Scotiabank
Trinidad and Tobago
Limited

2018 Annual Report

Building for the Future

What's inside

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Who we are

Scotiabank has been a part of Trinidad and Tobago for 64 years. We offer a comprehensive line of Retail, Small Business, Corporate, Commercial and Wealth services through our extensive network of branches across the country. Our subsidiaries include ScotiaLife Trinidad and Tobago Limited and Scotia Investments Trinidad and Tobago Limited. The Scotiabank Trinidad and Tobago Foundation, a registered charitable organisation, manages Scotiabank's philanthropic activities in Trinidad and Tobago.

Corporate data

The ordinary shares of the Bank are listed for trading on the Trinidad and Tobago Stock Exchange.

SECRETARY:	Rachel Laquis, 56 – 58 Richmond Street, Port of Spain
AUDITORS:	KPMG, Savannah East, 11 Queen's Park East, Port Of Spain
ATTORNEYS:	Fitzwilliam Stone Furness-Smith & Morgan, 48 – 50 Sackville Street, Port of Spain

Why invest in Scotiabank?

CONSOLIDATED FINANCIAL HIGHLIGHTS

October 31, 2018 ($ thousands, except per share data)

	2018	2017
Total Assets	23,437,418	24,393,320
Deposits	17,284,198	18,538,048
Net Loans to Customers	14,555,529	13,955,789
Income Before Taxation	962,998	934,180
Net Income Attributable to Equity Holders	644,444	657,664
Number of Shares Outstanding	176,343,750	176,343,750
Number of Shareholders	7,524	7,518
Market Value Per Share	$64.74	$58.10
Net Book Value Per Share	$23.12	$22.42

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

	Earnings per Share (EPS)	Return on Assets (ROA)	Operating Efficiency
2018	365.4¢	2.69%	40%
2017	372.9¢	2.76%	40%

Return on equity: 16.05% vs 16.80% in 2017

Capital Position: **STRONG**

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

Chairman's Letter to Shareholders

Brendan King

Chairman,
Scotiabank Trinidad and Tobago Limited;

Senior Vice President,
International Banking,
The Bank of Nova Scotia

Dear Shareholders,

The key responsibility of your Board of Directors is to keep the Scotiabank Trinidad and Tobago Group focused on achieving strong and positive outcomes for you our shareholders, customers, employees and the communities that we serve. This involves engaging the management team to ensure progress on the **strategic agenda** of the Group.

Your Board fully supports the strategic priorities of being more **customer-focused**, enhancing **leadership** depth, diversity and deployment; being better organized to serve customers while **reducing structural costs**; driving a **digital transformation** and aligning our **business mix** with deeper customer relationships.

While the current financial landscape is certainly not without its challenges, the management team has demonstrated critical focus on delivering against these priorities, and your Board is pleased with how the team is taking on these challenges and the advancements made to date.

Integrity & Good Governance

Your board is committed to the highest levels of governance, ensuring that we balance and protect the long-term interests of our many stakeholders, including shareholders, customers, the broader community and our team. Over the past year we increased our investment in Compliance, Anti Money Laundering and Cyber-Security measures to protect both the Bank's and our customers' information. Earlier this year in April 2018, your Board of Directors joined the Board of Directors of the parent bank, The Bank of Nova Scotia (BNS), along with the Boards of other significant subsidiaries of BNS, to participate in key discussions on corporate governance best practices. We were pleased to attend this conference which enhanced our focus on corporate governance.

Strong emphasis is placed upon the selection of director candidates, ensuring that the Board's diversity and strength meet the evolving needs of the Bank. An important element of the Board composition is the diversity of viewpoints, backgrounds and experience. At present, 7 of your Bank's 11 directors are independent, including a diverse contingent of female directors, who represent 45% of the Board, as well as directors of varying age, professional experience and geographical background.

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As we look forward to 2019, your Bank's 65th year, our number one priority is to become an even more customer focused organization through the continued execution of our digital transformation agenda."

Operating Environment

The International Monetary Fund (IMF), in its October 2018 publication, World Economic Outlook, is estimating global growth to be 3.7% for 2018 and 2019. In the United States, momentum is still strong as fiscal stimulus continues to increase, but the forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on $200 billion of US imports from China.

In advanced economies, economic activity lost some momentum in the first half of 2018 after peaking in the second half of 2017. Outcomes fell short of projections in the Euro area and the United Kingdom as growth in world trade and industrial production declined. Core inflation remains very different across advanced economies—well below objectives in the Euro area and Japan, but close to target in the United Kingdom and the United States.

According to the IMF, Economic prospects for the Caribbean are generally improving, driven mainly by higher US and global growth. As US growth improves, tourism demand increases, supporting higher economic activity in these islands, which is expected to continue into 2019. Caribbean territories devastated by the hurricanes of 2017 have experienced a delay in reconstruction thus far, but activity is expected to pick up in 2019. Overall, growth in real GDP in Latin America and the Caribbean is projected to increase by 1.2% in 2018 and 2.2% in 2019.

The Trinidad and Tobago economy is expected to improve with the IMF projecting an increase in real GDP by 1.0% in 2018 and 0.9% in 2019. The energy sector is expected to improve with increased natural gas production from the coming on-stream of key projects as well as higher international petroleum prices. The non-energy sector is displaying positive signs and could return to growth in 2018 or in the first half of 2019.

Acknowledgements

As we look forward to 2019, your Bank's 65th year, our number one priority is to become an even more customer focused organization through the continued execution of our digital transformation agenda. This will allow us to simplify, digitize and enhance our customers' experience thereby making it easier for us to serve our customers and become a more efficient bank. This strategy is truly global in nature and will allow us to evolve, creating customer and shareholder value.

I would like to thank the members of the Board for delivering valuable advice and oversight throughout the year. Thank you to the management and all Scotiabank employees for their dedication and daily commitment to our customers and communities.

Thank you to our shareholders and customers for your support and unwavering loyalty.

Brendan King
Chairman

Managing Director's Report

Stephen Bagnarol

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

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This year's performance by our Corporate and Commercial Unit was driven by our attention to deepening relationships with our clients and focusing on delivering the right solution for their unique needs."

Dear Shareholders,

The Scotiabank Trinidad and Tobago Group has a clear purpose: to be the **Best Relationship Bank**. This common goal across the management, staff and board of directors of the Group drives positive outcomes for all stakeholders, including sustainable growth in shareholder value.

Following my first year with the Scotiabank Trinidad and Tobago family, I am pleased to report that the Scotiabank Trinidad and Tobago Group recorded another year of good financial performance, despite varying economic and market conditions.

Scotiabank is proud to have been recognized as the 2018 Bank of the Year in Latin America and the Caribbean by *LatinFinance*. The Bank was recognized for its, "overall strategy, volume and diversity of transactions; innovation and foresight; execution quality and success of transactions; role in particularly complex, innovative or large deals over the years; and quantity of transactions worked on over the year, and compared to previous years," according to *LatinFinance*.

This is a tremendous accomplishment and a well-deserved recognition of our dedication to serving our customers. Congratulations to all Scotiabankers, always bringing their passion and integrity in everything we do.

Financial Highlights of the Scotiabank Group's Performance

The Scotiabank Trinidad and Tobago Group reported income after taxation of $644 million for the year ended 31 October 2018, a decrease of $13 million or 2% over the comparative period last year. This reduction in profitability was mainly due to increased corporation tax rates levied on commercial banks at 35%, combined with higher levels of loan loss provisioning. Net income before taxation closed at $963 million, $29 million or 3% higher than the previous year.

Despite the decline in profitability year over year, Earnings per Share at 365.4 cents, Return on Equity at 16.05% and Return on Assets at 2.69% continue to highlight the Group's strength. The Bank's Capital Adequacy Ratio stood strong at 26% as at October 31st, 2018 which continues to be well above the minimum Capital Adequacy ratio of 8% specified by regulators and is consistent with international standards.

Key Business Segments Highlights

In the context of a challenging economic climate and increasing competitive environment, **Retail Banking** continued its growth trend across all product lines this year. In support of our Customer Focus strategic agenda, in 2018 we launched our proprietary customer experience system called **The Pulse**. A major game changer for the Bank, this system allows us to receive real time feedback from our customers from all channels where we serve them – the Branches, the Digital platform and the Call Centre. Since its launch, we have received feedback from thousands of customers and this number is growing daily. The system ensures that we listen to our customers and use the feedback on an ongoing basis to change behaviors and processes, to create an even better banking experience for all.

Technology continues to change how we perceive and interact with the world. As part of our digital transformation, we are excited to introduce improvements that will benefit customers and help them save time and money. We have invested significantly in our five (5) international digital factories in Canada, Mexico, Peru, Chile and Columbia. We attracted 700 professionals to our digital teams, with almost 40% being new to the bank, coming from technology companies such as Facebook, Mercado Libre, LinkedIn and others. Our digital factories bring a very diverse team, including Caribbean talent, which understands the unique needs of each of our markets and excellent insight from different corners of the digital industry. These factories work as a network, leveraging best practices across the entire bank so we at Scotiabank Trinidad and Tobago are able to take best practices and lessons learned from our international digital transformation, such as **Digital Branches**. This year we officially launched our first digital branch, a first for the local market, at our Price Plaza location in Chaguanas. This digital branch has new design elements with an open layout which allows for focused discussions on financial advice and solutions for our customers.

