

Consolidated Financial Statements of  
**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**  
October 31, 2018

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# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2018

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## **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, 2018, 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 Group 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.

  
\_\_\_\_\_  
Stephen Bagnarol  
Managing Director  
\_\_\_\_\_  
Tricia De La Rosa  
Chief Financial Officer

Date: December 4, 2018

Date: December 4, 2018



KPMG  
Chartered Accountants  
Savannah East  
11 Queen's Park East  
P.O. Box 1328  
Port of Spain  
Trinidad and Tobago, W.I.

Tel.: (868) 612-KPMG  
Email: kpmg@kpmg.co.tt  
Web: www.kpmg.com/tt

## **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, 2018, 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 Group as at October 31, 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.



## **Key Audit Matters** (continued)

### **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.

Loans to customers contributed to 62% 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.



## **Key Audit Matters** (continued)

### **Allowance for impairment of loans to customers** (continued)

- ***How the matter was addressed in our audit*** – (continued)

#### **Corporate Loans** (continued)

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 21% of the total assets of the Group. The valuation of the Group's investment securities 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 accounting records.

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.



### **Key Audit Matters** (continued)

- ***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.

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 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 Group'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.



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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.

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.



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

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.

A handwritten signature of the KPMG firm, written in a cursive, stylized font.

Chartered Accountants  
Port of Spain  
Trinidad and Tobago  
December 7, 2018

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Consolidated Statement of Financial Position

October 31, 2018

(\$ thousands)

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
Cash on hand and in transit		149,333	225,376
Loans and advances to banks and related companies	5	780,993	1,344,017
Treasury bills	6	3,554,534	3,925,171
Deposits with Central Bank	7	2,560,438	2,826,390
Loans to customers	8	14,555,529	13,955,789
Investment securities	9.1	1,359,547	1,726,478
Miscellaneous assets		136,496	57,335
Investment in associated companies	9.2	32,654	30,447
Deferred tax assets	15	48,126	43,940
Property and equipment	10	256,817	246,780
Defined benefit pension fund asset	11.1	-	8,646
Goodwill		2,951	2,951
<b>Total assets</b>		<b><u>23,437,418</u></b>	<b><u>24,393,320</u></b>

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Consolidated Statement of Financial Position (continued)

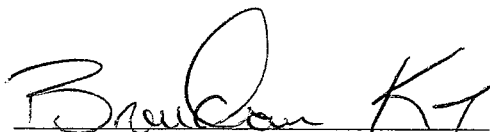
October 31, 2018


(\$ thousands)


	Notes	2018 \$	2017 \$
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Deposits from customers	12	17,284,198	18,538,048
Deposits from banks and related companies	13	42,843	38,088
Other liabilities		386,949	314,678
Taxation payable		51,505	48,088
Policyholders' funds	14	1,412,729	1,332,623
Post-employment medical and life benefits obligation	11.1	129,673	126,633
Defined benefit pension fund liability	11.1	1,893	-
Deferred tax liabilities	15	49,726	40,769
<b>Total liabilities</b>		<b>19,359,516</b>	<b>20,438,927</b>
<b>EQUITY</b>			
Stated capital	16	267,563	267,563
Statutory reserve fund	17	688,562	688,201
Investment revaluation reserve		15,768	7,519
Retained earnings		3,106,009	2,991,110
<b>Total equity</b>		<b>4,077,902</b>	<b>3,954,393</b>
<b>Total liabilities and equity</b>		<b>23,437,418</b>	<b>24,393,320</b>

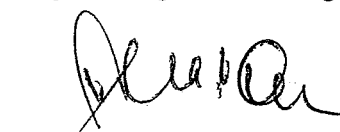
*The notes on pages 17 to 94 are an integral part of these consolidated financial statements.*

These consolidated financial statements were approved for issue by the Board of Directors on December 4, 2018 and signed on its behalf by:

  
Brendan King, Chairman

  
Stephen Bagharol, Managing Director

  
Lisa Mackenzie, Director

  
George Janoura, Director

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2018

(\$ thousands, except earnings per share data)

	Notes	2018 \$	2017 \$
<b>REVENUE</b>			
Interest income	19	1,309,249	1,261,768
Interest expense	20	20,711	17,532
Net interest income		1,288,538	1,244,236
Other income	21	631,809	562,185
Fee and commission expense		(87,353)	(80,975)
Net other income		544,456	481,210
<b>Total revenue</b>		1,832,994	1,725,446
<b>NON-INTEREST EXPENSES</b>			
Salaries and other staff benefits		252,840	253,592
Premises and technology		132,200	126,187
Communication and marketing		104,905	99,914
Other expenses	22	247,018	205,976
Total non-interest expenses		736,963	685,669
<b>Net impairment loss on financial assets</b>	8.5	133,033	105,597
<b>Profit before taxation</b>		962,998	934,180
<b>Income tax expense</b>	23	318,554	276,516
<b>Profit for the year, attributable to equity holders</b>		644,444	657,664
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurement of post-employment benefits asset/ obligation	11.7	(235)	1,173
Related tax	23.3	82	(410)
		(153)	763
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Fair value re-measurement of available-for-sale investments		9,929	6,686
Related tax	23.3	(1,680)	(2,323)
		8,249	4,363
<b>Other comprehensive income, net of tax</b>		8,096	5,126
<b>Total comprehensive income, attributable to equity holders</b>		652,540	662,790
<b>Earnings per share</b>	24	365.4¢	372.9¢

The notes on pages 17 to 94 are an integral part of these consolidated financial statements.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Consolidated Statement of Changes in Equity

For the year ended October 31, 2018

(\$ thousands)

	Notes	Stated Capital \$	Statutory Reserve Fund \$	Investment Revaluation Reserve \$	Retained Earnings \$	Total Equity \$
<b>Balance as at October 31, 2016</b>		<b>267,563</b>	<b>667,882</b>	<b>3,156</b>	<b>2,934,936</b>	<b>3,873,537</b>
Profit for the year		-	-	-	657,664	657,664
<i><b>Other comprehensive income, net of tax</b></i>						
Remeasurement of post-employment benefits asset/obligation		-	-	-	763	763
Fair value re-measurement of available-for-sale investments	23.3	-	-	4,363	-	4,363
Total comprehensive income		-	-	4,363	658,427	662,790
<i><b>Transactions with equity owners of Scotiabank</b></i>						
Transfer to statutory reserve	17	-	20,319	-	(20,319)	-
Dividends paid	18	-	-	-	(581,934)	(581,934)
		-	20,319	-	(602,253)	(581,934)
<b>Balance as at October 31, 2017</b>		<b>267,563</b>	<b>688,201</b>	<b>7,519</b>	<b>2,991,110</b>	<b>3,954,393</b>

The notes on pages 17 to 94 are an integral part of these consolidated financial statements.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Consolidated Statement of Changes in Equity (continued)

For the year ended October 31, 2018

(\$ thousands)

	Notes	Stated Capital \$	Statutory Reserve Fund \$	Investment Revaluation Reserve \$	Retained Earnings \$	Total Equity \$
<b>Balance as at October 31, 2017</b>		<b>267,563</b>	<b>688,201</b>	<b>7,519</b>	<b>2,991,110</b>	<b>3,954,393</b>
Profit for the year		-	-	-	644,444	644,444
<b><i>Other comprehensive income, net of tax</i></b>						
Remeasurement of post-employment benefits asset/obligation		-	-	-	(153)	(153)
Fair value re-measurement of available-for-sale investments	23.3	-	-	8,249	-	8,249
Total comprehensive income		-	-	8,249	644,291	652,540
<b><i>Transactions with equity owners of Scotiabank</i></b>						
Transfer to statutory reserve	17	-	361	-	(361)	-
Dividends paid	18	-	-	-	(529,031)	(529,031)
		-	361	-	(529,392)	(529,031)
<b>Balance as at October 31, 2018</b>		<b>267,563</b>	<b>688,562</b>	<b>15,768</b>	<b>3,106,009</b>	<b>4,077,902</b>

The notes on pages 17 to 94 are an integral part of these consolidated financial statements.



