2019 Annual Report

Scotiabank Trinidad and Tobago Limited

Scotiabank

What's inside

Scotiabank has been a part of Trinidad and Tobago for 65 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
Regional Director, Legal
and Corporate Secretary,
Scotiabank
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

Consolidated Financial Highlights

October 31, 2019 ($ thousands, except per share data)

	2019	2018 (Restated)
Total Assets	**25,409,018**	23,373,349
Deposits	**19,041,461**	17,284,198
Net Loans to Customers	**16,095,492**	14,458,422
Income Before Taxation	**949,251**	957,443
Net Income Attributable to Equity Holders	**668,328**	640,766
Number of Shares Outstanding	**176,343,750**	176,343,750
Number of Shareholders	**7,668**	7,524
Market Value Per Share	**$59.40**	$64.74
Net Book Value Per Share	**$23.72**	$22.76

Why invest in Scotiabank?

- 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
2019	379.0¢	2.74%	41%
2018 (Restated)	363.4¢	2.69%	40%

Return on equity: 16.31% vs 16.21% in 2018 (Restated)

Capital Position: Strong

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

Chairman's Message to Shareholders

Brendan King
Chairman,
Scotiabank Trinidad and Tobago Limited;

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

Dear Shareholders,

As we continue to focus on our Strategic Agenda, the Board is pleased with the continued progress that the Bank's management team is making to drive value for our customers and shareholders. Our operating and financial metrics are showing consistent improvements, and we have processes, systems and people in place to continue to foster a culture of innovation.

Through our strategic priorities, we are building a better bank for every future as we become more **customer focused**, enhance **leadership** depth, diversity and deployment; **reduce structural costs**; drive **digital transformation** and align our **business mix** with deeper customer relationships. These strategic priorities hold, regardless of economic circumstances. In the face of a challenging landscape, we believe that we are on the right course and by enhancing our sound foundation, we will continue to create long-term value for our stakeholders.

Integrity & Sound Governance

The Board and management are committed to operating in accordance with the highest levels of governance and integrity to balance and protect the long-term interests of our stakeholders including customers, employees, shareholders, and the communities in which we operate.

The Bank's Corporate Governance Policies are designed to ensure the independence of the Board and its ability to effectively supervise management's operation of the Bank. In doing so, the Board must strive to balance the interests of the Bank's diverse constituencies, including its shareholders, customers, employees and the communities in which the Bank operates. At present, 7 of the Bank's 10 Directors are independent and we also continue to strive to ensure that we have diversity in gender, age, professional experience and geographical background.

The commitment to maintaining a compliant environment is at the heart of our Governance framework. The Bank's long-term stability and prosperity can only be achieved if we operate in a manner designed to protect against the various non-financial risks we face such as Money Laundering and Cyber Security. We continue to invest heavily in technology and processes designed to protect the Bank and customers. Our Board plays an active role in ensuring that we are meeting objectives related to these risks.

The Bank is committed to the highest standards of ethical business behaviour. The Board has adopted the Scotiabank Code of Conduct which applies to all employees of the Bank and its subsidiaries, as well as its Directors. The Corporate Governance Policy is available on our website and provides details on how the Board has adopted appropriate charters, codes and policies and established a number of committees to effectively govern the Company.

Operating Environment

In its October 2019 publication, the IMF has predicted global growth to drop to 3.0%, the lowest level of growth since 2008/2009. Within major advanced economies such as the US and Euro zone, lower growth has been experienced in 2019 versus 2018, arising from slowdown in output, weakened external demand and the growing impact of the trade tensions between the US and China. Although the overall global growth rate is projected to increase to 3.4% in 2020, driven by higher growth in emerging markets, the continued uncertainties with respect to rising trade and geopolitical tensions in various parts of the world can create downside risk to this level of growth being achieved.

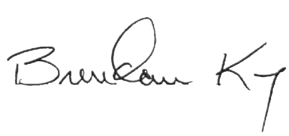
According to the World Bank Global Economic Prospects report of June 2019, the overall Caribbean region is expected to post a growth rate of 3.4% in 2019, down from 4.3% in 2018. However, growth is expected to increase in 2020, driven by increased activity in Guyana where rapid development of the oil and gas industry is expected to occur.

Trinidad and Tobago has recorded economic contraction from 2016 – 2018 that has resulted in either negative or flat GDP growth driven by the decline in energy prices and production over the period. 2019 is projected to see growth of approximately 0.5% with an expectation of 1% growth in 2020 driven by increased economic output from the energy sector as new gas fields come on stream.

Acknowledgements

As we look forward to 2020, I am very optimistic about the future for both Trinidad and Tobago and our Bank. The unprecedented speed and magnitude of change today demands that we challenge convention, explore new directions and take calculated risks to improve the customer experience and meet strategic objectives.

I would like to thank members of the Board, the Managing Director, his leadership team and all Scotiabank employees for their dedication and drive to bring us to this point in our strategic journey. Together, we are building a better future for our customers, employees, shareholders and communities. And finally my sincere thanks to our shareholders and customers for your steadfast confidence, patronage and trust.



Managing Director's Report

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

Dear Shareholders,

Our achievements over the last year demonstrate the strength of our business model where we have consciously chosen a prudent mix of products and services. 2019 truly showcased the ongoing success of our Strategic Agenda and we are very pleased with our results. Our Retail and Commercial banking business segments performed exceptionally well driven by strong volume growth in both deposits and loans.

We remain confident that Scotiabank will continue to grow and succeed, even as we face challenges, because we are committed to working together to provide our customers with expert advice and solutions. We continue to build on a solid foundation of key strengths, including a strong capital base, excellent risk and expense management skills and finally, we have a clear focus on our strategic priorities.

Our digital investments are driving business value as well as enabling better customer experiences and more efficient operations. We transformed our flagship branch, Scotia Centre into a new digital space that is designed to provide customers with the ability to receive more value added advice and solutions. We launched the next generation ATMs- **Intelligent Deposit Machines (IDMs)** which are the first of its kind in the local market. This gives our customers more functionality and accessibility for everyday transactions saving them time and improving their customer experience. Finally, **Scotiabank Alerts** is also a key investment we have made to help our customers. They provide customers with the ability to receive real-time notifications regarding activity on their accounts. Customers are now in better control of their finances and can flag any suspicious transactions.

All of our accomplishments this year were underpinned by an incredible team who make Scotiabank successful each and every day. We strive to create a unique and diverse employee culture because we understand that our employees are integral to our future. We continue to believe that the best investment we can make is in our own people. Our efforts here are paying dividends: this year

Scotiabank was named in the **Top 20 list in the 2019 World's Best Workplaces** by the Great Place to Work Institute®. Scotiabank also achieved **#6 ranking in Best Places to Work** in Latin America & Caribbean. Finally in November 2019, we were named **Trinidad and Tobago's Bank of the Year 2019** by The Banker Magazine, a Financial Times publication. This was based on the Bank's progress in 2019 and ability to deliver shareholder returns and gain strategic advantage.

Financial Highlights of the Scotiabank Group's Performance

Scotiabank Trinidad & Tobago Group reported strong results for our shareholders. The Group earned **$668 million** of net income after taxation for the year ended 31 October 2019, an increase of $28 million or 4% over the comparative period last year. We have continued to enjoy a high return on equity of 16.31% and our industry leading productivity ratio of 41% both of which are healthy measures of our efficiency and profitability.

The Bank's total assets increased by over $2 billion driven by strong loan growth in our retail, corporate and commercial portfolios. We also experienced $1.8 billion or 10% growth in our deposit base as our customers continue to confidently invest with us.

Scotiabank Trinidad and Tobago 2019 results reflect good momentum in our business lines, each of which contributed to our overall success. Looking ahead in 2020, I am confident that our continuing focus on our customers and our efforts to be the best relationship bank will guide our future success.

Key Business Segment Highlights

In the context of a challenging economic climate and increasing competitive environment our key business segments continued to experience growth. Our **Retail Banking** segment experienced growth in loans across all of the core products that we offer with the biggest increase being seen in our mortgage portfolio which grew by 6%. After launching our proprietary customer experience system, **The Pulse,** we received feedback from thousands of customers. This feedback has been used on an ongoing basis to change the way we operate and improve the banking experience for all.

One major improvement launched in the majority of our branches is our **new customer queuing system**. This system facilitates a more efficient method of dealing with in branch transactions and has received positive feedback from our customers. Another major improvement that we have introduced is the launch of our **EMV Visa debit chip cards**. These cards are more secure in the protection of customers' balances and greatly reduces the possibility of fraudulent, unauthorized usage. We are embarking on an accelerated roll out of these cards to all customers which will be completed during 2020.

As part of Scotiabank's enterprise-wide digital strategy to enhance our overall effectiveness and better position us to meet the changing needs of our customers, Scotiabank Alerts was introduced which allows us to provide our customers with the ability to receive timely and important notifications regarding the transactional activity in their accounts. These features also include Security Alerts and Credit Card Controls which truly enables our customers to have more control of their banking.

In respect of our **Corporate and Commercial Banking** segment, this was a record year of growth arising from our commitment to deepening relationships, being value oriented and focusing on delivering the right solution for our clients' specific needs. We continued on our unique value proposition which combines our global reach with local market knowledge which provides customers' access to a best in class full service financial offering. This is evidenced by a couple of the landmark transactions we have been a part of acting as **Joint Lead Arranger** for

Trinidad Petroleum Holdings Limited as well as Methanol Holdings Limited with syndicated loans of **TT$ 4 Billion** and **TT$ 1 Billion** respectively.

We also continue to invest in our award winning **Cash Management Services** platform being the first full service Bank to offer **digital tokens** and batch wires amongst a number of digital enhancements. We also announced our partnership with Guardian Life of the Caribbean for another cutting edge digital solution for Mobile Point of Sale terminals.

Scotiabank in the Community

We believe that the long-term success of our Bank and the world around us are fundamentally intertwined. By paying careful attention to the areas where we feel we can have the biggest impact, we create economic, social and environmental value for our customers, employees, communities and our environment, while also delivering returns for our shareholders.

As Scotiabankers, we believe we have a responsibility to give back and make a positive difference in the communities in which we live and work. Our employees demonstrate this annually through volunteerism and dedication of time and energy to various causes within local communities. This year in particular, 1,000 Scotiabank employees, their family and friends came out to help promote environmental sustainability and food security activities which will continue to add value for months and even years to come.

In addition to cleaning up one of the coastal regions in the country, Scotiabankers also potted 1,000 forestry saplings to grow for replanting and reforestation efforts around the country. A 1-Acre Organic Plot was also established for students from the SERVOL Junior Life Centre for at-risk youth to learn about project maintenance and harvesting through their Organic Garden School Programme. Over 6,500 vetiver plants were also prepared and planted to be used in some of Trinidad’s most far off communities. Vetiver grass is a unique plant species whose roots can grow to 10 feet deep in 2 years, making it useful to help prevent landslides and erosion. It was certainly a day well spent with many employees returning to the locations in the months after to continue the good work started.

This project aligns well with Scotiabank’s global focus on reducing climate change. Most notably, the Bank has committed to mobilize CAD $100 billion by 2025 to reduce the impacts of climate change. As an international financial institution, we have both the responsibility and opportunity to act, while also enabling every future.

The Scotiabank Trinidad and Tobago Foundation remains dedicated to furthering the cause of community development and through our charitable efforts, the Foundation seeks to be a vehicle for capacity building for communities. In 2019, we invested in projects that supported community and youth development, impacting the lives of approximately 19,500 individuals in more than 1,178 schools, organizations and communities.

We recognize that the long-term social and economic prosperity in our communities depends on future generations. When young people in the community succeed, families, businesses and entire societies are positioned to benefit for years to come. With the right support, children can realize their potential and unlock a future of sustained success that benefits them, their family and their entire community. That’s why we continue to invest in a range of programs that build young people’s confidence, grow their character, and provide them with resources to shape better communities.

Details on some of our key initiatives for 2019 can be read on page 120 of this report.

Focus on 2020

We will continue to focus our efforts on improving the customers’ experience across all segments. We will be rolling out more new IDM’s across the country as well as introducing new locations where customers will be able to access other types of machines to assist in their day to day banking needs. We will also continue to prioritize understanding our clients’ needs and providing value added advice and solutions in a timely and efficient manner.

In closing, I would like to thank each and every customer for their business and just as importantly – for their trust. I would also like to thank our Scotiabankers, not only for their commitment and hard work, but also the passion they bring to the job, building an even better bank every day. I am proud of our team and confident in the Bank’s future.

Stephen Bagnarol

Senior Vice President and Managing Director

Thank you, George

After 20 years of dedicated service on the Board of Directors of Scotiabank Trinidad and Tobago Limited, George Janoura is retiring, leaving a legacy of sound corporate governance and milestone achievements with the Board and Team at the Bank.

During his tenure, he has been dedicated to bringing superior value to our shareholders, customers and staff. His passion, commitment to excellence and business acumen have helped to steer the Bank in the right direction over the last two decades.

George was appointed to the Board of Scotiabank Trinidad and Tobago Limited in 1999 and became Vice Chairman in March 2013. He has also served as a Director of the Bank's subsidiary, ScotiaLife Trinidad and Tobago Limited.

The Board of Directors, Management and Staff of the Bank wish to extend our sincere gratitude to George for his service and extend our best wishes to him in all his endeavours.

Thank you, George.

Board of Directors

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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.
- Mr. King'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 (Chairman)
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 and is responsible for developing and implementing local business strategy for the region.
  Stephen joined Scotiabank in 1998 as part of the International Associate Development Program, working both in Commercial Banking and Global Risk Management. Upon graduation from the program, he accepted his first international assignment in Mexico, where he held progressively senior roles in Corporate Banking, including Head of Real Estate Banking. In 2005, Stephen relocated to New York, USA as Managing Director, Derivatives, Capital Markets. He was appointed 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.

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- 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

Chief Executive Officer, Massy Stores

- Roxane De Freitas is the Chief Executive officer of Massy Stores, the premier supermarket chain in the Caribbean and has direct responsibility for its Trinidad and Tobago and Guyana operations. She also holds Directorship on the Integrated Retail and Distribution Portfolio, a subsidiary of Massy Holdings.