This year's performance by our **Corporate and Commercial Unit** was driven by our attention to deepening relationships with our clients and focusing on delivering the right solution for their unique needs. We continued to leverage our global reach and local market knowledge which provide customers' access to a best in class full service financial offering. Underpinning this year's growth is our continued unwavering commitment to regulatory compliance, strong internal controls and good corporate governance across all business lines.

During the year we hosted another installment of **Scotiabank INSIGHTS** for our commercial clients. The forum focused on the sharing best practices for business growth of emerging companies to take the next step to medium and large scale enterprises.

Looking at the year ahead for the Bank, we're excited about a number of landmark initiatives which will further deepen our relationship with all our clients.

Leadership and Talent

In October, Scotiabank was named one of the World's Best Workplaces 2018 by The *Great Place to Work Institute*. We are one out of only 25 companies to receive this recognition and the only Bank. We are proud to have achieved this goal and attribute this success to our focus on employee development, diversity and inclusion, and leadership planning. Being a Great Place to Work has helped us in reducing our year-over-year turnover rate, attracting new talent from various industries, and developing our existing employees.

We continue to nurture and develop a professional and knowledgeable workforce. Our leaders are reflective of our customer and employee base, and highly motivated by our customer focus objectives. Our people are acknowledged for their leadership qualities and this was most recently seen in the elevation of members of our Trinidad and Tobago team to regional roles - Katishe Serrette – Vice President, AML/ATF Compliance, English Caribbean and Kameel Baksh Edwards - Regional Director, Marketing Caribbean. We are proud that our commitment to developing local talent is being recognized.

Our achievement of 2018 Bank of the Year in Latin America and the Caribbean by LatinFinance would not be possible without our dedicated employee base. We firmly believe that one of the best investments the Bank can make is in our people. We are providing employees with more tools and training opportunities so they can reach their full potential. We are also supporting individualized development of employees through on-the-job training and coaching, targeted development planning and greater alignment of career planning with business needs and career aspirations.

Corporate Social Responsibility (CSR)

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

We believe every customer has the right to become better off and that we have a responsibility to give back and make a positive difference in the communities in which we live and work. Our employees demonstrate this annually through volunteerism and dedication of time and energy to various causes within local communities. This year in particular, 500 Scotiabank employees, their family and friends came out to prepare emergency preparedness and relief packages for communities across Trinidad and Tobago. The packages, which were handed over to the Office of Disaster Preparedness and Management (ODPM), consisted of items that were donated by the Bank's employee base, as well as purchased by the Bank. When the major flooding occurred in East and Central Trinidad in October 2018, these packages were distributed within days to affected families. The outpouring of additional support from our Scotiabank employees in the days that followed the flooding was tremendous. There was also a number of Scotiabank employees directly affected by the flooding and despite their personal situation, they in turn, assisted fellow neighbours who were also impacted. This is truly a testament to our Scotiabankers' quality of character and our commitment to helping those in need.

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

This year we hosted the 20th anniversary of the Scotiabank Women against Breast Cancer 5k, which attracted 5,000 female participants and thousands of supporters. It is an event that is near and dear in the hearts of many as almost everyone knows someone who has been impacted by this disease that has no boundaries. We continue to support the Trinidad and Tobago Cancer Society in conducting free screening in rural communities. This year a $250,000 donation was made, enabling many more women to access free breast cancer screening.

Now in its 18th year, the Scotiabank Kiddy Cricket Programme continues to instill a passion for the sport that unifies us as Caribbean people, while at the same time, teaches the basics of the game. The Academic element of the Programme was launched throughout other territories in the Caribbean this year, which will impact over 325,000 students in the region.

The full CSR Report is available on our website at www.tt.scotiabank.com

Focus on 2019

While we are proud of our progress to date, we still have a lot of work ahead of us on our journey to building an even better Bank. In particular, we need to move faster and with more agility when it comes to strengthening our culture and becoming a digital leader in our industry. If I can leave you, our shareholders, with one takeaway from this year's letter, it is this: We are deeply committed to our journey because we fundamentally believe that the changes we are driving will make us stronger, more innovative and a more competitive organization.

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

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

Stephen Bagnarol
Senior Vice President and Managing Direct

Board of Directors


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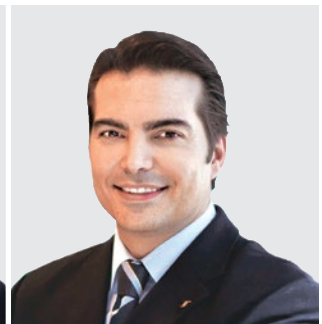
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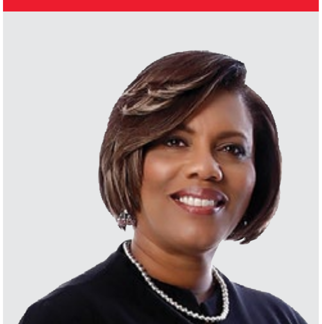
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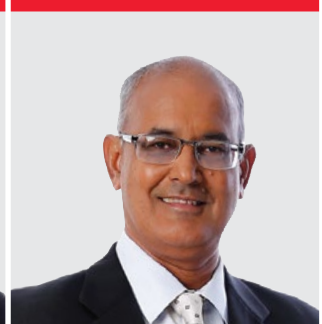
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1. Brendan King

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

Brendan King is the Senior Vice-President, International Banking, The Bank of Nova Scotia (Canada) with responsibility for Scotiabank's personal, commercial, wealth management and insurance operations in all countries in the Spanish and English Caribbean, Central America, Uruguay and Thailand and also the Bank's investment in Bank of Xian, China.

Brendan's career started with The Bank of Nova Scotia (Canada) in 1990 in Commercial Banking. He has held numerous positions including senior roles in Cayman Islands, Trinidad and Tobago and the Bahamas. In 2004 he joined the Asia Pacific region as Country Head for Greater China and led the Thanachart Bank investment in 2007 and the acquisition of Siam City Bank in 2010 where he became SVP & Deputy CEO of the combined bank, Thailand's 5th largest.

He holds an M.B.A. in Finance and International Banking and a B.A. Business & Economics from York University, Toronto, Canada.

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

2. George Janoura

Vice Chairman, Scotiabank Trinidad and Tobago Limited;
Managing Director, Janouras Custom Design Limited

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

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

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

3. Stephen Bagnarol

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

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

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

Stephen possesses extensive knowledge and experience leading teams and driving results. Since assuming the role of Managing Director of Scotiabank Trinidad and Tobago, he has continued to develop and implement local business plans in alignment with Scotiabank's global strategy and risk appetite, and in compliance with government and regulatory laws.

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

Committee Member:
Corporate Governance and Human Resources
Advisory Committee

4. Roxane De Freitas

Director, Unilever Caribbean Limited

Roxane De Freitas is currently a non-executive member of the Board of Directors, Unilever Caribbean Limited. She recently retired from Unilever Caribbean where she held the position of Regional North Exports Director and was a member of the Unilever Greater Caribbean Board. Roxane was the first female Managing Director of Unilever Caribbean Limited where she served for five years up to August 2012 when she was expatriated to the Head Office in Puerto Rico for 4 years.

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

Roxane was appointed to the Bank's Board of Directors in February 2009 and in December 2017, assumed the role of Chairperson of the Scotiabank Trinidad and Tobago Foundation, a registered charitable organization that manages Scotiabank's philanthropic activities in Trinidad and Tobago.

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

5. Wendy-Fae Thompson

Managing Counsel, BP Trinidad and Tobago LLC

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

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

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

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

6. Lisa Mackenzie

Finance and Administration Director and Co-Owner, Access & Security Solutions Ltd.

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

Lisa is a Fellow of The Association of Chartered Certified Accountants (F.C.C.A.) and a Member of the Institute of Chartered Accountants of Trinidad and Tobago.

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

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

7. Steve Ragobar

Chartered Accountant

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

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

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

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

8. Alan Fitzwilliam

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

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

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

Alan also has a wealth of experience in banking, project financing, capital market operations and corporate account management. He has sat on several private and public sector Boards in a non-executive capacity. He is presently the Chairman of the Board of Scotia Investments Trinidad and Tobago Limited.

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

Committee Member:
Enterprise and Credit Risk Management Committee

9. Derek Hudson

Vice President and Country Chairman,
Shell Trinidad and Tobago

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

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

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

Committee Member:
Enterprise and Credit Risk Management Committee

10. Tracy Bryan

Executive Vice President, Contact Centres & Operations,
The Bank of Nova Scotia

Tracy Bryan was elevated to the role of Executive Vice President, Contact Centres & Operations, effective November 1, 2018. She has been instrumental in helping to shape and implement the Bank's customer-focused strategy and digital transformation. In her expanded role, Tracy continues to have the overall responsibility for leading our Contact Centres and setting their global strategic direction. In her new expanded mandate, Tracy provides leadership and oversight for both International and Canadian Operations. Tracy has held a number of critical roles within the Bank, including SVP, International Banking Contact Centres and leadership roles in International Retail Banking, Contact Centres and Non-Branch Channels.

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

Committee Member:
Corporate Governance and Human Resources Advisory Committee

11. Janet Boyle

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

Janet Boyle was appointed to the Board in June 2017.