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Consolidated Statement of Cash Flows

For the year ended October 31, 2018

(\$ thousands)

	Notes	2018 \$	2017 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		644,444	657,664
Adjustments for:			
- Interest income		(1,309,249)	(1,261,768)
- Interest expense		20,711	17,532
- Depreciation	10	17,796	18,069
- Share of profit of associated company		(2,207)	(572)
- Loss on disposal of property, plant and equipment		1,039	286
- Tax expense		318,554	276,516
Changes in:			
- Deposits with Central Bank		265,952	390,019
- Net pension cost		50,074	45,967
- Policyholders' funds		80,106	105,466
- Loan loss provision	8.4	20,169	14,633
- Loans to customers		(613,704)	(684,976)
- Miscellaneous assets		(79,161)	4,328
- Deposits from customers		(1,254,112)	967,231
- Deposits from banks and related companies		4,755	(4,467)
- Other liabilities		72,271	19,060
Interest received		1,279,254	1,257,546
Interest paid		(20,449)	(17,898)
Medical, life and pension contributions and benefits paid		(36,730)	(32,482)
Taxation paid		(311,965)	(326,277)
Net cash (used in) from operating activities		(852,452)	1,445,877
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Change in Treasury Bills with original maturity date due over 3 months		370,637	(859,796)
Purchase of investment securities		(323,106)	(44,539)
Proceeds from redemption of investment securities		722,758	597,337
Purchase of property, plant and equipment	10	(28,340)	(14,428)
Proceeds from disposal of property, plant and equipment		467	240
Net cash from (used in) investing activities		742,416	(321,186)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	18	(529,031)	(581,934)
Net cash used in financing activities		(529,031)	(581,934)

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Consolidated Statement of Cash Flows (continued)

For the year ended October 31, 2018

(\$ thousands)

	Notes	2018 \$	2017 \$
<b>(Decrease) increase in cash and cash equivalents</b>		(639,067)	542,757
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		<u>1,569,393</u>	<u>1,026,636</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>		<u>930,326</u>	<u>1,569,393</u>
<b>CASH AND CASH EQUIVALENTS REPRESENTED BY</b>			
Cash on hand and in transit		149,333	225,376
Loans and advances to banks and related companies	5	<u>780,993</u>	<u>1,344,017</u>
		<u>930,326</u>	<u>1,569,393</u>

*The notes on pages 17 to 94 are an integral part of these consolidated financial statements.*

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

(\$ thousands)

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### 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:

<b>Name of Companies</b>	<b>Country of Incorporation</b>	<b>Percentage of Equity Held</b>
<b>Subsidiaries</b>		
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%
<b>Associated companies</b>		
InfoLink Services Limited	Republic of Trinidad and Tobago	25%
Trinidad & Tobago Interbank Payment Systems Limited	Republic of Trinidad and Tobago	14%

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

(\$ thousands)

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### 1. Incorporation and Business Activities (continued)

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 \$23.26 billion (2017: \$24.22 billion) and liabilities \$19.36 billion (2017: \$20.44 billion).

These consolidated financial statements were authorised for issue by Scotiabank's Board of Directors on December 4, 2018.

### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 2. Basis of Preparation (continued)

#### (b) *Basis of measurement* (continued)

- 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 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 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

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured as the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to credit risk.

The specific recognition criteria described below must also be met before revenue is recognised.

#### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (a) *Revenue recognition* (continued)

##### **Premium income**

Premiums are recognised on the accruals basis in accordance with the terms of the underlying contracts as outlined in Note 3(q).

#### (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, loans and advances to banks and related companies, investment securities including treasury bills, loans and leases to customers, deposits from customers, deposits from banks and related companies 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).

##### (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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 3. Significant Accounting Policies (continued)

#### (c) *Financial assets and financial liabilities* (continued)

##### (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.



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (c) *Financial assets and financial liabilities* (continued)

##### (ii) *Classification* (continued)

###### 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 undrawn loan commitments, as measured at amortised cost or fair value through profit or loss (FVTPL).

##### (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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 3. Significant Accounting Policies (continued)

#### (c) *Financial assets and financial liabilities* (continued)

##### (iii) *Derecognition* (continued)

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).

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (c) *Financial assets and financial liabilities* (continued)

##### (iv) *Measurement* (continued)

###### Financial assets (continued)

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.

###### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (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.

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.

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### 3. Significant Accounting Policies (continued)

#### (f) *Impaired financial assets* (continued)

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.

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### 3. Significant Accounting Policies (continued)

#### (f) *Impaired financial assets* (continued)

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.

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 net impairment loss on financial assets.

#### (g) *Property 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.

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## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (g) *Property and equipment* (continued)

##### (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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 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.



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (i) *Taxation* (continued)

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.

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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (k) *Employee benefits* (continued)

##### (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, 2018 and have been included in the calculation of the post-employment benefit liability as necessary. The next valuation is due October 31, 2018 and is in progress.

##### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (k) *Employee benefits* (continued)

##### (ii) *Post-employment* (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, 2018 total \$884 million (2017: \$928 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, 2018 totaled \$4.082 billion (2017: \$3.974 billion).

#### (n) *Deposit liabilities*

Deposits from customers 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (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.

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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 3. Significant Accounting Policies (continued)

#### (q) *Insurance contracts – recognition and measurement* (continued)

##### 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.

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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

*(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:

- Amendments to IAS 7, *Statement 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.
- 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 adoption of these amendments did not result in any change to the presentation and disclosures in the Group's financial statements.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (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, 2018. 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 listed below are those that are most likely to have an impact on the Group's performance, financial position or disclosures.

#### **IFRS 9, *Financial Instruments***

- 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*. The standard covers three broad topics: Classification and Measurement, Impairment and Hedging.

The standard requires the Group to consider two criteria when determining the measurement basis for debt instruments (e.g. securities) held as financial assets; i) its business model for managing those financial assets and ii) the cash flow characteristics of the assets. Based on these criteria, debt instruments are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

Equity instruments are measured at fair value through profit or loss. However, the Group may, at initial recognition of a non-trading equity instrument, irrevocably elect to designate the instrument as fair value through OCI, with no subsequent recycling to profit and loss, while recognizing dividend income in profit and loss. This designation is also available to non-trading equity instrument holdings on date of transition.

In addition, the Group may, at initial recognition, irrevocably elect to designate a financial asset as fair value through profit or loss, if doing so eliminates or significantly reduces an accounting mismatch which would otherwise arise.

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current "incurred loss" model of IAS 39.

The ECL model contains a three stage approach which is based on the change in credit quality of financial assets since initial recognition. Under Stage 1, where there has not been a significant increase in credit risk since initial recognition, an amount equal to 12 months ECL will be recorded. Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Under the Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

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

- **IFRS 9, *Financial Instruments*** (continued)

The ECL model is forward looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. The Group is not currently a party to any hedge contracts.