- Roxane has had an extensive career as a Leadership Executive with Unilever Caribbean. At the time of her retirement there, 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 graduated from the University of Western Ontario, Canada, with a Bachelor's degree in Business Administration.
- 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 29 years post-qualification experience. She is currently the Managing Counsel and Vice President at BP Trinidad and Tobago LLC with oversight for Trinidad and Brazil 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 (Chairperson)

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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 (Chairperson)
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 42 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 & 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

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9. Derek Hudson

Strategic Business Advisor, 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 retired from the latter position in June, 2019 and is now serving in an advisory capacity to 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, the Development and Endowment Fund of the University of the West Indies and Atlantic LNG for extended periods.

Committee Member:

Enterprise and Credit Risk Management Committee

10. 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

The Board of Directors of Scotiabank Trinidad and Tobago is pleased to propose that Mr. David Thomas be elected as a Director.

David Thomas

Financial Consultant

- David Thomas is a banker by profession and has worked at Scotiabank for over 30 years. Most recently, he was the Vice President, Corporate Finance, Caribbean Region, a position he held until his retirement in October 2018.
- David possess extensive experience in corporate banking, investment banking, risk management, international banking, resolution of problem loans and implementation of digital technology. He is also a professional engineer who has consulted to the health care sector prior to seeking an MBA from Dalhousie and pursuing a career in banking.
- David's extensive International and Caribbean banking experience involved responsibility for leading lending teams across 18 countries focused on origination of corporate and commercial loans across all industries utilizing his in-depth knowledge of local and regional financial markets.
- He recently completed the ICD.D Directors program in June 2019 through the Rotman School of Business at the University of Toronto.

Executive/Senior Management Team

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1. Stephen Bagnarol

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

- Stephen's full bio on pages 10-11

2. Savon Persad

Vice President, Retail and Business Banking, Caribbean South and East

- Savon Persad currently holds the position of Vice President, Retail and Business Banking, Caribbean South and East, with responsibility for Retail Banking, Business Banking, 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.

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, Jamaica and Guyana.

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- 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. Karen Abraham

Vice President & Chief Risk Officer

- Karen Abraham was appointed Vice President & Chief Risk Officer, Caribbean South & East, effective October 28, 2019.
- She joined Scotiabank in 2005 and has held progressively senior roles within Corporate & Commercial Banking and Risk Management. In her previous role as Director, Credit Risk, Karen led and managed all commercial credit adjudication and credit risk for the region. As Vice President & Chief Risk Officer, Karen will provide strategic direction and leadership for the Caribbean South and East, ensure 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.
- Karen holds a Bachelor of Science in Mathematics and Chemistry from Campbellsville University and a Masters of Applied Statistics from Ohio State University.

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 over 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.

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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 Auditor

- Tricia De La Rosa–Camacho was appointed Chief Auditor in January 2019. In this role she is responsible for the ongoing assessment of the business to evaluate and improve the effectiveness of risk management, internal controls and governance processes.
- She joined Scotiabank Trinidad and Tobago Limited in March 2014 in the capacity of Assistant General Manager Finance – Management Reporting and later as Chief Financial Officer. 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. Jarod Perryman

General Manager, ScotiaLife Trinidad and Tobago Limited

- Jarod has been in the banking and insurance industry for the past 24 years holding positions of increasing responsibility over that period. Jarod joined Scotiabank Trinidad & Tobago Ltd in 2013 and has led teams both locally and regionally in producing consistently strong results, bringing to bear his experience in business development, portfolio management, strategic planning and risk management. Jarod was appointed as the General Manager of the Life Insurance company in February 2019.
- Jarod holds a Master's Degree in Strategic Planning from the Edinburgh Business School and a Post Graduate diploma in Marketing from the Chartered Institute of Marketing in the U.K.

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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. 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.

13. Kameel Baksh-Edwards

Regional Director, Marketing

- Kameel Baksh-Edwards is the Regional Director Marketing, Caribbean. She joined the bank in 2015, and has 14+ years leadership experience leading high performing agile teams to deliver impactful marketing initiatives in the Consumer Packaging Goods (CPG) and Financial Services industries, internationally.
- Kameel holds an International Master of Business Administration (Dist) and a Bachelor of Science in Chemistry and Management (Hons) from the University of the West Indies.

Corporate Governance

Corporate Governance Overview

Corporate governance refers to the oversight mechanisms and the way in which a company is governed. Corporate governance encompasses our processes and policies, how decisions are made and how the Bank deals with the various interests of, and relationships with, our many stakeholders, including shareholders, customers, employees and the broader community.

Good Corporate Governance underpins everything we do at Scotiabank and is considered essential to the Scotiabank Group's long- term success.

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, 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 2019, the Board comprised ten 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.

Our Board members are held to the highest standards. To this end:

- In addition to being governed by applicable law, regulations and guidance from the Central Bank of Trinidad and Tobago, the Trinidad and Tobago Securities and Exchange Commission, and the Trinidad and Tobago Stock Exchange, the Board has established a robust corporate governance policy and framework to ensure the 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, experiences 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 themselves or the Bank in a conflict of interest position;
  - conducting themselves 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 Human Resources and 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 overseeing corporate governance practices, and recommending corporate governance policies to the Board for approval. The Committee is also tasked with the review and recommendation of Board of Director nominees, as well as senior executives.

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

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 remuneration 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 wholly owned charitable subsidiary, 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 and 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 2019

Meeting Attendance for the period 1st November 2018 to 31st October 2019

	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	-	-	4
Wendy Fae Thompson [2 3]	5	3	-	3
Lisa Mackenzie [2 3]	5	4	-	4
Janet Boyle [2]	6	4	-	-
Alan Fitzwilliam [1]	6	-	4	-
Derek Hudson [1]	4	-	2	-

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

	George Janoura	Roxane De Freitas	Wendy Thompson	Lisa Mackenzie	Brendan King	Steve Ragobar	Alan Fitzwilliam	Derek Hudson	Janet Boyle	Stephen Bagnarol
Core Competencies										
Leadership	X	X	X	X	X	X	X	X	X	X
Strategy Formation	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
Accounting				X		X				
Audit (Internal/External)				X		X				
Risk Management	X	X	X	X	X	X	X	X	X	X
Legal/Compliance/Regulatory			X						X	X
Finance/Treasury				X		X	X		X	
Human Resources/Executive Compensation			X				X			
Governance			X							X
Digital, Technology and Information Security					X				X	
Economics										
Public Policy			X					X		

Areas of Experience	George Janoura	Roxane De Freitas	Wendy Thompson	Lisa Mackenzie	Brendan King	Steve Ragobar	Alan Fitzwilliam	Derek Hudson	Janet Boyle	Stephen Bagnarol
Leadership	X	X	X	X	X	X	X	X	X	X
Strategy Formation	X	X	X	X	X	X	X	X	X	X
Local Market	X	X	X	X		X	X	X		
Financial Services	X	X	X	X	X	X	X	X	X	X
Accounting		X		X		X				
Audit (Internal/External)		X		X		X				
Risk Management		X	X	X					X	X
Legal/Compliance/Regulatory			X	X					X	
Finance/Treasury		X		X		X	X		X	X
Human Resources/Executive Compensation	X	X	X	X	X	X	X	X	X	X
Governance	X	X	X	X	X			X		X
International Business		X	X		X			X		X
Local Public Policy										
Local Industry Experience [e.g. mining, textiles, agriculture]†	X Textile Retail	X Distribution	X Energy	X Distribution		X Accounting	X Distribution	X Energy		X Banking
Capital Markets							X			X
Wealth Management					X					
Retail & Consumer	X	X			X		X		X	X
Digital, Technology and Information Security									X	
Real Estate Development	X								X	X
Marketing	X	X			X		X	X		
Public Relations		X	X				X	X		
Economics										
Other Board Experience		X					X	X		

Scotiabank Trinidad and Tobago Limited

The Directors' Report to the Shareholders

for the year ended 31st October 2019

Your Directors have pleasure in submitting their Annual Report for the fiscal year ended 31st October 2019:

Financial Results and Dividends

The Directors are pleased to announce that Scotiabank Trinidad and Tobago Limited realized net income after tax of $668 million for the year ended October, 31st, 2019 representing growth of 4% driven by increased revenue and lower taxation expense. Total Assets ended the period at $25.4 billion, with loans and advances increasing by $1.6 billion or 11%.

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 3rd, 2020 to shareholders on record at December 13th, 2019.

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, Mr. Derek Hudson and Ms. Janet Boyle expire at the close of the next Annual General Meeting.

After 20 years of service as a valued member of the Board of Directors, Mr. George Janoura will retire at the 2020 Annual General Meeting of Shareholders. The Board of Directors thanks Mr. Janoura for his immeasurable contribution to the Company, and we extend our best wishes for the future.

Ms. Boyle will also retire at the Annual General Meeting given increased responsibility and demands in her role as Senior Vice President Real Estate & Secured Lending, within the Canadian parent bank. The Board of Directors thanks Ms. Boyle for her contribution.

With the exception of Mr. Janoura and Ms. Boyle, all other Directors offer themselves for re-election for the term from the date of their election until the close of the first Annual General Meeting following their election, subject always to earlier termination in accordance with the Company's By-Laws.

The Directors are also pleased to recommend the appointment of Mr. David Thomas. Before his retirement in 2018, Mr. Thomas served for 31 years in various capacities in Scotiabank's International Banking Division. With global experience in Investment Banking, Corporate and Commercial Banking, Risk Management, Product and Sales oversight and Loan Underwriting, the Directors consider that Mr. Thomas will be an valuable addition to its complement.

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 2019.

*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.

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	8,000
Stephen Bagnarol	500
Janet Boyle	-

Senior Officers*	Ordinary Shares
Karen Abraham	-
Dale Khan	-
Tricia de la Rosa	-
Marcos Rehberg	1,300
Rachel Laquis	-
Savon Persad	1,000
Jason Narinesingh	-
Damian Jones	-
Reshard Mohammed	2,078

We also list below those persons holding the ten (10) largest blocks of shares in the Company, as at 31st October 2019.

Scotiabank Trinidad and Tobago Limited – Top Ten Shareholders as at October 31st, 2019		
Name	Shareholding	Percentage
SCOTIABANK CARIBBEAN HOLDINGS LTD.	89,761,887.00	50.90%
The National Insurance Board	11,970,742.00	6.79%
TRINTRUST LTD	4,032,806.00	2.29%
TRINIDAD & TOBAGO UNIT TRUST CORP.	3,952,948.00	2.24%
GUARDIAN LIFE OF THE CARIBBEAN LTD	3,608,702.00	2.05%
Republic Bank Ltd	2,834,035.00	1.61%
Tatil Life Assurance Ltd	2,730,070.00	1.55%
Republic Bank Ltd	2,532,357.00	1.44%
RBC Trust (Trinidad & Tobago) Limited	2,079,959.00	1.18%
RBTT Trust Limited	1,889,205.00	1.07%

ON BEHALF OF THE BOARD

Brendan King
Chairman

Stephen Bagnarol
Managing Director

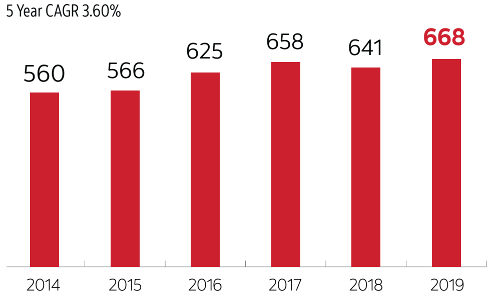
Management Discussion and Analysis

Overview

The Scotiabank Trinidad & Tobago Group (The Group) reported Net Income After Taxation (NIAT) of $668 million for the year ended 31st October 2019, an increase of $28 million or 4% over the comparative period in 2018. This increase in profitability is mainly due to lower tax expense of $36 million as well as increased net interest income in our core banking segments.

Net Income

($ Millions)
5 Year CAGR 3.60%



Group Statement of Income

Total Revenue

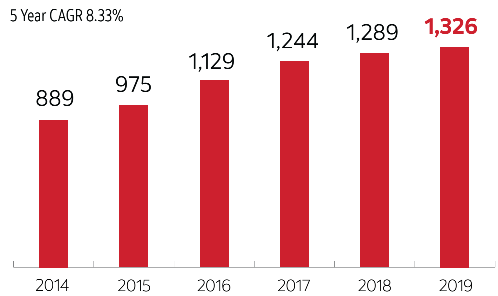
Total Revenue (comprising Net Interest Income and Other Income) for the period 31st October 2019 was $1.9 billion, an increase of $28 million or 2% over prior year. This increase was driven by strong growth in our retail and commercial loans portfolios.

Net Interest Income

Net Interest Income for the year ended 31st October 2019 was $1,326 million, an increase of $37 million or 3% over last year. Interest income from Loans was $1.2 billion, $38 million or 3% higher than fiscal 2018, and represents 90% of total Interest Income collected. Interest Income from Investment Securities of $141 million, increased by $5 million or 4% compared to the prior year. This was driven by higher yields on short term investment securities.

Consolidated Net Interest Income

($ Millions)
5 Year CAGR 8.33%

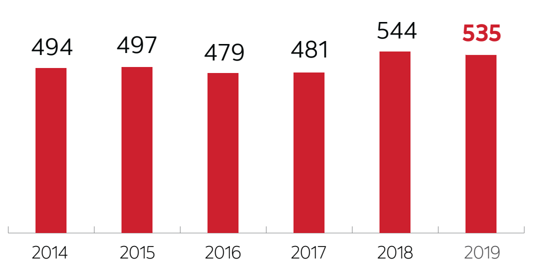


Other Income

Other Income, defined as all income other than interest income, continues to be a significant source of earnings for the Group representing 29% of total revenue. Other Income was $535 million in 2019, a decrease of $10 million or 2% over the previous year arising from lower insurance revenues in 2019.

Other Income

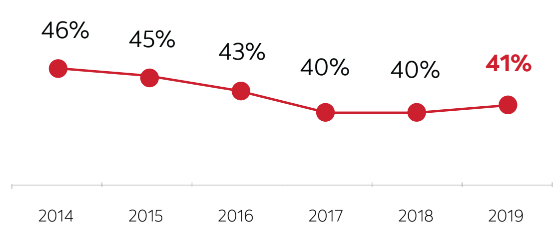
($ Millions)
5 Year CAGR 1.61%



Non-Interest Expenses & Operating Efficiency

Non-Interest Expenses (NIE) for the year ended 31st October 2019 totaled $767 million, an increase of $30 million or 4% 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. New intelligent ATMs (IDMs) were commissioned in 2019 coupled with newly implemented in-branch customer management and service queing practices. The Group's Operational Efficiency Ratio (NIE as a percentage of Total Revenue) for 2019 remained strong at 41% (2018- 40%), maintaining our position as best in class amongst our peers in the local banking industry.