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

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

Committee Member:
Audit and Conduct Review Committee

Executive/Senior Management Team

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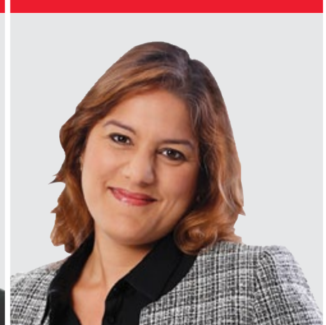

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1. **Stephen Bagnarol**
Senior Vice President and Managing Director,
Scotiabank Trinidad and Tobago Limited

See full bio on Page 10

2. **Savon Persad**
Vice President, Retail and Small Business Banking

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

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

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

EXECUTIVE/SENIOR MANAGEMENT TEAM


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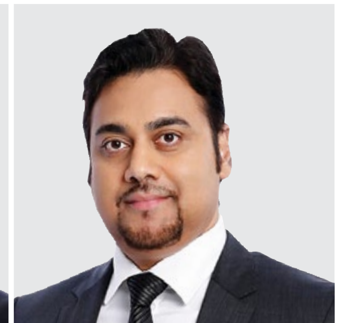
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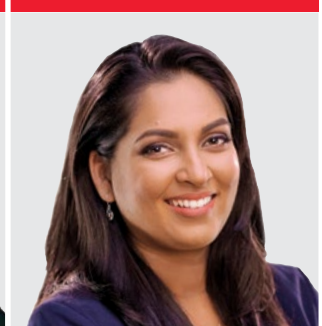
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3. Reshard Mohammed

Vice President, Chief Financial Officer
and Chief Administrative Officer

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

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

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

4. Carlene Seudat

Vice President, Operations and Shared Services Company Limited

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

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

Carlene oversees the key functional areas in Banking Operations, Accounting Support and Controls, Branch Operations, Credit and Customer Support Activities for 18 countries over the English Speaking Caribbean region.

Carlene possesses a Bachelor of Science in Economics and Mathematics and a Bachelor of Science in

Accounting from the University of the West Indies, Trinidad and Tobago. She also completed her Chartered Management Accounting Accreditation with the Chartered Institute of Management Accountants.

5. Gayle M. Pazos

Vice President & Chief Risk Officer

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

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

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

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

6. Damian Jones

General Manager, Corporate and Commercial Banking

Damian K. Jones was appointed General Manager, Corporate and Commercial Banking effective April 16, 2018.

Damian possesses 11 years of experience in corporate and commercial banking and has progressed into more senior roles in the Bank, surpassing increasing levels of responsibility. He is a top performer who has a wealth of experience in areas such as credit adjudication, portfolio management, business development, prospecting, deal structuring and negotiation.

As General Manager, Corporate and Commercial Banking, Damian is responsible for the overall success of the commercial business line for Caribbean South (Trinidad and Guyana) and will bring a strong focus on deepening client relationships by working across business lines, including Retail and Capital Markets.

Damian holds a BSc. in Management Studies with a minor in finance from the University of the West Indies and as Masters of Business Administration (M.B.A.) from Andrews University.

7. Rachel Laquis

Regional Director, Legal and Corporate Secretary

Rachel joined Scotiabank as the General Manager, Legal and Corporate Secretary in July 2013. She is a graduate of the University of the West Indies where she attained a Bachelor of Laws degree in 1993, and the University of Hull in England where she attained a Master's degree in Business Administration in 2002.

Rachel is an Attorney-at-Law with 20 years post qualification experience, internationally qualified to practise in Trinidad and Tobago, Barbados, the British Virgin Islands, and England and Wales with experience in Banking and Commercial/Corporate law.

8. Stephan Lalonde

Director, Human Resources

Stephan Lalonde was appointed as Director, Human Resources for the Caribbean South & East, in January 2018.

Stephan joined Scotiabank in 2010 in Toronto, Canada as Director, Learning & Performance, International Banking. In 2016, he was appointed to Director, Global Learning Programs where he was instrumental in managing the Bank's global learning programs, optimizing the global compliance programs, and deepening our global iLEAD offer.

Stephan has a Bachelor of Psychology and Legal Studies from Carleton University, a Master's in Educational Technology from Concordia University and a MBA from Athabasca University. He brings resilience, a results focus and role models the behaviors of a respected team leader.

9. Tricia De La Rosa–Camacho

Chief Financial Officer

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

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

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

10. Robert Soverall

Managing Director, ScotiaLife Trinidad and Tobago Limited

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

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

11. Jason Narinesingh

Director, Compliance

Jason Narinesingh is currently the Director of Compliance for the Eastern and Southern Caribbean based at Scotiabank (Trinidad and Tobago) Limited. He currently oversees the Enterprise (Regulatory) Compliance, Privacy and Conduct Programs for eleven (11) jurisdictions including Trinidad and Tobago. Jason was also appointed General Manager and Chief Compliance Officer for Scotiabank (Trinidad and Tobago) Limited in November 2013 and manages the Bank's Anti Money Laundering and Counter Terrorism Financing programs.

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

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

12. Vanessa Mc Pherson

Chief Auditor

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

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

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

13. Dale Imran Khan

Group Treasurer

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

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

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

14. Marissa Sharma

Head, Marketing

Marissa Sharma is the Senior Manager of Marketing Operations responsible for overseeing the development and deployment of the banks' marketing strategies across South and East Caribbean.

She joined the bank in 2018 and is a highly regarded marketing leader with over 16 years' experience leading teams in the areas of Strategic Marketing Planning, Brand Development and Product Development. She has extensive expertise in managing and executing marketing strategy for diverse brands in both local and international markets.

Marissa holds an International Master of Business Administration from the Arthur Lok Jack Global School of Business and a Bachelor of Science in Business Management from The University of The West Indies.

Corporate Governance Overview

Good Corporate Governance underpins everything we do at Scotiabank.

We operate on the basis of core guiding principles – accountability and oversight, and so good and effective governance resonates strongly in every aspect of what we do.

In this overview, we aim to explain how governance works at Scotiabank, what we do to ensure that Scotiabank and its directors remain at the pinnacle of corporate governance best practice, what we expect of our directors and how our strategic priorities are formulated and guided at all times by the principles of integrity and accountability.

Our Governance Structure

Our shareholders elect our board, and our board, in turn, is responsible for managing the business and affairs of the company. Directors automatically retire from the Board at each Annual Meeting and are elected or re-elected (as the case may be) by the shareholders at the Company's Annual Meeting.

The Board may fix the number of directors within a range of three and twenty individuals. At the end of fiscal 2018, the board comprised eleven members. Because transparency, and objectivity are cornerstones of good governance, at Scotiabank, the majority of the board of directors comprises independent, non-executive members.

In order to optimize its time and to ensure that the right concentration, effort and skills are channeled into the fulfilment of every aspect of its mandate, the Board appoints three sub-committees – the Audit and Conduct Review Committee, the Corporate Governance and Human Resource Committee and the Enterprise and Credit Risk Committee.

Again, transparency and objectivity are paramount, therefore the Board's three Committees consist of majority independent directors and are chaired by independent directors. Later in this overview, we present a more detailed explanation of the work of these committees.

What We Expect of Our Directors

Our Directors have fiduciary obligations in relation to the company, and we expect the fiduciary principles of trust, confidence, confidentiality, and acting in the best interest of the Company to underscore every act and obligation that our Directors undertake in their capacity as Directors. We expect, that both inside and outside of the Board Room, our Directors will be bound by applicable laws, as well as regulations and guidance from the Central Bank of Trinidad and Tobago, the Trinidad and Tobago Securities and Exchange Commission, and the Trinidad and Tobago Stock Exchange.

In addition to being governed by applicable law and regulations, the Board has established a robust corporate governance policy and framework to ensure the Company remains aligned with international best practice. The Board reviews its corporate governance practices annually with a view to staying current with evolving concepts:

- The Board, annually, completes a corporate governance self-assessment exercise to reflect on its own effectiveness and to determine where its strengths, or areas for development lie.
- The Board formally reviews its cross-section of skills and competencies on an ongoing basis to ensure that all of the right abilities, acumen, experience and exposure are present at the Board table. At the final part of this review, we present a condensed skills matrix showing the range of skills which our members possess.
- The Board reviews the marketplace, international trends, emerging risks and best practice and agrees a director education framework and training schedule periodically.

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

The Board's Core Strategic Priorities

Our Board determines how the Bank's key strategic priorities are to be achieved, and ensures that management is equipped to drive the Bank forward toward profitability, to ensure the Bank remains at the forefront of the banking and financial service sector, and ultimately, to ensure that shareholder value is generated.

To this end, the Board will:

- Approve a profit plan annually, and analyze and evaluate the Bank's financial results against projections;
- Ensure the Bank's risk management framework is robust, in line with the Bank's risk appetite;
- Ensure that risk policies are in place, properly anchored and implemented, and that risk exposures are monitored and rigorously tested;
- Ensure that key policies are in place to deal with funding management, liquidity management and capital management;
- Determine whether the Bank is adequately equipped to operate successfully within the parameters of the control environment and the stringent regulatory framework.

SUBSIDIARY GOVERNANCE

Our directors sit on the boards of our subsidiary companies, to ensure that through the breadth of the Scotiabank Group, good governance drives all that we do.

APPOINTMENT, TERM, ELECTION & RETIREMENT OF DIRECTORS

Directors may serve on the Board until they attain the earlier of age 70 or until they have completed a ten year term from their dates of appointment.