The Group estimates the IFRS 9 transition amount will reduce shareholders' equity by approximately \$144 million after-tax. The estimated impact relates primarily to the implementation of the ECL requirements in the Group.

#### **IFRS 15, *Revenue From Contracts With Customers***

- 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 standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle based framework to be applied to all contracts with customers that are in scope of the standard. Under the new standard revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model to recognize revenue as performance obligations in a contract are satisfied.

The Group will adopt the standard as of November 1, 2018 and plans to use the modified retrospective approach. Under this approach, the Group will recognize the cumulative effect of initially applying the standard as an adjustment to the opening balances of retained earnings as of November 1, 2018, without restating comparative periods. The Group does not expect the application of IFRS 15 to result in a material difference in the value and timing of revenue recognition.

The standard does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including interest income, interest expense, trading revenue and securities gains which are covered under IFRS 9 *Financial Instruments*. The main areas of focus for the Group's assessment of impact are fees and commission revenues.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 3. Significant Accounting Policies (continued)

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

- **IFRS 15, *Revenue From Contracts With Customers*** (continued)

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.

#### **IFRS 16, *Leases***

- 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 new standard will have on its 2020 consolidated financial statements.

#### **IFRS 17, *Insurance Contracts***

- IFRS 17, *Insurance Contracts*, which is effective for annual reporting periods beginning on or after January 1, 2022, provides a comprehensive principle-based framework for the measurement and presentation of all insurance contracts. The new standard will replace IFRS 4 *Insurance Contracts* and requires insurance contracts to be measured using current fulfillment cash flows and for revenue to be recognized as the service is provided over the coverage period.

The Group is assessing the impact that this new standard will have on its 2023 consolidated financial statements.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 3. Significant Accounting Policies (continued)

#### (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.

#### (x) *Comparative figures*

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

Interest receivable on investment securities in the amount of \$12.690 million, which was previously classified under miscellaneous assets, has been reclassified under investment securities.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 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).

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 4. Use of Judgements and Estimates (continued)

#### *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, 2018 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 judgements 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 4. Use of Judgements and Estimates (continued)

#### **B. Assumptions and estimation uncertainties** (continued)

##### *(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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 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:

	<u>2018</u>	<u>2017</u>
	\$	\$
Interest rates decrease by 1%	(3,586,612)	(3,632,798)
Interest rates increase by 1%	4,074,816	4,363,356
Mortality increases by 10%	11,439,937	10,882,134
Mortality decreases by 10%	(11,853,321)	(11,243,400)
Expenses increase by 10%	7,259,482	7,621,598
Expenses decrease by 10%	(7,248,025)	(7,608,341)
Lapses and withdrawals increase by 10%	15,881,353	15,424,779
Lapses and withdrawals decrease by 10%	(17,949,183)	(17,442,057)

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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

(\$ thousands)

### 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)

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.

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>5. Loans and Advances to Banks and Related Companies</b>		
Due from related companies	207,809	588,153
Due from other banks	573,184	682,105
Cheques and other instruments in the course of clearing	-	73,759
	<u>780,993</u>	<u>1,344,017</u>
<b><i>Maturity of assets</i></b>		
Assets with original maturity date less than 3 months	<u>780,993</u>	<u>1,344,017</u>
<b>6. Treasury Bills</b>		
Government of Trinidad and Tobago	2,360,443	3,291,264
Government of United States of America	<u>1,194,091</u>	<u>633,907</u>
	<u>3,554,534</u>	<u>3,925,171</u>
<b><i>Maturity of assets</i></b>		
Assets with original maturity date over 3 months	<u>3,554,534</u>	<u>3,925,171</u>



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 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% (2017: 17%) of total prescribed liabilities.

	<u>2018</u>	<u>2017</u>
	\$	\$
Primary reserve	2,560,438	2,540,841
Secondary reserve	<u>-</u>	<u>285,549</u>
	<u>2,560,438</u>	<u>2,826,390</u>

### 8. Loans to Customers

#### 8.1 Analysis of loans to customers

Principal neither past due nor impaired	12,951,991	12,099,615
Principal which is past due but not impaired	1,372,886	1,642,861
Principal which is impaired	<u>336,516</u>	<u>305,213</u>
Gross loans	14,661,393	14,047,689
Allowance for impairment	<u>(166,744)</u>	<u>(146,575)</u>
Total loans net of impairment allowance	14,494,649	13,901,114
Interest receivable	<u>60,880</u>	<u>54,675</u>
Total loans to customers	<u>14,555,529</u>	<u>13,955,789</u>

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).

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 8. Loans to Customers (continued)

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

	2018		
	Less than 30 days	30 – 60 days	61 - 90 days
	\$	\$	\$
<b>Loans and advances to customers</b>			
Commercial loans	162,646	12,578	20,522
Retail loans	759,469	205,356	212,315
	<u>922,115</u>	<u>217,934</u>	<u>232,837</u>
			<u>1,372,886</u>

	2017		
	Less than 30 days	30 – 60 days	61 - 90 days
	\$	\$	\$
<b>Loans and advances to customers</b>			
Commercial loans	234,749	26,631	26,117
Retail loans	977,236	202,304	175,824
	<u>1,211,985</u>	<u>228,935</u>	<u>201,941</u>
			<u>1,642,861</u>

	2018	2017
	\$	\$
<b>8.3 Concentration of credit</b>		
Mortgages - residential	6,334,720	6,029,234
Mortgages - commercial	161,979	189,455
Consumer	4,874,717	4,822,404
Energy and petrochemical	473,623	398,617
Construction and engineering	198,936	124,742
Distributive trades	705,868	650,292
Communication and transport	74,875	79,807
Manufacturing and assembly	688,728	736,399
Financial services	315,885	259,442
Business and personal services	634,803	569,870
Hospitality industry	27,070	37,444
Agriculture	3,445	3,408
	<u>14,494,649</u>	<u>13,901,114</u>

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

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	<u>2018</u>	<u>2017</u>
	\$	\$
<b>8. Loans to Customers (continued)</b>		
<b>8.4 Analysis of movement in impairment allowance</b>		
Allowance, beginning of year	146,575	131,942
Impairment charge for the year	168,959	130,212
Write-offs	(148,790)	(115,579)
Net increase in impairment allowance	20,169	14,633
Allowance, end of year	<u>166,744</u>	<u>146,575</u>
<b>8.5 Net impairment loss on financial assets</b>		
Impairment charge for the year	168,959	130,212
Recoveries	(35,926)	(24,615)
Total	<u>133,033</u>	<u>105,597</u>
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>9.1. Investment Securities</b>		
Available-for-sale:		
- Equity securities and mutual funds	19,378	19,189
- Government and state owned enterprises debt securities	861,990	717,933
- Corporate debt securities	382,061	910,119
	<u>1,263,429</u>	<u>1,647,241</u>
Fair value through profit or loss:		
- Equity securities	25,810	20,981
Held-to-maturity:		
- Government and state owned enterprises debt securities	46,518	45,566
	1,335,757	1,713,788
Interest receivable	23,790	12,690
Total investment securities	<u>1,359,547</u>	<u>1,726,478</u>
Provision for impairment loss	<u>-</u>	<u>-</u>

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

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### 9.2 Investment in Associated Companies