Operational Efficiency Ratio



Loan Loss Expense & Credit Quality

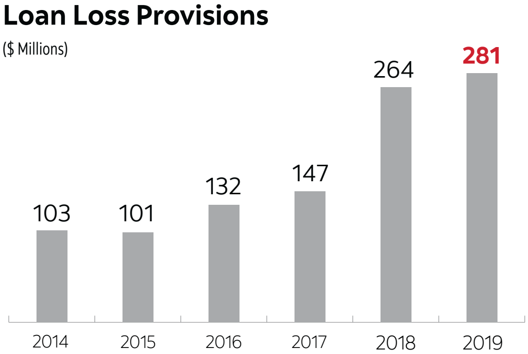
The Group adopted IFRS 9, Financial Instruments, from 1st November 2018, which replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. The effect of initially applying the standard in 2019 and restating comparative 2018 information has been an increase in impairment losses recognized on financial assets.

Loan Loss Provisions for the fiscal were $281 million which represents a coverage ratio of 76% on loans whose principal is deemed impaired.

Loan loss expense for the period ending 31st October 2019 was $144 million, an increase of $6 million over prior year. This is reflective of the higher credit losses on our retail portfolio resulting from challenges posed by the current economic climate.

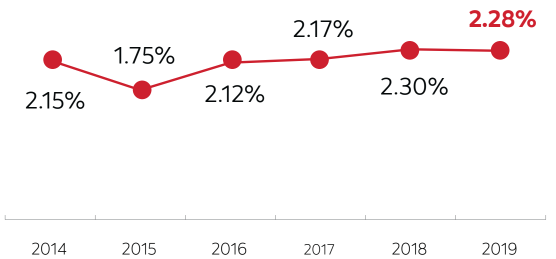
Loan Loss Provisions

($ 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 2.28% as at 31st October 2019. We remain committed to working closely with our customers who are experiencing challenges and to mitigate potential negative impact to the quality of the Group's Loan portfolio.

NPL % Loans

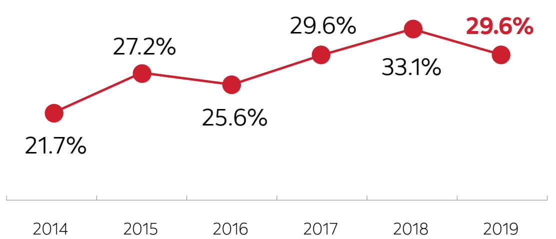


Taxation Expense

The tax charge for the year ending 31st October 2019 was $281 million, a decrease of $36 million or 12% over the prior year. The decline is mainly due to recording a one-off tax credit in 2019.

Tax Rate

5 Year CAGR 12.5%



Group Financial Condition

Assets

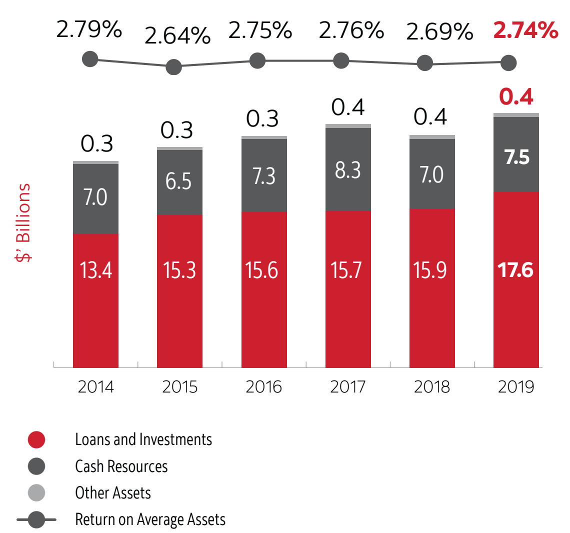
The Group's Total Assets as at 31st October 2019 was $25.4 billion, an increase of $2.0 billion or 9% above the prior year with Net loans to Customers, the bank's largest category, increasing by $1.6 billion or 11%. Strong growth in loans achieved despite the economic conditions currently impacting retail and business lending.

The Group continues to generate competitive returns on its assets with Return On Assets at 2.74%

Total Assets

$ Billions

5 Year CAGR 4.24%



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 $0.6 billion as at 31st October 2019, while regulatory reserve deposits at the CBTT totaled $3.3 billion for the similar period.

Securities

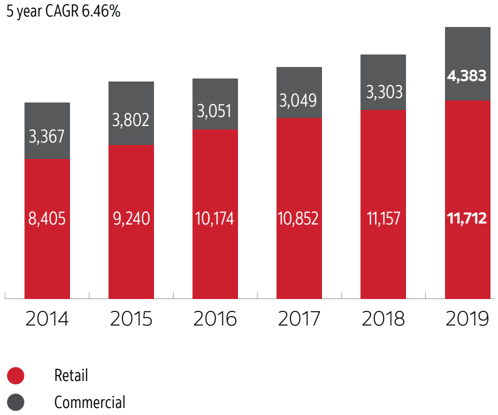
The Group's total investment portfolio ended 2019 at $5.0 billion. The Bank is consistently seeking opportunities to yield high returns on its excess liquidity.

Loans

Net Loans to customers was $16.1 billion, representing an increase of $1.6 billion or 11% over the prior year. Strong growth in our Corporate and Commercial loans portfolio with an increase of $1.1 billion or 33% when compared to prior year combined with growth of $0.6 billion or 5% in the retail portfolio.

Loan Portfolio

($ Millions)
5 year CAGR 6.46%



Liabilities

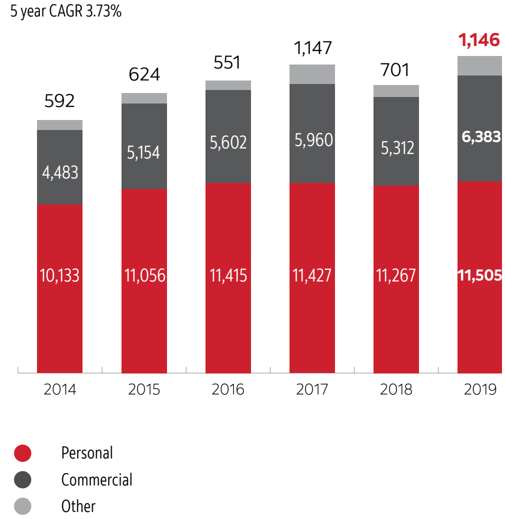
Total Liabilities were $21.2 billion as at 31st October 2019, an increase of $1.9 billion or 10% above the prior year. Increase in liabilities was mainly due to an increase in deposits from customers.

Deposits

Deposits as at 31st October 2019 were $19.1 billion, an increase of $1.8 billion or 10% in comparison to 2018. This increase was a result of several initiatives such as Club S to better serve the day to day banking needs of our customers.

Deposit Portfolio

($ Millions)
5 year CAGR 3.73%

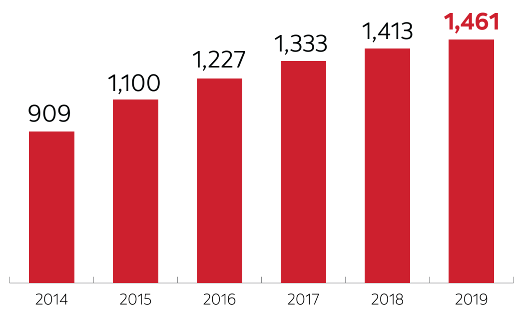


Policyholders' Fund

The Policyholders' Funds reflect the insurance contract liabilities held at the Group's subsidiary, ScotiaLife Trinidad & Tobago Limited (corporate brand "Scotia Insurance"). This segment continues to be an important contributor to the Group as Policyholders' Funds increased by $48 million or 3% over 2018.

Policyholders' Fund

($ Millions)
5 year CAGR 10.0%



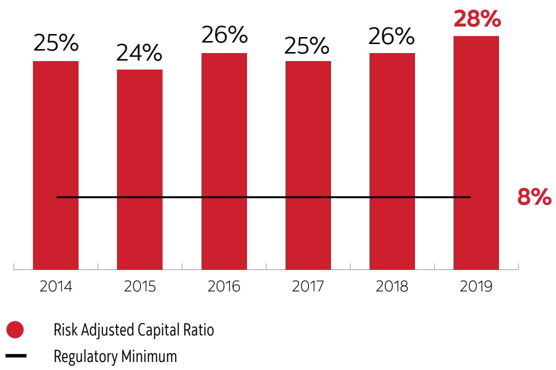
Shareholders' Equity

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 $4.2 billion representing an increase of $169 million or 4% over 2018 whilst Return on Equity increased to 16.31% (2018 - 16.21%).

Our risk-based Capital Adequacy Ratio for 2019 of 28% continues to exceed the local regulatory requirements of 8% and provides an adequate buffer against any unexpected impacts that could arise.

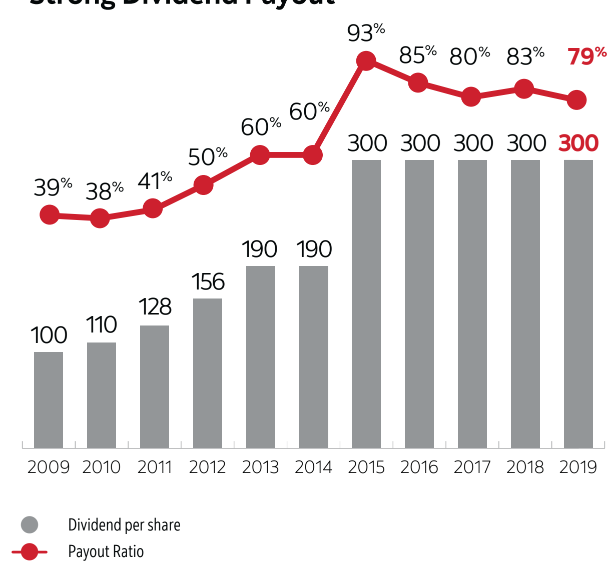
Shareholders' Equity



Shareholders' Return

At Scotiabank, we remain focused on achieving sustainable, long-term earnings growth and stable dividend income streams. For the fifth consecutive year, we are issuing a total dividend payout of 300 cents as approved by the Board of Directors. Our payout for 2019 is 79% 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, 2019

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Statement of Management's Responsibilities Scotiabank Trinidad and Tobago Limited

Management is responsible for the following:

- Preparing and fairly presenting the accompanying consolidated financial statements of Scotiabank Trinidad and Tobago Limited (the Company) and its subsidiaries (collectively, the Group), which comprise the consolidated statement of financial position as at October 31, 2019, 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

Date: December 9, 2019

Reshard Mohammed
Chief Financial Officer

Date: December 9, 2019

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, 2019, 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, 2019 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 for the year ended October 31, 2019. 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.

The key audit matters for the consolidated financial statements are set out below.

1. Expected Credit Losses

See Notes 3 (c), 5, 6, 8, 9 and 28 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

Key Audit Matter

IFRS 9: *Financial Instruments* required the Group to record an allowance for Expected Credit Losses (ECL) for all advances and other financial assets not held at fair value through profit and loss (FVTPL), together with loan commitments and financial guarantee contracts.

The Group adopted the accounting standard IFRS 9: *Financial Instruments* effective November 1, 2018. The standard introduces new requirements around two main aspects of how financial instruments are treated, namely measurement and classification and impairment.

In relation to impairment, the standard prescribes a new forward looking expected credit loss (ECL) impairment model which takes into account reasonable and supportable forward looking information which will generally result in the earlier recognition of impairment provisions.

The introduction of the new standard required the Group to build and implement new models to measure expected credit loss for relevant financial assets such as advances (loans) and other financial assets held at amortised cost which comprise 63% of the Group's total assets.

The ECL reflects a probability-weighted outcome that considers multiple economic scenarios based on the Group's view of forecast economic conditions, and is determined as a function of the Group's assessment of the probability of default (PD), loss given default (LGD) and exposure at default (EAD) associated with the financial asset.

When the Group determines that there has been a significant increase in credit risk subsequent to origination or where the financial asset is in default, lifetime ECL is recorded; otherwise, ECL equal to 12 month expected credit losses is recorded. Qualitative adjustments or overlays may also be recorded by the Group using expert credit judgment where the inputs, assumptions and/or modelling techniques do not capture all relevant risk factors.

We identified the assessment of the ECL as a key audit matter. There is a high degree of measurement uncertainty associated with the ECL as a result of the judgments relating to the inputs, assumptions, adjustments and techniques and complex models involved, as described above.

Key areas of judgement included:

- The interpretation of the requirements to determine impairment under the application of IFRS 9, which is reflected in the Group's ECL models;
- The application of assumptions where there was limited or incomplete data;
- The determination of the criteria for the significant increase in credit risk, which impacts the staging of the assets and related expected credit loss calculations (i.e. one year or lifetime expected credit losses).
- The identification of exposures with a significant deterioration in credit quality;
- The use of assumptions in the ECL model such as the financial condition of the counterparty or valuation of security;
- The inclusion of relevant inputs and techniques in the expected credit loss model utilized for the probability of default (PD), loss given default (LGD) and exposures at default (EAD) parameters. There is a large increase in the data inputs of these models, which increases the risk that the data used to develop assumptions and operate the model is not complete or accurate
- Use of multiple forward looking economic scenarios
- The need to apply overlays, the quantification for which can be highly subjective, to reflect current or future external factors that are not appropriately captured by the ECL model.

Key Audit Matters / **1. Expected Credit Losses** (*Continued*)

Management engaged a credit modeller expert to assist in the more complex aspects of the expected credit loss model

The impact of adopting the new standard resulted in a reduction in the opening retained earnings of $61.319 million.

These factors, individually and collectively, result in a higher judgmental risk and thus are considered a significant matter in the context of the consolidated financial statements.