In some cases, the Corporate Governance and Human Resources Advisory Committee may consider it in the Bank's best interest to recommend the extension of a Director's term beyond the stipulated limit. In such a case, the Committee will deliberate, and recommend the period it considers appropriate for a director's term to be extended.

OUR BOARD COMMITTEES

The three standing Board committees are as follows:

The Audit and Conduct Review Committee

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

The Enterprise and Credit Risk Management Committee

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

The Corporate Governance and Human Resources Advisory Committee

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

The Committee assists the Board in succession planning by reviewing the senior level organization structure, and monitoring the development of individuals for key positions.

DIRECTOR COMPENSATION AND SHARE OWNERSHIP

From time to time, the Corporate Governance and Human Resources Advisory Committee will consider a market survey of director compensation, and the Board will, in turn, agree the compensation structure and the amount applicable to the Bank's non-executive directors.

Director compensation is always capped at the aggregate amount approved by the shareholders from time to time at the Bank's Annual Meeting.

Consistent with customary practice, directors are entitled to be paid travelling, hotel and other expenses properly incurred by them while carrying out their Board responsibilities.

At Scotiabank, executive Directors are not separately compensated for their services in their capacity as directors.

Our Directors are encouraged to purchase shares in the Company during their tenure, subject to applicable trading laws and regulations.

CORPORATE SOCIAL RESPONSIBILITY

At Scotiabank, we take our responsibilities to all of our stakeholders seriously.

Through our charitable arm, the Scotiabank Trinidad and Tobago Foundation, we aim to ensure that the communities we serve are better off.

The objects of our Foundation include environmental causes, health and wellness promotion, and support for our local culture, education and sport. Our Board, and our employees support our Foundation fully, and we are proud of the work we do in our communities.

MEETING ATTENDANCE AND SKILLS MATRIX

As a final matter, we present to our shareholders a summary of the cross section of the skills of our directors, as well as the meeting attendance records for fiscal 2018.

MEETING ATTENDANCE FOR THE PERIOD 1ST NOVEMBER 2017 TO 31ST OCTOBER 2018

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

1 Enterprise and Credit Risk Management Committee

2 Audit and Conduct Review Committee

3 Corporate Governance and Human Resources Advisory Committee

SKILLS MATRIX – BOARD OF DIRECTORS

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

The Directors' Report to the Shareholders

FOR THE YEAR ENDED 31ST OCTOBER 2018

Your Directors have pleasure in submitting their Annual Report for the fiscal year ended 31st October 2018:

FINANCIAL RESULTS AND DIVIDENDS

The Directors are pleased to announce that Scotiabank Trinidad and Tobago Limited realized net income after tax of $644 million for the year ended October, 31st, 2018, with Total Assets ended the period at $23.4 billion.

On the basis of this performance, the Directors have resolved that the Bank pay a final fourth quarter dividend of 150 cents per ordinary share by January 14th, 2019 to shareholders on record at December 14th, 2018.

DIRECTORS

In accordance with the Company's By-Laws, the terms of office of Mr. Brendan King, Mr. George Janoura, Mr. Stephen Bagnarol, Mrs. Roxane De Freitas, Mrs. Wendy-Fae Thompson, Mrs. Lisa Mackenzie, Mr. Steve Ragobar, Mr. Alan Fitzwilliam, Ms. Tracy Bryan, Mr. Derek Hudson and Ms. Janet Boyle expire at the close of the next Annual General Meeting.

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

In November 2018, Ms. Bryan was promoted within the Canadian parent bank to the position of Executive Vice President, Contact Centres and Operations. The Bank of Nova Scotia. As a result of the increased responsibilities and demands expected of this position, Ms. Bryan will retire as a Director at the Annual General Meeting of Shareholders. The Board of Directors thanks Ms. Bryan for her valuable contribution and service during her tenure, and we wish her every success in her new role.

AUDITORS

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

DIRECTORS, SENIOR OFFICERS, CONNECTED PERSONS AND SUBSTANTIAL INTERESTS

We record hereunder details of the shareholdings of each Director and Officer of the Company as at the end of the Company's financial year, 31st October 2018.

DIRECTORS	ORDINARY SHARES
Brendan King	500
George Janoura	27,411
Lisa Mackenzie	1,000
Roxane De-Freitas	2,000
Wendy-Fae Thompson	500
Alan Fitzwilliam	10,000
Steve Ragobar	973
Derek Hudson	-
Tracy Bryan	-
Stephen Bagnarol	-

SENIOR OFFICERS*	ORDINARY SHARES
Gayle Pazos	1,000
Dale Khan	-
Tricia de la Rosa	-
Marcos Rehberg	1,300
Rachel Laquis	-
Savon Persad	1,000
Vanessa Mc Pherson	-
Jason Narinesingh	-
Damian Jones	-
Reshard Mohammed	2,078

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

We also list below those persons holding the ten (10) largest blocks of shares in the Company, as at 31st October 2018.

Scotiabank Trinidad and Tobago Limited -- Top Ten Shareholders as at October 31st, 2018		
Name	**Shareholding**	**Percentage**
SCOTIABANK CARIBBEAN HOLDINGS LTD.	89,761,887.00	50.90%
The National Insurance Board	11,970,742.00	6.79%
Republic Bank Ltd	11,274,555.00	6.39%
RBTT Trust Limited	11,188,938.00	6.34%
First Citizens Trust & Asset Mgmt.	4,507,768.00	2.56%
TRINIDAD & TOBAGO UNIT TRUST CORP.	4,499,015.00	2.55%
GUARDIAN LIFE OF THE CARIBBEAN LTD	4,114,990.00	2.33%
TRINTRUST LTD	4,104,342.00	2.33%
Tatil Life Assurance Ltd	3,696,143.00	2.10%
Trustee Central Bank-Pension Fund	1,856,248.00	1.05%

ON BEHALF OF THE BOARD

Brendan King
Chairman

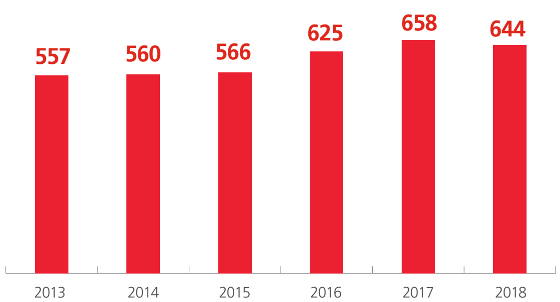
Stephen Bagnarol
Managing Director

Management Discussion & Analysis

Overview

The Scotiabank Trinidad and Tobago Group (The Group) reported Net Income After Taxation (NIAT) of $644 million for the year ended 31st October 2018, a decline of $13 million or 2% under the comparative period in 2017. This reduction in profitability was driven by the increased corporation tax rate levied on commercial banks at 35% combined with higher levels of loan loss provisioning. Excluding the corporation tax rate increase, NIAT would have increased by 3% over the comparative period last year. The higher loan loss provisioning required this fiscal is reflective of our prudent risk management in this challenging economic environment.

NET INCOME
($ Millions)
5 YEAR CAGR 2.96%



GROUP STATEMENT OF INCOME

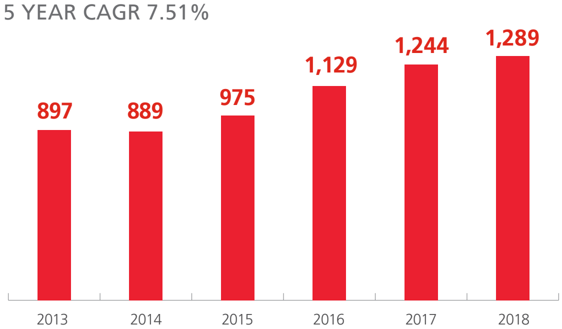
Total Revenue

Total Revenue (comprising Net Interest Income and Other Income) for the period 31st October 2018 was $1.8 billion, an increase of $108 million or 6% over prior year. This increase was driven by strong growth in our retail loans portfolio combined with solid returns on our securities portfolio, driven by a robust liquidity management strategy.

Net Interest Income

Net Interest Income for the year ended 31st October 2018 was $1,289 million, an increase of $44 million or 4% over last year. Interest income from Loans was $1.2 billion, $36 million or 3% higher than fiscal 2017, and represents 90% of total Interest Income collected. Interest Income from Investment Securities of $137 million, increased by $12 million or 10% compared to the prior year. This was driven by higher yields on short term investment securities.

CONSOLIDATED NET INTEREST INCOME
($ Millions)
5 YEAR CAGR 7.51%

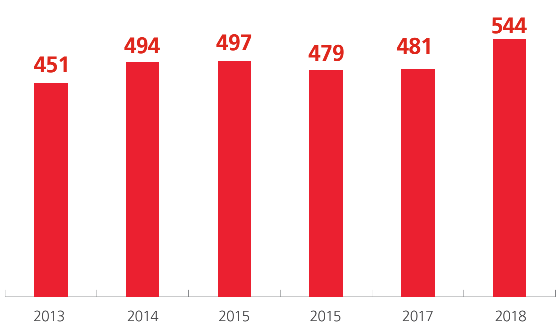


Other Income

Other Income, defined as all income other than interest income, continues to be a significant source of earnings for the Group representing 30% of total revenue. Other Income was $544 million in 2018, an increase of $63 million or 13% over the previous year.

