Asset Management, Treasury Management and Life Insurance.

Robert holds a Bachelor of Science degree in Actuarial Science from the City University, London, England, a Diploma in Business Management from the University of the West Indies and is a Chartered Financial Analyst (CFA) charter holder. He is also a member of the Board of Directors of Scotia Investments (Trinidad and Tobago) Limited and Scotia Caribbean Income Fund. He is the Vice President of the Association of Trinidad and Tobago Insurance Companies (ATTIC), President of the CFA Society of Trinidad and Tobago and a board member of the Trinidad and Tobago Insurance Institute (TTII).

8. David Gopaulsingh, B.Sc., M.B.A.

General Manager, Corporate and Commercial Banking

David Gopaulsingh was appointed General Manager, Corporate & Commercial Banking in October 2015. David joined the Scotiabank Group in Canada in 1990 and has held progressively senior roles in Banking and Global Risk Management both in Canada and Internationally. In 2000, he was appointed Assistant General Manager Global Risk Management, Transportation in Canada, where he was responsible for the Bank's global transportation portfolio, which comprised lending to the Aerospace and Shipping sectors. In 2002, he took up the position of General Manager, Credit Risk Management in Scotiabank Trinidad and Tobago and in 2006, moved over to assume the role of General Manager, Corporate & Commercial Banking in Trinidad.

David returned to Canada in 2008 as Director, International Corporate & Commercial Banking in Toronto, and in 2014, moved to the Cayman Islands to take up the position of Director, Corporate and Commercial Banking. There he was also responsible for Cayman's Corporate and Commercial business which also included the Bank's offshore operations, as well as having oversight for the Corporate and Commercial business in British Virgin Islands. He has brought to Scotiabank Trinidad and Tobago a wealth of knowledge and experience, both international and local, in corporate and commercial deal structuring, and project finance, and has had exposure in a wide range of industries including media, cable, telecommunications, hospitality, oil and gas, aerospace, shipping and retail.

David holds an M.B.A. from the Ivey School of Business, University of Western Ontario, Canada, as well as a B.Sc. from the University of the West Indies, St. Augustine Campus, Trinidad.

9. Tricia De La Rosa–Camacho, C.A., F.C.C.A., A.C.M.A., M.B.A

Chief Financial Officer

Tricia De La Rosa–Camacho was appointed Chief Financial Officer in May 2016.

She joined Scotiabank Trinidad and Tobago Limited in March 2014 in the capacity of Assistant General Manager Finance – Management Reporting. Prior to joining Scotiabank, she spent over 15 years in the areas of Audit and Accounting, Financial Analysis and Supply Chain Management.

Tricia is a Chartered Accountant (C.A), a Fellow of the Association of Chartered Certified Accountants (F.C.C.A), an Associate of the Chartered Institute of Management Accountants (A.C.M.A) and holds a Masters of Business Administration (M.B.A) with distinction.

10. Jason Narinesingh, P.P.G. (G.R.C), Int. Dip. (Comp), F.I.C.A, C.A.M.S, C.R.C.A

Director, Compliance

Jason Narinesingh is currently the Director of Compliance for the Eastern and Southern Caribbean based at Scotiabank (Trinidad and Tobago) Limited. He currently oversees the Enterprise (Regulatory) Compliance Programs, Anti Money Laundering/Counter-Terrorist Financing, Internal Control and Compliance Training programs for eleven (11) jurisdictions including Trinidad and Tobago. Jason was also appointed General Manager and Chief Compliance Officer for Scotiabank (Trinidad and Tobago) Limited in November 2013.

Over the past 20 years, he has held progressively senior positions in Compliance and Operational risk both locally and across the Caribbean region, including most recently, the position of Associate Director of Operational Risk and Compliance programs at a major regional financial institution.

Jason is a Fellow and Certified Professional of the International Compliance Association of the UK and a Certified Anti Money Laundering Specialist (USA). He also holds postgraduate qualifications in Governance, Risk and Compliance from the ICA/Manchester School of Business, London.

11. Kameel Baksh-Edwards, I.M.B.A. (Dist.), B.Sc. (Hons.), Dip. FM.

General Manager, Scotiabank Trinidad and Tobago Foundation; Marketing Head

Kameel Baksh-Edwards is the General Manager of the Scotiabank Trinidad and Tobago Foundation and Marketing Head, with responsibility for Marketing, Philanthropic donations, and Corporate Social Responsibility across Caribbean South.

She joined the bank in 2015, and is a Marketing & Communication Strategist with expertise in Strategic Brand Development, managing numerous portfolios in diverse industries and markets including the Caribbean, Central America, USA, and Canada.

Kameel holds an International Master of Business Administration from ALJ GSB and a Bachelor of Science in Chemistry and Management from the UWI.

12. Dale Imran Khan, CFA

Group Treasurer

Dale was appointed to the position of Group Treasurer in March 2017. In this role he is responsible for the management of the Bank's Treasury and Foreign Exchange (FX) function.

Dale possesses over 15 years' experience at various local and international financial institutions, where he held progressively senior roles in the areas of Treasury Management, FX Trading, Asset / Liability Management, Market Risk Management and Corporate / Investment Banking.

He holds a BSc in Management Studies from the University of the West Indies and is a CFA Charterholder.

13. Vanessa Mc Pherson, F.C.C.A.,C.I.A, C.F.E.

Chief Auditor

Vanessa Mc Pherson has held the position of Chief Auditor of Scotiabank Trinidad and Tobago Limited for the last ten years. She possesses over 16 years' experience in the auditing profession, with extensive audit, risk management, governance and investigation experience covering various industries.

In her current position, Vanessa is responsible for the ongoing assessment of the soundness of business processes, policies, and procedures within Caribbean South and East and for ensuring that the processes adequately support the Bank's business strategies, plans and initiatives

Vanessa is a Fellow of the Association of Chartered Certified Accounts, Certified Internal Auditor and Certified Fraud Examiner.

CORPORATE GOVERNANCE OVERVIEW

Strong and effective corporate governance has always been, and continues to be an integral part of the ethos by which Scotiabank Trinidad and Tobago Limited operates.

The Board considers strong corporate governance to be an integral part of its mandate to direct the management of the business and affairs of the Bank effectively, competently, in good faith and in accordance with the highest standards.

At Scotiabank, the principles of good corporate governance are embodied in a comprehensive corporate governance policy which is periodically reviewed and rigorously tested. This policy reflects international best practice, and encapsulates the mandate set out by the Central Bank of Trinidad and Tobago Limited in the form of its Corporate Governance Guidelines.

The Board is mindful of its duties to the Bank, and understands that a number of stakeholders, including shareholders, employees, customers and the wider communities which the Bank serves, repose their trust and confidence in the Bank. The Board therefore takes maintaining the bank's strength and integrity as its first and utmost priority.

THE BOARD OF DIRECTORS

The Board's core priorities are to:

- Independently supervise the management of the business and the affairs of the bank;
- Ensure that management is equipped to achieve the bank's key strategic priorities – customer focus, digital transformation, enhanced leadership, greater cost efficiencies and optimal alignment of the business portfolio;
- Ensure that shareholder value is created;
- Ensure that there is adequate succession planning; and
- Perform other duties as required by law

Additionally, Directors seek to achieve all of the foregoing against the backdrop of their underlying fiduciary duty to act independently in the best interests of the bank.

Directors are also mindful of their reliance on the bank's Senior Management team, its auditors, and its external advisers. For these reasons, these parties are carefully considered and, once engaged, wholly supported.

The Board's duties and functions include:

- Developing the Group's approach to corporate governance, its principles and guidelines;
- Reviewing the business objectives of the Bank, the Bank's business strategy and its business plans for significant operations;
- Evaluating the Bank's actual operating and financial results against projected results,
- Establishing appropriate and prudent risk management policies;
- Establishing appropriate and prudent liquidity and funding management policies;
- Establishing appropriate and prudent capital management policies;
- Establishing appropriate operational policies;
- Confirming the adequacy of the control environment;
- Conducting an annual assessment of the Board's performance.

BOARD COMPOSITION

The Bank's By-Laws prescribe that the Board is authorized to fix the number of directors with the range being between three and twenty individuals.

At October 31st 2017, the Board comprised eleven members, seven of whom are independent. In keeping with the core priority of ensuring that there is enhanced leadership, Board Members bring a wide range of skills, exposure, experience and industry knowledge to the Bank's helm. These individuals are very well respected with proven track records, unsurpassed acumen and unquestionable integrity.

BOARD SKILLS AND EXPERIENCE

The Bank carefully analyses the cross-section of skills and experience of Board Members.

The skills matrix below highlights the respective skills sets of our Directors.

Key Areas of Experience	George Janoura	Roxane De Freitas	Stephen Bagnarol	Wendy Thompson	Lisa Mackenzie	Janet Boyle	Brendan King	Steve Ragobar	Alan Fitzwilliam	Derek Hudson	Tracy Bryan
Demonstrated Leadership	X	X	X	X	X	X	X	X	X	X	X
Strategy Formation	X	X	X	X	X	X	X	X	X	X	X
Local Market	X	X		X	X		X	X	X	X	X
Financial Services			X			X	X		X		X
Accounting/Audit		X			X			X			
Enterprise Risk Management	X	X	X	X	X		X	X	X	X	X
Financial Risk Management			X		X	X					
Legal/Compliance/Regulatory				X		X					
Finance/Treasury		X			X			X	X		
Governance				X						X	
Insurance					X						
Digital Transformation						X	X				X

DIRECTOR ORIENTATION, TRAINING AND EVALUATION

So as to ensure that our directors remain abreast with international best practice, and to enhance their competencies and skills sets, Scotiabank engages in an on-going programme of continuous professional development. Our Directors receive education and training in legal and regulatory trends and developments, the strategy, direction and cultural underpinnings of the work of the Bank, and their roles and responsibilities as Directors of a financial institution. Training is tailored to suit the economic environment, the legal and regulatory landscape and the findings of the Board's self-assessment which is an exercise completed annually.

APPOINTMENT, TERM, ELECTION & RETIREMENT OF DIRECTORS

All Directors automatically retire from the Board at each Annual Meeting and are elected or re-elected (as the case may be) by the shareholders at the Annual Meeting of the Company. As a result of the annual retirement of Directors at the Annual Meeting, each Director effectively serves for a term of one year except for Directors who would have been appointed by the Board during the year who serve for a term of less than one year.

Directors who are members of the Board and who have not yet served a ten year term may serve on the Board until they attain the earlier of age 70 or the completion of a ten year term from their respective dates of appointment to the Board. However, upon the recommendation of the Corporate Governance Human Resources and Advisory Committee, the Board may, in extenuating circumstances, consider and approve the extension of a Director's term beyond the stipulated limit for such limited period as is considered appropriate.

DIRECTOR COMPENSATION & SHARE OWNERSHIP REQUIREMENTS

The Board determines the form and amount of compensation for Non-Executive Directors and the structure of such payment based on the recommendation of the Corporate Governance and Human Resources Advisory Committee following an annual review of director compensation in the marketplace. Director compensation shall not exceed the aggregate amount approved by the shareholders from time to time as determined at an Annual Meeting. The Directors shall also be entitled to be paid their travelling, hotel and other expenses properly incurred by them while carrying out their Board responsibilities.

Executive Directors are not compensated in their capacity as directors.

CODE OF CONDUCT

The Scotiabank Code of Conduct describes the standards of conduct required of employees, directors and officers of The Bank of Nova Scotia and its direct and indirect subsidiaries located in various regions around the world.

The Code of Conduct sets out six guiding principles which are aligned to the Bank's core values. These six principles include:

- following the law wherever the Bank does business;
- avoiding putting oneself or the Bank in a conflict of interest position;
- conducting oneself with honestly and with integrity;
- respecting confidentiality, and protecting the integrity and security of assets, communications, information and transactions
- treating everyone fairly, equitably and professionally, whether they are customers, suppliers or service providers, employees, or others who deal with us; and
- honouring our commitments to the communities in which we operate.

All employees and Directors of the Bank review the Code annually, and confirm in writing that they have read, understood and have agreed to abide by the Code.

The Audit and Conduct Review Committee of the Board receives reports on compliance with this mandatory requirement. That Committee in turn reports to the wider Board which ultimately seeks to ensure that this Code permeates into every aspect of the way in which Scotiabank does business.

Adherence to the Bank's Code of Conduct is viewed quite seriously and breaches are dealt with decisively.

In addition to the Bank's own Code of Conduct, Directors are also subject to the Bank's Code for Security Transactions in respect of trading in the securities of the Bank. Guidelines issued by the Trinidad and Tobago Stock Exchange are encapsulated in this code.

COMMITTEES OF THE BOARD

The Committees of the Board assist the Board in effectively fulfilling its mandate and allow directors to share responsibility and devote sufficient time and attention to issues.

The three standing Board committees are as follows:

The Audit and Conduct Review Committee

This Committee assists the Board in fulfilling its audit responsibilities for: the integrity of the Bank's consolidated financial statements and related quarterly results press releases; compliance with legal and regulatory requirements; the system of internal control – including internal control over financial reporting and disclosure controls and procedures; the external auditor's qualifications and independence; and the performance of the Bank's internal audit function and internal controls over financial reporting. The Committee is also responsible for oversight of the Bank's conduct related to policies procedures and transactions with connected parties, and conflicts of interest. All Committee approvals remain subject to ratification by the Bank's Board of Directors.

The Enterprise and Credit Risk Management Committee

The Board's responsibilities for overseeing the administration of the Bank's credit portfolio have been delegated to this Committee. This Committee's responsibilities include the review and approval of credit exposures in excess of the limits established by the Bank's credit risk policy, as well as oversight of large non-performing loans. The Committee also reviews the Bank's risk profile against its risk appetite and must be satisfied that adequate procedures are in place to manage the risks to which the Bank is exposed.

The Corporate Governance and Human Resources Advisory Committee

This Committee is responsible for recommending to the Board for approval the corporate governance practices, policies and charters for the Board and its committees, and advising on the Bank's corporate governance framework. The Committee is also responsible for the review and recommendation to the Board of Director nominees as well as senior executives.

The Committee assists the Board in succession planning by reviewing the senior level organisation structure, monitoring the development of individuals for key positions and assessing management's performance (quantitative and qualitative). The Committee also reviews the compensation to be paid to senior executives and senior officers and the general criteria and design of the Bank's incentive programs.

MEETING ATTENDANCE

Below is the attendance record of Directors at the Annual Meeting, Board and Committee Meetings during the period November 01, 2016 to October 31, 2017:

November 1, 2016 to October 31, 2017

	Board Meeting	Audit and Conduct Review Committee	Enterprise and Credit Risk Management Committee	Corporate Governance and Human Resources Advisory Committee
No. of Meetings	6	4	4	4
Brendan King	6	-	-	-
George Janoura [1 3]	6	-	4	4
Steve Ragobar [1 2]	6	4	4	-
Roxane De Freitas [1 3]	6	-	4	4
Anya M. Schnoor [2 3]	6	4	-	4
Wendy Fae Thompson [2 3]	6	3	-	4
Lisa Mackenzie [2 3]	6	4	-	4
Janet Boyle [2****]	2	1	-	-
Alan Fitzwilliam [1]	5	-	4	-
Derek Hudson [1]	5	-	4	
Tracy Bryan [3]	5	-	-	3

1 Enterprise and Credit Risk Management Committee

2 Audit and Conduct Review Committee

3 Corporate Governance and Human Resources Advisory Committee

**** Appointed to the SBTT Board on June 6th and the Audit and Conduct Review Committee on September 12th

The Bank is committed to good corporate governance practices. In addition to being governed by applicable law, regulations and guidance from the Central Bank of Trinidad and Tobago, the Trinidad and Tobago Securities and Exchange Commission, and the Trinidad and Tobago Stock Exchange, the Board has established a robust corporate governance policy and framework to ensure the Bank remains aligned with international best practices. The Board reviews its corporate governance practices annually with a view to staying current with evolving concepts. The Board continually strives to preserve shareholder value and confidence in the long term viability and profitability of the Bank.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED

THE DIRECTORS' REPORT

to the Shareholders

FOR THE YEAR ENDED OCTOBER 31ST 2017

Your Directors have pleasure in submitting their Annual Report for the fiscal year ended October 31st 2017:

FINANCIAL RESULTS AND DIVIDENDS

The Directors are pleased to announce that Scotiabank Trinidad and Tobago Limited realized net income after tax of $658 million for the year ended October 31st, 2017, an increase of $32 million or 5% over the same period last year. Total Assets ended the period at $24 billion, representing growth of 5% or $1 billion over the comparative period in 2016.

On the basis of this performance, the Directors have resolved that the Bank pay a fourth interim dividend of 50 cents per ordinary share and a special dividend of 100 cents, by January 12th, 2018 to shareholders on record at December 13th, 2017.

DIRECTORS

Shareholders would be aware that Ms. Anya Schnoor resigned as the Managing Director effective October 31st, 2017 following her appointment as Executive Vice President, Retail Payments, Deposits and Unsecured Lending for Canadian Banking for The Bank of Nova Scotia, Canada. The Board extends its gratitude and well wishes to Ms. Schnoor.