How our audit addressed the key audit matter

Assessing the ECL required significant auditor attention and complex auditor judgment, involving our credit risk, economics, and information technology specialists, as well as knowledge and experience in the industry.

The primary procedures we performed to address this key audit matter included the following:

With the involvement of our credit risk, economics, and information technology professionals with specialized skills, industry knowledge and relevant experience, we tested certain internal controls over the Group's ECL process.

These included controls related to:

1. validation of the models that determine PD, LGD and EAD;
2. the Group's monitoring over the determination of the ECL;
3. information technology controls over the data inputs into the ECL models and the ECL calculation;
4. the assessment to identify whether there has been a significant increase in credit risk;
5. the review of the macroeconomic variables and probability weighting of scenarios used in the ECL models; and
6. the assessment of qualitative adjustments

Additionally for non-retail loans, we tested the controls related to loan reviews, including the determination of loan risk grades and write-offs. We involved credit risk, economics, and information technology professionals with specialized skills, industry knowledge and relevant experience who assisted in:

1. evaluating the methodology and key inputs used in determining PD, LGD and EAD parameters produced by the models;
2. evaluating macroeconomic variables and probability weighting of scenarios used in the ECL models, including consideration of alternative inputs for certain variables;
3. recalculating a sample of ECL models and related inputs; and
4. assessing the qualitative adjustments applied to the ECL.

Additionally for a sample of non-retail loans, we evaluated the Group's assigned credit risk ratings to loans against the Group's borrower risk rating scale, and the Group's judgment on whether there was a significant increase in credit risk, and the related ECL.

We obtained the Group's accounting policies as they relate to the adoption of IFRS 9 and assessed the reasonableness of those policies with the requirements of the standard.

We obtained an understanding of the Group's business model assessment and for a sample of instruments verified the inputs into the solely payments of principal and interest test performed by management with original contracts.

We tested the opening equity adjustments in relation to the adoption of the new standard's classification and measurement requirements.

Key Audit Matters / 1. Expected Credit Losses / How our audit addressed the key audit matter (*Continued*)

With the assistance of our valuation specialists we performed the following procedures

- Assessed and tested the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and evaluated its compliance with the requirements of IFRS 9.
- Assessed the appropriateness of the models and assumptions used by the Group, including monitoring/validation, model governance and its mathematical accuracy.
- Tested the reliability of source data used in the models on a sample basis by corroborating to historical data or external public information where available.
- Reviewed the completeness and accuracy of data from underlying systems through to the models used to determine the ECLs. This included testing the critical data fields used in the ECL model, such as the maturity date, amortized cost, accrued interest, credit rating, date of default (if any), interest rate, write-off data and product category by tracing data back to source documents.
- Tested management's ECL calculations to determine if they were in line with management's assumptions, model design and were consistently applied. We re-evaluated the amortized cost for a sample of debt securities to test the accuracy of management's calculations, which is used as the EAD value.
- Tested on a sample basis, the completeness and accuracy of the initial credit risk and the credit risk at the reporting date using rating agencies definition of investment grade and evaluated the appropriateness of the Group classification of debt securities as stage 2.
- Evaluated the appropriateness of management's judgment pertaining to forward looking information, including the macro-economic factors, the basis of the multiple economic scenarios used and the weighting applied to capture nonlinear losses.
- Considered the methodologies applied in determining Probabilities of Default (PDs) and the data used to estimate Loss Given Defaults (LGDs), and tested the Exposures at Default (EADs) against asset sub ledgers and amortization schedules. Where PDs and LGDs were based on assigned global credit ratings, we independently tested to the source data.
- Tested the ageing of the portfolio and performed an independent assessment for a sample of commercial facilities to assess the accuracy and timely assignment of risk rating in compliance with Management's policy, both of which are inputs in the staging of the portfolios.
- Concluded on the accuracy of the staging applied against the methodologies, and assessed the reasonableness of all assumptions and overlays used to determine whether the Group appropriately reflected additional risks where identified.
- Tested that the definition of a significant deterioration in credit risk and staging adopted by the Group was in compliance with IFRS 9.

For ECLs calculated on an individual basis we tested the factors underlying the impairment identification and quantification including forecasts of the amount and timing of future cash flows, valuation of assigned collateral and estimates of recovery on default.

Finally we assessed the disclosure in the consolidated financial statements considering whether it satisfies the requirements of IFRSs.

Based on the audit procedures performed, we determined that the methodology and assumptions used by management to determine the classification of financial instruments and the ECLs were not unreasonable.

2. Actuarial Methodologies And Assumptions Used In The Valuation Of Actuarial Liabilities

See Notes 3 (p) and 16 to the consolidated financial statements for disclosures of related accounting policies, judgements, estimates and balances.

Key Audit Matter

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, 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.

Management used qualified internal actuaries and an independent external actuary to assist in determining these assumptions and in valuating actuarial liabilities.

We focused on this area as it involves significant judgements over uncertain future outcomes, mainly the ultimate total settlement value of long term policyholder liabilities.

Economic assumptions such as investment returns, associated discount rates and borrowing rates, policy expenses, and operating assumptions such as mortality and persistency are the key inputs used to estimate these long term liabilities,

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 our audit addressed the key audit matter

We were assisted by our own actuarial experts in considering industry and company specific facts and circumstances to evaluate the methodologies and assumptions utilized by management's actuaries.

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.

- We updated our understanding of any changes impacting the assumptions, specifically, we focused on mortality, persistency, investment returns and associated discount rates and policy expenses, all of which are based on the company's experience or published industry studies or market data.
- We tested a sample of contracts to assess whether policyholder data and contract features correspond to the data in the actuarial valuation system. We also compared data, on a sample basis, between the policy administration system and the valuation system to test completeness.
- We made an assessment of the assumptions of policyholder behaviour, including consideration against relevant company and industry historical data.
- We considered the appropriateness of the mortality assumptions used in the valuation of policyholder liabilities by reference to company and industry data on historical mortality experience and expectations of future mortality movements, including evaluation of the choice of Caribbean Policy Premium Method (PPM).
- We considered 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.

Key Audit Matters / 2. Actuarial Methodologies And Assumptions Used In The Valuation Of Actuarial Liabilities / How our audit addressed the key audit matter (*Continued*)

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.

We found the significant estimates and assumptions used by management to be reasonable, and that the methodologies used were established and accepted actuarial methodologies and were appropriate in the circumstances.

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 IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 9, 2019

Consolidated Statement of Financial Position

October 31, 2019 ($ thousands)	Notes	2019	Restated 2018	Restated 2017
		$	$	$
ASSETS				
Cash on hand and in transit		**198,721**	149,333	225,376
Loans and advances to banks and related companies	5	**432,831**	780,967	1,344,017
Treasury bills	6	**3,559,184**	3,554,534	3,925,171
Deposits with Central Bank	7	**3,271,132**	2,560,438	2,826,390
Loans to customers	8	**16,095,492**	14,458,422	13,861,452
Investment securities	9.1	**1,433,122**	1,359,532	1,713,788
Miscellaneous assets	10	**18,887**	136,496	70,025
Investment in associated companies	9.2	**34,920**	32,654	30,447
Deferred tax assets	17.1	**83,116**	81,205	76,958
Property and equipment	11.1	**254,385**	256,817	246,780
Defined benefit pension fund asset	12.1	**24,277**	-	8,646
Goodwill		**2,951**	2,951	2,951
Total assets		**25,409,018**	23,373,349	24,332,001
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from customers	13	**19,041,461**	17,284,198	18,538,048
Deposits from banks and related companies	14	**87,375**	42,843	38,088
Other liabilities	15	**410,422**	387,683	314,678
Taxation payable		**42,808**	51,505	48,088
Policyholders' funds	16	**1,460,778**	1,412,729	1,332,623
Post-employment medical and life benefits obligation	12.1	**145,618**	129,673	126,633
Defined benefit pension fund liability	12.1	-	1,893	-
Deferred tax liabilities	17.1	**38,448**	49,726	40,769
Total liabilities		**21,226,910**	19,360,250	20,438,927
EQUITY				
Stated capital	18	**267,563**	267,563	267,563
Statutory reserve fund	19	**734,012**	688,562	688,201
Investment revaluation reserve		**28,211**	15,962	7,519
Retained earnings		**3,152,322**	3,041,012	2,929,791
Total equity		**4,182,108**	4,013,099	3,893,074
Total liabilities and equity		**25,409,018**	23,373,349	24,332,001

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 3, 2019 and signed on its behalf by:

George Janoura, Director

Stephen Bagnarol, Managing Director

Lisa Mackenzie, Director

Steve Ragobar, Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended October 31, 2019 ($ thousands, except earnings per share data)	Notes	2019	Restated 2018
		$	$
REVENUE			
Interest income calculated using the effective interest method	21	**1,351,348**	1,309,249
Interest expense	22	**(25,330)**	(20,711)
Net interest income		**1,326,018**	1,288,538
Other income	23	**655,129**	631,809
Fee and commission expense		**(120,425)**	(87,353)
Net other income		**534,704**	544,456
Total revenue		**1,860,722**	1,832,994
NON-INTEREST EXPENSES			
Salaries and other staff benefits		**289,560**	252,840
Premises and technology		**140,541**	132,200
Communication and marketing		**91,003**	104,905
Other expenses	24	**246,021**	247,018
Total non-interest expenses		**767,125**	736,963
Net impairment loss on financial assets	8.6	**144,346**	138,588
Profit before taxation		**949,251**	957,443
Income tax expense	25	**280,923**	316,677
Profit for the year, attributable to equity holders		**668,328**	640,766
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefits asset/obligation	12.7	**26,866**	(235)
Related tax	25.3	**(9,403)**	82
		17,463	(153)
Items that are or may be reclassified subsequently to profit or loss			
Fair value re-measurement of debt instruments at FVOCI		**15,487**	10,123
Related tax	25.3	**(3,238)**	(1,680)
		12,249	8,443
Other comprehensive income, net of tax		**29,712**	8,290
Total comprehensive income, attributable to equity holders		**698,040**	649,056
Earnings per share (basic and diluted)	26	**379.0¢**	363.4¢

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

Consolidated Statement of Changes in Equity

For the year ended October 31, 2019
($ thousands)

	Notes	Stated Capital	Statutory Reserve Fund	Investment Revaluation Reserve	Retained Earnings	Total Equity
		$	$	$	$	$
Balance as at October 31, 2017		**267,563**	**688,201**	**7,519**	**2,991,110**	**3,954,393**
Net impact of adopting IFRS 9	3(t)	-	-	-	(61,319)	(61,319)
Restated Balance as at October 31, 2017		**267,563**	**688,201**	**7,519**	**2,929,791**	**3,893,074**
Profit for the year		-	-	-	640,766	640,766
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation		-	-	-	(153)	(153)
Fair value re-measurement of FVOCI investments	25.3	-	-	8,443	-	8,443
Total comprehensive income		-	-	8,443	640,613	649,056
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	19	-	361	-	(361)	-
Dividends paid	20	-	-	-	(529,031)	(529,031)
		-	361	-	(529,392)	(529,031)
Restated Balance as at October 31, 2018		**267,563**	**688,562**	**15,962**	**3,041,012**	**4,013,099**
Profit for the year		-	-	-	668,328	668,328
Other comprehensive income, net of tax						
Remeasurement of post-employment benefits asset/obligation		-	-	-	17,463	17,463
Fair value remeasurement of FVOCI investments	25.3	-	-	12,249	-	12,249
Total comprehensive income		-	-	12,249	685,791	698,040
Transactions with equity owners of Scotiabank						
Transfer to statutory reserve	19	-	45,450	-	(45,450)	-
Dividends paid	20	-	-	-	(529,031)	(529,031)
		-	45,450	-	(574,481)	(529,031)
Balance as at October 31, 2019		**267,563**	**734,012**	**28,211**	**3,152,322**	**4,182,108**

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

Consolidated Statement of Cash Flows

For the year ended October 31, 2019 ($ thousands)

	Notes	2019	Restated 2018
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**668,328**	640,766
Adjustments for:			
- Interest income		**(1,351,348)**	(1,309,249)
- Interest expense		**25,330**	20,711
- Depreciation	11.1	**17,123**	17,796
- Share of profit of associated company		**(2,266)**	(2,207)
- Loss on disposal of property and equipment		**(12,736)**	1,039
- Tax expense	25.1	**280,923**	316,677
Changes in:			
- Deposits with Central Bank		**(710,694)**	265,952
- Net pension cost		**53,728**	50,704
- Policyholders' funds		**48,049**	80,106
- Loan loss provision	8.5	**16,910**	24,949
- Loans to customers		**(1,652,724)**	(613,704)
- Miscellaneous assets		**117,609**	(79,161)
- Deposits from customers		**1,753,583**	(1,254,112)
- Deposits from banks and related companies		**44,532**	4,755
- Other liabilities		**22,741**	72,271
Interest received		**1,368,434**	1,279,373
Interest paid		**(21,388)**	(20,449)
Medical, life and pension contributions and benefits paid		**(32,655)**	(36,730)
Taxation paid		**(315,464)**	(311,965)
Net cash from (used in) operating activities		**318,015**	(852,478)
CASH FLOWS FROM INVESTING ACTIVITIES			
Change in Treasury Bills with original maturity date due over 3 months		**(4,650)**	370,637
Purchase of investment securities		**(564,300)**	(323,106)
Proceeds from redemption of investment securities		**488,492**	722,758
Purchase of property and equipment	11.1	**(24,274)**	(28,340)
Proceeds from disposal of property and equipment		**17,000**	467
Net cash (used in) from investing activities		**(87,732)**	742,416
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	20.3	**(529,031)**	(529,031)
Net cash used in financing activities		**(529,031)**	(529,031)
Decrease in cash and cash equivalents		**(298,748)**	(639,093)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**930,300**	1,569,393
CASH AND CASH EQUIVALENTS, END OF YEAR		**631,552**	930,300
CASH AND CASH EQUIVALENTS REPRESENTED BY			
Cash on hand and in transit		**198,721**	149,333
Loans and advances to banks and related companies	5	**432,831**	780,967
		631,552	930,300

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

Notes to the Consolidated Financial Statements

October 31, 2019 ($ 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 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 Investments Trinidad and Tobago Limited's (Scotia Investments) principal activity is the provision of asset management services.