Net Fees, Commissions and Net Premium Income continue to be the largest source of Other Income at $293 million in 2018, growing by $5 million or 2% over 2017 mainly due to increased credit card activity. Net Trading Income is also integral to the Group's Other Income totaling $246 million in 2018 and contributing 45% to the overall position.

OTHER INCOME
($ MILLIONS)
5 YEAR CAGR 3.84%

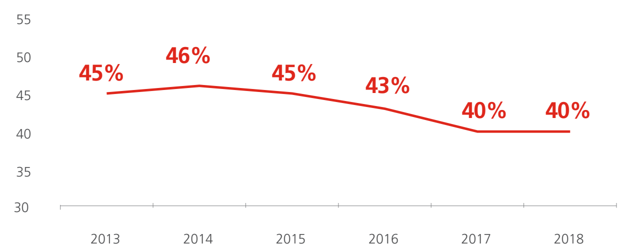


Non-Interest Expenses & Operating Efficiency

Non-Interest Expenses (NIE) for the year ended 31st October 2018 totaled $737 million, an increase of $51 million or 7% over the prior year. Management continues to invest in our people and in improvements in technology, all with the focus of becoming the market leader in digital banking and enhancing our customers' overall experience.

The Group's Operational Efficiency Ratio (NIE as a percentage of Total Revenue) for 2018 remained at 40% (2017- 40%), maintaining our position as best in class amongst our peers in the local banking industry.

OPERATIONAL EFFICIENCY RATIO

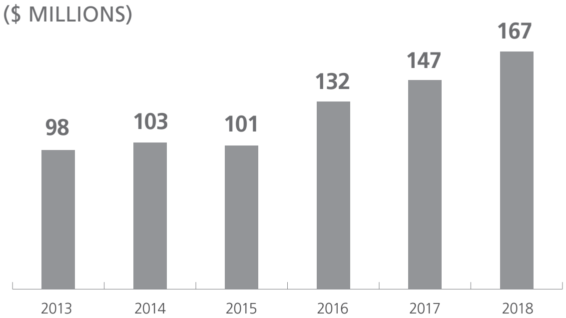


Loan Loss Expense & Credit Quality

Loan loss expense for the period ending 31st October 2018 was $133 million, an increase of $27 million over prior year. This is reflective of the higher credit losses on our retail portfolio which has resulted from the challenges posed by the current economic climate.

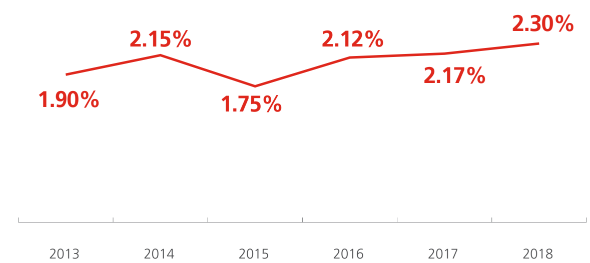
Loan Loss Provisions for the fiscal were $167 million which represents a coverage ratio of 50% on loans whose principal is deemed impaired.

LOAN LOSS PROVISIONS
($ MILLIONS)



Notwithstanding the increased loan loss expense, our credit quality continues to be strong as Non-Performing Loans (NPLs) as a percentage of gross loans remains relatively low at 2.30% as at 31st October 2018. We remain committed to working closely with our customers who are experiencing challenges, to mitigate potential negative impact to the quality of the Group's Loan portfolio.

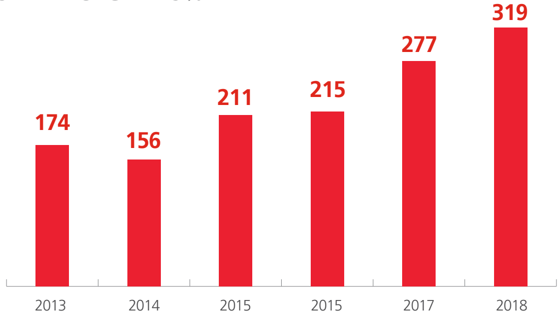
NPL % LOANS



Taxation Expense

The tax charge for the year ending 31st October 2018 was $319 million, an increase of $42 million or 15% over the prior year. This includes the impact of the increase in corporation tax rate from 30% in 2017 to 35% in 2018 which accounted for higher taxation of $48 million.

TAX EXPENSE
5 YEAR CAGR 12.9%



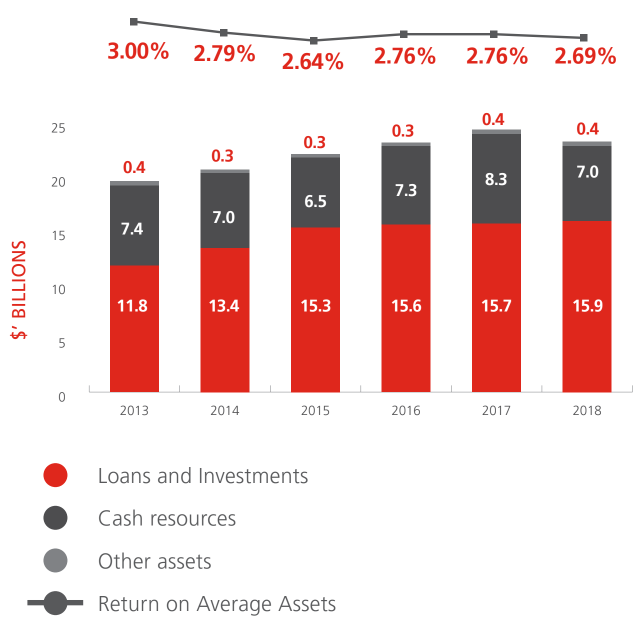
GROUP FINANCIAL CONDITION

Assets

The Group's Total Assets as at 31st October 2018 was $23.4 billion, a decrease of $950 million or 4% under the prior year with Net loans to Customers, the bank's largest category, increasing by 4%. This was achieved despite the economic conditions currently impacting retail and business lending.

The Group continues to generate competitive returns on its assets with Return On Assets at 2.69% (2017 – 2.76%).

TOTAL ASSETS
$ BILLIONS
TOTAL ASSETS – 5 YEAR CAGR 3.70%



Cash Resources

The Group continues to comfortably hold sufficient levels of liquidity to meet our depositors' needs and regulatory requirements. Cash and cash equivalents held to meet the Group's liquidity needs stood at $0.9 billion as at 31st October 2018, while regulatory reserve deposits at the CBTT totaled $2.6 billion for the similar period.

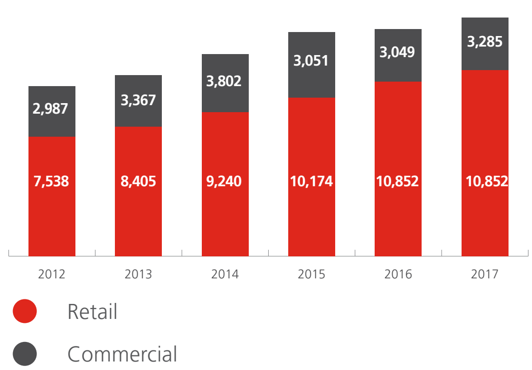
Securities

The Group's total investment portfolio ended 2018 at $4.9 billion, a decrease of $725 million or 13% under the previous year. The Bank is consistently seeking opportunities to yield high returns on its excess liquidity.

Loans

Net Loans to customers was $14.5 billion, representing an increase of $600 million or 4% over the prior year. Strong growth in our retail portfolio at an increase of $357 million or 3% when compared to prior year, combined with $236 million or 8% growth in our Corporate and Commercial loans portfolio.

LOAN PORTFOLIO
($ MILLIONS)
5 YEAR CAGR 6.61%



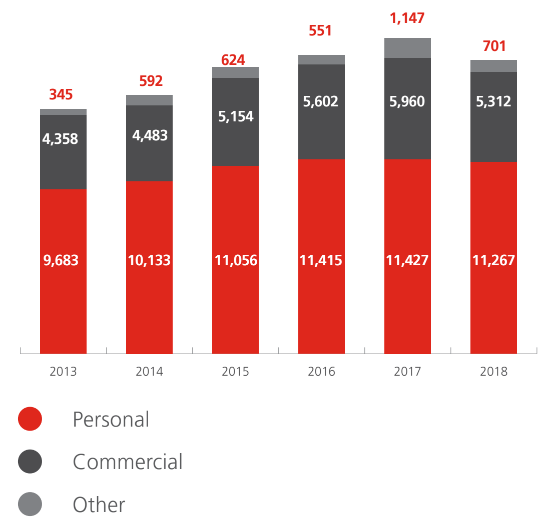
Liabilities

Total Liabilities were $19.4 billion as at 31st October 2018, a decrease of $1,039 million or 5% under the prior year. Decline in liabilities was mainly due to a decrease in deposits from customers.

Deposits

Deposits as at 31st October 2018 were $17.3 billion, a decrease of $1.3 billion or 7% under the prior year. This decline was driven by our corporate and commercial book as a result of liquidity needs of major customers in this segment.