We are now pleased to welcome Mr. Stephen Bagnarol, who was appointed as the Managing Director of Scotiabank Trinidad and Tobago Limited, and Senior Vice President and Head of The Caribbean South And East. Mr. Bagnarol formerly held several key roles within the Scotiabank Group, including Head of Real Estate Banking, Managing Director, Derivatives and Capital Markets, Vice-President and Country Head in Panama, and Senior Vice President, Wholesale Banking in Peru. He offers himself for election at the Annual General Meeting on March 6th, 2018.

Additionally, since the last Annual Meeting, Ms. Janet Boyle joined the Board on June 6th 2017. Ms. Boyle is the Vice president, Real Estate Secured Lending, The Bank of Nova Scotia, with expertise in influencing business growth and strategic thinking through acquisitions, business planning, employee development, and financial and operations management. She also offers herself for election at the Annual General Meeting.

In accordance with the Company's By-Laws, the terms of office of Mr. Brendan King, Mr. George Janoura, Mrs. Roxane De Freitas, Mrs. Wendy-Fae Thompson, Mrs. Lisa Mackenzie, Mr. Steve Ragobar, Mr. Alan Fitzwilliam, Ms. Tracy Bryan and Mr. Derek Hudson expire at the close of the Annual General Meeting to be held on March 6th, 2018.

Being eligible, all of these Directors, offer themselves for re-election for the term from the date of their election until the close of the first Annual General Meeting following their election, subject always to earlier termination in accordance with the Company's By-Laws.

AUDITORS

The retiring auditors, Messrs. KPMG have expressed their willingness to be re-appointed. Messrs. KPMG are practising members of the Institute of Chartered Accountants of Trinidad and Tobago and are eligible for appointment as auditors of the Company under the rules of the said Institute.

DIRECTORS, SENIOR OFFICERS, CONNECTED PERSONS AND SUBSTANTIAL INTERESTS

We record hereunder details of the shareholdings of each Director and Officer of the Company as at the end of the Company's financial year, October 31st 2017.

DIRECTORS	ORDINARY SHARES
Brendan King	500
Anya Schnoor	500
George Janoura	18,026
Lisa Mackenzie	1,000
Roxane De-Freitas	2,000
Wendy-Fae Thompson	500
Alan Fitzwilliam	10,000
Derek Hudson	-
Tracy Bryan	-
Janet Boyle	-
Steve Ragobar	973

SENIOR OFFICERS*	ORDINARY SHARES
Gayle Pazos	1,000
Dale Khan	-
Tricia De La Rosa	-
Marcos Rehberg	1,300
Rachel Laquis	-
Savon Persad	1,000
Vanessa Mc Pherson	-
Jason Narinesingh	-
David Gopaulsingh	-
Reshard Mohammed	2078

*All Senior Officers of the Bank are eligible to participate in employee share ownership plans and to be shareholders of The Bank of Nova Scotia.

We also list below those persons holding the ten (10) largest blocks of shares in the Company, as at October 31st 2017.

Scotiabank Trinidad and Tobago Limited -- Top Ten Shareholder as at Otober 31st, 2017		
Name	**Shareholding**	**Percentage**
SCOTIABANK CARIBBEAN HOLDINGS LTD.	89,761,887.00	50.90%
The National Insurance Board	11,970,742.00	6.79%
RBTT Trust Limited	11,135,811.00	6.31%
Republic Bank Ltd	11,002,780.00	6.24%
Trinidad & Tobago Unit Trust Corp.	4,640,609.00	2.63%
First Citizens Trust & Asset Management Ltd.	4,601,141.00	2.61%
Guardian Life of the Caribbean Ltd	4,114,990.00	2.33%
Trintrust Ltd	4,102,662.00	2.33%
Tatil Life Assurance Ltd	3,696,143.00	2.10%
Trustee Central Bank - Pension Fund	1,856,248.00	1.05%

ON BEHALF OF THE BOARD

Brendan King
Chairman

Stephen Bagnarol
Managing Director

Date: December 5th, 2017

MANAGEMENT DISCUSSION AND ANALYSIS

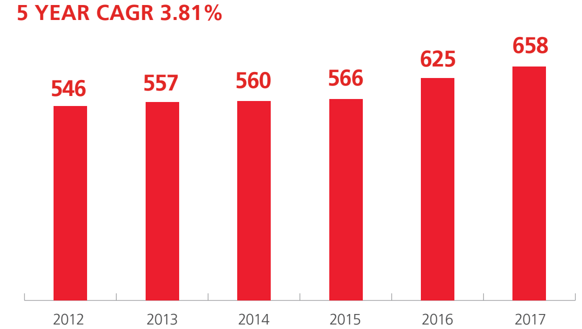
OVERVIEW

The Scotiabank Trinidad & Tobago Group (The Group) reported Net Income After Taxation (NIAT) of $658 million for the year ended 31st October 2017, an increase of $32 million or 5% over the comparative period in 2016. This marks 25 years of consecutive growth in profitability, demonstrating the strength of the Scotiabank brand in Trinidad & Tobago. This year's achievement is even more significant given the challenging economic environment and aggressive competitive market in which we operate, combined with a year over year increase in the statutory corporation tax rate by 5%. Excluding this tax rate increase, NIAT would have increased by 13% over the comparative period last year.

Earnings per share increased to 372.9 cents (2016 – 354.5 cents) at the end of fiscal 2017 whilst Return on Equity increased to 16.80% (2016 – 16.43%), underscoring the increasing value to our shareholders year over year.

In light of this improvement in profitability, we are declaring a fourth quarter final dividend of 50 cents and another special dividend this year of 100 cents. This represents a total payout for 2017 of 300 cents per share (2016 – 300 cents), as approved by the Board of Directors.

NET INCOME
5 YEAR CAGR 3.81%



GROUP STATEMENT OF INCOME

Total Revenue

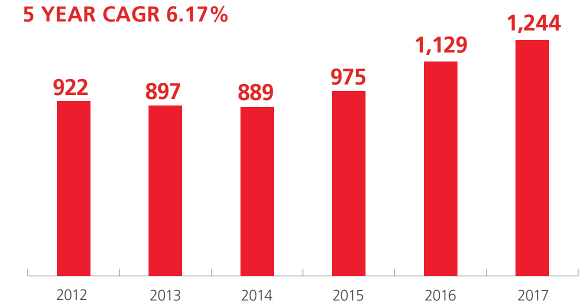
Total Revenue (comprising Net Interest Income and Other Income) for the period 31st October 2017 was $1.7 billion, an increase of $117 million or 7% over prior year. This increase is due to strong growth in our gross retail loans portfolio combined with solid returns on our securities portfolio, driven by a robust liquidity management strategy.

Net Interest Income

Net Interest Income for the year ended 31st October 2017 was $1,244 million, an increase of $115 million or 10% over last year. Interest income from Loans was $1.1 billion, $83 million or 8% higher than 2016, and represents 90% of total Interest Income collected. Interest Income from Investment Securities of $124 million, increased by $33 million or 37% compared to the prior year. This was driven by higher yields on short term investment securities.

There has been no significant changes in Total Interest Expense during the year.

CONSOLIDATED NET INTEREST INCOME
5 YEAR CAGR 6.17%

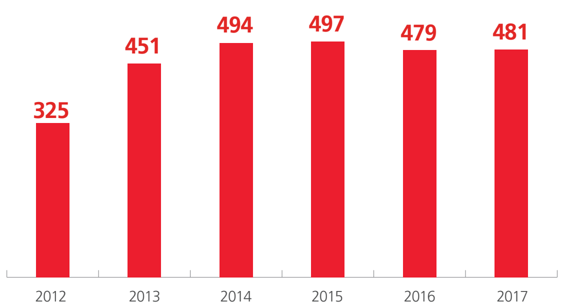


Other Income

Other Income, defined as all income other than interest income, continues to be a significant source of earnings for the Group representing 28% of total revenue. Other Income was $481 million in 2017, an increase of $2 million over the previous year.

Net Fees, Commissions and Net Premium Income continue to be the largest source of Other Income at $289 million in 2017, growing by $20 million or 7% over 2016. Net Trading Income continues to be integral to the Group's Other Income totaling $191 million in 2017 and contributing 40% to the overall position.

OTHER INCOME
$' MILLIONS
5 YEAR CAGR 8.19%

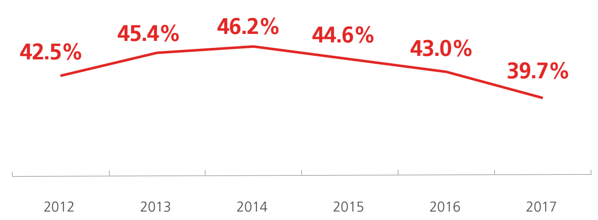


Non-Interest Expenses & Operating Efficiency

Non-Interest Expenses (NIE) for the year ended 31st October 2017 totaled $686 million, a decrease of $6 million or 1% over the prior year. This represents a significant achievement and is a testament to our robust expense management framework. Management continues to invest in our people, our brand and in improvements in technology enhancing our customers' experience, all in an efficient manner.

The Group's Operational Efficiency Ratio (NIE as a percentage of Total Revenue) for 2017 improved significantly to 39.7% (2016 – 43.0%), which solidified our position as best in class amongst our peers in the local banking industry.

OPERATIONAL EFFICIENCY RATIO

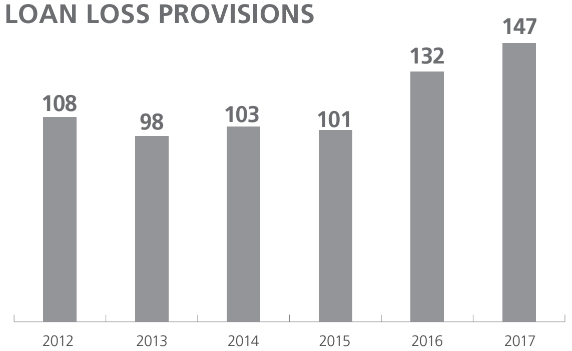


Loan Loss Expense & Credit Quality

Loan loss expense for the period ending 31st October 2017 was $106 million, an increase of $29 million over prior year. This is reflective of the Group's prudent risk management strategy driven by the economic environment in which we operate.

Loan Loss Provisions for the fiscal were $147 million which represents a coverage ratio of 48% on loans whose principal is impaired.

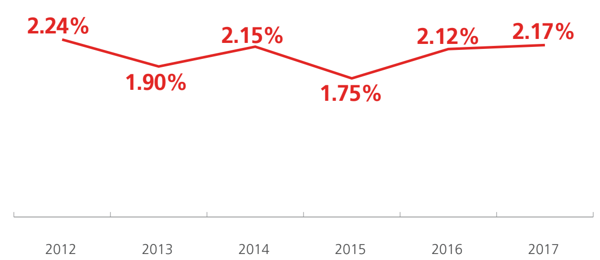
LOAN LOSS PROVISIONS



Our credit quality continues to be strong as Non-Performing Loans (NPLs) as a percentage of gross loans remained low at 2.17% as at 31st October 2017.

We continue to work closely with our customers who are experiencing challenges, to mitigate potential negative impact to the quality of the Group's Loan portfolio.

NPL % LOANS



Taxation Expense

The tax charge for the year ending 31st October 2017 was $277 million, an increase of $62 million or 29% over the prior year. The increase reflects the higher corporation tax rate from 25% in 2016 to 30% in 2017 which accounted for higher taxation of $47 million or 5% of net income before taxation.

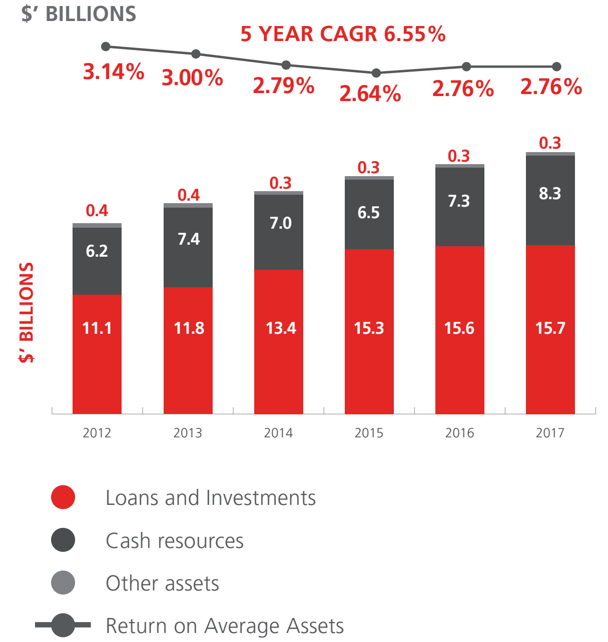
GROUP FINANCIAL CONDITION

Assets

The Group's Total Assets as at 31st October 2017 was $24.4 billion, an increase of $1.1 billion or 5% over the prior year with Net loans to Customers, the bank's largest category, increasing by 5%. This is an impressive achievement given the market dynamics impacting retail and business lending.

The Group continues to generate competitive returns on its assets which remained stable in 2017 at 2.76%.

TOTAL ASSETS
$' BILLIONS



Cash Resources

The Group continues to comfortably hold sufficient levels of liquidity to meet our depositors' needs and regulatory requirements. Cash and cash equivalents held to meet the Group's liquidity needs stood at $1.6 billion as at 31st October 2017, while regulatory reserve deposits at the Central Bank of Trinidad & Tobago (CBTT) totaled $2.8 billion for the similar period.

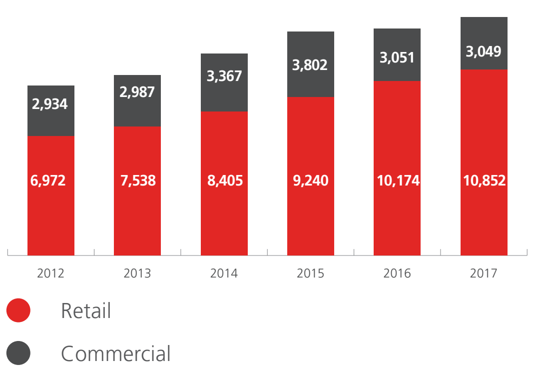
Securities

The Group's total investment portfolio ended 2017 at $5.6 billion, an increase of $306 million or 6% over the previous year. This is mainly due to an increase in Treasury Bills of $860 million or 28% which reflects the Bank's response to excess liquidity in the system by consistently seeking opportunities in higher yielding short to medium term instruments.

Loans

Net Loans to customers were $14.0 billion, representing an increase of $681 million or 5% over the prior year. Strong growth in our retail portfolio at an increase of 6% when compared to prior year, was partially offset by significant scheduled repayments experienced in our Corporate and Commercial portfolio.

LOAN PORTFOLIO
$' MILLIONS
5 YEAR CAGR 5.95%



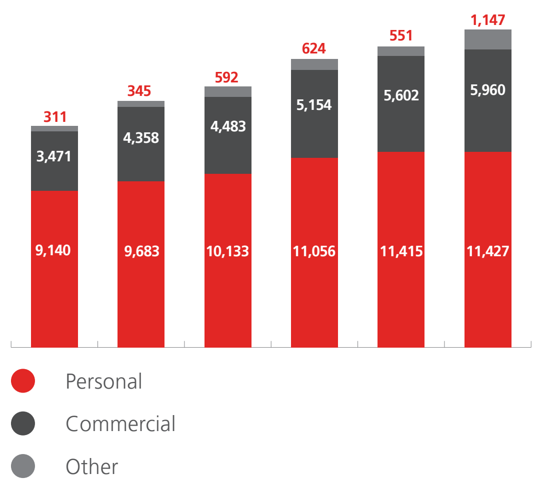
Liabilities

Total Liabilities were $20.4 billion as at 31st October 2017, an increase of $1.0 billion or 5% over the prior year. Growth in liabilities was mainly due to increased Customers' Deposits and Policyholders' Funds in the Insurance subsidiary.

Deposits

Deposits as at 31st October 2017 were $18.5 billion, an increase of $1 billion or 6% over the prior year, is a testament to the continued confidence which our customers have in Scotiabank. This significant growth was driven by our commercial and corporate portfolio, which is in line with our liquidity management and transaction migration strategy for that business line.

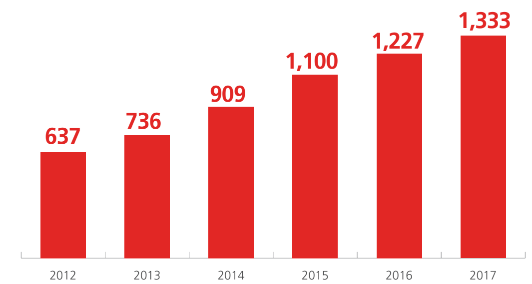
DEPOSIT PORTFOLIO
$' MILLIONS
5 YEAR CAGR 6.33%



Policyholders' Fund

The Policyholders' Funds reflect the insurance contract liabilities held at the Group's subsidiary, ScotiaLife Trinidad & Tobago Limited (corporate brand "Scotia Insurance"). Policyholders' Funds increased by $105 million or 9% over 2016, with a compounded annual growth rate of 16% over the last five years. This segment continues to be an important contributor to the Group and averages over 14% of the Group's profitability.