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

Trinidad and Tobago Interbank Payment Systems Limited's (TTIPS) 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 $25.41 billion (2018: $23.26 billion) and liabilities $21.23 billion (2018: $19.36 billion).

These consolidated financial statements were authorised for issue by Scotiabank's Board of Directors on December 3, 2019.

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. This is the first set of the Group's consolidated financial statements in which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts With Customers* have been applied. Changes to significant accounting policies are described in Note 3(t).

(b) Basis of measurement

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

- financial instruments at fair value through profit or loss (FVTPL)
- financial assets measured at fair value through other comprehensive income (FVOCI)
- equity instruments at fair value through other comprehensive income (FVOCI)
- 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(j) and Note 12.
- policyholders' funds calculated using the Caribbean Policy Premium Method of valuation.

(c) Functional and presentation currency

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

(d) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Transactions eliminated on consolidation

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

(iii) Interest in equity-accounted investees

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

3. Significant Accounting Policies

The significant accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently to all periods presented in the consolidated financial statements, except for those changes described in Note 3(t), 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.

3. Significant Accounting Policies / **(a) Revenue Recognition** (*Continued*)

Interest Income and Expense

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 or receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or the amortised cost of the financial liability. When calculating the effective interest rate for financial instruments, other than purchased or originated credit-impaired assets, the Group estimates the future cash flows considering all contractual terms of the financial instrument, but not future credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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.

Amortised cost and gross carrying amount

The "amortised cost" of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The "gross carrying" amount of a financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, accrued but uncollected interest is reversed against income of the current period. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves. For information on when financial assets are credit-impaired, see Note 3(e).

Presentation

Interest income calculated using the effective interest method presented in profit or loss and OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost
- interest on debt instruments measured at FVOCI

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in the net income from other financial instruments at FVTPL.

Net income from financial instruments at fair value through profit or loss

Net income from financial instruments at FVTPL include financial assets and financial liabilities designated as at FVTPL and, also non-trading assets mandatorily measured at FVTPL. The line item includes dividends and foreign exchange differences.

Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all fair value charges, interest, dividends and foreign exchange differences.

Other income

Other income comprises various 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.

Deposit and payment services

The Group provides deposit and payment services to retail and commercial customers. Revenue from account servicing fees is recognised over time as the services are provided. Transaction based fees are charged to the customer's account and recognized when the transaction takes place.

Card revenues

The Group offers a full suite of credit cards for retail and commercial customers for their cash management and financing needs. Revenues include cardholder fees, interchange fees and merchant fees. Revenues are mainly transaction based and recognized when the card transaction takes place.

Credit fees

The Group provides working capital financing and trade services including letters of credit. Transaction based fees are recognized when the transaction takes place. Loan origination fees are recognized over the term of the loan unless immaterial.

Net premium income

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

Wealth management services

Revenue from wealth management services include fees earned by the Group on trust and fiduciary activities in which the Group holds or invests assets on behalf of its customers. Revenue is recognised over time as the services are provided.

Other fees and commissions

Other fees and commissions are recognised in income as the related services are performed.

(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.

Foreign currency differences arising from the translation of equity investments in respect of which on initial recognition an election has been made to present subsequent changes in fair value in OCI are recognised in OCI.

3. Significant Accounting Policies (*Continued*)

(c) Financial assets and financial liabilities

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

(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 (for an item not at FVTPL) plus transaction costs that are directly attributable to its acquisition or issue. For financial assets or financial liabilities measured at fair value through profit or loss, transaction costs are recognized immediately in Profit or Loss.

(ii) Classification and measurement

The Group classifies its financial assets into the following categories: fair value through profit or loss; fair value through other comprehensive income (FVOCI) and amortized cost. Management determines the classification of its financial assets at initial recognition. Financial assets include both debt and equity instruments.

Classification of debt instruments is determined based on the business model under which the asset is held and the contractual cash flow characteristics of the instrument.

Business model assessment

Business model assessment involves determining how financial assets are managed in order to generate cash flows. The Group's business model assessment is based on the following categories:

- Held to collect: The objective of the business model is to hold assets and collect contractual cash flows. Any sales of the asset are incidental to the objective of the model.
- Held to collect and for sale: Both collecting contractual cash flows and sales are integral to achieving the objectives of the business model.
- Other business model: The business model is neither held-to-collect nor held-to-collect and for sale.

The Group assesses business models at a portfolio level reflective of how groups of assets are managed together to achieve a particular business objective. For the assessment of a business model, the Group takes into consideration the following factors:

- How the performance of assets in a portfolio is evaluated and reported to group heads and other key decision makers within the Group's business lines;
- How compensation is determined for the Group's business lines' management that manages the assets;
- Whether the assets are held for trading purposes i.e., assets that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking;
- The risks that affect the performance of assets held within a business model and how those risks are managed; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Contractual cash flow characteristics assessment

The contractual cash flow characteristics assessment involves assessing the contractual features of an instrument to determine if they give rise to cash flows that are consistent with a basic lending arrangement. Contractual cash flows are consistent with a basic lending arrangement if they represent cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

Principal is defined as the fair value of the instrument at initial recognition. Principal may change over the life of the instrument due to repayments or amortization of premium/discount.

Interest is defined as the consideration for the time value of money and the credit risk associated with the principal amount outstanding and for other basic lending risks and costs (liquidity risk and administrative costs), and a profit margin.

If the Group identifies any contractual features that could significantly modify the cash flows of the instrument such that they are no longer consistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

Debt instruments measured at amortised cost

Debt instruments are measured at amortized cost if they are held within a business model whose objective is to hold for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. After initial measurement, debt instruments in this category are carried at amortized cost. Interest income on these instruments is recognized in interest income using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. Amortized cost is calculated by taking into account any discount or premium on acquisition, transaction costs and fees that are an integral part of the effective interest rate.

Impairment on debt instruments measured at amortized cost is calculated using the expected credit loss approach. Loans and debt securities measured at amortized cost are presented net of the allowance for credit losses (ACL) in the statement of financial position.

Debt instruments measured at FVOCI

Debt instruments are measured at FVOCI if they are held within a business model whose objective is to hold for collection of contractual cash flows and for selling financial assets, where the assets' cash flows represent payments that are solely payments of principal and interest. Subsequent to initial recognition, unrealized gains and losses on debt instruments measured at FVOCI are recorded in other comprehensive income (OCI), unless the instrument is designated in a fair value hedge relationship.

Impairment on debt instruments measured at FVOCI is calculated using the expected credit loss approach. The ACL on debt instruments measured at FVOCI does not reduce the carrying amount of the asset in the Consolidated Statement of Financial Position, which remains at its fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to net impairment loss on financial assets in Profit or Loss. The accumulated allowance recognised in OCI is recycled to Profit or Loss upon derecognition of the debt instrument.

Debt instruments measured at FVTPL

Debt instruments are measured at FVTPL if assets:

(i) Are held for trading purposes;

(ii) Are held as part of a portfolio managed on a fair value basis; or

(iii) Whose cash flows do not represent payments that are solely payments of principal and interest.

These instruments are measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized immediately in Profit or Loss as part of Other income. Realized and unrealized gains and losses are recognized as part of Other income in Profit or Loss.

Equity instruments measured at FVTPL

Equity instruments are measured at FVTPL, unless an election is made to designate them at FVOCI upon purchase, with transaction costs recognized immediately in Profit or Loss as part of Other income. Subsequent to initial recognition the changes in fair value are recognized as part of Other Income in Profit or Loss.

Equity instruments measured at FVOCI

At initial recognition, there is an irrevocable option for the Group to classify non-trading equity instruments at FVOCI. This election is used for certain equity investments for strategic or longer term investment purposes. This election is made on an instrument-by-instrument basis and is not available to equity instruments that are held for trading purposes.

Gains and losses on these instruments including when derecognized/sold are recorded in OCI and are not subsequently reclassified to Profit or Loss. As such, there is no specific impairment requirement. Dividends received are recorded in Other income in Profit or Loss. Any transaction costs incurred upon purchase of the security are added to the cost basis of the security and are not reclassified to Profit or Loss on sale of the security.

Financial liabilities

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

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

Determination of fair value

Fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal, or in its absence, the most advantageous market to which the Bank has access at the measurement date.

The Group values instruments carried at fair value using quoted market prices, where available. Unadjusted quoted market prices for identical instruments represent a Level 1 valuation. When quoted market prices are not available, the Bank maximizes the use of observable inputs within valuation models. When all significant inputs are observable, the valuation is classified as Level 2. Valuations that require the significant use of unobservable inputs are considered Level 3.

Inception gains and losses are only recognized where the valuation is dependent only on observable market data, otherwise, they are deferred and amortized over the life of the related contract or until the valuation inputs become observable.

(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) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated 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.

(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) Impairment of financial assets

The Group applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for the following categories of financial instruments that are not measured at fair value through profit or loss:

- Amortized cost financial assets;
- Debt securities classified as at FVOCI;
- Off-balance sheet loan commitments; and
- Financial guarantee contracts.

(i) Expected credit loss impairment model

The Group's allowance for credit losses calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The expected credit loss (ECL) impairment model reflects the present value of all cash shortfalls related to default events either (i) over the following twelve months or (ii) over the expected life of a financial instrument depending on credit deterioration from inception. The allowance for credit losses reflects an unbiased, probability-weighted outcome which considers multiple scenarios based on reasonable and supportable forecasts.

This impairment model measures credit loss allowances using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SIR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SIR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

(ii) Measurement of expected credit loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modelled based on macroeconomic variables that are most closely related with credit losses in the relevant portfolio. Details of these statistical parameters/inputs are as follows:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the remaining estimated life, if the facility has not been previously derecognized and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

(iii) Forward-looking information

The estimation of expected credit losses for each stage and the assessment of significant increases in credit risk consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information may require significant judgment.

(iv) Macroeconomic factors

In its models, the Group relies on a broad range of forward-looking economic information as inputs, such as: GDP growth, unemployment rates and central-bank interest rates. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

(v) Multiple forward-looking scenarios

The Group determines its allowance for credit losses using three probability-weighted forward-looking scenarios. The Group considers both internal and external sources of information and data in order to achieve unbiased projections and forecasts. The Group prepares the scenarios using forecasts generated by Scotiabank Economics (SE). The forecasts are created using internal and external models which are modified by SE as necessary to formulate a 'base case' view of the most probable future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The process involves the development of two additional economic scenarios and consideration of the relative probabilities of each outcome.

The 'base case' represents the most likely outcome and is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macroeconomic variables, credit risk, and credit losses.

(vi) Assessment of significant increase in credit risk (SIR)

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The assessment considers borrower-specific quantitative and qualitative information without consideration of collateral, and the impact of forward-looking macroeconomic factors.

The common assessments for SIR on retail and non-retail portfolios include macroeconomic outlook, management judgement, delinquency and monitoring. Forward-looking macroeconomic factors are a key component of the macroeconomic outlook. The importance and relevance of each specific macroeconomic factor depends on the type of product, characteristics of the financial instruments and the borrower and the geographical region. Quantitative models may not always be able to capture all reasonable and supportable information that may indicate a significant increase in credit risk. Qualitative factors may be assessed to supplement the gap. Examples of situations include changes in adjudication criteria for a particular group of borrowers; changes in portfolio composition; and natural disasters impacting certain portfolios. With regards to delinquency and monitoring, there is a rebuttable presumption that the credit risk of the financial instrument has increased since initial recognition when contractual payments are more than 30 days overdue.

Retail portfolio – For retail exposures, a significant increase in credit risk cannot be assessed using forward looking information at an individual account level. Therefore, the assessment must be done at the segment level. Segment migration thresholds exist for each PD model by product which considers the proportionate change in PD as well as the absolute change in PD. The thresholds used for PD migration are reviewed and assessed at least annually, unless there is a significant change in credit risk management practices in which case the review is brought forward.

Non-retail portfolio – The Group uses a risk rating scale (IG codes) for its non-retail exposures. All non-retail exposures have an IG code assigned that reflects the probability of default of the borrower. Both borrower specific and non-borrower specific (i.e. macroeconomic) forward looking information is considered and reflected in the IG rating. Significant increase in credit risk is evaluated based on the migration of the exposures among IG codes.

(vii) Expected life

When measuring expected credit loss, the Group considers the maximum contractual period over which the Group is exposed to credit risk. All contractual terms are considered when determining the expected life, including prepayment, and extension and rollover options. For certain revolving credit facilities, such as credit cards, the expected life is estimated based on the period over which the Group is exposed to credit risk and how the credit losses are mitigated by management actions.

(viii) Presentation of allowance for credit losses in the Consolidated Statement of Financial Position

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the financial assets;
- Debt instruments measured at fair value through other comprehensive income: no allowance is recognized in the Consolidated Statement of Financial Position because the carrying value of these assets is their fair value. However, the allowance determined is presented in the accumulated other comprehensive income;
- Off-balance sheet credit risks include undrawn lending commitments, letters of credit and letters of guarantee: as a provision in other liabilities.

(ix) Modified financial assets

If the terms of a financial asset are modified or an existing financial asset is replaced with a new one, an assessment is made to determine if the existing financial asset should be derecognized. Where a modification does not result in derecognition, the date of origination continues to be used to determine SIR. Where a modification results in derecognition, the new financial asset is recognized at its fair value on the modification date. The modification date is also the date of origination for this new asset.

The Group may modify the contractual terms of loans for either commercial or credit reasons. The terms of a loan in good standing may be modified for commercial reasons to provide competitive pricing to borrowers. Loans are also modified for credit reasons where the contractual terms are modified to grant a concession to a borrower that may be experiencing financial difficulty.

For all financial assets modifications of the contractual terms may result in derecognition of the original asset when the changes to the terms of the loans are considered substantial. These terms include interest rate, authorized amount, term, or type of underlying collateral. The original loan is derecognized and the new loan is recognized at its fair value. The difference between the carrying value of the derecognized asset and the fair value of the new asset is recognized in Profit or Loss.

For all loans, performing and credit-impaired, where the modification of terms did not result in the derecognition of the loan, the gross carrying amount of the modified loan is recalculated based on the present value of the modified cash flows discounted at the original effective interest rate and any gain or loss from the modification is recorded in the provision for credit losses line in profit or loss.