The summarised financial information in respect to the Group's associates is as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Balance at beginning of year	30,447	29,875
Share of current year's profit	4,401	3,380
Dividends received	(2,194)	(2,808)
	<u>32,654</u>	<u>30,447</u>

### 10. Property and Equipment

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold Improvements</u>	<u>Equipment &amp; Furniture</u>	<u>Capital Work in Progress</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>October 31, 2018</b>						
<i>Cost</i>						
At beginning of year	18,900	165,061	65,448	239,040	9,213	497,662
Additions	-	1,652	1,161	16,212	23,316	42,341
Disposals/transfers	-	-	-	(5,185)	(14,002)	(19,187)
At end of year	<u>18,900</u>	<u>166,713</u>	<u>66,609</u>	<u>250,067</u>	<u>18,527</u>	<u>520,816</u>
<i>Accumulated depreciation</i>						
At beginning of year	-	54,381	16,347	180,154	-	250,882
Charge for year	-	2,794	816	14,186	-	17,796
Disposals	-	-	-	(4,679)	-	(4,679)
At end of year	<u>-</u>	<u>57,175</u>	<u>17,163</u>	<u>189,661</u>	<u>-</u>	<u>263,999</u>
<i>Net book value</i>	<u>18,900</u>	<u>109,538</u>	<u>49,446</u>	<u>60,406</u>	<u>18,527</u>	<u>256,817</u>

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 10. Property and Equipment (continued)

	<u>2018</u>	<u>2017</u>
	\$	\$
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	-	-
Other capital expenditure authorised by the Directors not yet contracted for	-	-

	<u>Land</u>	<u>Leasehold Buildings</u>	<u>Equipment Improvements</u>	<u>Capital Work &amp; Furniture</u>	<u>in Progress</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
<b>October 31, 2017</b>						
<i>Cost</i>						
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
<i>Accumulated depreciation</i>						
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
<i>Net book value</i>	18,900	110,680	49,101	58,886	9,213	246,780

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year (2017: NIL).

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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(\$ thousands)

### 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 \$32.9 million in contributions to its defined benefit pension fund in 2019.

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2018	2017	2018	2017
	\$	\$	\$	\$
Defined benefit obligation	(783,106)	(732,661)	(129,673)	(126,633)
Fair value of plan assets	781,213	741,307	-	-
Net (liability) asset	(1,893)	8,646	(129,673)	(126,633)

#### 11.2 Reconciliation of change in defined benefit obligation:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2018	2017	2018	2017
	\$	\$	\$	\$
Defined benefit obligation at beginning of year	(732,661)	(691,109)	(126,633)	(124,962)
Current service cost	(38,530)	(35,472)	(5,187)	(4,799)
Interest cost	(37,775)	(35,640)	(6,541)	(6,460)
Experience adjustments	(2,714)	2,438	2,075	1,327
Actuarial gains	-	-	2,031	5,161
Benefits paid	28,574	27,122	4,582	3,100
Defined benefit obligation at end of year	(783,106)	(732,661)	(129,673)	(126,633)

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Notes to the Consolidated Financial Statements

October 31, 2018

(\$ thousands)

**11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)****11.3 Reconciliation of the fair value of plan assets:**

	<b>Defined Benefit Pension Fund</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Plan assets at beginning of year	741,307	710,396
Interest income	39,019	37,378
Loss on plan assets (excluding interest income)	(1,627)	(8,131)
Bank contributions	32,148	29,382
Benefits paid	(28,574)	(27,122)
Expenses paid	(1,060)	(596)
Plan assets at end of year	<u>781,213</u>	<u>741,307</u>

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:**

	<b>Defined Benefit Pension Fund</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Interest income	39,019	37,378
Loss on plan assets (excluding interest income)	<u>(1,627)</u>	<u>(8,131)</u>
Actual return on plan assets	<u>37,392</u>	<u>29,247</u>

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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

#### 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Opening defined benefit liability	8,646	19,287	(126,633)	(124,962)
Net pension costs	(38,346)	(34,708)	(11,728)	(11,259)
Remeasurement recognised in other comprehensive income	(4,341)	(5,315)	4,106	6,488
Contributions paid	32,148	29,382	-	-
Benefits paid	-	-	4,582	3,100
Closing defined benefit asset (liability)	(1,893)	8,646	(129,673)	(126,633)

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2018	2017	2018	2017
	\$	\$	\$	\$
Current service cost	(38,530)	(35,472)	(5,187)	(4,799)
Net interest on net defined benefit asset (liability)	1,244	1,738	(6,541)	(6,460)
Administration expenses	(1,060)	(596)	-	-
Net pension cost	(38,346)	(34,330)	(11,728)	(11,259)



**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

Notes to the Consolidated Financial Statements

October 31, 2018

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**11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)****11.7 The amount recognised in other comprehensive income comprised:**

	<b>Remeasurements Recognised in Other Comprehensive Income</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Defined benefit pension	(4,341)	(5,315)
Post-employment medical and life benefits experience gains	4,106	6,488
	<u>(235)</u>	<u>1,173</u>

**11.8 Experience history:**

	<b>Defined Benefit Pension Fund</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Defined benefit obligation	(783,106)	(732,661)
Fair value of Plan assets	781,213	741,307
(Deficit) surplus	<u>(1,893)</u>	<u>8,646</u>
Experience adjustment on plan assets	<u>(4,341)</u>	<u>(5,315)</u>

**11.9 Experience history:**

	<b>Post-Employment Medical and Life Benefits</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Defined benefit obligation	<u>(129,673)</u>	<u>(126,633)</u>
Deficit	<u>(129,673)</u>	<u>(126,633)</u>
Experience adjustment on plan liabilities	<u>4,106</u>	<u>6,488</u>

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Notes to the Consolidated Financial Statements

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**11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)****11.10 Asset allocation:**

	<b>Defined Benefit Pension Fund</b>	
	<b>2018</b>	<b>2017</b>
Equity securities	36%	39%
Debt securities	53%	48%
Property	3%	3%
Other	8%	10%
Total	<u>100%</u>	<u>100%</u>

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:**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Locally listed equities	175,603	186,354
Overseas equities	108,341	104,416
TT\$ denominated bonds	324,588	274,260
US\$ denominated bonds	85,434	79,794
Property	21,250	21,250
Mortgages	10,399	11,144
Cash and cash equivalents	<u>55,598</u>	<u>64,089</u>
Total	<u>781,213</u>	<u>741,307</u>

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, 2018, the Plan held \$60.3 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.

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Notes to the Consolidated Financial Statements

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**11. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations (continued)****11.12 The principal actuarial assumptions of the pension plan and post-employment benefits were:**

	<b>2018</b>	<b>2017</b>
	<b>% pa</b>	<b>% pa</b>
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:

	<b>2018</b>	<b>2017</b>
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
Females	25.4	25.4

At October 31, 2018, the weighted-average duration of the defined benefit obligation is 17.9 years (2017: 17.7 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:

	<b>Effect on Net Defined Benefit Pension Fund Obligation</b>	
	<b>Increase</b>	<b>Decrease</b>
	<b>\$</b>	<b>\$</b>
Discount rate (1% movement)	(117,140)	153,847
Future salary increases (1% movement)	60,304	(49,915)

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by \$13.0 million.

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## Notes to the Consolidated Financial Statements

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### 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)	(18,804)	24,099
Medical cost increases (1% movement)	<u>23,147</u>	<u>(18,370)</u>

An increase of 1 year in the assumed life expectancies shown above would increase the defined benefit obligation at year-end by \$4.6 million.