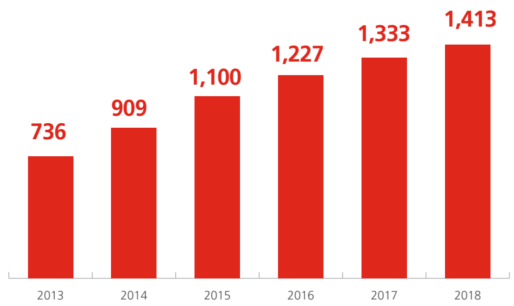
DEPOSIT PORTFOLIO
($ MILLIONS)
5 YEAR CAG)R 3.73%



Policyholders' Fund

The Policyholders' Funds reflect the insurance contract liabilities held at the Group's subsidiary, ScotiaLife Trinidad and Tobago Limited (corporate brand "Scotia Insurance"). Policyholders' Funds increased by $80 million or 6% over 2017, with a compounded annual growth rate of 14% over the last five years. This segment continues to be an important contributor to the Group and averages over 18% of the Group's profitability.

POLICYHOLDERS' FUND
($ MILLIONS)
5 YEAR CAGR 13.9%



Shareholders' Equity

The Group maintains a strong capital base to support the risks associated with its diversified businesses. This base contributes to safety for our customers and it fosters investor confidence, while allowing the Group to take advantage of growth opportunities that may arise.

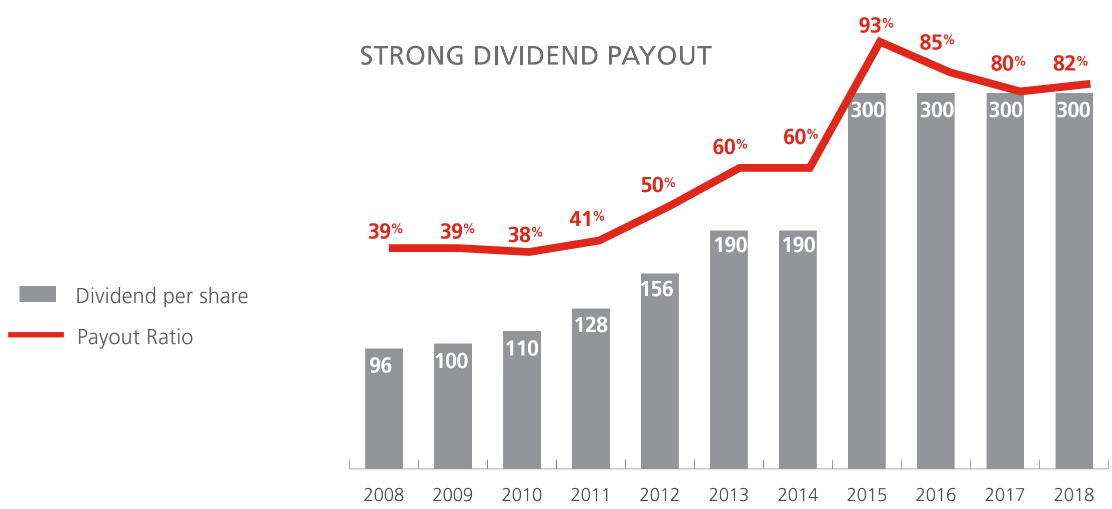
Total Shareholders' Equity closed the period at $4.1 billion representing an increase of $124 million or 3% over 2017 whilst Return on Equity decreased to 16.05% (2017 - 16.80%).

Our risk-based Capital Adequacy Ratio of 26% continues to exceed the local regulatory requirements of 8% and provides an adequate buffer against any unexpected impacts that could arise.

Shareholders' Return

At Scotiabank, we remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams. For the fourth consecutive year due to another year of solid performance by the Group, we are issuing a total dividend payout of 300 cents for 2018 as approved by the Board of Directors. Our payout for 2018 is 82% of our Group's net income after tax and illustrates our commitment to provide healthy returns to our shareholders.

STRONG DIVIDEND PAYOUT



Consolidated Financial Statements of
SCOTIABANK TRINIDAD AND TOBAGO LIMITED

October 31, 2018

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
SCOTIABANK TRINIDAD AND TOBAGO LIMITED

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Scotiabank Trinidad and Tobago Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 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

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.

Allowance for impairment of loans to customers

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

Key Audit Matters (continued)

Loans to customers contributed to 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:

<u>Corporate Loans</u>

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

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

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

<u>Retail Loans</u>

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.

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

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

Key Audit Matters (continued)

Our procedures also included:

- Assessing assumptions for investment mix and projected investment returns by reference to company specific and industry data and for future growth rates by reference to market trends and market volatility.
- Assessment of the assumptions of policyholder behaviour, including consideration against relevant company and industry historical data.
- Considering the appropriateness of the mortality assumptions used in the valuation of credit card liabilities by reference to company and industry data on historical mortality experience and expectations of future mortality movements, including evaluation of the choice of 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.

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.

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

- 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.

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

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

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

KPMG

Chartered Accountants

Port of Spain
Trinidad and Tobago
December 7, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

October 31, 2018 *($ thousands)*	Notes	2018	2017
		$	$
ASSETS			
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
Total assets		**23,437,418**	**24,393,320**
LIABILITIES AND EQUITY			
LIABILITIES			
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
Total liabilities		19,359,516	20,438,927
EQUITY			
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
Total equity		**4,077,902**	**3,954,393**
Total liabilities and equity		**23,437,418**	**24,393,320**

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

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

Brendan King, Chairman — Stephen Bagnarol, Managing Director

Lisa Mackenzie, Director — George Janoura, Director

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
		$	$
REVENUE			
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
Total revenue		**1,832,994**	**1,725,446**
NON-INTEREST EXPENSES			
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
Net impairment loss on financial assets	**8.5**	**133,033**	**105,597**
Profit before taxation		**962,998**	**934,180**
Income tax expense	**23**	**318,554**	**276,516**
Profit for the year, attributable to equity holders		**644,444**	**657,664**
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits asset/obligation	11.7	(235)	1,173
Related tax	23.3	82	(410)
		(153)	763
Items that are or may be reclassified subsequently to profit or loss			
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
Other comprehensive income, net of tax		**8,096**	**5,126**
Total comprehensive income, attributable to equity holders		**652,540**	**662,790**
Earnings per share	**24**	**365.4¢**	**372.9¢**

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

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
		$	$	$	$	$
Balance as at October 31, 2016		**267,563**	**667,882**	**3,156**	**2,934,936**	**3,873,537**
Profit for the year		-	-	-	657,664	657,664
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation		-	-	-	763	763
Fair value re-measurement of available-for-sale investments	23.3	-	-	4,363	-	4,363
Total comprehensive income		-	-	4,363	658,427	662,790
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	17	-	20,319	-	(20,319)	-
Dividends paid	18	-	-	-	(581,934)	(581,934)
		-	20,319	-	(602,253)	(581,934)
Balance as at October 31, 2017		**267,563**	**688,201**	**7,519**	**2,991,110**	**3,954,393**
Profit for the year		-	-	-	644,444	644,444
Other comprehensive income, net of tax						
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
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	17	-	361	-	(361)	-
Dividends paid	18	-	-	-	(529,031)	(529,031)
		-	361	-	(529,392)	(529,031)
Balance as at October 31, 2018		**267,563**	**688,562**	**15,768**	**3,106,009**	**4,077,902**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended October 31, 2018 *($ thousands)*

	Notes	2018	2017
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
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 from (used in) operating activities		(852,452)	1,445,877
CASH FLOWS FROM INVESTING ACTIVITIES			
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)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	18	(529,031)	(581,934)
Net cash used in financing activities		(529,031)	(581,934)
(Decrease) increase in cash and cash equivalents		(639,067)	542,757
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,569,393	1,026,636
CASH AND CASH EQUIVALENTS, END OF YEAR		930,326	1,569,393
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		149,333	225,376
Loans and advances to banks and related companies	5	780,993	1,344,017
		930,326	1,569,393

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

October 31, 2018 ($ thousands)

1. Incorporation and Business Activities

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

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

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

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

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

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

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

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

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

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

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.

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,

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

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.

(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.

<u>Financial assets at fair value through profit or loss</u>

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.

<u>Loans and receivables</u>

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.

<u>Held-to-maturity</u>

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.

<u>Available-for-sale</u>

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.

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (continued)

<u>Financial liabilities</u>

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. .

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

<u>Financial assets</u>

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).

3. Significant Accounting Policies (continued)

(c) Financial assets and financial liabilities (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.

<u>Financial liabilities</u>

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

(v) Amortised cost measurement

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

(vi) Offsetting

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

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

(vii) Designation at fair value through profit or loss

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

(d) Cash and cash equivalents

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

(e) Investment securities

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

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

3. Significant Accounting Policies (continued)

(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.

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

Objective evidence that financial assets are impaired includes:

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

(f) Impaired financial assets (continued)

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.

(ii) Subsequent cost

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

(iii) Depreciation

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

Buildings	2 1/2% per annum
Equipment and furniture	10 - 25% per annum
Leasehold improvements	over the term of the respective leases or if shorter, the life of the asset.

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

(h) Leases

(i) Lease payments – Lessee

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

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

3. Significant Accounting Policies (continued)

(h) Leases (continued)

(ii) Leased assets – Lessee

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

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

(iii) Leased assets – Lessor

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

(i) Taxation

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

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

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

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

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

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

(j) Policyholders' funds

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

3. Significant Accounting Policies (continued)

(j) Policyholders' funds (continued)

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

(k) Employee benefits

(i) Short-term

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

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

(ii) Post-employment

Independent qualified actuaries carried out a valuation of the Group's significant post-employment benefits as at October 31, 2015. The results of that valuation were projected to October 31, 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.