(x) Definition of default

The Group considers a financial instrument to be in default as a result of one or more loss events that occurred after the date of initial recognition of the instrument and the loss event has a negative impact on the estimated future cash flows of the instrument that can be reliably estimated. This includes events that indicate:

- significant financial difficulty of the borrower;
- default or delinquency in interest or principal payments;
- high probability of the borrower entering a phase of bankruptcy or a financial reorganization;
- measurable decrease in the estimated future cash flows from the loan or the underlying assets that back the loan.

The Group considers that default has occurred and classifies the financial asset as impaired when it is more than 90 days past due, with the exception of credit card receivables that are treated as defaulted when 180 days past due, unless reasonable and supportable information demonstrates that a more lagging default criterion is appropriate.

(xi) Write-off policy

The Group writes off an impaired financial asset (and the related impairment allowance), either partially or in full, when there is no realistic prospect of recovery. Where financial assets are secured, write-off is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier. Credit card receivables 180 days past due are written-off. In subsequent periods, any recoveries of amounts previously written off are credited to the provision for credit losses in Profit or Loss.

(f) Property and equipment

(i) Recognition and measurement

Property 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 and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in Profit or Loss.

(ii) Subsequent cost

The cost of replacing part of an item of property 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 and equipment is recognised in Profit or Loss as incurred.

(iii) Depreciation

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

Buildings	40 years
Equipment and furniture	3 to 10 years
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.

(g) 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.

(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 consolidated 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.

(h) 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.

(i) Policyholders' funds

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

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

(j) 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, 2019 and have been included in the calculation of the post-employment benefit liability as necessary. The next valuation is due October 31, 2019 and is in progress.

Pension obligations

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

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

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

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

Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses of Profit or Loss.

The existing defined-benefit pension plan will be closed to future pension service accrual as of August 31, 2020. Pension benefits accrued up to August 31, 2020 for the Group's employees will continue to be administered under the defined-benefit pension plan and paid on retirement as per existing policies. On September 1, 2020, Scotiabank will begin operating a defined contribution pension plan in which all future pension service will be earned for the Group's employees. This new plan will also be non-contributory but additional voluntary contributions will be permitted.

Other post-employment benefits

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

(k) 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, 2019 total $925 million (2018: $884 million). In the event of a call on these commitments, the Group has equal and offsetting claims against its customers.

The Group measures allowance for credit losses on loan commitments. Refer to Note 3(t).

(l) 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, 2019 totaled $3.822 billion (2018: $4.082 billion).

(m) 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.

(n) 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 the consolidated statement of financial position but are disclosed as a note to these consolidated financial statements. Dividends are presented in net income from financial instruments at FVTPL.

(o) Impairment of non-financial assets

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

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

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

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

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

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

(p) 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 16. Income consists of fees deducted for mortality, policy administration, and surrenders.

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

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

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

Reinsurance contracts held

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. 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(e).

(q) 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.

(r) 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.

(s) 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.

(t) 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:

IFRS 9, Financial Instruments

The Group has adopted IFRS 9, *Financial Instruments*, from November 1, 2018, which replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. Comparative information throughout these financial statements has been restated for 2018. The effect of initially applying the standard is attributed to an increase in impairment losses recognized on financial assets and additional disclosures. 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 financial assets (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, financial assets are measured at amortized cost, fair value through OCI, or fair value through profit or loss.

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

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

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortized cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the “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 key changes to the Group’s accounting policies resulting from its adoption of IFRS 9 are recorded in Note 3(t).

For an explanation of how the Group classified financial assets and financial liabilities under IFRS 9, see Note 3(c).

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Group applies the impairment requirement of IFRS 9, see Note 3(e).

3. Significant Accounting Policies / (t) New, revised and amended standards and interpretations that became effective during the year / IFRS 9 Financial Instruments (*Continued*)

Transition disclosures

The following table provides a reconciliation between the carrying amounts of financial assets under IAS 39 to the carrying amounts of financial assets reported under IFRS 9 in the Consolidated Statement of Financial Position at the transition date November 1, 2018.

	IAS 39 Carrying Amount	Reclassification	Remeasurement	IFRS 9 Carrying Amount
	$	$	$	$
Financial assets				
Loans and advances to bank and related companies	780,993	-	(26)	780,967
Loans to customers	14,555,529	-	(97,107)	14,458,422
Investment Securities - Debt amortised cost	46,518	-	(15)	46,503
Investment Securities - Equity FVOCI	19,378	(94)	-	19,284
Investment Securities - Equity FVTPL	-	94	-	94
Deferred Tax Asset	48,126	-	33,079	81,205
Total Assets	23,437,418	-	(64,069)	23,373,349
Other Liabilities	386,949	-	734	387,683
Total Liabilities	19,359,516	-	734	19,360,250
Investment revaluation reserve	15,768	-	194	15,962
Retained Earnings	3,106,009	-	(64,997)	3,041,012
Total Shareholders' equity	4,077,902	-	(64,803)	4,013,099
Total Liabilities and Equity	23,437,418	-	(64,069)	23,373,349

3. Significant Accounting Policies / (t) New, revised and amended standards and interpretations that became effective during the year / IFRS 9 Financial Instruments / Transition disclosures (*Continued*)

The following table shows the original measurement basis in accordance with IAS 39 and the new measurement basis under IFRS 9 for the Group's financial assets at the transition date.

	IAS 39 Original Classification	IFRS 9 New Classification	IAS 39 Original Carrying Amount	IFRS 9 New Carrying Amount
	$	$	$	$
Financial assets				
Cash on hand and in transit	Amortised cost	Amortised cost	149,333	149,333
Loans and advances to banks and related companies	Amortised cost	Amortised cost	780,993	780,967
Treasury Bills	Available for sale	FVOCI	3,554,534	3,554,534
Deposits with Central Bank	Amortised cost	Amortised cost	2,560,438	2,560,438
Loans to customers	Loans & receivables	Amortised cost	14,555,529	14,458,422
Investment Securities - Debt FVOCI	Available for sale	FVOCI	1,244,051	1,244,051
Investment Securities - Debt amortised cost	Held-to-maturity	Amortised cost	46,518	46,503
Investment Securities - Equity FVOCI	Available for sale	FVOCI	19,378	8,260
Investment Securities - Equity FVTPL	FVTPL	FVTPL	25,810	36,928
Total financial assets			**22,936,584**	**23,839,436**

3. Significant Accounting Policies / (t) New, revised and amended standards and interpretations that became effective during the year / IFRS 9 Financial Instruments / Transition disclosures (*Continued*)

The following table discloses the impact of transition to IFRS 9 on reserves and retained earnings at the transition date November 1, 2018. There is no impact on other components of shareholders equity.

	Impact of adopting IFRS 9
	$
Investment Revaluation Reserve	
Closing balance under IAS 39 (October 31, 2018)	15,768
Recognition of expected credit losses for investments at FVOCI	363
Reclassification of investment securities from available-for-sale to FVTPL	(56)
Related tax	(113)
	194
Opening balance under IFRS 9 (November 1, 2018)	15,962

	Impact of adopting IFRS 9
	$
Retained Earnings	
Closing balance under IAS 39 (October 31, 2018)	3,106,009
Recognition of expected credit losses under IFRS 9	(98,076)
Reclassifications under IFRS 9	-
Related tax	33,079
	(64,997)
Opening balance under IFRS 9 (November 1, 2018)	3,041,012

The following table discloses the impact of transition to IFRS 9 on reserves and retained earnings at the transition date November 1, 2017. There is no impact on other components of shareholders equity.

	Impact of adopting IFRS 9
	$
Retained Earnings	
Closing balance under IAS 39 (October 31, 2017)	2,991,110
Recognition of expected credit losses under IFRS 9	(94,337)
Reclassifications under IFRS 9	-
Related tax	33,018
	(61,319)
Opening balance under IFRS 9 (November 1, 2017)	2,929,791

3. Significant Accounting Policies / **(t) New, revised and amended standards and interpretations that became effective during the year** / **IFRS 9 Financial Instruments** / **Transition disclosures** (*Continued*)

The following table discloses the impact of transition to IFRS 9 as at October 31, 2017.

	October 31, 2017	Adjustment	Restated October31,2017
Assets	$	$	$
Loans to customers	13,955,789	(94,337)	13,861,452
Investment securities	1,726,478	(12,690)	1,713,788
Miscellaneous assets	57,335	12,690	70,025
Deferred tax asset	43,940	33,018	76,958
Total Assets	24,393,320	(61,319)	24,332,001
Equity	$	$	$
Retained earnings	2,991,110	(61,319)	2,929,791
Total equity	3,954,393	(61,319)	3,893,074
Total liabilities and equity	24,393,320	(61,319)	24,332,001

The table below shows the profit or loss and OCI impact of transition to IFRS 9 at October 31, 2018.

	October 31, 2018	Adjustment	Restated October31,2018
Profit or loss	$	$	$
Net impairment loss on financial assets	133,033	5,555	138,588
Profit before tax	962,998	(5,555)	957,443
Income tax expense	318,554	(1,877)	316,677
Profit for the year	644,444	(3,678)	640,766
OCI	$	$	$
Fair value measurement	8,249	194	8,443
Total comprehensive income	652,540	(3,484)	649,056

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as at October 31, 2018 to the opening impairment allowance under IFRS 9 as at November 1, 2018.

	IAS 39 Closing Allowance	Remeasurement	IFRS 9 Opening Allowance
	$	$	$
Loans and advances to customers (Note 8)	166,744	97,107	263,851
Investment securities	-	15	15
Deposits with financial institutions (Note 5)	-	26	26
Undrawn credit commitments	-	734	734
Total	**166,744**	**97,882**	**264,626**

IFRS 15, Revenue From Contracts With Customers

The Group adopted IFRS 15, *Revenue From Contracts With Customers* on November 1, 2018. It replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*. 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, securities gains, insurance contracts and lease contracts which are covered under 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 used the modified retrospective approach for adoption of IFRS 15 which did not result in a material difference in the value and timing of revenue recognition and comparative periods have not been restated.

There are new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new disclosure requirements have been disclosed in Note 3(a).

(u) 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, 2019. 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 16, Leases

- IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, will replace IAS 17, *Leases* (IAS 17), requiring a lessee to recognize an asset for the right to use the leased item and a liability for the present value of its future lease payments. IFRS 16 will generally result in all operating leases being recorded on the Group's consolidated statement of financial position as a right-of-use (ROU) asset with a corresponding lease liability. The Group will also recognize amortization expense on the ROU asset in non-interest expenses and interest expense on the lease liability in interest expenses, in the consolidated statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will apply IFRS 16 on a modified retrospective basis by adjusting the consolidated statement of financial position as at November 1, 2019, the date of initial application, with no restatement of comparative periods. The Group will elect certain transition options as follows:

- Measure the ROU asset at the date of initial application as equal to lease liability.
- Not apply IFRS 16 to operating leases with a remaining lease term of less than 12 months (short-term leases) or low value assets.
- Not apply IFRS 16 to leases of intangible assets.

The adoption of IFRS 16 as at November 1, 2019 is expected to result in an increase to total assets of approximately $151 million representing real estate leases recognised as a ROU asset and a corresponding increase in lease liabilities. The Group estimates that the impact of IFRS 16 will be immaterial on shareholder's equity in 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.

The following amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

<u>Effective November 1, 2019</u>

- Amendment to IFRS 9 *Financial Instruments*: prepayment features with negative compensation
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IAS 19, *Employee Benefits*: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28, *Investments in Associates and Joint Ventures*: Long-term interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards: various standards

<u>Effective November 1, 2020</u>

- Revised Conceptual Framework for Financial Reporting
- Amendment to IFRS 3, *Business Combinations*: Definition of a business
- Amendments to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of material

(v) 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.

(w) Comparative figures

Certain comparative figures have been restated as a result of the adoption of IFRS 9 and in order to conform to the current year's presentation. (Refer to Note 3 (t)).

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) Classification of financial assets

The Group's accounting policies provide scope for assets and liabilities to be designated on inception into different accounting categories based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

(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, 2019 is included below:

(i) Allowances for credit losses

The Group's allowance calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Some of the key drivers include the following:

- Changes in risk ratings of the borrower or instrument reflecting changes in their credit quality;
- Changes in the volumes of transactions;
- Changes in the forward-looking macroeconomic environment reflected in the variables used in the models such as GDP growth, unemployment rates, commodity prices, and house price indices, which are most closely related with credit losses in the relevant portfolio;
- Changes in macroeconomic scenarios and the probability weights assigned to each scenario; and
- Borrower migration between the three stages which can result from changes to any of the above inputs and assumptions.

(ii) 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)(ii). 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.

(iii) Measurement of defined benefit obligations

The key actuarial assumptions which underpin the value of the Group's defined benefit obligations are described in Note 12.12.

(iv) 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.

4. Use of Judgements and Estimates / **(b) Assumptions and estimation uncertainties**
/ (iv) Estimate of future payments and premiums arising from long-term insurance contracts (*Continued*)

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.

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

	2019	2018
	$	$
Interest rates decrease by 1%	**(2,417)**	(3,587)
Interest rates increase by 1%	**3,144**	4,075
Mortality increases by 10%	**12,429**	11,440
Mortality decreases by 10%	**(12,924)**	(11,853)
Expenses increase by 10%	**6,974**	7,259
Expenses decrease by 10%	**(6,961)**	(7,248)
Lapses and withdrawals increase by 10%	**15,492**	15,881
Lapses and withdrawals decrease by 10%	**(17,480)**	(17,949)

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.

(v) 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.

5. Loans and Advances to Banks and Related Companies

	2019	Restated 2018
	$	$
Due from related companies	**32,162**	207,809
Due from other banks	**338,522**	573,184
Cheques and other instruments in the course of clearing	**62,406**	-
	433,090	780,993
Allowance for credit losses (Note 8.6)	**(259)**	(26)
	432,831	780,967
Maturity of assets		
Assets with original maturity date less than 3 months	**432,831**	780,967

6. Treasury Bills

	2019	Restated 2018
Government of Trinidad and Tobago	**1,737,126**	2,360,443
Government of United States of America	**1,744,114**	1,194,091
Government of Canada	**77,944**	-
	3,559,184	3,554,534
Maturity of Assets		
Assets with original maturity date over 3 months	**3,559,184**	3,554,534

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% (2018: 17%) of total prescribed liabilities.