POLICYHOLDERS' FUND
$' MILLIONS
5 YEAR CAGR 15.9%



Shareholders' Equity

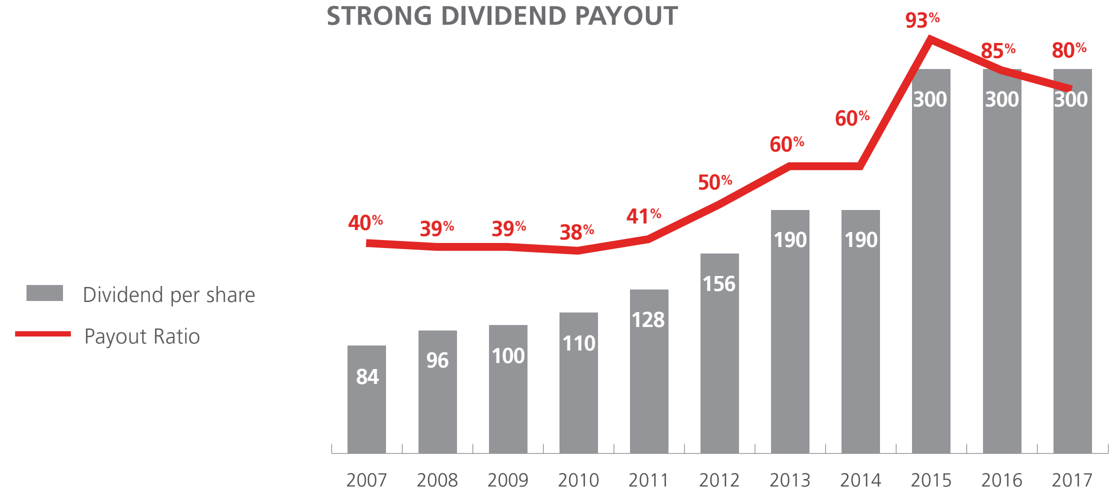
The Group maintains a strong capital base to support the risks associated with its diversified businesses. This base contributes to safety for customers and fosters investor confidence, while allowing the Group to take advantage of growth opportunities that may arise. Total Shareholders' Equity closed the period at $4.0 billion representing an increase of $81 million or 2% over 2016.

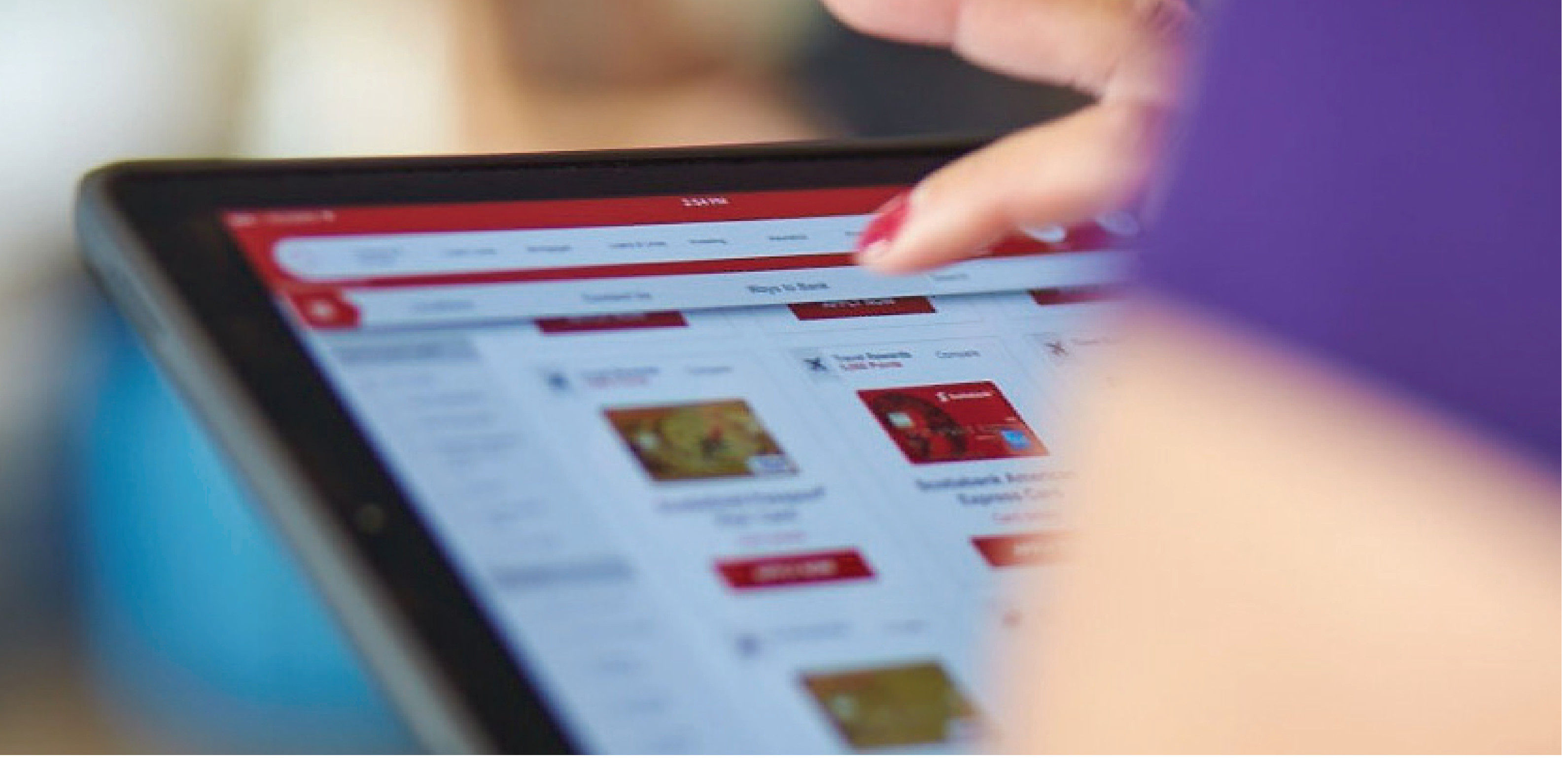
Our risk-based Capital Adequacy Ratio of 25% continues to exceed the local regulatory requirements of 8% and provides an adequate buffer against any unexpected impacts that could arise.

Shareholders' Return

At Scotiabank, we remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams. For the third consecutive year due to another year of solid performance by the Group, we are issuing a total payout for 2017 of 300 cents per share. Our payout for 2017 is 80% of the Group's net income after tax and illustrates our commitment to provide healthy returns to our shareholders.

STRONG DIVIDEND PAYOUT





CONSOLIDATED FINANCIAL STATEMENTS

of Scotiabank Trinidad and Tobago Limited
October 31, 2017

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Scotiabank Trinidad and Tobago Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 2017, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information;
- Ensuring that the Group keeps proper accounting records;
- Selecting appropriate accounting policies and applying them in a consistent manner;
- Implementing, monitoring and evaluating the system of internal control that assures security of the Group's assets, detection/prevention of fraud, and the achievement of the Group's operational efficiencies;
- Ensuring that the system of internal control operated effectively during the reporting period;
- Producing reliable financial reporting that complies with laws and regulations, including the Companies Act; and
- Using reasonable and prudent judgement in the determination of estimates.

In preparing these consolidated financial statements, management utilised the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted by the Institute of Chartered Accountants of Trinidad and Tobago. Where International Financial Reporting Standards presented alternative accounting treatments, management chose those considered most appropriate in the circumstances.

Nothing has come to the attention of management to indicate that the Company will not remain a going concern for the next twelve months from the reporting date, or up to the date the accompanying consolidated financial statements have been authorised for issue, if later.

Management affirms that it has carried out its responsibilities as outlined above.

Savon Persad Vice President Retail & Small Business	Tricia De La Rosa Chief Financial Officer

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Opinion

We have audited the consolidated financial statements of Scotiabank Trinidad and Tobago Limited ("the Company") and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 2017, the consolidated statements of profit or loss and other 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at October 31, 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Trinidad and Tobago, and we have fulfilled our other ethical responsibilities in accordance with these requirements and with IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for impairment of loans to customers

- *The risk* – The allowance for impairment of loans to customers is considered to be a matter of most significance as it required the application of judgement and the use of subjective assumptions by management. The Group records both general and specific impairment allowances of loans to customers, in accordance with the Group policy requirements for the incorporation of historical loss data and qualitative factors on loan grading respectively.

Key Audit Matters (continued)

Loans to customers contributed to 57% of the Group's total assets. The Group's gross loan portfolio comprises clients from the two business groups, i.e. Corporate and Retail banking. The loan portfolio and characteristics of these two groups differ, therefore requiring a different approach in the assessment for specific impairment allowances by management.

The Group's loan portfolio consists of large loans, requiring management to monitor the borrowers' repayment abilities individually based on their knowledge for any allowance for impairment. It also consists of smaller loan values and a greater number of customers. These loans are not monitored individually and are grouped by product into homogenous portfolios. Portfolios are monitored through historical delinquency statistics, for the allowance for impairment assessment.

- *How the matter was addressed in our audit* – Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over the Group's impairment process, such as:
  - Controls over the completeness and accuracy of the data used to determine impaired loans;
  - The process of loan downgrading, including management review of the recoverable value calculations.

Our procedures to assess management's provision for impairment allowances, in response to the risks specific to the two groups included the following:

Corporate Loans

We challenged management's identification of impaired loans by reviewing a sample of loans and assessing whether or not they were appropriately classified, based on the criteria for determining objective evidence of impairment.

We selected a sample of non-performing loans and assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We evaluated the consistency of key assumptions applied and challenged the assumptions using externally available information. We re-computed management's calculation of the specific allowances to check the accuracy of data captured in the accounting records.

Additionally, we selected samples of performing loans and assessed that the borrowers did not exhibit any definable weaknesses that may jeopardize the repayment abilities.

Retail Loans

The allowance for impairment process is based on projection of losses, with historical delinquency statistics of each portfolio. Our testing included both the secured and non-secured lending portfolios.

We examined the appropriateness of the model parameters such as historical loss rates based on our industry knowledge and experience, to assess that they are in line with customer behavioral profiles.

We have also assessed the adequacy of the Group's disclosure on the allowance for impairment of loans and the related credit risk in Note 8 and Note 26 to the financial statements.

Key Audit Matters (continued)

Fair value of investment securities

- *The risk* – Investment securities measured at fair value represents 23% of the total assets of the Group. The valuation of the Group's investments requires significant estimation as no quoted prices are available for some of these instruments. Valuation of these investments, although based on observable inputs, involves the exercise of judgement and the use of assumptions. Management used valuation techniques which require inputs such as market yields obtained from established yield curves. These judgements and assumptions could result in estimated fair values that are materially different from actual transaction values.
- *How the matter was addressed in our audit* – We assessed the key controls over the determination and computation of fair values.

We tested the appropriateness of the valuation model used to price these securities through the use of our own valuation specialists to independently test the valuation model and critically assess the valuation assumptions and inputs used by management. We tested the outputs of the valuation process to ensure they are appropriately reflected in the general ledger.

We also assessed the adequacy of the disclosures, including the degree of estimation involved in determining fair values.

Valuation of policyholders' liabilities

- *The risk* – Policyholder liabilities represent 7% of the Group's total liabilities. This is an area that involves significant judgment over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities. Economic assumptions, including investment return, credit risk and associated discount rates, and operating assumptions including mortality, morbidity, expenses and persistency (including consideration of policyholder behaviour) are the key inputs used to estimate these long term liabilities.

Additionally, the valuation of policyholder liabilities in relation to credit card business requires the exercise of significant judgement over the setting of mortality and credit risk assumptions.

Significant judgement is required to determine the carrying value of the insurance liabilities as the actual claims and benefit payments may exceed the carrying amount of the insurance liabilities.

- *How the matter was addressed in our audit* – We used our own actuarial specialists to assist in performing our procedures over this area.

Key procedures included assessing the Group's methodology for calculating the policyholder liabilities and their analysis of the movements in policyholder liabilities during the year, including whether the movements are in line with the assumptions adopted by the Group, our understanding of developments in the business and our expectations derived from market experience.

Key Audit Matters (continued)

Our procedures also included:

– Assessing assumptions for investment mix and projected investment returns by reference to company specific and industry data and for future growth rates by reference to market trends and market volatility.

– Assessment of the assumptions of policyholder behaviour, including consideration against relevant company and industry historical data.

– Considering the appropriateness of the mortality assumptions used in the valuation of credit card liabilities by reference to company and industry data on historical mortality experience and expectations of future mortality movements, including evaluation of the choice of Caribbean Policy Premium Method (PPM).

– Consideration of the appropriateness of the credit risk methodology and assumptions by reference to industry practice and our expectation derived from market experience.

We utilised the results of KPMG benchmarking of assumptions and actuarial market practice to inform our challenge of management's assumptions in both areas noted above.

Our work on the policyholder liability adequacy test included assessing the reasonableness of the projected cash flows and challenging the assumptions adopted in the context of company and industry experience data and specific product features. We also performed test work to ensure the appropriateness of changes made to the policyholder liability reserving models during the year. We considered whether the Group's disclosures in relation to the assumptions used in the calculation of policyholder liabilities are compliant with the relevant accounting requirements and appropriately represent the sensitivities of these assumptions to alternative scenarios and inputs.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Marissa Quashie.

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
December 5, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

October 31, 2017 *($ thousands)*	Notes	2017	2016
		$	$
ASSETS			
Cash on hand and in transit		225,376	146,203
Due from banks and related companies	5	1,344,017	880,433
Treasury bills	6	3,925,171	3,065,375
Deposits with Central Bank	7	2,826,390	3,216,409
Net loans to customers	8	13,955,789	13,275,224
Investment securities	9	1,713,788	2,267,880
Investment in associated companies		30,447	29,875
Deferred tax assets	15	43,940	35,163
Property, plant and equipment	10	246,780	250,967
Miscellaneous assets		70,025	74,353
Defined benefit pension fund asset	11.1	8,646	19,287
Goodwill		2,951	2,951
Total assets		**24,393,320**	**23,264,120**
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	12	18,538,048	17,571,183
Due to banks and related companies	13	38,088	42,555
Other liabilities		314,678	295,618
Taxation payable		48,088	104,517
Policyholders' funds	14	1,332,623	1,227,157
Post-employment medical and life benefits obligation	11.1	126,633	124,962
Deferred tax liabilities	15	40,769	24,591
Total liabilities		**20,438,927**	**19,390,583**
EQUITY			
Stated capital	16	267,563	267,563
Statutory reserve fund	17	688,201	667,882
Investment revaluation reserve		7,519	3,156
Retained earnings		2,991,110	2,934,936
Total equity		**3,954,393**	**3,873,537**
Total liabilities and equity		**24,393,320**	**23,264,120**

The accompanying notes are an integral part of these consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors on December 5, 2017 and signed on its behalf by:

Brendan King, Chairman

Lisa Mackenzie, Director

Steve Ragobar, Director

George Janoura, Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended October 31, 2017 *($ thousands, except earnings per share data)*	Notes	2017	2016
		$	$
NET INTEREST AND OTHER INCOME			
Total interest income	19	1,261,768	1,146,488
Total Interest expense	20	17,532	17,449
Net interest income		1,244,236	1,129,039
Other income	21	562,185	552,917
Fee and commission expense		(80,975)	(73,696)
Net other income		481,210	479,221
Total net interest and other income		**1,725,446**	**1,608,260**
NON-INTEREST EXPENSES			
Salaries and other staff benefits		253,592	249,956
Premises and technology		126,187	128,195
Communication and marketing		99,914	98,255
Other expenses	22	205,976	215,052
Total non-interest expenses		685,669	691,458
Loan loss expense	8.5	**105,597**	**76,780**
Profit before taxation		**934,180**	**840,022**
Income tax expense	23	**276,516**	**214,797**
Profit for the year, attributable to equity holders		**657,664**	**625,225**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Remeasurement of post-employment benefits asset/obligation	11.7	1,173	52,302
Related tax	23.3	(410)	(15,690)
		763	36,612
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value of available-for-sale investments		6,686	8,454
Amount reclassified to profit or loss		-	45
Revaluation of available-for-sale investments		6,686	8,499
Related tax	23.3	(2,323)	(2,819)
		4,363	5,680
Other comprehensive income, net of tax		**5,126**	**42,292**
Total comprehensive income, attributable to equity holders		**662,790**	**667,517**
Earnings per share	24	**372.9¢**	**354.5¢**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended October 31, 2017
($ thousands)

	Notes	Stated Capital	Statutory Reserve Fund	Investment Revaluation Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at October 31, 2015		**267,563**	**637,563**	**(2,524)**	**2,832,453**	**3,735,055**
Profit for the year		-	-	-	625,225	625,225
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation		-	-	-	36,612	36,612
Revaluation of available-for-sale investments		-	-	5,680	-	5,680
Total comprehensive income		-	-	5,680	661,837	667,517
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	17	-	30,319	-	(30,319)	-
Dividends paid	18	-	-	-	(529,035)	(529,035)
		-	30,319	-	(559,354)	(529,035)
Balance as at October 31, 2016		**267,563**	**667,882**	**3,156**	**2,934,936**	**3,873,537**
Profit for the year		-	-	-	657,664	657,664
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation		-	-	-	763	763
Revaluation of available-for-sale investments		-	-	4,363	-	4,363
Total comprehensive income		-	-	4,363	658,427	662,790
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	17	-	20,319	-	(20,319)	-
Dividends paid	18	-	-	-	(581,934)	(581,934)
		-	20,319	-	(602,253)	(581,934)
Balance as at October 31, 2017		**267,563**	**688,201**	**7,519**	**2,991,110**	**3,954,393**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended October 31, 2017 *($ thousands)*

	Notes	2017	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		657,664	625,225
Adjustments for:			
- Interest income		(1,261,768)	(1,146,488)
- Interest expense		17,532	17,449
- Depreciation	10	18,069	17,716
- Share of profit of associated company		(572)	(2,937)
- Loss on disposal of property, plant and equipment		286	5,017
- Tax expense		276,516	214,797
Changes in:			
- Deposits with Central Bank		390,019	(112,947)
- Net post-employment benefits obligation		45,967	48,824
- Policyholders' funds		105,466	127,555
- Loan loss provision		14,633	30,959
- Loans		(684,976)	(214,211)
- Miscellaneous assets		4,328	(33,111)
- Deposits		967,231	734,140
- Amounts due to banks and related companies		(4,467)	656
- Other liabilities		19,060	52,549
Interest received		1,257,546	1,145,466
Interest paid		(17,898)	(17,496)
Medical, life and pension contributions paid		(32,482)	(29,212)
Taxation paid		(326,277)	(211,553)
Net cash from operating activities		1,445,877	1,252,398
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in Treasury Bills with original maturity date due over 3 months		(859,796)	(1,240,541)
Purchase of investment securities		(44,539)	(212,736)
Proceeds from redemption of investment securities		597,337	169,282
Purchase of property, plant and equipment	10	(14,428)	(24,638)
Proceeds from disposal of property, plant and equipment		240	-
Net cash used in investing activities		(321,186)	(1,308,633)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18	(581,934)	(529,035)
Net cash used in financing activities		(581,934)	(529,035)
Increase (decrease) in cash and cash equivalents		542,757	(585,270)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,026,636	1,611,906
CASH AND CASH EQUIVALENTS, END OF YEAR		1,569,393	1,026,636
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		225,376	146,203
Due from banks and related companies	5	1,344,017	880,433
		1,569,393	1,026,636

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF SCOTIABANK TRINIDAD AND TOBAGO LIMITED OCTOBER 31, 2017

1. Incorporation and Business Activities

Scotiabank Trinidad and Tobago Limited (Scotiabank) is incorporated in the Republic of Trinidad and Tobago and offers a complete range of banking and financial services as permitted under the Financial Institutions Act, 2008. Scotiabank is domiciled in Trinidad and Tobago and its registered office is 56-58 Richmond Street, Port of Spain.