These sensitivities were calculated by re-calculating the defined benefit obligation using the revised assumptions.

	2018	2017
	\$	\$
<b>12. Deposits from customers</b>		
12.1 Deposit balances	17,280,611	18,534,723
Interest payable	<u>3,587</u>	<u>3,325</u>
	<u>17,284,198</u>	<u>18,538,048</u>
12.2 Concentration of liabilities		
Personal	11,267,305	11,427,278
Commercial	5,311,813	5,960,382
Financial institutions	<u>701,493</u>	<u>1,147,063</u>
	<u>17,280,611</u>	<u>18,534,723</u>
<b>13. Deposits from Banks and Related Companies</b>		
Related companies	33,725	35,684
Banks	7,592	2,404
Cheques and other instruments in the course of clearing	<u>1,526</u>	<u>-</u>
	<u>42,843</u>	<u>38,088</u>
<b>14. Policyholders' Funds</b>		
Ordinary life – Non-participating policies	681,360	638,015
Individual annuities	690,406	655,598
Group life – Creditor life	<u>24,396</u>	<u>23,487</u>
Provision for future policy benefits	1,396,162	1,317,100
Other policyholders' liabilities	<u>16,567</u>	<u>15,523</u>
	<u>1,412,729</u>	<u>1,332,623</u>

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

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**14. Policyholders' Funds (continued)**

The movement in provision for future policy benefits is as follows:

	<b>2018</b>	<b>2017</b>
	\$	\$
Balance at beginning of year	1,332,623	1,227,157
Change in reserves	79,062	103,688
Change in other policy liabilities	1,044	1,778
Balance at end of year	<u>1,412,729</u>	<u>1,332,623</u>

**15. Deferred Taxation**

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

	<b>2018</b>	<b>2017</b>
	\$	\$
<b><i>Deferred tax liability</i></b>		
Available-for-sale investment securities	6,551	4,871
Property, plant and equipment	16,851	14,812
Miscellaneous assets	<u>26,324</u>	<u>21,086</u>
	<u>49,726</u>	<u>40,769</u>
<b><i>Deferred tax asset</i></b>		
Accumulated tax losses	13	538
Post-employment benefits asset/obligation	46,048	41,295
Miscellaneous liabilities	<u>2,065</u>	<u>2,107</u>
	<u>48,126</u>	<u>43,940</u>
<b><i>Net deferred tax liability (asset)</i></b>	<u>1,600</u>	<u>(3,171)</u>

**15.2** The movement in the deferred tax amount comprised:

Balance at beginning of year	(3,171)	(10,572)
<b><i>Amounts recognised in OCI (Note 23.3)</i></b>		
- Available-for-sale securities fair value re-measurement	1,680	2,323
- Post-employment benefits assets/obligation	(82)	410
<b><i>Amounts recognised in profit or loss (Note 23.1)</i></b>		
- Current year's deferred tax charge	<u>3,173</u>	<u>4,668</u>
Balance at end of year	<u>1,600</u>	<u>(3,171)</u>

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### 15. Deferred Taxation (continued)

The corporation tax rate increased from 30% to 35% in 2018. Deferred tax balances have been calculated at 35% for both 2018 and 2017.

	<u>2018</u>	<u>2017</u>
	\$	\$

### 16. Stated Capital

#### *Authorised*

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

#### *Issued and fully paid*

176,343,750 (2017: 176,343,750) ordinary shares	<u>267,563</u>	<u>267,563</u>
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### 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:

	<u>2018</u>		
	<u>Scotiabank</u>	<u>Scotia Investments</u>	<u>Total</u>
	\$	\$	\$
Balance, beginning of year	687,563	638	688,201
Amount transferred	<u>-</u>	<u>361</u>	<u>361</u>
Balance, end of year	<u>687,563</u>	<u>999</u>	<u>688,562</u>

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

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 18. Dividends

**18.1** Subsequent to October 31, 2018, the Board of Directors, in a meeting on December 4, 2018, resolved that Scotiabank pay a final dividend of \$1.50 per share, bringing the total dividends in respect of the current financial year to \$3.00 per share (2017: \$3.00 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, 2019.

**18.2** Dividends paid and proposed are analysed as follows:

	<b>2018</b>		<b>2017</b>	
	<b>¢ per share</b>	<b>\$</b>	<b>¢ per share</b>	<b>\$</b>
<b>Dividends paid</b>				
First interim dividend	50	88,172	50	88,172
Second interim dividend	50	88,172	50	88,172
Third interim dividend	50	88,171	50	88,171
	<u>150</u>	<u>264,515</u>	<u>150</u>	<u>264,515</u>
<b>Dividends proposed</b>				
Final dividend	150	264,516	150	264,516
<b>Total dividends paid and proposed</b>	<u>300</u>	<u>529,031</u>	<u>300</u>	<u>529,031</u>

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

	<b>2018</b>		<b>2017</b>	
	<b>¢ per share</b>	<b>\$</b>	<b>¢ per share</b>	<b>\$</b>
<b>Total dividends paid and proposed</b>	300	529,031	300	529,031
Dividends proposed	(150)	(264,516)	(150)	(264,516)
Dividends paid during the year in respect of prior year	<u>150</u>	<u>264,516</u>	<u>180</u>	<u>317,419</u>
<b>Dividends paid during the year</b>	<u>300</u>	<u>529,031</u>	<u>330</u>	<u>581,934</u>

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	<u>2018</u>	<u>2017</u>
	\$	\$
<b>19. Interest Income</b>		
Deposits with Central Bank	540	1,456
Loans to customers	1,172,206	1,135,822
Investment securities:		
- Available-for-sale	131,841	121,196
- Held-to-maturity	<u>4,662</u>	<u>3,294</u>
	<u>1,309,249</u>	<u>1,261,768</u>
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>20. Interest Expense</b>		
Deposits from customers	20,148	17,218
Other interest expense	<u>563</u>	<u>314</u>
	<u>20,711</u>	<u>17,532</u>
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>21. Other Income</b>		
Fees, commission and net premium income	376,349	365,528
Net trading income	246,335	190,726
Trustee and other fiduciary fees	<u>9,125</u>	<u>5,931</u>
	<u>631,809</u>	<u>562,185</u>
Net premium income comprises premium income of \$391.2 million (2017: \$410.8 million) less related expenses of \$318.2 million (2017: \$334.1 million).		
	<u>2018</u>	<u>2017</u>
	\$	\$
<b>22. Other Expenses</b>		
Deposit insurance premium	29,404	28,490
Directors' fees	2,850	2,511
Other operating expenses	<u>214,764</u>	<u>174,975</u>
	<u>247,018</u>	<u>205,976</u>



**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

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	<u>2018</u>	<u>2017</u>
	\$	\$
<b>23. Taxation</b>		
<b>23.1 Taxation charge</b>		
Current tax	307,733	265,114
Origination and reversal of temporary differences	3,173	4,668
Change in estimates related to prior years	600	-
Green Fund levy	7,010	6,699
Business levy	38	35
	<u>318,554</u>	<u>276,516</u>