<u>Pension obligations</u>

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 into account of the recommendations of independent qualified actuaries.

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

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

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

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

3. Significant Accounting Policies (continued)

(k) *Employee benefits (continued)*

<u>Other post-employment benefits</u>

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.

(o) *Dividend income*

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

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

(p) *Impairment of non-financial assets*

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

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

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

3. Significant Accounting Policies (continued)

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

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

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

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

(q) Insurance contracts – recognition and measurement

Insurance contracts

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

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

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

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

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

<u>Reinsurance contracts held</u>

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).

3. Significant Accounting Policies (continued)

(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.

(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.

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 at 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.

  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.

3. Significant Accounting Policies (continued)

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

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 R*evenue – 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.

  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.

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.

4. Use of Judgements and Estimates

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

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

A. Judgements

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

(i) Financial asset and financial liability classification

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

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

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

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

(ii) Determination of control over investees

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

B. Assumptions and estimation uncertainties

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

4. Use of Judgements and Estimates (continued)

B. Assumptions and estimation uncertainties (continued)

(a) Allowances for credit losses (continued)

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.

(b) Determining fair values with significant unobservable inputs

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

(c) Measurement of defined benefit obligations

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

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

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

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

4. Use of Judgements and Estimates (continued)

B. Assumptions and estimation uncertainties (continued)

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

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

	2018	2017
	$	$
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.

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.

	2018	2017
	$	$

5. Loans and Advances to Banks and Related Companies

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
	780,993	1,344,017
Maturity of assets		
Assets with original maturity date less than 3 months	780,993	1,344,017

6. Treasury Bills

Government of Trinidad and Tobago	2,360,443	3,291,264
Government of United States of America	1,194,091	633,907
	3,554,534	3,925,171
Maturity of Assets		
Assets with original maturity date over 3 months	3,554,534	3,925,171

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.

	2018	2017
	$	$
Primary reserve	2,560,438	2,540,841
Secondary reserve	-	285,549
	2,560,438	2,826,390

	2018	2017
	$	$

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	336,516	305,213
Gross loans	14,661,393	14,047,689
Allowance for impairment	(166,744)	(146,575)
Total loans net of impairment allowance	14,494,649	13,901,114
Interest receivable	60,880	54,675
Total loans to customers	14,555,529	13,955,789

8. Loans to Customers (continued)

8.1 Analysis of loans to customers (continued)

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

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

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

	2018			
	Less than 30 days	30 – 60 days	61 – 90 days	Total
	$	$	$	$
Loans and advances to customers				
Commercial loans	162,646	12,578	20,522	195,746
Retail loans	759,469	205,356	212,315	1,177,140
	922,115	217,934	232,837	1,372,886

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

	2018	2017
	$	$
8.3 Concentration of credit		
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
	14,494,649	13,901,114

	2018	2017
	$	$

8.4 Analysis of movement in impairment allowance

	2018 $	2017 $
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	166,744	146,575

8.5 Net impairment loss on financial assets

	2018 $	2017 $
Impairment charge for the year	168,959	130,212
Recoveries	(35,926)	(24,615)
Total	133,033	105,597

9.1 Investment Securities

	2018 $	2017 $
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
	1,263,429	1,647,241
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	1,359,547	1,726,478
Provision for impairment loss	-	-

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

9.2 Investment in Associated Companies

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

	2018 $	2017 $
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)
	32,654	30,447

10. Property and Equipment

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2018						
Cost						
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	18,900	166,713	66,609	250,067	18,527	520,816
Accumulated depreciation						
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	-	57,175	17,163	189,661	-	263,999
Net book value	18,900	109,538	49,446	60,406	18,527	256,817

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

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2017						
Cost						
At beginning of year	18,900	164,214	62,926	230,929	9,755	486,724
Additions	-	847	2,522	11,601	-	14,970
Disposals/transfers	-	-	-	(3,490)	(542)	(4,032)
At end of year	18,900	165,061	65,448	239,040	9,213	497,662
Accumulated depreciation						
At beginning of year	-	51,553	15,548	168,656	-	235,757
Charge for year	-	2,828	799	14,442	-	18,069
Disposals	-	-	-	(2,944)	-	(2,944)
At end of year	-	54,381	16,347	180,154	-	250,882
Net book value	18,900	110,680	49,101	58,886	9,213	246,780

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

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

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

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

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

The Group expects to pay $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 asset (liability)	(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)

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

11.3 Reconciliation of the fair value of plan assets:

	Defined Benefit Pension Fund	
	2018	2017
	$	$
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	781,213	741,307

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

11.4 The actual return on plan assets is as follows:

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

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

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	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)	(974)	-	-
Net pension cost	(38,346)	(34,330)	(11,728)	(11,259)

11.7 The amount recognised in other comprehensive income comprised:

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

11.8 Experience history:

	Defined Benefit Pension Fund	
	2018	2017
	$	$
Defined benefit obligation	(783,106)	(732,661)
Fair value of Plan assets	781,213	741,307
(Derficit) Surplus	(1,893)	8,646
Experience adjustment on plan assets	(4,341)	(5,315)

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

11.9 Experience history:

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

11.10 Asset allocation:

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

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

11.11 Composition of plan assets:

	2018	2017
	$	$
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	55,598	64,089
Total	781,213	741,307

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..

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:

	2018	2017
	% pa	% pa
Discount rate:		
- Active members and deferred pensioners	5.25	5.25
- Current pensioners	5.25	5.25
Rate of inflation	4.25	4.25
Future salary increases	4.00	4.00
Future pension increases	0.00	0.00

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

	2018	2017
	% pa	% pa
Longevity at age 60 for current pensioners (in years)		
Males	21.0	21.0
Females	25.1	25.1
Longevity at age 60 for current members age 40 (in years)		
Males	21.4	21.4
Female	25.4	25.4

At October 31, 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:

	Effect on Net Defined Benefit Pension Fund Obligation	
	Increase	Decrease
	$	$
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.

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)	23,147	(18,370)

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

15. Deferred Taxation

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

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

15.2 The movement in the deferred tax amount comprised:

	2018	2017
Balance at beginning of year	(3,171)	(10,572)
Amounts recognised in OCI (Note 23.3)		
- Available-for-sale securities fair value re-measurement	1,680	2,323
- Post-employment benefits assets/obligation	(82)	410
Amounts recognised in profit or loss (Note 23.1)		
- Current year's deferred tax charge	3,173	4,668
Balance at end of year	1,600	(3,171)

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

16. Stated Capital

Authorised

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

Issued and fully paid

	2018	2017
176,343,750 (2017: 176,343,750) ordinary shares	267,563	267,563

17. Statutory Reserve Fund

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

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

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

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

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:

	2018		2017	
	¢ per share	$	¢ per share	$
Dividends paid				
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
	150	264,515	150	264,515
Dividends proposed				
Final dividend	150	264,516	150	264,516
Total dividends paid and proposed	300	529,031	300	529,031

18. Dividends *(continued)*

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

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

	2018	2017
	$	$
19. Interest Income		
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	4,662	3,294
	1,309,249	1,261,768
20. Interest Expense		
Deposits from customers	20,148	17,218
Other interest expense	563	314
	20,711	17,532
21. Other Income		
Fees, commission and net premium income	376,349	365,528
Net trading income	246,335	190,726
Trustee and other fiduciary fees	9,125	5,931
	631,809	562,185

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).

22. Other Expenses

	2018	2017
Deposit insurance premium	29,404	28,490
Directors' fees	2,850	2,511
Other operating expenses	214,764	174,975
	247,018	205,976

23. Taxation

	2018	2017
	$	$
23.1 Taxation charge		
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
	318,554	276,516

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:

	2018		2017	
	$	%	$	%
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	318,554	33	276,516	30

23.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	$	$	$
<u>2018</u>			
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)
	9,694	(1,598)	8,096
<u>2017</u>			
Fair value re-measurement of available-for-sale financial assets	6,686	(2,323)	4,363
Remeasurement of post-employment benefits obligations/assets	1,173	(410)	763
	7,859	(2,733)	5,126

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.

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

	2018	2017
	$	$
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	2,828	1,816
	34,234	37,692
Lease payments recognised in profit or loss	20,180	20,628

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*

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.

26. Financial Risk Management *(continued)*

Risk management framework

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

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

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

26.1 Credit risk

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

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

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

The Group's credit processes include:

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

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

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

These credit scoring models are subject to ongoing review to assess their key parameters and to ensure that they are creating the desired business and risk results. Proposed changes to these models or their parameters require analysis and recommendation by the credit risk unit independent of the business line, and approval by the appropriate management credit committee.

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

26. Financial Risk Management *(continued)*

26.1 Credit risk (continued)

implemented. Maximum delinquency targets are set for each major product line and the collections unit works towards ensuring delinquency levels are below these targets.

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

Collateral

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

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

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

Repossessed collateral

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

(ii) Exposure to credit risk

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

	2018	2017
	$	$
Credit risk recognised on the consolidated statement of financial position		
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
	22,776,971	23,748,691
Credit risk not recognised on the consolidated statement of financial position		
Acceptances, guarantees and letters of credit	884,288	927,939
Undrawn credit commitments	3,395,602	2,983,176
	4,279,890	3,911,115
Total credit risk exposure	27,056,861	27,659,806

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.