These consolidated financial statements comprise Scotiabank and its wholly-owned subsidiaries (together referred to as the Group). The Group's ultimate parent company is The Bank of Nova Scotia, which is incorporated and domiciled in Canada. The Group has interests in two associated companies.

Scotiabank's wholly-owned subsidiaries and associated companies and their principal activities are detailed below:

Name of Companies	Country of Incorporation	Percentage of Equity Held
Subsidiaries		
ScotiaLife Trinidad and Tobago Limited	Republic of Trinidad and Tobago	100%
Scotia SKN Limited	Federation of St. Christopher & Nevis	100%
Scotia Investments Trinidad and Tobago Limited	Republic of Trinidad and Tobago	100%
Associated companies		
InfoLink Services Limited	Republic of Trinidad and Tobago	25%
Trinidad & Tobago Interbank Payment Systems Limited	Republic of Trinidad and Tobago	14%

ScotiaLife Trinidad and Tobago Limited (ScotiaLife) is registered to conduct ordinary long-term insurance business under the Insurance Act, 1980.

Scotia SKN Limited was incorporated under the Companies Act, 1996 of the Federation of St. Christopher and Nevis. Its principal activity is the purchase and holding of investments.

Scotia Investments Trinidad and Tobago Limited's (Scotia Investments) principal activity is the provision of asset management services.

InfoLink Services Limited offers clearing and switching facilities for the electronic transfer of funds.

Trinidad and Tobago Interbank Payment Systems Limited's principal activity is the operation of an automated clearing house that provides for collection, distribution and settlement of electronic credits and debits.

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which the subsidiaries operate. The supervisory frameworks require subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. In respect of the subsidiaries that are regulated by the Central Bank of Trinidad and Tobago, the carrying amounts of assets are $24.22 billion (2016: $23.05 billion) and liabilities $20.44 billion (2016: $19.347 billion).

These consolidated financial statements were authorised for issue by Scotiabank's Board of Directors on December 5, 2017.

2. Basis of Preparation

(a) Basis of accounting

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

(b) Basis of measurement

These consolidated financial statements are prepared on the historical cost basis modified for the inclusion of:

- investments at fair value through profit or loss.
- available-for-sale investments at fair value.
- investments in equity-accounted investees are measured using the equity method.
- net defined benefit asset (obligation) is recognised at fair value of plan assets, adjusted by re-measurements through other comprehensive income (OCI), less the present value of the defined benefit obligation adjusted by experience gains (losses) on revaluation, limited as explained in Note 3(k) and Note 11.
- policyholders' funds calculated using the Caribbean Policy Premium Method of valuation.

(c) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These consolidated financial statements are presented in Trinidad and Tobago dollars, rounded to the nearest thousand, which is Scotiabank's functional and presentation currency.

(d) Basis of consolidation

(i) Subsidiaries

A subsidiary company is an entity controlled by the Group. The Group 'controls' an entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having power over an investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Business combinations, except for transactions between entities under common control, are accounted for using the acquisition method of accounting when control is transferred to the Group. Common control transactions are recorded at book value.

(ii) Transactions eliminated on consolidation

All intra-group transactions and balances are eliminated in preparing these consolidated financial statements.

(iii) Interest in equity-accounted investees

The investments in the associated companies are accounted for by the equity method whereby the Group's share of their results is included in that of the Group and added to the carrying value of the respective investments.

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in the consolidated financial statements and are set out below:

(a) Revenue recognition

Interest income

Interest income and interest expense are accounted for on the accrual basis for financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis, other than non-accrual loans. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not the future credit losses.

When a loan is classified as non-accrual, accrued but uncollected interest is reversed against income of the current period. Thereafter, interest income is recognised only after the loan reverts to performing status.

The Group's calculation of the effective interest rate includes all material fees received, transaction costs, discounts or premiums that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset.

Other income

Other income comprises fees and commissions, trading income and premium income.

Fees and commissions that are material to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commissions are recognised in income as the related services are performed.

Other fees and commissions expense relate mainly to termination and service fees, which are expensed as the services are received.

Premium income

Premiums are recognised as earned, net of refunds.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the rate of exchange ruling at the reporting date. Resulting translation differences and profits and losses from trading activities are included in profit or loss.

(c) Financial assets and financial liabilities

Financial instruments carried on the consolidated statement of financial position include cash resources, due from and to banks and related companies, investment securities including treasury bills, loans and leases to customers, other assets, deposits, other liabilities and policyholders' funds. The standard treatment for recognition, de-recognition, classification and measurement of the Group's financial instruments is set out below in notes (i) – (iv), whilst additional information on specific categories of the Group's financial instruments is disclosed in notes 3(d) – 3(f), 3(h), 3(j), 3(l) and 3(n).

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(i) Recognition

The Group initially recognises loans and advances and deposits on the date that they are originated. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date which is the date on which the Group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

This category includes financial assets held for trading or financial assets designated at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity assets, the entire category would be compromised and reclassified as available-for-sale and would prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

However, the following circumstances would not trigger a reclassification:

- Sales or reclassifications that are so close to maturity that changes in interest rates would not have a significant effect on the financial asset's fair value.
- Sales or reclassifications that occur after the Group has collected substantially all of the original principal.
- Sales or reclassifications that are attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Available-for-sale

Available-for-sale investments are those intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, or are so designated on initial recognition, or are not classified in one of the other three categories.

Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss (FVTPL).

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised), and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognized in other comprehensive income (OCI) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred financial assets are not derecognised. Transfers of assets with retention of all or substantially all of the risks and rewards include, for example, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control of the financial asset, the Group continues to recognise the financial asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(iv) Measurement

Financial assets

Subsequent to initial recognition, all financial assets at FVTPL and available-for-sale assets are measured at fair value, based on their quoted market price at the reporting date without any deduction for transaction costs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

Where the instrument is not actively traded or quoted on recognised exchanges, fair value is determined using discounted cash flow analysis. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions.

Any available-for-sale asset that does not have a quoted market price in an active market and for which fair value cannot be reliably measured, is stated at cost, including transaction costs, less impairment losses.

Gains and losses arising from the change in the fair value of available-for-sale investment securities subsequent to initial recognition are accounted for as changes in the investment revaluation reserve and recognised in other comprehensive income (OCI).

Gains and losses, both realised and unrealised, arising from the change in the financial assets at fair value through profit or loss are reported in other income.

Originated loans and receivables and held-to-maturity financial assets are measured at amortised cost less impairment losses.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

Financial liabilities

Subsequent to initial recognition all non-trading financial liabilities are measured at amortised cost.

(v) Amortised cost measurement

Amortised cost is calculated on the effective interest rate method. Premiums, discounts, and initial transaction costs are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off the amounts and it intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

(vii) Designation at fair value through profit or loss

Management designates financial assets and financial liabilities at fair value through profit or loss when the assets or liabilities are managed and reported internally on a fair value basis, or the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(d) Cash and cash equivalents

Cash comprises cash in hand and in-transit and deposits with banks and related companies that may be accessed on demand. Cash equivalents comprise short-term highly liquid investments with maturities of three months or less when purchased, including treasury bills and other bills eligible for rediscounting with the Central Bank of Trinidad and Tobago.Cash and cash equivalents are measured at amortised cost. The carrying value approximates the fair value due to its highly liquid nature and the fact that it is readily converted to known amounts of cash and is subject to insignificant risk of change in value.

(e) Investment securities

Debt securities that the Group has the intent and ability to hold to maturity are classified as held-to-maturity financial assets. All other investments are classified as available-for-sale financial assets and financial assets at fair value through profit or loss.

On disposal or on maturity of a debt security classified as held to maturity, the difference between the net proceeds and the carrying amount is included in profit or loss. When available-for-sale financial assets are sold, converted or otherwise disposed of, the cumulative gain or loss previously accounted for in the investment revaluation reserve is recycled to profit or loss.

(f) Impaired financial assets

Loans and advances originated by the Group are classified as loans and receivables. Loans and advances are stated at cost (amortised cost) net of impairment allowances to reflect the estimated recoverable amounts.

A loan is classified as non-accrual when principal or interest is 90 days past due or when, in the opinion of management, there is reasonable doubt as to the ultimate collectability of principal and/or interest. Non-accrual loans may revert to performing status when they become fully current or when management has determined there is no reasonable doubt as to ultimate collectability.

3. Significant Accounting Policies (continued)

(f) Impaired financial assets (continued)

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is no longer reasonable assurance of timely collection of the full amount of principal and interest. If a payment on a loan is contractually 90 days in arrears the loan will be classified as impaired.

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulties of the borrower or issuer;
- default or delinquency by a borrower;
- indications that the borrower or issuer will go into bankruptcy;
- the disappearance of an actual market for a security; or
- observable data relating to a Group of borrowers or issuers in the Group, or economic conditions that correlate with default in the Group.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of a borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated financial asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original asset is derecognised and the new financial asset is recognised at fair value.

Loans are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined.

The Group maintains a loan loss provision which, in management's opinion, is adequate to absorb all incurred credit-related losses in its loan portfolio. The loan loss provision, except the portion relating to retail loans, is determined on an item by item basis and reflects the associated estimated loss. Provisions for retail loans are calculated using a formula that takes into account recent loss experience.

Retail loans represented by residential mortgages, credit cards and other personal loans are considered by the Group to be homogenous groups of loans that are not considered individually significant. All homogeneous groups of loans are assessed for impairment on a collective basis.

A roll rate methodology is used to determine impairment losses on a collective basis for retail loans because individual loan assessment is impracticable. Under this methodology, loans with similar credit characteristics are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the value of loans that will eventually be written off as a result of the events not identifiable on an individual loan basis.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of future cash flows discounted at the asset's original effective interest rate.

3. Significant Accounting Policies (continued)

(f) Impaired financial assets (continued)

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held to maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of the impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The provision for the year, less recoveries of amounts previously written off and the reversal of provisions no longer required, is disclosed in profit or loss as loan loss expense.

(g) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other cost directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The Group has not incurred any significant expenditure on software that is not an integral part of related hardware as classified under property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised within other income in profit or loss.

(ii) Subsequent cost

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group over a period exceeding one year and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation and amortisation are provided, on the reducing balance basis, over the estimated useful lives of the respective assets at the following rates:

Buildings 2 1/2% per annum

Equipment and furniture 10 - 25% per annum

Leasehold improvements over the term of the respective leases or if shorter, the life of the asset.

Depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

(h) Leases

(i) Lease payments – Lessee

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Significant Accounting Policies (continued)

(h) Leases (continued)

(ii) Leased assets – Lessee

Assets held by the Group under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

(iii) Leased assets – Lessor

If the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, then the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognised and presented within loans and advances.

(i) Taxation

Income tax expense comprises current tax and the change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI. Current tax comprises the higher of tax payable calculated on the basis of the expected taxable income for the year, using the tax rate enacted by the reporting date and business levy, green fund levy and any adjustment of tax payable for previous years.

Deferred tax is recognised on all temporary differences arising between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities which affect neither accounting nor taxable income (loss). Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is calculated on the basis of the tax rate that is expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in the tax rate is charged to profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

In determining the amount of current and deferred tax, the Group considers the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact income tax expense in the period in which such a determination is made.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profits will be available against which they can be used.

(j) Policyholders' funds

Provision for future policy benefits are calculated using the Policy Premium Method of valuation. Under this method explicit allowance is made for all future benefits and expenses under the policies. The premiums, benefits and expenses for each policy are projected and the resultant future cash flows are discounted back to the valuation date to determine the reserves.

3. Significant Accounting Policies (continued)

(j) Policyholders' funds (continued)

The process of calculating policy reserves necessarily involves the use of estimates concerning such factors as mortality and morbidity rates, future investment yields and future expense levels. Consequently, these liabilities include reasonable provisions for adverse deviations from the estimates. An actuarial valuation is prepared monthly. Any adjustment to the reserve is reflected in the year to which it relates.

(k) Employee benefits

(i) Short-term

Employee benefits are all forms of consideration given by the Group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and loans; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner: short-term employee benefits are recognised as a liability, net of payments made, and charged as an expense. Post-employment benefits are accounted for as described below.

(ii) Post-employment

Independent qualified actuaries carried out a valuation of the Group's significant post-employment benefits as at October 31, 2015. The results of that valuation were projected to October 31, 2017 and have been included in the calculation of the post-employment benefit liability as necessary. The next valuation is due October 31, 2018.

Pension obligations

Scotiabank operates a non-contributory defined-benefit pension plan covering the majority of the Group's employees. The funds of the plan are administered by fund managers appointed by the trustees of the plan. The pension plan is generally funded by payments from the Group, taking account of the recommendations of independent qualified actuaries.

The Group's net pension obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of the defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset) during the period as a result of contributions and benefit payments.

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

3. Significant Accounting Policies (continued)

(k) Employee benefits (continued)

Other post-employment benefits

Scotiabank provides post-employment medical and life assurance benefits for retirees of the Group. The entitlement to this benefit is usually based on the employees remaining in service up to retirement age and the completion of a minimum service period. The method of accounting used to recognise the liability is similar to that for the defined benefit plan.

(l) Acceptances, guarantees and letters of credit

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that occurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

The Group's commitments under acceptances, guarantees and letters of credit have been excluded from these consolidated financial statements because they do not meet the criteria for recognition. These commitments as at October 31, 2017 total $928 million (2016: $844 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

(m) Assets under administration

Assets that are not beneficially owned by the Group, but are under its administration, have been excluded from these consolidated financial statements. Assets under administration as at October 31, 2017 totaled $3.974 billion (2016: $4.316 billion).

(n) Deposit liabilities

Deposits are the Group's source of funds. Deposits are initially measured at fair value and subsequently measured at their amortised cost using the effective interest method.

The estimated fair values of deposit liabilities are assumed to be equal to their carrying values, since the rates of interest that they bear are not materially different from current market rates and discounting the contractual cash flows would approximate the carrying values.

(o) Dividend income

Dividend income is recognised when the right to receive income is established.

Dividends that are proposed and declared after the reporting date are not shown as a liability on these consolidated statement of financial position but are disclosed as a note to these consolidated financial statements.

(p) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than deferred tax assets (see Note 3 (i)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists for that asset, that asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

The recoverable amount of other assets is the greater of their value in use and their fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. Significant Accounting Policies (continued)

(p) Impairment of non-financial assets (continued)

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Insurance contracts – recognition and measurement

Insurance contracts

These contracts insure human life events (for example, death or permanent disability) over a long duration. The accounting treatment differs according to whether the contract bears investment options or not. Under contracts that do not bear investment options, premiums are recognised as income when they become payable by the contract holder and benefits are recorded as an expense when they are incurred.