**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:

	<u>2018</u>		<u>2017</u>	
	\$	%	\$	%
Profit before taxation	962,998	100	934,180	100
Computed tax calculated at the statutory rate of 35% (2017 – 30%)	337,049	35	280,254	30
Tax effect of items that are adjusted in determining taxable profit:				
- Effect of different tax rate of life insurance company	(28,513)	(3)	(10,148)	(1)
- Effect of different tax rate of asset management company	(208)	-	-	-
- Effect of different tax rates in other countries	(1,109)	-	(984)	-
- Tax effect of non-deductible costs and non-taxable income	3,687	-	660	-
- Change in estimates related to prior years	600	-	-	-
- Green Fund levy	7,010	1	6,699	1
- Business levy	38	-	35	-
Tax charge and effective tax rate	<u>318,554</u>	<u>33</u>	<u>276,516</u>	<u>30</u>

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 23. Taxation (continued)

#### 23.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	\$	\$	\$
<b><u>2018</u></b>			
Fair value re-measurement of available-for-sale financial assets	9,929	(1,680)	8,249
Remeasurement of post-employment benefits obligations/assets	(235)	82	(153)
	<u>9,694</u>	<u>(1,598)</u>	<u>8,096</u>
<b><u>2017</u></b>			
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
	<u>7,859</u>	<u>(2,733)</u>	<u>5,126</u>

### 24. Earnings Per Share

The calculation of basic earnings per share is based on:

- Net income for the year attributable to ordinary shareholders of \$644.4 million (2017: \$657.7 million).
- Weighted average number of ordinary shares issued and outstanding during the year which was 176,343,750 shares (2017: 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, 2018, 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 25. Commitments and Contingent Liabilities (continued)

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

	<u>2018</u>	<u>2017</u>
	\$	\$
Rental due within one year	11,154	12,539
Rental due between one and five years	20,252	23,337
Rental due after five years	<u>2,828</u>	<u>1,816</u>
	<u>34,234</u>	<u>37,692</u>
Lease payments recognised in profit or loss	<u>20,180</u>	<u>20,628</u>

### 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**

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### 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.

## SCOTIABANK TRINIDAD AND TOBAGO LIMITED

### Notes to the Consolidated Financial Statements

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## 26. Financial Risk Management (continued)

### 26.1 Credit risk (continued)

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.

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### 26. Financial Risk Management (continued)

#### 26.1 Credit risk (continued)

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.

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## Notes to the Consolidated Financial Statements

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**26. Financial Risk Management (continued)****26.1 Credit risk (continued)****(i) Collateral held and other credit enhancements, and their financial effects**  
(continued)***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:

	<u>2018</u>	<u>2017</u>
	\$	\$
<b><i>Credit risk recognised on the consolidated statement of financial position</i></b>		
Loans and advances to banks and related companies	780,993	1,344,017
Treasury bills	3,554,534	3,925,171
Deposits with Central Bank	2,560,438	2,826,390
Loans to customers	14,555,529	13,955,789
Investment securities (excluding equities)		
- available-for-sale	1,278,959	1,651,758
- held-to-maturity	46,518	45,566
	<u>22,776,971</u>	<u>23,748,691</u>
<b><i>Credit risk not recognised on the consolidated statement of financial position</i></b>		
Acceptances, guarantees and letters of credit	884,288	927,939
Undrawn credit commitments	3,395,602	2,983,176
	<u>4,279,890</u>	<u>3,911,115</u>
Total credit risk exposure	<u>27,056,861</u>	<u>27,659,806</u>

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**26. Financial Risk Management (continued)****26.1 Credit risk (continued)****(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.

Internal Rating	2018				
	Excellent	Very Good	Good	Acceptable	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Loans and advances to banks and related companies	-	367,278	413,715	-	780,993
Treasury bills	1,194,091	2,360,443	-	-	3,554,534
Deposits with Central Bank	-	2,560,438	-	-	2,560,438
Loans to customers	432,864	5,771,954	4,509,684	2,237,489	12,951,991
Investment securities (excluding equities)	315,264	1,010,213	-	-	1,325,477
	<u>1,942,219</u>	<u>12,070,326</u>	<u>4,923,399</u>	<u>2,237,489</u>	<u>21,173,433</u>
2017					
Internal Rating	Excellent	Very Good	Good	Acceptable	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Loans and advances to 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
Loans to customers	452,171	5,362,407	4,481,780	1,803,257	12,099,615
Investment securities (excluding equities)	100,995	1,373,163	155,647	67,519	1,697,324
	<u>1,187,072</u>	<u>13,639,461</u>	<u>5,195,208</u>	<u>1,870,776</u>	<u>21,892,517</u>



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 26. Financial Risk Management (continued)

#### 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Increase of 1%	(5,252)	(6,800)	(3,414)	(4,760)
Decrease of 1%	5,252	6,800	3,414	4,760

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## Notes to the Consolidated Financial Statements

October 31, 2018

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**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:

	<b>2018</b>			
	<b>TT</b>	<b>US</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Cash on hand and in transit	131,279	16,314	1,740	149,333
Loans and advances to banks and related companies	-	511,014	269,979	780,993
Treasury bills	2,360,443	1,194,091	-	3,554,534
Deposits with Central Bank	2,560,438	-	-	2,560,438
Loans to customers	13,432,468	1,123,057	4	14,555,529
Investment securities	949,924	409,623	-	1,359,547
<b>Total financial assets</b>	<b>19,434,552</b>	<b>3,254,099</b>	<b>271,723</b>	<b>22,960,374</b>
<b>Liabilities</b>				
Deposits from customers	13,803,502	3,211,188	269,508	17,284,198
Deposits from banks and related companies	26,777	16,066	-	42,843
Policyholders' funds	1,399,150	13,579	-	1,412,729
<b>Total financial liabilities</b>	<b>15,229,429</b>	<b>3,240,833</b>	<b>269,508</b>	<b>18,739,770</b>
<b>Net financial position</b>	<b>4,205,123</b>	<b>13,266</b>	<b>2,215</b>	<b>4,220,604</b>
<b>Undrawn credit commitments</b>	<b>3,374,510</b>	<b>21,092</b>	<b>-</b>	<b>3,395,602</b>

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October 31, 2018

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**26. Financial Risk Management** (continued)**26.2 Market risk** (continued)**26.2.1 Currency risk** (continued)**Concentration of assets and liabilities by currency** (continued)

	<b>2017</b>			
	<b>TT</b>	<b>US</b>	<b>Other</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>				
Cash on hand and in transit	202,995	19,853	2,528	225,376
Loans and advances to 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
Loans to customers	12,910,203	1,045,564	22	13,955,789
Investment securities	797,930	928,548	-	1,726,478
<b>Total financial assets</b>	<b>20,082,399</b>	<b>3,714,170</b>	<b>206,652</b>	<b>24,003,221</b>
<b>Liabilities</b>				
Deposits from customers	14,419,367	3,915,625	203,056	18,538,048
Deposits from banks and related companies	13,861	24,227	-	38,088
Policyholders' funds	1,319,582	13,041	-	1,332,623
<b>Total financial liabilities</b>	<b>15,752,810</b>	<b>3,952,893</b>	<b>203,056</b>	<b>19,908,759</b>
<b>Net financial position</b>	<b>4,329,589</b>	<b>(238,723)</b>	<b>3,596</b>	<b>4,094,462</b>
<b>Undrawn credit commitments</b>	<b>2,953,802</b>	<b>29,374</b>	<b>-</b>	<b>2,983,176</b>

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 26. Financial Risk Management (continued)

#### 26.2 Market Risk (continued)

##### 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	
	2018	2017	2018	2017
	\$	\$	\$	\$
Increase of 1%	(44,268)	(44,346)	(28,774)	(31,042)
Decrease of 1%	44,268	44,346	28,774	31,042