	2019	2018
	$	$
Primary reserve	**3,271,132**	2,560,438

8. Loans to Customers

	2019	Restated 2018
	$	$
Loans and advances to customers	**16,314,117**	14,661,393
ECL allowance	**(280,761)**	(263,851)
Total loans net of ECL allowance	**16,033,356**	14,397,542
Interest receivable	**62,136**	60,880
Total loans to customers	**16,095,492**	14,458,422

8. Loans to Customers / (*Continued*)

8.1 Loans and advances to customers

	2019			
	Gross loans	ECL allowance	Interest receivable	Carrying amount
	$	$	$	$
Loans and advances to customers				
Commercial loans	4,406,291	(38,930)	15,890	4,383,251
Retail loans	11,907,826	(241,831)	46,246	11,712,241
	16,314,117	**(280,761)**	**62,136**	**16,095,492**

	Restated 2018			
	Gross loans	ECL allowance	Interest receivable	Carrying amount
	$	$	$	$
Loans and advances to customers				
Commercial loans	3,327,216	(38,741)	13,285	3,301,760
Retail loans	11,334,177	(225,110)	47,595	11,156,662
	14,661,393	**(263,851)**	**60,880**	**14,458,422**

8.2 Concentration of credit

The Group monitors concentrations of credit risk by sector based on the volume of loans granted to retail and commercial customers based on their industry sector. An analysis of concentrations of credit risk from loans to customers is shown below.

	2019	Restated 2018
	$	$
Mortgages - residential	**6,734,209**	6,370,194
Mortgages - commercial	**166,073**	189,455
Consumer	**5,194,160**	4,955,263
Energy and petrochemical	**940,723**	477,191
Construction and engineering	**201,117**	200,434
Distributive trades	**707,730**	710,952
Communication and transport	**72,527**	75,439
Manufacturing and assembly	**923,861**	693,916
Financial services	**436,741**	318,265
Business and personal services	**907,942**	639,539
Hospitality industry	**23,584**	27,274
Agriculture	**5,450**	3,471
	16,314,117	14,661,393

8. Loans to Customers / (*Continued*)

8.3 Impaired loans

Gross impaired loans represent those loans which are classified as Stage 3.

	2019		
	Gross impaired loans	Allowance for credit losses	Net
	$	$	$
Loans and advances to customers			
Commercial loans	89,257	(28,465)	60,792
Retail loans	282,487	(60,634)	221,853
	371,744	(89,099)	282,645

	Restated 2018		
	Gross impaired loans	Allowance for credit losses	Net
	$	$	$
Loans and advances to customers			
Commercial loans	77,577	(28,157)	49,420
Retail loans	258,939	(50,376)	208,563
	336,516	(78,533)	257,983

8.4 Allowance for credit losses

	2019			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loans and advances to customers				
Commercial loans	(4,334)	(6,131)	(28,465)	(38,930)
Retail loans	(59,743)	(121,454)	(60,634)	(241,831)
	(64,077)	(127,585)	(89,099)	(280,761)

	Restated 2018			
	Stage 1	Stage 2	Stage 3	Total
	$	$	$	$
Loans and advances to customers				
Commercial loans	(3,436)	(7,148)	(28,157)	(38,741)
Retail loans	(55,502)	(119,232)	(50,376)	(225,110)
	(58,938)	(126,380)	(78,533)	(263,851)

8. Loans to Customers / (*Continued*)

8.5 Analysis of movement in ECL allowance

	2019	Restated 2018
	$	$
Allowance, beginning of year	**263,851**	238,902
Impairment charge for the year	**171,526**	173,739
Write-offs	**(154,616)**	(148,790)
Net increase in ECL allowance	**16,910**	24,949
Allowance, end of year	**280,761**	263,851

8.6 Net impairment loss on financial assets

	2019	Restated 2018
Impairment charge for the year:		
- Loans and advances to customers	**171,526**	173,739
- Undrawn credit commitments	**(203)**	734
- Loans and advances to banks and related companies	**233**	26
- Investments (Note 9.1)	**(6)**	15
- Debt OCI	**45**	-
Recoveries	**(27,249)**	(35,926)
Total	**144,346**	138,588

9.1 Investment Securities

	2019	Restated 2018
Debt instruments measured at FVOCI:		
- Government and state owned enterprises debt securities	**1,194,886**	861,990
- Corporate debt securities	**128,169**	382,061
	1,323,055	1,244,051
Debt instruments measured at amortised cost:		
- Government and state owned enterprises debt securities	**46,687**	46,518
- Allowance for impairment	**(9)**	(15)
	46,678	46,503
Equity instruments designated as FVOCI:		
- Unlisted equity securities	**9,666**	8,260
Equity instruments measured at FVTPL:		
- Listed equity securities and mutual funds	**40,208**	36,928
Interest receivable	**13,515**	23,790
Total investment securities	**1,433,122**	1,359,532
Analysis of movement in loss allowance:		
Allowance, beginning of year	**15**	-
Impairment charge for the year (Note 8.6)	**(6)**	15
Allowance, end of year	**9**	15

The analysis of credit quality of investment securities is disclosed in Note 28.1(iv).

9.2 Investment in Associated Companies

The following table summarises the financial information in respect of the Group's associated companies as per the unaudited financial statements of Infolink and TTIPS for the year ended September 30, 2019. The table also reconciles the summarized financial information to the carrying amount of the Group's investment in associated companies.

	2019	2018
Infolink	**$**	$
Total assets	**139,003**	131,003
Total liabilities	**(5,330)**	(5,438)
Net assets	**133,673**	125,565
Group's share of net assets (25%)	**33,418**	31,391
Carrying amount of investment in associate	**33,418**	31,391
Revenue	**22,733**	20,949
Net income	**11,239**	10,165
Group's share of net income (25%)	**2,810**	2,541
TTIPS		
Total assets	**10,979**	9,227
Total liabilities	**(250)**	(209)
Net assets	**10,729**	9,018
Group's share of net assets (14%)	**1,502**	1,263
Carrying amount of investment in associate	**1,502**	1,263
Revenue	**3,314**	3,172
Net income	**1,029**	980
Group's share of net income (14%)	**144**	137
Carrying amount of Infolink	**33,418**	31,391
Carrying amount of TTIPS	**1,502**	1,263
Total carrying amount of investment in associates	**34,920**	32,654
Group's share of net income:		
Infolink	**2,810**	2,541
TTIPS	**144**	137
Total carrying amount of investment in associates	**2,954**	2,678

10. Miscellaneous Assets

	2019	2018
	$	$
Accounts receivable and prepayments	**14,281**	17,559
Clearing items in transit	**2,453**	26,698
Other assets	**2,153**	92,239
	18,887	136,496

11.1 Property and Equipment

	Land	Buildings	Leasehold Improvements	Equipment & Furniture	Capital Work in Progress	Total
	$	$	$	$	$	$
October 31, 2019						
Cost						
At beginning of year	18,900	166,713	66,609	250,067	18,527	520,816
Additions	-	10,275	4,827	12,902	14,058	42,062
Disposals/transfers	(244)	(11,252)	(65)	(8,810)	(17,787)	(38,158)
At end of year	**18,656**	**165,736**	**71,371**	**254,159**	**14,798**	**524,720**
Accumulated depreciation						
At beginning of year	-	57,175	17,163	189,661	-	263,999
Charge for year	-	2,727	922	13,474	-	17,123
Disposals	-	(3,391)	(44)	(7,352)	-	(10,787)
At end of year	**-**	**56,511**	**18,041**	**195,783**	**-**	**270,335**
Net book value	**18,656**	**109,225**	**53,330**	**58,376**	**14,798**	**254,385**

	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**

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2018: Nil).

11.2 Capital Commitment

	2019	2018
	$	$
Contracts for outstanding capital expenditure not provided for in the consolidated financial statements	-	-
Other capital expenditure authorised by the Directors not yet contracted for	-	-

12. 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 2020.

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2019	2018	2019	2018
	$	$	$	$
Defined benefit obligation	(822,144)	(783,106)	(145,618)	(129,673)
Fair value of plan assets	846,421	781,213	-	-
Net asset (liability)	24,277	(1,893)	(145,618)	(129,673)

12.2 Reconciliation of change in defined benefit obligation:

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2019	2018	2019	2018
	$	$	$	$
Defined benefit obligation at beginning of year	(783,106)	(732,661)	(129,673)	(126,633)
Current service cost	(41,010)	(38,530)	(5,636)	(5,187)
Interest cost	(40,365)	(37,775)	(6,697)	(6,541)
Experience adjustments	23,506	(2,714)	455	2,075
Actuarial gains	(13,039)	-	(8,499)	2,031
Benefits paid	31,870	28,574	4,432	4,582
Defined benefit obligation at end of year	(822,144)	(783,106)	(145,618)	(129,673)

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations / (*Continued*)

12.3 Reconciliation of the fair value of plan assets:

	Defined Benefit Pension Fund	
	2019	2018
	$	$
Plan assets at beginning of year	**781,213**	741,307
Interest income	**41,100**	39,019
Gain (loss) on plan assets (excluding interest income)	**24,517**	(1,627)
Bank contributions	**32,655**	32,148
Benefits paid	**(31,870)**	(28,574)
Expenses paid	**(1,194)**	(1,060)
Plan assets at end of year	**846,421**	781,213

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

12.4 The actual return on plan assets is as follows:

	Defined Benefit Pension Fund	
	2019	2018
	$	$
Interest income	**41,100**	39,019
Gain (loss) on plan assets (excluding interest income)	**24,517**	(1,627)
Actual return on plan assets	**65,617**	37,392

12.5 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	
	2019	2018	**2019**	2018
	$	$	**$**	$
Opening defined benefit liability	**(1,893)**	8,646	**(129,673)**	(126,633)
Net pension costs	**(41,395)**	(38,346)	**(12,333)**	(11,728)
Remeasurement recognised in other comprehensive income	**34,910**	(4,341)	**(8,044)**	4,106
Contributions paid	**32,655**	32,148	**-**	-
Benefits paid	**-**	-	**4,432**	4,582
Closing defined benefit asset (liability)	**24,277**	(1,893)	**(145,618)**	(129,673)

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

	Defined Benefit Pension Fund		Post-Employment Medical and Life Benefits	
	2019	2018	**2019**	2018
	$	$	**$**	$
Current service cost	**(41,010)**	(38,530)	**(5,636)**	(5,187)
Net interest on net defined benefit asset (liability)	**735**	1,244	**(6,697)**	(6,541)
Administration expenses	**(1,120)**	(1,060)	**-**	-
Net pension cost	**(41,395)**	(38,346)	**(12,333)**	(11,728)

12.7 The amount recognised in other comprehensive income comprised:

	Remeasurements Recognised in Other Comprehensive Income	
	2019	2018
	$	$
Defined benefit pension fund	**34,910**	(4,341)
Post-employment medical and life benefits experience gains	**(8,044)**	4,106
	26,866	(235)

12.8 Experience history:

	Defined Benefit Pension Fund	
	2019	2018
	$	$
Defined benefit obligation	**(822,144)**	(783,106)
Fair value of Plan assets	**846,421**	781,213
(Deficit) Surplus	**24,277**	(1,893)
Experience adjustment on plan assets	**34,910**	(4,341)

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations / (*Continued*)

12.9 Experience history:

	Post-Employment Medical and Life Benefits	
	2019	2018
	$	$
Defined benefit obligation	**(145,618)**	(129,673)
Deficit	**(145,618)**	(129,673)
Experience adjustment on plan liabilities	**(8,044)**	4,106

12.10 Asset allocation:

	Defined Benefit Pension Fund	
	2019	2018
Equity securities	**37%**	36%
Debt securities	**53%**	53%
Property	**2%**	3%
Other	**8%**	8%
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.

12.11 Composition of plan assets:

	2019	2018
	$	$
Locally listed equities	**187,749**	175,603
Overseas equities	**124,456**	108,341
TT$ denominated bonds	**355,699**	324,588
US$ denominated bonds	**91,891**	85,434
Property	**21,250**	21,250
Mortgages	**3,171**	10,399
Cash and cash equivalents	**62,205**	55,598
Total	**846,421**	781,213

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, 2019, the Plan held $40.3 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.

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

	2019	2018
	% 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:

	2019	2018
	% pa	% pa
Longevity at age 60 for current pensioners (in years)		
Males	**21.7**	21.0
Females	**26.0**	25.1
Longevity at age 60 for current members age 40 (in years)		
Males	**22.6**	21.4
Females	**26.9**	25.4

At October 31, 2019, the weighted-average duration of the defined benefit obligation is 18.3 years (2018: 17.9 years).

12.13 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 $12.8 million.

12. Defined Benefit Pension Fund and Other Post-Employment Benefits Obligations / **12.13 Sensitivity analysis** (*Continued*)

	Effect on Post-employment Medical and Life Benefits 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 $5.0 million.