Under contracts that bear an investment option, insurance premiums received are initially recognised directly as liabilities. These liabilities are increased by credited interest and are decreased by policy administration fees, mortality and surrender charges and any withdrawals; the resulting liability is included in the Provision for Future Policy Benefits and Other Policyholders' Liabilities which are disclosed in Note 14. Income consists of fees deducted for mortality, policy administration, and surrenders.

Insurance contract liabilities are determined by an independent actuary using the Policy Premium Method of valuation as discussed in accounting policy 3(j). These liabilities are, on valuation, adjusted through profit or loss to reflect the valuation determined under the Policy Premium Method.

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Reinsurance contracts held

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is calculated following the same method used for financial assets. These processes are described in accounting policy 3(f).

(r) Insurance and investment contracts – classification

The Group issues policy contracts that transfer insurance and/or financial risk from the policyholder. Insurance risk is defined as an insured event that could cause an insurer to pay significant additional benefits in a scenario that has a discernable effect on the economics of the transaction.

(r) Insurance and investment contracts – classification(continued)

Insurance contracts transfer insurance risk and may also transfer financial risk. Investment contracts transfer financial risk and no insurance risk. Financial risk includes credit risk, liquidity risk and market risk.

(s) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(t) Provisions

A provision is recognised, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision for bank levies is recognised when the condition that triggers the payment of the levy is met. If a levy obligation is subject to a minimum activity threshold so that the obligatory event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

(u) New, revised and amended standards and interpretations that became effective during the year

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The Group has assessed them and has adopted those which are relevant to its financial statements:

- IAS 1, *Presentation of Financial Statements* has been amended to clarify or state the following:
  - Specific single disclosures that are not material do not have to be presented even if they are the minimum requirements of a standard.
  - The order of notes to the financial statements is not prescribed.
  - Line items on the statement of financial position and the statement of profit or loss and other comprehensive income (OCI) should be disaggregated if this provides helpful information to users. Line items can be aggregated if they are not material.
  - Specific criteria are now provided for presenting subtotals on the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  - The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the IAS 1 approach of splitting items that may, or that will never be, reclassified to profit or loss.

  Improvements to IFRS 2012 – 2014 Cycle contain amendments to certain standards and interpretations applicable to the Group as follows:

- IFRS 7, *Financial Instruments: Disclosures*, has been amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'.

3. Significant Accounting Policies (continued)

(u) New, revised and amended standards and interpretations that became effective during the year (continued)

IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets* and *Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

The adoption of these amendments did not result in any change to the presentation and disclosures in the Group's financial statements.

(v) New standards, amendments and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2017. The Group has not early adopted any of them and therefore they have not been applied in preparing these consolidated financial statements. The new standards and amendments are not expected to have a significant effect on these consolidated financial statements, with the exception of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*.

- IFRS 9, *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

  The Group has elected not to early-adopt IFRS 9 on November 1, 2017 and will adopt on the effective date of November 1, 2018. The Group is assessing the impact on its 2019 consolidated financial statements.

- IFRS 15, *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2018, replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  The Group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

  There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

  The Group is assessing the impact that this amendment will have on its 2019 consolidated financial statements.

3. Significant Accounting Policies (continued)

(v) New standards, amendments and interpretations not yet adopted (continued)

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The Group is assessing the impact that this amendment will have on its 2020 consolidated financial statements.

- Amendments to IAS 7, S*tatement of Cash Flows*, effective for accounting periods beginning on or after January 1, 2017, requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

  The Group is assessing the impact that this amendment will have on its 2018 consolidated financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
  - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
  - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
  - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
  - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
  - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

  The Group is assessing the impact that this amendment will have on its 2018 consolidated financial statements.

(w) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by management to make decisions about resource allocation to each segment and assesses its performance, and for which discrete financial information is available.

3. Significant Accounting Policies (continued)

(x) Comparative figures

Certain comparative figures have been restated to conform with the current year's presentation.

In previous years the defined benefit pension asset or liability was offset under defined benefit pension fund and post-employment liabilities. The defined benefit pension asset is now reported separately. The amount of $19.287 million has been reclassified from defined benefit pension fund and post-employment liabilities to defined benefit pension asset in 2016. Post-employment liabilities are now reported as post-employment medical and life benefits obligation.

4. Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses and contingent assets and contingent liabilities. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in these consolidated financial statements are described below:

(i) Financial asset and financial liability classification

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances:

In classifying financial assets or financial liabilities as "fair value through profit or loss", the Group has determined it meets the description of trading assets and liabilities set out in accounting policy 3(c)(ii).

In designating financial assets or financial liabilities as available-for-sale, the Group has determined that it has met the criteria for this designation set out in accounting policy 3(c)(ii).

In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and ability to hold the assets until maturity date as required by accounting policy 3(c)(ii).

(ii) Determination of control over investees

Factors considered in the determination of control are set out in accounting policy 2(d).

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year to amounts reported as at and for the year ended October 31, 2017 is included below:

(a) Allowances for credit losses

Loans accounted for at amortised cost are evaluated for impairment on the basis described in accounting policy 3(f).

The specific counterparty component of total allowances for impairment applies to claims evaluated individually for impairment and is based upon management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes

B. Assumptions and estimation uncertainties (continued)

(a) Allowances for credit losses (continued)

judgments about the counterparty's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

Collectively assessed impairment allowances cover credit losses inherent in portfolios of claims with similar economic characteristics when there is objective evidence to suggest that they contain impaired claims, but the individual impaired items cannot yet be identified. Country risks are a component of collectively assessed impairment allowances. In assessing the need for collective loan loss allowances, management considers factors such as credit quality, portfolio size, concentrations, and economic factors. In order to estimate the required allowance, assumptions are made to define the way inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowances depends on the accuracy of the estimated future cash flows for specific counterparty allowances and the model assumptions and parameters that are used in determining the collective allowances.

(b) Determining fair values with significant unobservable inputs

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 3(c)(iv). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(c) Measurement of defined benefit obligations

The key actuarial assumptions which underpin the value of the Group's defined benefit obligations are described in Note 11.12.

(d) Estimate of future payments and premiums arising from long-term insurance contracts

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the appointed actuary. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The appointed actuary bases these estimates on standard industry and international mortality tables that reflect recent historical mortality experience, adjusted where appropriate to reflect the Group's own experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums.

The main source of uncertainty is that epidemics such as AIDS, and wide-ranging lifestyle changes, such as eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

4. Use of Judgements and Estimates (continued)

B. Assumptions and estimation uncertainties (continued)

(d) Estimate of future payments and premiums arising from long-term insurance contracts (continued)

The following shows the sensitivity of the liabilities to a change in assumptions:

	2017	2016
	$	$
Interest rates decrease by 1%	(3,632,798)	(3,503,674)
Interest rates increase by 1%	4,363,356	3,984,942
Mortality increases by 10%	10,882,134	10,378,063
Mortality decreases by 10%	(11,243,400)	(10,696,520)
Expenses increase by 10%	7,621,598	7,856,322
Expenses decrease by 10%	(7,608,341)	(7,818,930)
Lapses and withdrawals increase by 10%	15,424,779	15,391,549
Lapses and withdrawals decrease by 10%	(17,442,057)	(17,389,595)

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

For long-term contracts with fixed and guaranteed terms, estimates are made in two stages. Estimates of future deaths, voluntary terminations and partial withdrawal of policy funds, investment returns and administration expenses are made at the inception of the contract and form the assumptions used for calculating the liabilities at the inception of the contract.

A margin of risk and uncertainty is added to these assumptions. New estimates are made each subsequent year based on updated company and intercompany experience studies and updated economic forecasts. The valuation assumptions are altered to reflect these revised best estimate assumptions. The margins for risk and uncertainty may also be altered if the underlying level of uncertainty in the updated assumption has changed. The financial impact of revisions to best estimate assumptions or the related margins is recognised in the accounting period in which the change is made.

(e) Taxation

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

	2017	2016
	$	$
5. Due from Banks and Related Companies		
Due from related companies	588,153	403,328
Due from other banks	682,105	411,583
Cheques and other instruments in the course of clearing	73,759	65,522
	1,344,017	880,433
Maturity of assets		
Assets with original maturity date less than 3 months	1,344,017	880,433
6. Treasury Bills		
Government of Trinidad and Tobago	3,291,264	2,562,181
Government of United States of America	633,907	503,194
	3,925,171	3,065,375
Maturity of Assets		
Assets with original maturity date over 3 months	3,925,171	3,065,375

7. Deposits with Central Bank

In accordance with the Financial Institutions Act, 2008, Scotiabank is required to hold and maintain, as a non-interest bearing deposit with the Central Bank of Trinidad and Tobago, a cash reserve balance equivalent to 17% (2016: 17%) of total prescribed liabilities. Additionally, the Group is required to maintain interest bearing reserves. The details of all reserves are described below:

	2017	2016
	$	$
Primary reserve	2,540,841	2,663,656
Secondary reserve	285,549	286,884
Other reserves	-	265,869
	2,826,390	3,216,409

	2017	2016
	$	$
8. Net Loans to Customers		
8.1 Principal neither past due nor impaired	12,099,615	11,838,510
Principal which is past due but not impaired	1,642,861	1,234,934
Principal which is impaired	305,213	283,269
Gross loans	14,047,689	13,356,713
Allowance for impairment	(146,575)	(131,942)
Total loans net of impairment allowance	13,901,114	13,224,771
Interest receivable	54,675	50,453
	13,955,789	13,275,224

8. Net Loans to Customers (continued)

Loans that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Group.

The analysis of credit quality of "principal neither past due nor impaired" is disclosed in Note 26.1(iii).

8.2 Loans and advances to customers "past due but not impaired"

	2017			
	Less than 30 days	30 – 60 days	61 – 90 days	Total
	$	$	$	$
Loans and advances to customers				
Commercial loans	234,749	26,631	26,117	287,497
Retail loans	977,236	202,304	175,824	1,355,364
	1,211,985	228,935	201,941	1,642,861

	2016			
	Less than 30 days	30 – 60 days	61 – 90 days	Total
	$	$	$	$
Loans and advances to customers				
Commercial loans	78,998	13,606	29,851	122,455
Retail loans	863,343	154,608	94,528	1,112,479
	942,341	168,214	124,379	1,234,934

	2017	2016
	$	$
8.3 Concentration of credit		
Mortgages - residential	6,029,234	5,583,366
Mortgages - commercial	189,455	280,020
Consumer	4,822,404	4,590,750
Energy and petrochemical	398,617	522,577
Construction and engineering	124,742	143,505
Distributive trades	650,292	863,700
Communication and transport	79,807	104,039
Manufacturing and assembly	736,399	680,409
Financial services	259,442	174,254
Business and personal services	569,870	239,403
Hospitality industry	37,444	37,697
Agriculture	3,408	5,051
	13,901,114	13,224,771

8. Net Loans to Customers (continued)

	2017	2016
	$	$
8.4 Analysis of movement of impairment allowance		
Allowance, beginning of year	131,942	100,983
Impairment charge for the year	130,212	97,745
Write-offs	(115,579)	(66,786)
Net increase in impairment allowance	14,633	30,959
Allowance, end of year	146,575	131,942
8.5 Loan loss expense		
Impairment charge for the year	130,212	97,745
Recoveries	(24,615)	(20,965)
Total	105,597	76,780

9. Investment Securities

	2017	2016
Available-for-sale:		
- Equity securities and mutual funds	19,189	33,916
- Government and state owned enterprises debt securities	717,933	1,055,351
- Corporate debt securities	910,119	1,068,820
	1,647,241	2,158,087
Fair value through profit or loss:		
- Equity securities	20,981	20,416
Held-to-maturity:		
- Government and state owned enterprises debt securities	45,566	89,377
Total investment securities	1,713,788	2,267,880
Provision for impairment loss	-	-

The analysis of credit quality of investment securities are disclosed in Note 26.1(iii).

10. Property, plant and Equipment

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2017						
Cost						
At beginning of year	18,900	164,214	62,926	230,929	9,755	486,724
Additions	-	847	2,522	11,601	-	14,970
Disposals/transfers	-	-	-	(3,490)	(542)	(4,032)
At end of year	18,900	165,061	65,448	239,040	9,213	497,662
Accumulated depreciation and amortisation						
At beginning of year	-	51,553	15,548	168,656	-	235,757
Charge for year	-	2,828	799	14,442	-	18,069
Disposals	-	-	-	(2,944)	-	(2,944)
At end of year	-	54,381	16,347	180,154	-	250,882
Net book value	18,900	110,680	49,101	58,886	9,213	246,780
October 31, 2016						
Cost						
At beginning of year	18,900	147,279	64,877	223,758	24,394	479,208
Additions	-	18,739	261	20,277	-	39,277
Disposals/transfers	-	(1,804)	(2,212)	(13,106)	(14,639)	(31,761)
At end of year	18,900	164,214	62,926	230,929	9,755	486,724
Accumulated depreciation and amortisation						
At beginning of year	-	49,235	15,053	163,304	-	227,592
Charge for year	-	2,672	646	14,398	-	17,716
Disposals	-	(354)	(151)	(9,046)	-	(9,551)
At end of year	-	51,553	15,548	168,656	-	235,757
Net book value	18,900	112,661	47,378	62,273	9,755	250,967

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2016: NIL).

11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations

The Group contributes to a non-contributory defined-benefit pension plan (the Plan) which entitles a retired employee to receive an annual pension payment. Employees may retire at age 63 and are entitled to receive annual payments based on a percentage of their final salary. Employees may retire earlier than age 63 under certain conditions.

The Plan exposes the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market risk.

The Plan is fully funded by the Group, the assets of the Plan being managed separately by the Trustee. The funding requirements are based on the pension fund's actuarial measurement performed by an independent qualified actuary.

The Group expects to pay $31.2 million in contributions to its defined benefit pension fund in 2018.

11.1 Amounts recognised in the consolidated statement of financial position are as follows:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2017	2016	2017	2016
	$	$	$	$
Defined benefit obligation	(732,661)	(691,109)	(126,633)	(124,962)
Fair value of plan assets	741,307	710,396	-	-
Net asset (liability)	8,646	19,287	(126,633)	(124,962)

11.2 Reconciliation of change in defined benefit obligation:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2017	2016	2017	2016
	$	$	$	$
Defined benefit obligation at beginning of year	(691,109)	(709,209)	(124,962)	(126,978)
Current service cost	(35,472)	(36,766)	(4,799)	(4,956)
Interest cost	(35,640)	(34,826)	(6,460)	(6,261)
Experience adjustments	2,438	31,933	1,327	4,928
Actuarial gains	-	30,799	5,161	5,273
Benefits paid	27,122	26,960	3,100	3,032
Defined benefit obligation at end of year	(732,661)	(691,109)	(126,633)	(124,962)

11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

11.3 Reconciliation of the fair value of plan assets:

	Defined Benefit Pension Fund	
	2017	2016
	$	$
Plan assets at beginning of year	710,396	697,822
Interest income	37,378	34,924
Loss on plan assets (excluding interest income)	(8,131)	(20,762)
Bank contributions	29,382	26,180
Benefits paid	(27,122)	(26,960)
Expenses paid	(596)	(808)
Plan assets at end of year	741,307	710,396

The post-employment medical and life benefits are funded by the Group. There are no assets explicitly set aside for this plan.

11.4 The actual return on plan assets is as follows:

	Defined Benefit Pension Fund	
	2017	2016
	$	$
Interest income	37,378	34,924
Loss on plan assets (excluding interest income)	(8,131)	(20,762)
Actual return on plan assets	29,247	14,162

11.5 The movement in the asset and liability recognised in the consolidated statement of financial position as at October 31 comprised:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2017	2016	2017	2016
	$	$	$	$
Opening defined benefit liability	19,287	(11,387)	(124,962)	(126,978)
Net pension costs	(34,708)	(37,607)	(11,259)	(11,217)
Remeasurement recognised in other comprehensive income	(5,315)	42,101	6,488	10,201
Contributions paid	29,382	26,180	-	-
Benefits paid	-	-	3,100	3,032
Closing defined benefit asset (liability)	8,646	19,287	(126,633)	(124,962)

11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

11.6 The amount recognised in the consolidated statement of profit or loss comprised:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2017	2016	2017	2016
	$	$	$	$
Current service cost	(35,472)	(36,766)	(4,799)	(4,956)
Net interest on net defined benefit asset (liability)	1,738	98	(6,460)	(6,261)
Administration expenses	(974)	(939)	-	-
Net pension cost	**(34,708)**	**(37,607)**	**(11,259)**	**(11,217)**

11.7 The amount recognised in other comprehensive income comprised:

	Remeasurements Recognised in Other Comprehensive Income	
	2017	2016
	$	$
Defined benefit pension	(5,315)	42,101
Post-employment medical and life benefits experience gains	6,488	10,201
	1,173	52,302

11.8 Experience history:

	Defined Benefit Pension Fund	
	2017	2016
	$	$
Defined benefit obligation	(732,661)	(691,109)
Fair value of Plan assets	741,307	710,396
Surplus	8,646	19,287
Experience adjustment on plan assets	(5,315)	42,101

11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

11.9 Experience history:

	Post-Employment Medical and Life Benefits	
	2017	2016
	$	$
Defined benefit obligation	(126,633)	(124,962)
Deficit	(126,633)	(124,962)
Experience adjustment on plan liabilities	6,488	10,201

11.10 Asset allocation:

	Defined Benefit Pension Fund	
	2017	2016
Equity securities	39%	38%
Debt securities	48%	48%
Property	3%	3%
Other	10%	11%
Total	100%	100%

The post-employment medical and life benefits are funded by the Group. There are no assets explicitly set aside for this plan.