**SCOTIABANK TRINIDAD AND TOBAGO LIMITED**

## Notes to the Consolidated Financial Statements

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**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:

	2018					Total
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash on hand and in transit	-	-	-	-	149,333	149,333
Loans and advances to banks and related companies	207,871	-	-	-	573,122	780,993
Treasury bills	-	3,554,534	-	-	-	3,554,534
Deposits with Central Bank	-	-	-	-	2,560,438	2,560,438
Loans to customers	566,714	5,064,606	3,914,831	4,778,726	230,652	14,555,529
Investment securities	45,109	398,016	335,482	557,150	23,790	1,359,547
<b>Total financial assets</b>	<b>819,694</b>	<b>9,017,156</b>	<b>4,250,313</b>	<b>5,335,876</b>	<b>3,537,335</b>	<b>22,960,374</b>
<b>Financial liabilities</b>						
Deposits from customers	9,470,095	1,833,452	402,687	-	5,577,964	17,284,198
Deposits from banks and related companies	7,979	-	-	-	34,864	42,843
Policyholders' funds	82,140	69,144	239,204	1,022,241	-	1,412,729
<b>Total financial liabilities</b>	<b>9,560,214</b>	<b>1,902,596</b>	<b>641,891</b>	<b>1,022,241</b>	<b>5,612,828</b>	<b>18,739,770</b>
<b>Net gap</b>	<b>(8,740,520)</b>	<b>7,114,560</b>	<b>3,608,422</b>	<b>4,313,635</b>		
<b>Cumulative gap</b>	<b>(8,740,520)</b>	<b>(1,625,960)</b>	<b>1,982,462</b>	<b>6,296,097</b>		

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 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 (continued)

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	\$	\$	\$	\$	\$	\$
<b>Financial assets</b>						
Cash on hand and in transit	-	-	-	-	225,376	225,376
Loans and advances to 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 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	12,690	1,726,478
<b>Total financial assets</b>	<b>1,495,552</b>	<b>9,282,067</b>	<b>4,581,438</b>	<b>4,895,472</b>	<b>3,748,692</b>	<b>24,003,221</b>
<b>Financial liabilities</b>						
Deposits from customers	10,031,464	2,176,550	234,143	-	6,095,891	18,538,048
Deposits from banks and related companies	2,403	-	-	-	35,685	38,088
Policyholders' funds	77,699	44,889	206,331	1,003,704	-	1,332,623
<b>Total financial liabilities</b>	<b>10,111,566</b>	<b>2,221,439</b>	<b>440,474</b>	<b>1,003,704</b>	<b>6,131,576</b>	<b>19,908,759</b>
<b>Net gap</b>	<b>(8,616,014)</b>	<b>7,060,628</b>	<b>4,140,964</b>	<b>3,891,768</b>		
<b>Cumulative gap</b>	<b>(8,616,014)</b>	<b>(1,555,386)</b>	<b>2,585,578</b>	<b>6,477,346</b>		

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

October 31, 2018

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### 26. Financial Risk Management (continued)

#### 26.2 Market risk (continued)

##### 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.

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.



# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 26. Financial Risk Management (continued)

#### 26.3 Liquidity risk (continued)

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.

	2018				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash on hand and in transit	149,333	-	-	-	149,333
Loans and advances to banks and related companies	780,993	-	-	-	780,993
Treasury bills	-	3,554,534	-	-	3,554,534
Deposits with Central Bank	2,560,438	-	-	-	2,560,438
Loans to customers	797,365	5,064,606	3,914,831	4,778,727	14,555,529
Investment securities (excluding equities)	11,024	421,821	335,482	557,150	1,325,477
<b>Total financial asset</b>	<b>4,299,153</b>	<b>9,040,961</b>	<b>4,250,313</b>	<b>5,335,877</b>	<b>22,926,304</b>
<b>Financial liabilities</b>					
Deposits from customers	15,048,059	1,833,452	402,687	-	17,284,198
Deposits from banks and related companies	42,843	-	-	-	42,843
Policyholders' funds	82,140	69,144	239,204	1,022,241	1,412,729
<b>Total financial liabilities</b>	<b>15,173,042</b>	<b>1,902,596</b>	<b>641,891</b>	<b>1,022,241</b>	<b>18,739,770</b>
<b>Net Gap</b>	<b>(10,873,889)</b>	<b>7,138,365</b>	<b>3,608,422</b>	<b>4,313,636</b>	<b>4,186,534</b>
<b>Cumulative Gap</b>	<b>(10,873,889)</b>	<b>(3,735,524)</b>	<b>(127,102)</b>	<b>4,186,534</b>	

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

	2018				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	\$	\$	\$	\$	\$
Financial guarantee contracts	-	876,016	8,228	44	884,288

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

## Notes to the Consolidated Financial Statements

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### 26. Financial Risk Management (continued)

#### 26.3 Liquidity risk (continued)

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.

	2017				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Cash on hand and in transit	225,376	-	-	-	225,376
Loans and advances to 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
Loans to customers	795,627	4,671,064	3,871,614	4,617,484	13,955,789
Investment securities (excluding equities)	10,922	698,618	709,824	277,960	1,697,324
<b>Total financial asset</b>	<u>5,202,332</u>	<u>9,294,853</u>	<u>4,581,438</u>	<u>4,895,444</u>	<u>23,974,067</u>
<b>Financial liabilities</b>					
Deposits from customers	16,127,355	2,176,550	234,143	-	18,538,048
Deposits from banks and related companies	38,088	-	-	-	38,088
Policyholders' funds	77,699	44,889	206,331	1,003,704	1,332,623
<b>Total financial liabilities</b>	<u>16,243,142</u>	<u>2,221,439</u>	<u>440,474</u>	<u>1,003,704</u>	<u>19,908,759</u>
<b>Net Gap</b>	<u>(11,040,810)</u>	<u>7,073,414</u>	<u>4,140,964</u>	<u>3,891,740</u>	<u>4,065,308</u>
<b>Cumulative Gap</b>	<u>(11,040,810)</u>	<u>(3,967,396)</u>	<u>173,568</u>	<u>4,065,308</u>	

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
	\$	\$	\$	\$	\$
Acceptances, guarantees, and letters of credit	-	925,284	2,655	-	927,939

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 26. Financial Risk Management (continued)

#### 26.3 Liquidity risk (continued)

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.

		2018				
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
Deposits from customers	15,048,059	1,837,589	405,667	-	17,291,315	17,284,198
Deposits from banks and related companies	42,843	-	-	-	42,843	42,843
Policyholders' funds	82,140	69,144	239,204	1,022,241	1,412,729	1,412,729
Total liabilities	15,173,042	1,906,733	644,871	1,022,241	18,746,887	18,739,770
		2017				
	Due on demand	Due in one year	Due in two to five years	Over five years	Total contractual cash flows	Total carrying value
	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
Deposits from customers	16,127,355	2,181,010	235,876	-	18,544,241	18,538,048
Deposits from 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

#### 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.

# SCOTIABANK TRINIDAD AND TOBAGO LIMITED

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### 26. Financial Risk Management (continued)

#### 26.4 Capital management (continued)

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.