	2018				
Internal Rating	Excellent	Very Good	Good	Acceptable	Total
	$	$	$	$	$
Assets					
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
	1,942,219	12,070,326	4,923,399	2,237,489	21,173,433

	2017				
Internal Rating	Excellent	Very Good	Good	Acceptable	Total
	$	$	$	$	$
Assets					
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
	1,187,072	13,639,461	5,195,208	1,870,776	21,892,517

26. Financial Risk Management (continued)

26.1 Credit risk (continued)

(iii) Analysis of Credit Quality (continued)

The definitions of the internal ratings are as follows:

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

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

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

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

26.2 Market risk

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

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

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

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

26.2.1 Currency risk

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

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

Change in currency rate	**Effect on PBT**		**Effect on equity**	
	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

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:

	2018			
	TT	US	Other	Total
	$	$	$	$
Assets				
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
Total financial assets	**19,434,552**	**3,254,099**	**271,723**	**22,960,374**
Liabilities				
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
Total financial liabilities	**15,229,429**	**3,240,833**	**269,508**	**18,739,770**
Net financial position	**4,205,123**	**13,266**	**2,215**	**4,220,604**
Undrawn credit commitments	**3,374,510**	**21,092**	**-**	**3,395,602**

	2017			
	TT	US	Other	Total
	$	$	$	$
Assets				
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
Total financial assets	**20,082,399**	**3,714,170**	**206,652**	**24,003,221**
Liabilities				
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
Total financial liabilities	**15,752,810**	**3,952,893**	**203,056**	**19,908,759**
Net financial position	**4,329,589**	**(238,723)**	**3,596**	**4,094,462**
Undrawn credit commitments	**2,953,802**	**29,374**	**-**	**2,983,176**

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

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					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
	$	$	$	$	$	$
Financial assets						
Cash on hand and in transit	-	-	-	-	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
Total financial assets	**819,694**	**9,017,156**	**4,250,313**	**5,335,876**	**3,537,335**	**22,960,374**
Financial liabilities						
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
Total financial liabilities	**9,560,214**	**1,902,596**	**641,891**	**1,022,241**	**5,612,828**	**18,739,770**
Net gap	**(8,740,520)**	**7,114,560**	**3,608,422**	**4,313,635**		
Cumulative gap	**(8,740,520)**	**(1,625,960)**	**1,982,462**	**6,296,097**		

26. Financial Risk Management (continued)

26.2 Market risk (continued)

26.2.2Interest rate risk (continued)

	2017					
	Due on demand	Due in one year	Due in two to five years	Over five years	Non-interest bearing	Total
Financial assets						
Cash on hand and in transit	-	-	-	-	225,376	225,376
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
Total financial assets	**1,495,552**	**9,282,067**	**4,581,438**	**4,895,472**	**3,748,692**	**24,003,221**
Financial liabilities						
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
Total financial liabilities	**10,111,566**	**2,221,439**	**440,474**	**1,003,704**	**6,131,576**	**19,908,759**
Net gap	**(8,616,014)**	**7,060,628**	**4,140,964**	**3,891,768**		
Cumulative gap	**(8,616,014)**	**(1,555,386)**	**2,585,578**	**6,477,346**		

26.2.3 Equity price risk

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

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

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

26.3 Liquidity risk

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

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

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

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

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

	2018				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial assets					
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
Total financial asset	4,299,153	9,040,961	4,250,313	5,335,877	22,926,304
Financial liabilities					
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
Total financial liabilities	15,173,042	1,902,596	641,891	1,022,241	18,739,770
Net Gap	**(10,873,889)**	**7,138,365**	**3,608,422**	**4,313,636**	**4,186,534**
Cumulative Gap	**(10,873,889)**	**(3,735,524)**	**(127,102)**	**4,186,534**	

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

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

	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**

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
	$	$	$	$	$
Financial assets					
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	685,928	709,824	277,960	1,697,324
Total financial asset	5,202,332	9,294,853	4,581,438	4,895,444	23,974,067
Financial liabilities					
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
Total financial liabilities	16,243,142	2,221,439	440,474	1,003,704	19,908,759
Net Gap	**(11,040,810)**	**7,073,414**	**4,140,964**	**3,891,740**	**4,065,308**
Cumulative Gap	**(11,040,810)**	**(3,967,396)**	**173,568**	**4,065,308**	

26. Financial Risk Management (continued)

26.3 Liquidity risk (continued)

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

	2017				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Acceptances, guarantees, and letters of credits	-	925,284	2,655	-	927,939

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
	$	$	$	$	$	$
Liabilities						
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
	$	$	$	$	$	$
Liabilities						
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. Financial Risk Management (continued)

26.4 Capital management

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

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

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

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

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

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

	Qualifying Capital Ratios	2018	2017
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.

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

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.

26. Financial Risk Management (continued)

26.5 Operational risk (continued)

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.

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.

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

A. Valuation models (continued)

- 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.

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

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Treasury bills	-	3,554,534	-	3,554,534
Investment securities	407,871	881,368	-	1,289,239
	407,871	4,435,902	-	4,843,773

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

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
	$	$	$	$	$
2018					
Asset					
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
Liabilities					
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
2017					
Asset					
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
Liabilities					
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

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.

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:

	2018				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Assets					
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
Liabilities					
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

	2017				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Assets					
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
Liabilities					
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;

(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

29. Related Party Balances and Transactions (continued)

	2018	2017
	$	$
(i) Outstanding balances		
Loans, investments and other assets		
Directors, key management personnel and close family members	11,012	10,313
Other related entities	305,027	667,413
	316,039	677,726
Provisions for amounts due from related parties	-	-
Deposits and other liabilities		
Directors, key management personnel and close family members	8,986	4,038
Other related entities	69,946	71,090
	78,932	75,128
(ii) Transactions		
Interest and other income		
Directors, key management personnel and close family members	298	330
Other related entities	14,312	10,681
	14,610	11,011
Interest and expenses		
Directors, key management personnel and close family members	2,831	2,517
Other related entities	220,707	191,186
	223,538	193,703

(iii) Key management compensation

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

	2018	2017
	$	$
Short-term benefits	23,448	19,980
Share based payment	2,364	721
	25,812	20,701

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
	2017				
Total revenue	1,562,272	5,628	154,123	3,423	1,725,446
Material non-cash items: Depreciation	18,069	-	-	-	18,069
Segment profit before taxes	802,311	3,349	125,241	3,279	934,180
Segment assets	13,955,789	36,703	2,000,801	8,400,027	24,393,320
Segment liabilities	18,538,048	670	1,362,501	537,708	20,438,927

31. Subsequent Events

On November 27, 2018, Scotiabank announced its intention to enter into 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.

FIVE YEAR REVIEW

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

October 31, 2018 ($ thousands, except per share data)

CONSOLIDATED BALANCE SHEET	2018	2017	2016	2015	2014
Assets					
Cash resources	7,045,298	8,320,954	7,308,420	6,540,202	6,955,278
Loans and Investments (includes Reverse Repos)	15,947,730	15,700,024	15,572,979	15,319,206	13,417,667
Property, plant and equipment	256,817	246,780	250,967	251,616	244,728
Other assets	187,573	125,562	131,754	44,193	61,519
Total assets	23,437,418	24,393,320	23,264,120	22,155,217	20,679,192
Liabilities and shareholders' equity					
Deposits	17,284,198	18,538,048	17,571,183	16,837,090	15,211,730
Other liabilities	2,075,318	1,900,879	1,819,400	1,583,072	1,941,808
Shareholders' equity	4,077,902	3,954,393	3,873,537	3,735,055	3,525,654
Total liabilities and shareholders' equity	23,437,418	24,393,320	23,264,120	22,155,217	20,679,192
CONSOLIDATED STATEMENT OF INCOME					
Interest income	1,309,24	1,261,768	1,146,488	1,006,209	941,073
Interest expense	(20,711)	(17,532)	(17,449)	(31,586)	(52,201)
Net interest income	1,288,538	1,244,236	1,129,039	974,623	888,872
Other income	544,456	481,210	479,221	497,300	493,783
Total Revenue	1,832,994	1,725,446	1,608,260	1,471,923	1,382,655
Non-interest expenses	(736,963)	(685,669)	(691,458)	(656,073)	(638,789)
Income before taxation and loan loss	1,096,031	1,039,777	916,802	815,850	743,866
Loan Loss Expense	(133,033)	(105,597)	(76,780)	(38,558)	(28,357)
Income before taxation	962,998	934,180	840,022	777,292	715,509
Provision for taxation	(318,554)	(276,516)	(214,797)	(211,155)	(155,567)
Income After Taxation	644,444	657,664	625,225	566,137	559,942
OTHER STATISTICS					
Return on average assets	2.69%	2.76%	2.76%	2.64%	2.79%
Return on average equity	16.05%	16.80%	16.43%	15.59%	16.38%
Number of shares	176,343,750	176,343,750	176,343,750	176,343,750	176,343,750
Dividends per share	300	300	300	300	190
Earnings per share	365.4	372.9	354.5	321.0	317.5
Number of offices (including subsidiary companies)	27	28	28	28	29

ALL SCOTIABANK BRANCHES AND SCOTIA INSURANCE LOCATIONS

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