11.11 Composition of plan assets:

	2017	2016
	$	$
Locally listed equities	186,354	188,708
Overseas equities	104,416	83,074
TT$ denominated bonds	274,260	249,959
US$ denominated bonds	79,794	93,212
Property	21,250	24,300
Mortgages	11,144	16,025
Cash and cash equivalents	64,089	55,118
Total	741,307	710,396

All equities have quoted prices in active markets. The fair values of government bonds and corporate bonds are calculated by discounting expected future proceeds using a constructed yield curve. The majority of the Plan's government bonds were issued by the Government of Trinidad and Tobago, which also guarantees many of the corporate bonds held by the Plan. As at October 31, 2017, the Plan held $84.3 million worth of Scotiabank's shares and property assets carried at $21.3 million were occupied by the Group. There are no asset-liability matching strategies used by the Plan.

11.12 The principal actuarial assumptions of the pension plan and post-employment benefits were:

	2017	2016
	% pa	% pa
Discount rate:		
- Active members and deferred pensioners	5.25	5.25
- Current pensioners	5.25	5.25
Rate of inflation	4.25	4.25
Future salary increases	4.00	4.00
Future pension increases	0.00	0.00

Assumptions regarding future mortality are based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date are as follows:

	2017	2016
	% pa	% pa
Longevity at age 60 for current pensioners (in years)		
Males	21.0	21.0
Females	25.1	25.1
Longevity at age 60 for current members age 40 (in years)		
Males	21.4	21.4
Female	25.4	25.4

At October 31, 2017, the weighted-average duration of the defined benefit obligation is 17.7 years (2016: 17.3 years).

11.13 Sensitivity analysis:

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Effect on Net Defined Benefit Pension Fund Obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	(108,197)	141,639
Future salary increases (1% movement)	54,105	(44,849)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $12.0 million.

11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)

11.13 Sensitivity analysis: (Continued)

	Effect on Post-employment Medical and Life Obligation	
	Increase	Decrease
	$	$
Discount rate (1% movement)	(18,343)	23,451
Medical cost increases (1% movement)	22,517	(17,915)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by $4.5 million.

	2017	2016
	$	$
12. Deposits		
12.1 Deposit balances	18,534,723	17,567,492
Interest payable	3,325	3,691
	18,538,048	17,571,183
12.2 Concentration of liabilities		
Personal	11,427,278	11,414,657
Commercial	5,960,382	5,601,942
Financial institutions	1,147,063	550,893
	18,534,723	17,567,492
13. Due to Banks and Related Companies		
Related companies	35,684	34,706
Banks	2,404	7,849
	38,088	42,555
14. Policyholders' Funds		
Ordinary life – Non-participating policies	638,015	568,552
Individual annuities	655,598	620,120
Group life – Creditor life	23,487	24,740
Other policyholders' liabilities	15,523	13,745
	1,332,623	1,227,157
The movement in provision for future policy benefits is as follows:		
Balance at beginning of year	1,227,157	1,099,602
Change in reserves	103,688	125,200
Change in other policy liabilities	1,778	2,355
Balance at end of year	1,332,623	1,227,157

15. Deferred Taxation

15.1 The net deferred tax asset is attributable to the following items:

	2017	2016
	$	$
Deferred tax liability		
Available-for-sale investment securities	4,871	4,993
Property, plant and equipment	14,812	16,540
Miscellaneous assets	21,086	3,058
	40,769	24,591
Deferred tax asset		
Available-for-sale investment securities	-	602
Accumulated tax losses	538	488
Post-employment benefits asset/obligation	41,295	31,703
Miscellaneous liabilities	2,107	2,370
	43,940	35,163
Net deferred tax asset	(3,171)	(10,572)

15.2 The movement in the deferred tax account comprised:		
Balance at beginning of year	(10,572)	31,122
Amounts recognised in OCI (Note 23.3)		
- Available-for-sale securities fair value re-measurement	2,323	2,819
- Post-employment benefits assets/obligation	410	15,690
Amounts recognised in profit or loss (Note 23.1)		
- Current year's deferred tax charge (credit)	4,668	(60,203)
Balance at end of year	(3,171)	(10,572)

An increase in the corporation tax rate from 30% to 35% has been announced for 2018 and has been deemed to be substantively enacted as at the reporting date. Deferred tax balances have been calculated at the new tax rate of 35% that will apply in future periods. This charge resulted in a credit of $4 million related to the re-measurement of deferred tax assets and liabilities.

16. Stated Capital

Authorised

Authorised capital consists of an unlimited number of ordinary shares of no par value

	2017	2016
Issued and fully paid		
176,343,750 ordinary shares	267,563	267,563

17. Statutory Reserve Fund

In accordance with the Financial Institutions Act, 2008, Scotiabank and Scotia Investments are required to transfer at the end of each financial year no less than 10 percent of their net income after taxation to a statutory reserve fund until the amount standing to the credit of the statutory reserve fund is not less than their paid-up capital.

The balance shown for the statutory reserve fund includes the funds of both Scotiabank and Scotia Investments as follows:

	2017		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	667,563	319	667,882
Amount transferred	20,000	319	20,319
Balance, end of year	687,563	638	688,201

	2016		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	637,563	-	637,563
Amount transferred	30,000	319	30,319
Balance, end of year	667,563	319	667,882

18. Dividends

18.1 Subsequent to October 31, 2017, the Board of Directors, in a meeting on December 5, 2017, resolved that Scotiabank pay a fourth interim dividend of $0.50 per share, bringing the total dividends in respect of the current financial year to $2.00 per share (2016: $2.00 per share). In addition, the Board of Directors also approved a special dividend of $1.00 per share. These consolidated financial statements do not reflect the final dividend which will be accounted for as an appropriation of retained earnings in the year ending October 31, 2018.

18.2 Dividends paid and proposed are analysed as follows:

	2017		2016	
	¢ per share	$	¢ per share	$
Dividends paid				
First interim dividend	50	88,172	40	70,538
Second interim dividend	50	88,172	40	70,538
Third interim dividend	50	88,171	40	70,540
	150	264,515	120	211,616
Dividends proposed (final dividend)				
Fourth interim dividend	50	88,172	80	141,076
Special dividend	100	176,344	100	176,343
	150	264,516	180	317,419
Total dividends paid and proposed	300	529,031	300	529,035

18. Dividends (continued)

18.3 Reconciliation of dividends paid and proposed to dividends paid during the year:

	2017		2016	
	¢ per share	$	¢ per share	$
Total dividends paid and proposed	300	529,031	300	529,035
Dividends proposed	(150)	(264,516)	(180)	(317,419)
Dividends paid during the year in respect of prior year	180	317,419	180	317,419
Dividends paid during the year	330	581,934	300	529,035

	2017	2016
	$	$
19. Interest Income		
Deposits with Central Bank	1,456	2,979
Loans and receivables	1,135,822	1,052,461
Investment securities		
- Available-for-sale	121,196	83,211
- Held-to-maturity	3,294	7,814
Other interest income	-	23
	1,261,768	1,146,488
20. Interest Expense		
Customer deposits	17,218	17,417
Other interest expense	314	32
	17,532	17,449
21. Other Income		
Fees, commission and net premium income	365,528	342,429
Net trading income	190,726	209,317
Trustee and other fiduciary fees	5,931	1,171
	562,185	552,917

Net premium income comprises premium income of $410.8 million (2016: $394.2 million) less related expenses of $334.1 million (2016: $314.7 million).

22. Other Expenses

	2017	2016
Deposit insurance premium	28,490	26,626
Directors' fees	2,511	1,807
Other operating expenses	174,975	186,619
	205,976	215,052

	2017	2016
	$	$

23. Taxation

23.1 Taxation charge

	2017	2016
Current tax	265,114	268,499
Deferred tax charge (credit)	4,668	(60,203)
Green Fund levy	6,699	6,449
Business levy	35	52
	276,516	214,797

23.2 Taxation reconciliation

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of the home country of the parent company.

The following is a reconciliation of the application of the effective tax rate with the provision for taxation:

	2017		2016	
	$	%	$	%
Profit before taxation	934,180	100	840,022	100
Computed tax calculated at the statutory rate of 30% (2016 – 25%)	280,254	30	210,006	25
Tax effect of items that are adjusted in determining taxable profit:				
- Effect of different tax rate of life insurance company	(10,148)	(1)	(3,397)	-
- Effect of different tax rates in other countries	(984)	-	(830)	-
- Tax effect of non-deductible costs and non-taxable income	660	-	2,517	-
- Green Fund levy	6,699	1	6,449	1
- Business levy	35	-	52	-
Tax charge and effective tax rate	276,516	30	214,797	26

23.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	$	$	$
2017			
Fair value re-measurement of available-for-sale financial assets	6,686	(2,323)	4,363
Remeasurement of post-employment benefits obligations/assets	1,173	(410)	763
	7,859	(2,733)	5,126
2016			
Fair value re-measurement of available-for-sale financial assets	8,499	(2,819)	5,680
Remeasurement of post-employment benefits obligations/assets	52,302	(15,690)	36,612
	60,801	(18,509)	42,292

24. Earnings Per Share

The calculation of basic earnings per share is based on:

- Net income for the year attributable to ordinary shareholders of $657.7 million (2016: $625.2 million).
- Weighted average number of ordinary shares issued and outstanding during the year which was 176,343,750 shares (2016: 176,343,750 shares).

25. Commitments and Contingent Liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding (see Note 3(l)) which are not reflected in these consolidated financial statements. These include commitments to extend credit, which, in the opinion of management, do not represent unusual risk, and no material losses are anticipated as a result of these transactions.

As at October 31, 2017, there were certain legal proceedings against the Group. Based upon legal advice, the Directors do not expect the outcome of those actions to have a material effect on the Group's consolidated financial position at that date or profit or loss for the year then ended.

The Group's minimum commitment under the terms of various leases used primarily for banking purposes, exclusive of any related value-added tax, is:

	2017	2016
	$	$
Rental due within one year	12,539	14,427
Rental due between one and five years	23,337	22,107
Rental due after five years	1,816	2,582
	37,692	39,116
Lease payments recognised in profit or loss	20,628	20,491

26. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

(a) *Credit risk*
 (i) Collateral held and other credit enhancements and their financial effects
 (ii)Exposure to credit risk
 (iii) Analysis of credit quality

(b) *Market risk*
 (i) Exposure to currency risk
 (ii)Exposure to interest rate risk
 (iii) Exposure to equity price risk

(c) *Liquidity risk*
 (i) Exposure to liquidity risk
 (ii)Maturity analysis for financial liabilities and financial assets.

(d) *Capital management*

(e) *Operational risk*

(f) *Insurance risk*

26. Financial Risk Management (continued)

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has established the Group Asset and Liability Committee (ALCO), Scotiabank Group Audit Committee, Group Credit Committee and Group Operational Risk Committee, which are responsible for developing and monitoring the Group's risk management policies in their specified areas.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Group Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in these functions by the Internal Audit function. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

26.1 Credit risk

Credit risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Group. Credit risk is created in the Bank's direct lending operations and in its funding, investment and trading activities where counterparties have repayment, or other obligations to the Group.

Credit risk is managed through strategies, policies and limits that are approved by the Board of Directors which routinely reviews the quality of the major portfolios and all the larger credits.

The Group's credit policies and limits are structured to ensure broad diversification across various types of credits. Limits are set for individual borrowers, particular industries and certain types of lending. These various limits are determined by taking into account the relative risk of the borrower or industry.

The Group's credit processes include:

- A centralised credit review system that is independent of the customer relationship function;
- Senior management, which considers all major risk exposures; and
- An independent review by the Internal Audit Department.

Relationship managers develop and structure individual proposals at branches and commercial centres. Furthermore, they conduct a full financial review for each customer at least annually, so that the Group remains fully aware of customers' risk profiles. The Credit Risk Management department analyses and adjudicates on commercial and corporate credits over a certain size and exceptions to established credit policies. In assessing credit proposals, the Group is particularly sensitive to the risks posed to credit quality by environmental exposures.

Retail credits are normally authorised in branches within established criteria using a credit scoring system. The Credit Risk Management department adjudicates on those retail credits that do not conform to the established criteria. The retail portfolios are reviewed regularly for early signs of possible difficulties.

These credit scoring models are subject to ongoing review to assess their key parameters and to ensure that they are creating the desired business and risk results. Proposed changes to these models or their parameters

require analysis and recommendation by the credit risk unit independent of the business line, and approval by the appropriate management credit committee.

A centralized collection unit utilizes an automated system for the follow-up and collection of delinquent accounts. All delinquent accounts are aggressively managed with slightly greater emphasis being placed on the larger dollar accounts given that they represent a potential larger loss exposure to the Group. The centralized collections unit is also responsible for the monitoring and trending of delinquency by branch, business lines and any other parameters deemed appropriate. Adverse trends, when identified, are analysed and the appropriate corrective action implemented. Maximum delinquency targets are set for each major product line and the collections unit works towards ensuring delinquency levels are below these targets.

(i) Collateral held and other credit enhancements, and their financial effects

Collateral

The Group as part of its credit risk management strategy employs the practice of taking security in respect of funds advanced to its clients. The Group through its ALCO and its Credit Risk department develops and reviews policies related to the categories of security and their valuation that are acceptable to the Group as collateral. The principal collateral types are as follows:

- Mortgages over residential property
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over debt instruments and equity instruments.

The Group does not routinely update the valuation of collateral held. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly.

Repossessed collateral

The Group enforces its power of sale agreements over various types of collateral (as noted above) as a consequence of failure by borrowers or counterparties to honour their financial obligations to the Group. Appraisals are obtained for the current value of the collateral as an input to the impairment measurement, and once repossessed, the collateral is sold as soon as practicable. The proceeds net of disposal cost are applied to the outstanding debt.

(ii) Exposure to credit risk

The Group's maximum exposure to credit risk before collateral held or credit enhancements is detailed below:

	2017	2016
	$	$
Credit risk recognised on the consolidated statement of financial position		
Due from banks and related companies	1,344,017	880,433
Treasury bills	3,925,171	3,065,375
Deposits with Central Bank	2,826,390	3,216,409
Net loans to customers	13,955,789	13,275,224
Investment securities (excluding equities)		
- available-for-sale	1,639,068	2,124,171
- held-to-maturity	45,566	89,377
	23,736,001	22,650,989

26. Financial Risk Management (continued)

26.1 Credit risk (continued)

(ii) Exposure to credit risk (continued)

	2017	2016
	$	$
Credit risk not recognised on the consolidated statement of financial position		
Acceptances, guarantees and letters of credit	927,939	844,175
Lending commitments	2,983,176	3,730,270
	3,911,115	4,574,445
Total credit risk exposure	27,647,116	27,225,434

(iii) Analysis of Credit Quality

The table below presents the credit quality of the Group's financial assets, which are "not past due or impaired", based on its internal credit risk rating system.

	2017				
Internal Rating	Excellent	Very Good	Good	Acceptable	Total
	$	$	$	$	$
Assets					
Due from banks and related companies	-	786,236	557,781	-	1,344,017
Treasury bills	633,906	3,291,265	-	-	3,925,171
Deposits with Central Bank	-	2,826,390	-	-	2,826,390
Net loans to customers	452,171	5,362,407	4,481,780	1,803,257	12,099,615
Investment securities (excluding equities)	100,995	1,360,473	155,647	67,519	1,684,634
	1,187,072	13,626,771	5,195,208	1,870,776	21,879,827

	2016				
Internal Rating	Excellent	Very Good	Good	Acceptable	Total
	$	$	$	$	$
Assets					
Due from banks and related companies	-	520,653	359,780	-	880,433
Treasury bills	503,194	2,562,181	-	-	3,065,375
Deposits with Central Bank	-	3,216,409	-	-	3,216,409
Net loans to customers	444,650	4,991,282	4,566,504	1,836,074	11,838,510
Investment securities (excluding equities)	101,186	1,719,892	324,666	67,804	2,213,548
	1,049,030	13,010,417	5,250,950	1,903,878	21,214,275

26. Financial Risk Management (continued)

26.1 Credit risk (continued)

(iii) Analysis of Credit Quality (continued)

The definitions of the internal ratings are as follows:

Excellent – An obligor rated as "Excellent" has an excellent financial position characterised by very high equity, liquidity and debt serviceability. These obligors are only susceptible to extreme adverse changes in economic conditions or circumstances. These facilities are generally fully secured by readily realisable collateral or by a first mortgage on real estate of sufficient value to cover all amounts advanced.

Very Good – An obligor rated as "Very Good" has a very strong financial position, characterised by high equity, liquidity and debt serviceability. These obligors have a high level of tolerance to adverse changes in economic conditions or circumstances. Facilities are generally well collateralised.

Good – An obligor rated as "Good" has a strong financial position, characterised by adequate equity, liquidity and debt serviceability. These obligors though susceptible to adverse changes in economic conditions or circumstances are generally able to tolerate moderate levels of changes. Facilities are generally collateralised.

Acceptable – An obligor rated as "Acceptable" has a good financial position characterised by sufficient equity, liquidity and debt serviceability. These obligors are susceptible to adverse changes in economic conditions or circumstances and can handle these changes with some level of difficulty. Facilities may or may not be secured by collateral.