	<b>Qualifying Capital Ratios</b>	<b>2018</b>	<b>2017</b>
Scotiabank Trinidad and Tobago Limited	8%	25.95%	24.87%
Scotia Investments Trinidad and Tobago Limited	8%	1,496.62%	433.33%

The local insurance regulator indicates the required minimum amount and type of capital that must be held in addition to their insurance liabilities and the Group is subject to insurance solvency regulations. The minimum required capital must be maintained at all times during the year.

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Capital held in the statutory fund	1,891,230	1,687,344
Minimum capital required	(1,684,284)	(1,595,266)
Surplus	<u>206,946</u>	<u>92,078</u>

**26. Financial Risk Management** (continued)

***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
- 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.

**26. Financial Risk Management** (continued)

**26.6 Management of insurance risk** (continued)

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.

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### 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.

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

		<b>2018</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>					
Treasury bills	-	3,554,534	-	3,554,534	
Investment securities	407,871	881,368	-	1,289,239	
	<u>407,871</u>	<u>4,435,902</u>	<u>-</u>	<u>4,843,773</u>	
		<b>2017</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Assets</b>					
Treasury bills	-	3,925,171	-	3,925,171	
Investment securities	931,100	737,122	-	1,668,222	
	<u>931,100</u>	<u>4,662,293</u>	<u>-</u>	<u>5,593,393</u>	



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### 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
	\$	\$	\$	\$	\$
<b>2018</b>					
<b>Asset</b>					
Loans to customers	-	14,697,345	-	14,697,345	14,494,649
Held-to-maturity investment securities	-	53,377	-	53,377	46,518
	-	14,750,722	-	14,750,722	14,541,167
<b>Liabilities</b>					
Deposits from customers	-	17,280,611	-	17,280,611	17,280,611
Policyholders' funds	-	1,396,162	-	1,396,162	1,396,162
	-	18,676,773	-	18,676,773	18,676,773
<b>2017</b>					
<b>Asset</b>					
Loans to customers	-	13,926,933	-	13,926,933	13,901,114
Held-to-maturity investment securities	-	52,980	-	52,980	45,566
	-	13,979,913	-	13,979,913	13,946,680
<b>Liabilities</b>					
Deposits from customers	-	18,534,723	-	18,534,723	18,534,723
Policyholders' funds	-	1,317,100	-	1,317,100	1,317,100
	-	19,851,823	-	19,851,823	19,851,823

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

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

(a) Cash on hand and in transit

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

(b) Loans and advances to 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) 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.

(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 from customers, banks and related companies

Customer deposits and deposits from 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.

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**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:

	<b>2018</b>				
	<b>FVTPL</b>	<b>FVOCI Debt</b>	<b>FVOCI Equity</b>	<b>Amortised Cost</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	-	-	-	149,333	149,333
Loans and advances to banks and related companies	-	-	-	780,993	780,993
Treasury bills	-	3,554,534	-	-	3,554,534
Deposits with Central Bank	-	-	-	2,560,438	2,560,438
Loans to customers	-	-	-	14,555,529	14,555,529
Investment securities	25,810	1,244,051	19,378	46,518	1,335,757
Total financial assets	25,810	4,798,585	19,378	18,092,811	22,936,584
<b>Liabilities</b>					
Deposits from customers	-	-	-	17,284,198	17,284,198
Deposits from banks and related companies	-	-	-	42,843	42,843
Policyholders' funds	1,396,162	-	-	-	1,396,162
Total financial liabilities	1,396,162	-	-	17,327,041	18,723,203

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

	2017				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	\$	\$	\$	\$	\$
<b>Assets</b>					
Cash and cash equivalents	-	-	-	225,376	225,376
Loans and advances to 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
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
<b>Liabilities</b>					
Deposits from customers	-	-	-	18,538,048	18,538,048
Deposits from banks and related companies	-	-	-	38,088	38,088
Policyholders' funds	1,317,100	-	-	-	1,317,100
Total financial liabilities	1,317,100	-	-	18,576,136	19,893,236

**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;

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### 29. Related Party Balances and Transactions (continued)

A party is related to the Group if (continued)

- (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.

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

	<u>2018</u>	<u>2017</u>
	\$	\$
<b>(i) Outstanding balances</b>		
<b>Loans, investments and other assets</b>		
Directors, key management personnel and close family members	11,012	10,313
Other related entities	<u>305,027</u>	<u>667,413</u>
	<u>316,039</u>	<u>677,726</u>
<b>Provisions for amounts due from related parties</b>	<u>-</u>	<u>-</u>

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	<u>2018</u>	<u>2017</u>
	\$	\$
<b>29. Related Party Balances and Transactions (continued)</b>		
<b>(i) Outstanding balances (continued)</b>		
<b>Deposits and other liabilities</b>		
Directors, key management personnel and close family members	8,986	4,038
Other related entities	<u>69,946</u>	<u>71,090</u>
	<u>78,932</u>	<u>75,128</u>
<b>(ii) Transactions</b>		
<b>Interest and other income</b>		
Directors, key management personnel and close family members	298	330
Other related entities	<u>14,312</u>	<u>10,681</u>
	<u>14,610</u>	<u>11,011</u>
<b>Interest and expenses</b>		
Directors, key management personnel and close family members	2,831	2,517
Other related entities	<u>220,707</u>	<u>191,186</u>
	<u>223,538</u>	<u>193,703</u>
<b>(iii) Key management compensation</b>		
Key management comprises individuals responsible for planning, directing and controlling the activities of the Group. The compensation paid to said individuals is as follows:		
	<u>2018</u>	<u>2017</u>
	\$	\$
Short-term benefits	23,448	19,980
Share based payment	<u>2,364</u>	<u>721</u>
	<u>25,812</u>	<u>20,701</u>

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### 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.

	2018				
	Retail, Corporate & Commercial Banking	Asset Management	Insurance Services	Other	Total
	\$	\$	\$	\$	\$
Total revenue	1,657,245	6,940	165,391	3,418	1,832,994
Material non-cash items:					
Depreciation	17,795	-	-	-	17,795
Segment profit before taxes	819,587	4,168	136,075	3,168	962,998
Segment assets	14,555,529	41,250	2,219,882	6,620,757	23,437,418
Segment liabilities	17,284,198	509	1,462,277	612,532	19,359,516

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**30. Operating Segments (continued)**

	2017				
	<b>Retail, Corporate &amp; Commercial Banking</b>	<b>Asset Management</b>	<b>Insurance Services</b>	<b>Other</b>	<b>Total</b>
	\$	\$	\$	\$	\$
Total revenue	<u>1,562,272</u>	<u>5,628</u>	<u>154,123</u>	<u>3,423</u>	<u>1,725,446</u>
Material non-cash items:					
Depreciation	<u>18,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,069</u>
Segment profit before taxes	<u>802,311</u>	<u>3,349</u>	<u>125,241</u>	<u>3,279</u>	<u>934,180</u>
Segment assets	<u>13,955,789</u>	<u>36,703</u>	<u>2,000,801</u>	<u>8,400,027</u>	<u>24,393,320</u>
Segment liabilities	<u>18,538,048</u>	<u>670</u>	<u>1,362,501</u>	<u>537,708</u>	<u>20,438,927</u>

**31. Subsequent Events**

On November 27, 2018, Scotiabank announced its intention to enter into an agreement with Sagicor Financial Corporation Limited and Alignvest Acquisition II Corporation for the proposed acquisition of ScotiaLife Trinidad and Tobago Limited (SLTT) to obtain 100% of the Company's ordinary shares subject to receipt of all applicable regulatory approvals.