26.2 Market risk

Market risk refers to the risk of loss resulting from changes in market prices such as interest rates, foreign exchange market prices and other price risks.

The Scotiabank Group Asset Liability Committee (ALCO) provides senior management oversight of the various activities that expose the Group to market risk. This includes asset liability management, while also approving limits for funding and investment activities, and reviewing the Group's interest rate strategies and performance against established limits.

The Group measures and controls market risk primarily through the use of risk sensitivity analysis. This method of stress testing provides an indication of the potential size of losses that could arise in extreme conditions. These tests are conducted by the market risk function, the results of which are reviewed by senior management.

All market risk limits are reviewed at least annually. The key sources of the Group's market risk are as follows:

26.2.1 Currency risk

The Group has no significant foreign exchange exposure since assets are funded by liabilities in the same currency. Foreign currency transactions have not required the use of interest rate swaps and foreign currency options and other derivative instruments which all carry inherent risks. Currency exposure resides mainly in trading activity where the Group buys and sells currencies in the spot and forward markets to assist customers in meeting their business needs. Trading portfolios are managed with the intent to buy and sell over short periods of time, rather than to hold positions for investment. Explicit limits are established by currency, position and term. Daily reports are independently reviewed for compliance.

The results of the sensitivity analysis conducted as at October 31 on the possible impact on net profits before tax and on equity of fluctuations of the US dollar foreign exchange rate relative to the TT dollar are presented below.

Change in currency rate	Effect on PBT		Effect on equity	
	2017	2016	2017	2016
	$	$	$	$
Increase of 1%	(6,800)	(4,680)	(4,760)	(4,680)
Decrease of 1%	6,800	4,680	4,760	4,680

26. Financial Risk Management (continued)

26.2 Market risk (continued)

26.2.1 Currency risk (continued)

Concentration of assets and liabilities by currency

Scotiabank has the following significant currency positions, shown in TT$ equivalents:

	2017			
	TT	US	Other	Total
	$	$	$	$
Assets				
Cash on hand and in transit	202,995	19,853	2,528	225,376
Due from banks and related companies	53,617	1,086,298	204,102	1,344,017
Treasury bills	3,291,264	633,907	-	3,925,171
Deposits with Central Bank	2,826,390	-	-	2,826,390
Net loans to customers	12,910,203	1,045,564	22	13,955,789
Investment securities	791,258	922,530	-	1,713,788
Total financial assets	20,075,727	3,708,152	206,652	23,990,531
Liabilities				
Deposits	14,419,367	3,915,625	203,056	18,538,048
Due to banks and related companies	13,861	24,227	-	38,088
Policyholders' funds	1,319,582	13,041	-	1,332,623
Total financial liabilities	15,752,810	3,952,893	203,056	19,908,759
Net financial position	4,322,917	(244,741)	3,596	4,081,772
Undrawn credit commitments	2,953,802	29,374	-	2,983,176

	2016			
	TT	US	Other	Total
	$	$	$	$
Assets				
Cash on hand and in transit	123,004	21,700	1,499	146,203
Due from banks and related companies	58,250	641,499	180,684	880,433
Treasury bills	2,562,181	503,194	-	3,065,375
Deposits with Central Bank	3,216,409	-	-	3,216,409
Net loans to customers	12,352,082	923,111	31	13,275,224
Investment securities	1,190,544	1,077,336	-	2,267,880
Total financial assets	19,502,470	3,166,840	182,214	22,851,524
Liabilities				
Deposits	14,286,438	3,105,995	178,750	17,571,183
Due to banks and related companies	7,055	35,500	-	42,555
Policyholders' funds	1,214,669	12,488	-	1,227,157
Total financial liabilities	15,508,162	3,153,983	178,750	18,840,895
Net financial position	3,994,308	12,857	3,464	4,010,629
Undrawn credit commitments	3,701,223	29,047	-	3,730,270

26.2.2 Interest rate risk

Interest rate risk arises when there is a mismatch between positions which are subject to interest rate adjustment within a specific period. In the Group's funding, lending and investment activities, fluctuations in interest rates are reflected in interest rate margins and consequently its earnings. A negative gap, which is not unusual, occurs when more liabilities than assets are subject to rate changes during a prescribed period of time. Interest rate risk is managed through the matching of funding products with financing services, regular review of structural gaps, which may exist and monitoring market conditions through a centralised treasury operation. The interest rates on a material amount of the Group's assets can be repriced as and when required.

The results of the sensitivity analysis conducted as at October 31 on the impact on net profits before tax and on equity as a consequence of a reasonably possible change in interest rates at that date, are presented below:

Change in interest rate	Effect on PBT		Effect on equity	
	2017	2016	2017	2016
	$	$	$	$
Increase of 1%	(44,346)	(70,812)	(31,042)	(70,812)
Decrease of 1%	44,346	70,812	31,042	70,812

26. Financial Risk Management (continued)

26.2 Market risk (continued)

26.2.2 Interest rate risk (continued)

Interest sensitivity of financial assets and financial liabilities

The following table summarises carrying amounts of financial assets and financial liabilities on the consolidated statement of financial position, in order to arrive at the Group's interest rate gap on the earlier of contractual repricing or maturity dates:

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Financial assets						
Cash on hand and in transit	-	-	-	-	225,376	225,376
Due from banks and related companies	587,036	-	-	-	756,981	1,344,017
Treasury bills	-	3,925,171	-	-	-	3,925,171
Deposits with Central Bank	285,549	-	-	-	2,540,841	2,826,390
Loans and advances to customers	582,823	4,671,064	3,871,614	4,617,484	212,804	13,955,789
Investment securities	40,144	685,832	709,824	277,988	-	1,713,788
Total financial assets	1,495,552	9,282,067	4,581,438	4,895,472	3,736,002	23,990,531
Financial liabilities						
Deposits	10,031,464	2,176,550	234,143	-	6,095,891	18,538,048
Due to banks and related companies	2,403	-	-	-	35,685	38,088
Policyholders' funds	77,699	44,889	206,331	1,003,704	-	1,332,623
Total financial liabilities	10,111,566	2,221,439	440,474	1,003,704	6,131,576	19,908,759
Net gap	(8,616,014)	7,060,628	4,140,964	3,891,768		
Cumulative gap	(8,616,014)	(1,555,386)	2,585,578	6,477,346		

26. Financial Risk Management (continued)

26.2 Market risk (continued)

26.2.2 Interest rate risk (continued)

	2016					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
Financial assets						
Cash on hand and in transit	-	-	-	-	146,203	146,203
Due from banks and related companies	401,615	-	-	-	478,818	880,433
Treasury bills	-	3,065,375	-	-	-	3,065,375
Deposits with Central Bank	286,884	265,870	-	-	2,663,655	3,216,409
Net loans to customers	570,347	4,647,063	3,723,047	4,133,485	201,282	13,275,224
Investment securities	-	588,913	1,381,486	243,149	54,332	2,267,880
Total financial assets	1,258,846	8,567,221	5,104,533	4,376,634	3,544,290	22,851,524
Financial liabilities						
Deposits	9,352,760	2,141,434	330,391	-	5,746,598	17,571,183
Due to banks and related companies	7,818	-	-	-	34,737	42,555
Policyholders' funds	73,863	36,983	151,760	964,551	-	1,227,157
Total financial liabilities	9,434,441	2,178,417	482,151	964,551	5,781,335	18,840,895
Net gap	(8,175,595)	6,388,804	4,622,382	3,412,083		
Cumulative gap	(8,175,595)	(1,786,791)	2,835,591	6,247,674		

26.2.3 Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of equity indices and/or the value of individual equities.

The effect on equity will arise from changes in stock prices for those stocks that are categorized as available-for-sale, whereas the impact on income will arise from those categorized as held for trading.

The Group is exposed to an insignificant amount of equity price risk.

26.3 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due under contractual arrangements, settlement of securities, borrowing and repurchase transactions and lending and investing commitments.

Liquidity risk arises from fluctuations in cash flows. The objective of the liquidity management process is to ensure that the Group honours all of its financial commitments as they fall due. The Group through its Treasury function measures and forecasts its cash flow commitments and ensures that sufficient liquidity is available to meet its needs. The ALCO monitors the Group's liquidity management process, policies and strategies.

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

To fulfil this objective, the Group maintains diversified sources of funding, sets prudent limits and ensures immediate access to liquid assets. The Group relies on a broad range of funding sources and applies prudent limits to avoid undue concentration. The principal sources of funding are capital, core deposits from retail and commercial customers and wholesale deposits raised in the interbank and commercial markets. The Group's extensive branch network provides a strong foundation for diversifying its funding and raising the level of core deposits. Fallback techniques include access to local interbank and institutional markets and stand-by lines of credit with external parties.

The table below shows a maturity analysis of financial instruments using discounted cash flows of financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2017				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial assets					
Cash on hand and in transit	225,376	-	-	-	225,376
Due from banks and related companies	1,344,017	-	-	-	1,344,017
Treasury bills	-	3,925,171	-	-	3,925,171
Deposits with Central Bank	2,826,390	-	-	-	2,826,390
Net loans to customers	795,627	4,671,064	3,871,614	4,617,484	13,955,789
Investment securities (excluding equities)	10,922	685,928	709,824	277,960	1,684,634
Total financial asset	5,202,332	9,282,163	4,581,438	4,895,444	23,961,377
Financial liabilities					
Deposits	16,127,355	2,176,550	234,143	-	18,538,048
Due to banks and related companies	38,088	-	-	-	38,088
Policyholders' funds	77,699	44,889	206,331	1,003,704	1,332,623
Total financial liabilities	16,243,142	2,221,439	440,474	1,003,704	19,908,759
Net Gap	(11,040,810)	7,060,724	4,140,964	3,891,740	4,052,618
Cumulative Gap	(11,040,810)	(3,980,086)	160,878	4,052,618	

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

The table below shows the contractual maturities of financial guarantee contracts and undrawn credit commitments:

	2017				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial guarantee contracts	-	925,284	2,655	-	927,939

The table below shows a maturity analysis of financial instruments using discounted cash flows of the Group's financial assets and financial liabilities based on their contractual maturity dates as at October 31.

	2016				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial Assets					
Cash on hand and in transit	146,203	-	-	-	146,203
Due from banks and related companies	880,433	-	-	-	880,433
Treasury bills	-	3,065,375	-	-	3,065,375
Deposits with Central Bank	2,950,539	265,870	-	-	3,216,409
Net loans to customers	771,629	4,647,063	3,723,047	4,133,485	13,275,224
Investment securities (excluding equities)	-	588,913	1,381,486	243,149	2,213,548
Total financial assets	4,748,804	8,567,221	5,104,533	4,376,634	22,797,192
Financial Liabilities					
Deposits	15,099,358	2,141,434	330,391	-	17,571,183
Due to banks and related companies	42,555	-	-	-	42,555
Policyholders' funds	73,863	36,983	151,760	964,551	1,227,157
Total financial liabilities	15,215,776	2,178,417	482,151	964,551	18,840,895
Net Gap	(10,466,972)	6,388,804	4,622,382	3,412,083	3,956,297
Cumulative Gap	(10,466,972)	(4,078,168)	544,214	3,956,297	

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

The table below shows the contractual maturities of financial guarantee contracts and undrawn credit commitments:

2016	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial guarantee contracts	-	779,040	65,135	-	844,175

The table below summarises the maturity profile of the Group's financial liabilities based on their undiscounted cash flows at October 31. The balances include both principal and interest cash flows over the remaining term to maturity and therefore would differ from the carrying amounts in the Group's consolidated statement of financial position.

2017	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities						
Deposits	16,127,355	2,181,010	235,876	-	18,544,241	18,538,048
Due to banks and related companies	41,899	-	-	-	41,899	38,088
Policyholders' funds	77,699	46,027	228,187	1,816,981	2,168,894	1,332,623
Total liabilities	16,246,953	2,227,037	464,063	1,816,981	20,755,034	19,908,759

2016	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	$	$	$	$	$	$
Liabilities						
Deposits	15,099,357	2,142,794	331,119	-	17,573,270	17,571,183
Due to banks and related companies	42,555	-	-	-	42,555	42,555
Policyholders' funds	73,129	30,855	162,762	1,722,790	1,989,536	1,227,157
Total liabilities	15,215,041	2,173,649	493,881	1,722,790	19,605,361	18,840,895

26. Financial Risk Management (continued)

26.4 Capital management

The Group's capital management policies seek to achieve several objectives:

- Compliance with capital requirements as set by the Central Bank of Trinidad and Tobago;
- Assurance of the Group's ability to continue as a going concern;
- Maintenance of a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management. The Group employs techniques derived from the guidelines developed by the Basel Committee on Banking Supervision - Basel I 1998 Capital Accord as implemented by the Central Bank of Trinidad and Tobago. The required information is filed with the regulatory authority on a monthly basis.

The Group's regulatory capital consists of the sum of the following elements:

- *Tier 1 capital.* Tier 1 capital comprises shareholder equity and retained earnings and is a measure of the Group's financial position. Deductions such as losses incurred in the current year of operations, whether audited or unaudited and whether or not publicly disclosed are made from Tier 1.
- *Tier 2 capital.* Tier 2 capital comprises revaluation reserves created by the revaluation of investments.

The following table summarises the regulatory qualifying capital ratios of the applicable individual entities within the Group. The Group complied with all the externally imposed capital requirements to which it is subject.

	Qualifying Capital Ratios	2017	2016
Scotiabank Trinidad and Tobago Limited	8%	24.87%	25.24%
Scotia Investments Trinidad and Tobago Limited	8%	433.33%	261.85%

26.5 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Operational Risk Committee. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Periodic assessment of operational risks, the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and proposed remedial action
- Development of contingency plans

26. Financial Risk Management (continued)

26.5 Operational risk (continued)

- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with Group standards is supported by a programme of periodic review undertaken by Internal Audit. The results of Internal Audit reviews are discussed with management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

26.6 Management of insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to provisioning, the principal risk the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the policyholder benefits and other liabilities. This may occur in the event the frequency or severity of claims and benefits is greater than that estimated. Insurance events are random and therefore the actual number and amount of claims and benefits will vary from year to year from the levels established.

The Group pledges assets to the Statutory Fund at the Central Bank of Trinidad & Tobago. This strategy is used to mitigate the risk associated with the possibility of insufficient funds to cover policyholder benefits. The Group pledges assets in excess of its policyholders' liabilities to ensure coverage at any given point in time.

27. Fair Value of Financial Assets, Financial Liabilities and Other Contracts

The fair value of financial instruments that is recognised on the consolidated statement of financial position and the fair value of financial instruments that is not recognised on the consolidated statement of financial position are based on the valuation methods and assumptions set out in the significant accounting policies Note 3(c)(iv).

A. Valuation models

The Group classifies fair value using the following three-level fair value hierarchy based on the extent to which one or more significant inputs are observable or not observable:

- Level 1 - Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2 - Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique included inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

27. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

A. Valuation models (continued)

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other inputs used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

Due to the judgement used in applying a wide range of acceptable valuation techniques and estimations in the calculation of fair value amounts, fair values are not necessarily comparable among financial institutions. The calculation of estimated fair values is based upon market conditions at a specific point in time and may not be reflective of future fair values.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred. There were no transfers between levels during the year.

B. Financial instruments measured at fair value – Fair value Hierarchy

The table below is an analysis of financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2017			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Treasury bills	-	3,925,171	-	3,925,171
Investment securities	931,100	737,122	-	1,668,222
	931,100	4,662,293	-	5,593,393

	2016			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Treasury bills	-	3,065,375	-	3,065,375
Investment securities	1,104,025	1,074,478	-	2,178,503
	1,104,025	4,139,853	-	5,243,878

27. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

C. Financial instruments not measured at fair value

The table below is an analysis of financial instruments *not* measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	Level 2	Level 3	Total Fair Value	Carrying Amount
	$	$	$	$	$
2017					
Asset					
Net loans to customers	-	13,926,933	-	13,926,933	13,955,789
Held-to-maturity investment securities	-	52,980	-	52,980	45,566
	-	13,979,913	-	13,979,913	14,001,355
Liabilities					
Deposits	-	18,538,048	-	18,538,048	18,538,048
Policyholders' funds	-	1,332,623	-	1,332,623	1,332,623
	-	19,870,671	-	19,870,671	19,870,671
2016					
Asset					
Net loans to customers	-	13,410,814	-	13,410,814	13,275,224
Held-to-maturity investment securities	-	99,024	-	99,024	89,377
	-	13,509,838	-	13,509,838	13,364,601
Liabilities					
Deposits	-	17,571,183	-	17,571,183	17,571,183
Policyholders' funds	-	1,227,157	-	1,227,157	1,227,157
	-	18,798,340	-	18,798,340	18,798,340

(a) Cash on hand and in transit

These amounts are short-term in nature and are taken to be equivalent to fair value.

(b) Due from banks and related companies

Amounts due from banks and related companies are negotiated at market rates for relatively short tenors and are assumed to have discounted cash flow values that approximate the carrying values.

(c) Deposits with Central Bank

The fair value of deposits with Central Bank is determined to approximate to their carrying value using discounted cash flow analysis. A significant portion of the deposits is receivable on demand.

(d) Net loans to customers

Loans and advances to customers are granted at market rates and their values are not adversely affected by unusual terms. The estimated future cash flows are discounted using a discount rate based on market rates at the reporting date for similar type facilities.

27. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (continued)

C. Financial instruments not measured at fair value (continued)

(e) Held-to-maturity investment securities

The fair value of held-to-maturity investment securities was determined using discounted cash flow analysis. The estimated future cash flows are discounted using a discount rate based on quoted market prices for securities with similar credit, maturity and yield characteristics.

(f) Deposits and due to banks and related companies

Customer deposits and amounts due to banks and related companies are negotiated at market rates. Deposits that are fixed rate facilities are at rates that approximate market rates and are assumed to have discounted cash flow values that approximate the carrying values.

(g) Policyholders' funds

Policyholders' funds are based on actuarial projections and assumptions based on a number of factors including but not limited to mortality and morbidity tables, lapse studies, company experience, market trends and interest rate assumptions.

28. Classification of Financial Assets and Financial Liabilities

The following table provides a reconciliation between line items in the Statement of financial position and the categories of financial instruments

	2017				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	-	-	-	225,376	225,376
Due from banks and related companies	-	-	-	1,344,017	1,344,017
Treasury bills	-	3,925,171	-	-	3,925,171
Deposits with Central Bank	-	-	-	2,826,390	2,826,390
Net loans to customers	-	-	-	13,955,789	13,955,789
Investment securities	20,981	1,628,052	19,189	45,566	1,713,788
Total financial assets	20,981	5,553,223	19,189	18,397,138	23,990,531
Liabilities					
Deposits	-	-	-	18,538,048	18,538,048
Due to banks and related companies	-	-	-	38,088	38,088
Policyholders' funds	-	-	-	1,332,623	1,332,623
Total financial liabilities	-	-	-	19,908,759	19,908,759

28. Classification of Financial Assets and Financial Liabilities (continued)

	2016				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	-	-	-	146,203	146,203
Due from banks and related companies	-	-	-	880,433	880,433
Treasury bills	-	3,065,375	-	-	3,065,375
Deposits with Central Bank	-	-	-	3,216,409	3,216,409
Net loans to customers	-	-	-	13,275,224	13,275,224
Investment securities	20,416	2,124,171	33,916	89,377	2,267,880
Total financial assets	20,416	5,189,546	33,916	17,607,646	22,851,524
Liabilities					
Deposits	-	-	-	17,571,183	17,571,183
Due to banks and related companies	-	-	-	42,555	42,555
Policyholders' funds	-	-	-	1,227,157	1,227,157
Total financial liabilities	-	-	-	18,840,895	18,840,895

29. Related Party Balances and Transactions

A party is related to the Group if:

(a) The party is a subsidiary or an associate of the Group;

(b) The party is, directly or indirectly, either under common control or subject to significant influence with the Group or has significant or joint control of the Group.

(c) The party is a close family member of a person who is part of key management personnel or who controls the Group;

(d) The party is controlled or significantly influenced by a member of key management personnel or by a person who controls the Group;

(e) The party is a joint venture in which the Group is a venture partner;

(f) The party is a member of the Group's or its parent's key management personnel;

(g) The party is a post-employment benefit plan for the Group's employees.

(h) The party, or any member of a group of which it is a part, provides key management personnel services to Scotiabank or its Parent.

A number of banking transactions have been entered into with related parties in the normal course of business. These transactions were conducted at market rates, on commercial terms and conditions, except for certain loans made to officers. Loans deemed to be below market rates, in accordance with personal income tax legislation, are taxed in accordance with legal requirements.

29. Related Party Balances and Transactions (continued)

Related party transactions include but are not limited to the following:

- Data processing and information technology support
- Technical and management services
- Operations support
- Transaction processing support
- Delinquent account collection services

	2017	2016
	$	$
(i) Outstanding balances		
Loans, investments and other assets		
Directors, key management personnel and close family members	10,313	11,584
Other related entities	667,413	416,589
	677,726	428,173
Provisions for amounts due from related parties	-	-
Deposits and other liabilities		
Directors, key management personnel and close family members	4,038	6,167
Other related entities	71,090	36,195
	75,128	42,362
(ii) Transactions		
Interest and other income		
Directors, key management personnel and close family members	330	380
Other related entities	10,681	8,229
	11,011	8,609
Interest and expenses		
Directors, key management personnel and close family members	2,517	1,512
Other related entities	191,186	192,241
	193,703	193,753

(iii) Key management compensation

Key management comprises individuals responsible for planning, directing and controlling the activities of the Group. The compensation paid to said individuals is as follows:

	2017	2016
Short-term benefits	19,980	16,666
Share based payment	721	86
	20,701	16,752

30. Operating Segments

The operations of the Group are concentrated within the Republic of Trinidad and Tobago. The Group operations are managed by strategic business units which offer different financial products and services to various market segments. The management function of the various business units review internal reports at least monthly, whilst the Group management do so at least quarterly.

The following summary describes the operations of each of the Group's reportable segments:

- Retail, Corporate and Commercial – Includes the provision of loans, deposits, trade financing and other financial services to businesses and individuals.
- Other – Includes the functions of a centralised treasury unit and other centralised services.

The results of the various operating segments are set out below. Performance is measured based on segment profits before tax as included in the internal management reports reviewed by senior management. Segment profitability is used by management to assess product pricing, productivity and hence the allocation of resources to the various operating segments.

	2017				
	Retail, Corporate & Commercial Banking	Asset Management	Insurance Services	Other	Total
	$	$	$	$	$
Total revenue	1,562,272	5,628	154,123	3,423	1,725,446
Material non-cash items: Depreciation	18,069	-	-	-	18,069
Segment profit before taxes	802,311	3,349	125,241	3,279	934,180
Segment assets	13,955,789	36,703	2,000,801	8,400,027	24,393,320
Segment liabilities	18,538,048	670	1,362,501	537,708	20,438,927
	2016				
Total revenue	1,447,606	3,803	153,491	3,360	1,608,260
Material non-cash items: Depreciation	17,700	16	-	-	17,716
Segment profit before taxes	709,942	2,316	124,438	3,326	840,022
Segment assets	13,275,224	34,729	1,840,534	8,069,755	23,220,242
Segment liabilities	17,571,183	417	1,302,622	472,483	19,346,705

31. Events after the Reporting Date

There are no events occurring after these consolidated statement of financial position date and before the date of approval of these consolidated financial statements by the Board of Directors that require adjustment to or disclosure in these consolidated financial statements.

SCOTIABANK TRINIDAD AND TOBAGO LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

FIVE YEAR REVIEW

October 31, 2017 ($ thousands, except per share data)

CONSOLIDATED BALANCE SHEET	2017	2016	2015	2014	2013
Assets					
Cash resources	8,320,954	7,308,420	6,540,202	6,955,278	7,360,819
Loans and Investments (includes Reverse Repos)	15,700,024	15,572,979	15,319,206	13,417,667	11,785,014
Property, plant and equipment	246,780	250,967	251,616	244,728	244,263
Other assets	125,562	131,754	44,193	61,519	89,941
Total assets	24,393,320	23,264,120	22,155,217	20,679,192	19,480,037
Liabilities and shareholders' equity					
Deposits	18,538,048	17,571,183	16,837,090	15,211,730	14,391,447
Other liabilities	1,900,879	1,819,400	1,583,072	1,941,808	1,775,597
Shareholders' equity	3,954,393	3,873,537	3,735,055	3,525,654	3,312,993
Total liabilities and shareholders' equity	24,393,320	23,264,120	22,155,217	20,679,192	19,480,037
CONSOLIDATED STATEMENT OF INCOME					
Interest income	1,261,768	1,146,488	1,006,209	941,073	949,911
Interest expense	(17,532)	(17,449)	(31,586)	(52,201)	(52,952)
Net interest income	1,244,236	1,129,039	974,623	888,872	896,959
Other income	481,210	479,221	497,300	493,783	450,921
Total Revenue	1,725,446	1,608,260	1,471,923	1,382,655	1,347,880
Non-interest expenses	(685,669)	(691,458)	(656,073)	(638,789)	(612,490)
Income before taxation and loan loss	1,039,777	916,802	815,850	743,866	735,390
Loan Loss Expense	(105,597)	(76,780)	(38,558)	(28,357)	(4,129)
Income before taxation	934,180	840,022	777,292	715,509	731,261
Provision for taxation	(276,516)	(214,797)	(211,155)	(155,567)	(173,990)
Income After Taxation	657,664	625,225	566,137	559,942	557,271
OTHER STATISTICS					
Return on average assets	2.76%	2.76%	2.64%	2.79%	3.00%
Return on average equity	16.80%	16.43%	15.59%	16.38%	17.52%
Number of shares	176,343,750	176,343,750	176,343,750	176,343,750	176,343,750
Dividends per share	300	300	300	190	190
Earnings per share	372.9	354.5	321.0	317.5	316.0
Number of offices (including subsidiary companies)	28	28	28	29	29

CONTACT INFORMATION

ALL SCOTIABANK BRANCHES AND SCOTIA INSURANCE LOCATIONS
62 – SCOTIA (627 – 2684)
Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

CORPORATE BANKING CENTRE
Scotia Centre
56-58 Richmond Street,
Port of Spain
Tel: 868-625-3566
Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

MANAGING DIRECTOR'S OFFICE
Scotia Centre
56-58 Richmond Street,
Port of Spain
Tel: 868-625-3566
Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

SCOTIA INSURANCE (SCOTIALIFE TRINIDAD AND TOBAGO LIMITED)
Head Office
56-58 Richmond Street,
Port of Spain
Tel: 868-625-3566

NOTICE OF ANNUAL MEETING

TO: SHAREHOLDERS OF SCOTIABANK TRINIDAD AND TOBAGO LIMITED

You are invited to our 48th Annual Meeting of Shareholders.

When: Tuesday March 6th, 2018 at 10:00 a.m.

Where: The Hyatt Regency Hotel, Port of Spain, Trinidad

Our meeting will cover:

Financial statements – You will receive the financial statements for the fiscal year ended October 31st 2017 and the Auditors' Report on those financial statements.

Directors – You will elect directors to our board. In the Annual Report you will find information about each nominated director, including his or her background and experience, and in the Proxy form you will find a proposed resolution for the re-election or election of each individual as appropriate. All directors are elected for a term of one year.

Auditors – You will vote on re-appointing KPMG as auditors. On the recommendation of the Board's Audit and Conduct Review Committee, the Board has proposed that KPMG be re-appointed as the Bank's auditors.

Special Business – There are no proposed items of special business for consideration.

Other business – If other items of business are properly brought before the meeting, or after any adjournment, you (or your proxyholder if you are voting by proxy) can vote as you see fit. We are not aware of any other items of business to be considered at the Annual Meeting.

BY ORDER OF THE BOARD

Rachel Laquis
Corporate Secretary
January 26, 2018

Notes:

1. A Management Proxy Circular is appended to this Notice.
2. The Directors of the Company have fixed a record date of February 2nd 2018 for the determination of shareholders who are entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on February 2nd 2018 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
3. A shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder. To be valid the Proxy Form must be completed and signed in accordance with the Notes on the Proxy Form and then deposited with The Registrar, The Trinidad and Tobago Central Depository Limited, 10th Floor, Nicholas Towers, 63-65 Independence Square, Port of Spain, Trinidad, at least 48 hours before the time appointed for the Meeting.
4. A shareholder that is a body corporate may, in lieu of appointing a proxy, authorize an individual by resolution of its directors or of its governing body to represent it at the Annual Meeting.

MANAGEMENT PROXY CIRCULAR

APPENDIX TO THE NOTICE OF ANNUAL MEETING OF
SCOTIABANK TRINIDAD AND TOBAGO LIMITED

MANAGEMENT PROXY CIRCULAR

THE COMPANIES ACT, CH. 81:01

(Section 144)

1. Name of Company:

   SCOTIABANK TRINIDAD AND TOBAGO LIMITED **Company No.**: S. 7610 (95) A

2. Particulars of Meeting:

   Forty-eighth Annual Meeting of the Shareholders of the Company to be held on Tuesday March 6th, 2018, at 10.00 a.m at The Hyatt Regency Hotel, Port of Spain, Trinidad

3. Solicitation:

   It is intended to vote the Proxy hereby solicited by the Management of the Company (unless the Shareholder directs otherwise) in favour of all resolutions specified in the Proxy Form sent to the Shareholders with this Circular; and, in the absence of a specific direction, in the discretion of the Proxy-holder in respect of any other resolution.

4. Any Director's statement submitted pursuant to Section 76(2):

   No statement has been received from any Director pursuant to Section 76(2) of the Companies Act, Ch. 81:01.

5. Any Auditor's proposal submitted pursuant to Section 171(1):

   No statement has been received from the Auditors of the Company pursuant to Section 171(1) of the Companies Act, Ch. 81:01.

6. Any Shareholder's proposal submitted pursuant to Sections 116(a) and 117(2):

   No proposal has been received from any Shareholder pursuant to Sections 116(a) and 117(2) of the Companies Act, Ch. 81:01.

Date	Name and Title	Signature
January 26, 2018	Rachel Laquis Secretary	Rachel Laquis

FORM OF PROXY

REPUBLIC OF TRINIDAD AND TOBAGO

THE COMPANIES ACT, CH. 81:01

(Section 143(1))

FORM OF PROXY

1. Name of Company:

   SCOTIABANK TRINIDAD AND TOBAGO LIMITED Company No. S. 7610 (95) A

2. Particulars of Meeting:

   Forty-eighth Annual Meeting of Shareholders to be held at The Hyatt Regency Hotel, Port of Spain, Trinidad on Tuesday March 6th, 2018, at 10.00 a.m.

I/We ....

(Block Letters Please)

Of ....

(Address)

Shareholder(s) in the above Company, appoint the Chairman of the Meeting, or (see Note 1 overleaf) failing him,

....of..

to be my/our proxy to vote for me/us and on my/our behalf at the above Meeting and any adjournment thereof in the same manner, to the same extent and with the same powers as if I/we were present at the said Meeting or such adjournment or adjournments thereof, and in respect of the resolutions below to vote in accordance with my/our instructions below.

Dated this....................................day of ...., 2018.

....

(Signature(s) of Member(s))

(Please indicate with an "X" in the spaces overleaf your instructions on how you wish your votes to be cast. Unless otherwise instructed, the proxy may vote or abstain from voting as he/she thinks fit.)

Please consider the Notes 1 to 6 overleaf to complete and deposit this Proxy Form.

ORDINARY BUSINESS		FOR	AGAINST
RESOLUTION 1	THAT the following persons shall be elected a Director of the Company for the term from the date of his or her election until the close of the first Annual Meeting of the Company following election, subject always to earlier termination under the By Laws of the Company:		
	PLEASE VOTE NOW BY CHECKING EITHER THE BOX "FOR" OR THE BOX "AGAINST" FOR EACH INDIVIDUAL DIRECTOR.		
	1. Mr Brendan King	1.	
	2. Mr George Janoura	2.	
	3. Mr. Stephen Bagnarol	3.	
	4. Mrs. Wendy-Fae Thompson	4.	
	5. Mr. Steve Ragobar	5.	
	6. Mrs. Lisa Mackenzie	6.	
	7. Mr Alan Fitzwilliam	7.	
	8. Ms. Roxane De Freitas	8.	
	9. Mr. Derek Hudson	9.	
	10. Ms. Tracy Bryan	10.	
	11. Ms. Janet Boyle	11.	
RESOLUTION 2	BE IT RESOLVED: THAT KPMG be reappointed as auditors of the Company.		

NOTES:

1. A Shareholder may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" from the Proxy Form and insert the name and address of the person appointed proxy in the space provided and initial the alteration.
2. If the appointer is a corporation, this Proxy Form must be under its common seal or under the hand of some officer or attorney duly authorized in that behalf.
3. The Directors of the Company have fixed a record date of February 2nd 2018 for the determination of shareholders who are entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on February 2nd 2018 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
4. A Shareholder that is a body corporate may, in lieu of appointing a proxy authorize an individual by resolution of its directors or of its governing body to represent it at the Annual Meeting.
5. In the case of joint Shareholders, the names of all joint Shareholders must be stated on the Proxy Form and all joint Shareholders must sign the Proxy Form.
6. If the Proxy Form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
7. To be valid, this Proxy Form must be completed and deposited at the office of The Registrar, The Trinidad and Tobago Central Depository Limited, at the address below not less than 48 hours before the time for holding the Annual Meeting or adjourned Meeting.

Return to:

The Registrar
The Trinidad and Tobago Central Depository Limited
10th Floor, Nicholas Towers,
63-65 Independence Square,
Port of Spain,
Trinidad, West Indies.

EMPOWERING OUR COMMUNITIES TO BECOME BETTER OFF

Scotiabank has a long history of investing in the communities in which we live and work.

In now our 64th year in Trinidad and Tobago, we are proud that our commitment to giving back remains strong.

Please visit our website at www.tt.scotiabank.com to view our 2017 Corporate Social Responsibility Highlights.

The projects and initiatives you will find in this document are grounded in our belief that our customers, young people and communities have the right to become better off.

Scotiabank is Canada's international bank and a leading financial services provider in North America, Latin America, the Caribbean and Central America, and Asia-Pacific. We are dedicated to helping our 24 million customers become better off through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets.

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