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

	2019	2018
	$	$
13. Deposits from customers		
13.1 Deposit balances	**19,034,194**	17,280,611
Interest payable	**7,267**	3,587
	19,041,461	17,284,198
13.2 Concentration of liabilities		
Personal	**11,504,872**	11,267,305
Commercial	**6,383,197**	5,311,813
Financial institutions	**1,146,125**	701,493
	19,034,194	17,280,611
14. Deposits from Banks and Related Companies		
Related companies	**29,213**	33,725
Banks	**58,162**	7,592
Cheques and other instruments in the course of clearing	**-**	1,526
	87,375	42,843
15. Other Liabilities		
Deferred Income	**121,496**	104,925
Accrued charges and other payables	**219,683**	202,730
Other	**68,712**	79,294
Impairment allowance- Undrawn credit commitments	**531**	734
	410,422	387,683

16. Policyholders' Funds

	2019	2018
	$	$
Ordinary life – Non-participating policies	**705,095**	681,360
Individual annuities	**712,412**	690,406
Group life – Creditor life	**24,500**	24,396
Provision for future policy benefits	**1,442,007**	1,396,162
Other policyholders' liabilities	**18,771**	16,567
	1,460,778	1,412,729
The movement in provision for future policy benefits is as follows:		
Balance at beginning of year	**1,412,729**	1,332,623
Change in reserves	**45,845**	79,062
Change in other policy liabilities	**2,204**	1,044
Balance at end of year	**1,460,778**	1,412,729

17. Deferred Taxation

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

	2019	Restated 2018
	$	$
Deferred tax liability		
Investment securities at FVOCI	**19,720**	6,551
Property and equipment	**18,236**	16,851
Miscellaneous assets	**492**	26,324
	38,448	49,726
Deferred tax asset		
Accumulated tax losses	**-**	13
Allowance for credit losses	**39,632**	33,079
Post-employment benefits asset/obligation	**42,469**	46,048
Miscellaneous liabilities	**1,015**	2,065
	83,116	81,205
Net deferred tax asset	**(44,668)**	(31,479)

17.2 The movement in the deferred tax amount comprised:

	2019	Restated 2018
Balance at beginning of year	**(31,479)**	(34,373)
Amounts recognised in OCI (Note 25.3)		
- Investment securities at FVOCI	**3,238**	1,680
- Post-employment benefits assets/obligation	**9,403**	(82)
Amounts recognised in profit or loss		
- Tax credit	**(28,022)**	-
- Current year's deferred tax charge (Note 25.1)	**2,192**	1,296
Balance at end of year	**(44,668)**	(31,479)

18. Stated Capital

Authorised

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

	2019	Restated 2018
Issued and fully paid		
176,343,750 (2018: 176,343,750) ordinary shares	267,563	267,563

19. 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:

	2019		
	Scotiabank	Scotia Investments	Total
	$	$	$
Balance, beginning of year	687,563	999	688,562
Amount transferred	45,000	450	45,450
Balance, end of year	**732,563**	**1,449**	**734,012**

	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**

20. Dividends

20.1 Subsequent to October 31, 2019, the Board of Directors, in a meeting on December 3, 2019, 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 (2018: $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, 2020.

20.2 Dividends paid and proposed are analysed as follows:

	2019		2018	
	¢ 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

20. Dividends / (*Continued*)

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

	2019		2018	
	¢ 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**	150	264,516
Dividends paid during the year	**300**	**529,031**	300	529,031

	2019	2018
	$	$

21. Interest Income Calculated Using the Effective Interest Method

	2019	2018
Deposits with Central Bank	**-**	540
Loans to customers	**1,209,891**	1,172,206
Investment securities		
- FVOCI	**137,856**	131,841
- Amortised cost	**3,601**	4,662
	1,351,348	1,309,249

22. Interest Expense

	2019	2018
Deposits from customers	**24,757**	20,148
Other interest expense	**573**	563
	25,330	20,711

23. Other Income

	2019	2018
Deposit and payment services	**59,505**	71,720
Card revenues	**185,857**	170,125
Credit fees	**22,727**	21,611
Net premium income	**64,037**	66,125
Wealth management services	**7,628**	7,312
Net trading income	**268,815**	246,345
Other fees and commissions	**46,560**	48,571
	655,129	631,809

Net premium income comprises premium income of $402.8 million (2018: $391.2 million) less related expenses of $333.7 million (2018: $318.2 million).

The following table provides information about contract receivables and contract liabilities from contracts with customers:

	2019	2018
Contract receivables, which are included in 'other assets'	**-**	-
Contract liabilities, which are included in 'other liabilities'	**-**	-
	-	-

24. Other Expenses

	2019 $	2018 $
Deposit insurance premium	**29,039**	29,404
Directors' fees	**2,769**	2,850
Other operating expenses	**214,213**	214,764
	246,021	247,018

25. Taxation

25.1 Taxation charge

	2019 $	2018 $
Current tax	**273,212**	307,733
Origination and reversal of temporary differences	**2,192**	1,296
Change in estimates related to prior years	**-**	600
Green Fund levy	**5,509**	7,010
Business levy	**10**	38
	280,923	316,677

25.2 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:

	2019		2018	
	$	%	$	%
Profit before taxation	**949,251**	**100**	957,443	100
Computed tax calculated at the statutory rate of 35% (2018 – 35%)	**332,238**	**35**	335,105	35
Tax effect of items that are adjusted in determining taxable profit:				
- Effect of different tax rate of life insurance company	**(26,225)**	**(3)**	(28,513)	(3)
- Effect of different tax rate of asset management company	**(216)**	**-**	(208)	-
- Effect of different tax rates in other countries	**(663)**	**-**	(1,109)	-
- Tax effect of non-deductible costs and non-taxable income	**6,858**	**1**	3,754	-
- Change in estimates related to prior years	**-**	**-**	600	-
- Green Fund levy	**5,509**	**1**	7,010	1
- Business levy	**10**	**-**	38	-
- Tax Credit	**(36,588)**	**(4)**	-	-
Tax charge and effective tax rate	**280,923**	**30**	316,677	33

The tax credit arose from an adjustment in respect of a prior year which was agreed with the tax authorities in the current year.

25. Taxation / (*Continued*)

25.3 Amounts recognised in OCI

	Before Tax	Tax Expense	Net of Tax
	$	$	$
2019			
Fair value re-measurement of investments at FVOCI	15,487	(3,238)	12,249
Remeasurement of post-employment benefits obligations/assets	26,866	(9,403)	17,463
	42,353	**(12,641)**	**29,712**
2018			
Fair value re-measurement of available-for-sale investments	10,123	(1,680)	8,443
Remeasurement of post-employment benefits obligations/assets	(235)	82	(153)
	9,888	**(1,598)**	**8,290**

26. Earnings Per Share

The calculation of basic earnings per share is based on:

- Net income for the year attributable to ordinary shareholders of $668.3 million (2018: $640.8 million).
- Weighted average number of ordinary shares issued and outstanding during the year which was 176,343,750 shares (2018: 176,343,750 shares).

27. Commitments and Contingent Liabilities

In the normal course of business, various commitments and contingent liabilities are outstanding (see Note 3(k)) 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, 2019, 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:

	2019	2018
	$	$
Rental due within one year	**12,718**	11,154
Rental due between one and five years	**27,532**	20,252
Rental due after five years	**535**	2,828
	40,785	34,234
Lease payments recognised in profit or loss	**21,630**	20,180

28. 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.

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 Asset and Liability Committee (ALCO), Audit Committee, Credit Committee and 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.

28.1 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 Group's direct lending operations and in its funding, investment and trading activities where counterparties have repayment, or other obligations to the Group.

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

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

The Group's credit processes include:

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

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

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

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

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

Inputs, assumptions and techniques used for estimating impairment is described in Note 3(e).

(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 and commercial 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.

The following table sets out the principal types of collateral held against different types of financial assets:

For each loan, the value of collateral is capped at the nominal amount of the loan that it is held against.

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:

	2019	Restated 2018
	$	$
Credit risk recognised on the consolidated statement of financial position		
Cash and cash equivalents	**198,721**	149,333
Loans and advances to banks and related companies	**432,831**	780,993
Treasury bills	**3,559,184**	3,554,534
Deposits with Central Bank	**3,271,132**	2,560,438
Loans to customers	**16,095,492**	14,458,422
Investment securities (excluding equities)		
- Debt instruments measured at FVOCI	**1,323,055**	1,244,051
- Debt instruments measured at amortised cost	**46,678**	46,503
	24,927,093	22,794,274
Credit risk not recognised on the consolidated statement of financial position		
Acceptances, guarantees and letters of credit	**925,406**	884,288
Undrawn credit commitments	**3,239,734**	3,395,602
	4,165,140	4,279,890
Total credit risk exposure	**29,092,233**	27,074,164

28. Financial Risk Management / **28.1 Credit risk** (*Continued*)

(iii) Changes to the allowance for credit losses

The following table presents the changes to the allowance for credit losses on loans. Explanation of terms 'Stage 1', 'Stage 2', and 'Stage 3' is included in Note 3(t).

	2019			
	Stage 1	Stage 2	Stage 3	Total
Retail loans	$	$	$	$
Balance at beginning of the year	55,502	119,232	50,376	225,110
Remeasurement	(54,129)	76,943	108,009	130,823
Newly originated or purchased	36,699	-	-	36,699
Derecognition and maturities	(9,053)	(14,381)	-	(23,434)
Transfers to (from):				
- Stage 1	50,348	(49,173)	(1,175)	-
- Stage 2	(19,396)	26,322	(6,926)	-
- Stage 3	(228)	(37,489)	37,717	-
Gross write offs	-	-	(154,616)	(154,616)
Recoveries	-	-	27,249	27,249
Balance at end of year	**59,743**	**121,454**	**60,634**	**241,831**
Commercial loans				
Balance at beginning of the year	3,436	7,148	28,157	38,741
Remeasurement	48	1,585	3,849	5,482
Newly originated or purchased	7,148	-	-	7,148
Derecognition and maturities	(6,680)	(2,320)	(161)	(9,161)
Transfers to (from):				
- Stage 1	737	(737)	-	-
- Stage 2	(173)	173	-	-
- Stage 3	-	-	-	-
Gross write offs	-	-	(2,257)	(2,257)
Recoveries	-	-	2,834	2,834
Other movements	(182)	282	(3,957)	(3,857)
Balance at end of year	**4,334**	**6,131**	**28,465**	**38,930**

(iii) Changes to the allowance for credit losses (continued)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Retail loans	$	$	$	$
Balance at beginning of the year	49,903	116,983	47,636	214,522
Remeasurement	(73,014)	84,485	97,103	108,574
Newly originated or purchased	36,237	-	-	36,237
Derecognition and maturities	(8,350)	(12,518)	-	(20,868)
Transfers to (from):				
- Stage 1	79,231	(77,953)	(1,278)	-
- Stage 2	(28,342)	42,292	(13,950)	-
- Stage 3	(164)	(34,057)	34,221	-
Gross write offs	-	-	(148,565)	(148,565)
Recoveries	-	-	35,209	35,209
Balance at end of year	**55,501**	**119,232**	**50,376**	**225,109**
Commercial loans				
Balance at beginning of the year	5,334	2,313	17,187	24,834
Remeasurement	3,259	(1,111)	10,504	12,652
Newly originated or purchased	2,671	-	-	2,671
Derecognition and maturities	(1,368)	(514)	-	(1,882)
Transfers to (from):				
- Stage 1	570	(570)	-	-
- Stage 2	(7,030)	7,030	-	-
- Stage 3	-	-	-	-
Gross write offs	-	-	(220)	(220)
Recoveries	-	-	686	686
Other movements	-	-	-	-
Balance at end of year	**3,436**	**7,148**	**28,157**	**38,741**

28. Financial Risk Management / **28.1 Credit risk** (*Continued*)

(iv) Analysis of Credit Quality

Loans and advances to customers

The following table presents the carrying value of exposures by risk rating:

	2019			
	Stage 1	Stage 2	Stage 3	Total
Retail loans	$	$	$	$
Very low	54,067	-	-	54,067
Low	6,906,358	22,405	-	6,928,763
Medium	2,927,513	33,304	-	2,960,817
High	738,116	440,378	-	1,178,494
Very high	49	430,296	-	430,345
Loans not graded	45,630	27,222	-	72,852
Default	-	-	282,487	282,487
Total	10,671,733	953,605	282,487	11,907,825
Allowance for credit losses	(59,743)	(121,454)	(60,634)	(241,831)
Carrying value	**10,611,990**	**832,151**	**221,853**	**11,665,994**
Commercial loans				
Very low	335,195	84,663	-	419,858
Low	689,321	173,775	-	863,096
Medium	2,662,410	338,920	-	3,001,330
High	-	29,988	-	29,988
Very high	-	3,032	-	3,032
Loans not graded	-	-	-	-
Default	-	-	89,257	89,257
Total	3,686,926	630,378	89,257	4,406,561
Allowance for credit losses	(4,334)	(6,131)	(28,465)	(38,930)
Carrying value	**3,682,592**	**624,247**	**60,792**	**4,367,631**

28. Financial Risk Management / 28.1 Credit risk / (iv) Analysis of Credit Quality (*Continued*)

	2018			
	Stage 1	Stage 2	Stage 3	Total
Retail loans	$	$	$	$
Very low	319,774	870	-	320,644
Low	7,260,421	15,004	-	7,275,425
Medium	1,937,946	98,779	-	2,036,725
High	444,225	442,440	-	886,665
Very high	-	324,282	-	324,282
Loans not graded	98,736	132,761	-	231,497
Default	-	-	258,939	258,939
Total	10,061,102	1,014,136	258,939	11,334,177
Allowance for credit losses	(55,502)	(119,232)	(50,376)	(225,110)
Carrying value	**10,005,600**	**894,904**	**208,563**	**11,109,067**
Commercial loans	$	$	$	$
Very low	279,833	90,122	-	369,955
Low	383,360	179,282	-	562,642
Medium	1,891,528	396,410	-	2,287,938
High	-	23,892	-	23,892
Very high	-	5,212	-	5,212
Default	-	-	77,577	77,577
Total	2,554,721	694,918	77,577	3,327,216
Allowance for credit losses	(3,436)	(7,148)	(28,157)	(38,741)
Carrying value	**2,551,285**	**687,770**	**49,420**	**3,288,475**

Probability of default (PD) measures the likelihood that a borrower will default within a one-year time horizon. Each category of PD grades is assigned a PD range as follows:

Category of (PD) grades	PD Range
Exceptionally low	0.0000% - 0.0499%
Very low	0.0500% - 0.1999%
Low	0.20000% - 0.9999%
Medium low	1.0000% - 2.9999%
Medium	3.0000% - 9.9999%
High	10.0000% - 19.9999%
Extremely high	20.0000% - 99.9999%
Default	100%

Investment securities

The credit quality of FVOCI debt instruments as well as loan commitments and financial guarantee contracts are all classified as "very low". See Note 8.6 for expected credit loss allowance.

Cash and cash equivalents and loans and advances to banks

The Group held cash and cash equivalents and loans and advances to banks and related parties of $631,552 (2018: $930,300). Cash and cash equivalents and loans and advances to banks and related parties are held with reputable financial institutions.

28.2 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:

28.2.1 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	
	2019	2018	**2019**	2018
	$	$	**$**	$
Increase of 1%	**1,048**	942	**681**	612
Decrease of 1%	**(1,048)**	(942)	**(681)**	(612)

Concentration of assets and liabilities by currency

28. Financial Risk Management / 28.2 Market risk / 28.2.1 Currency risk *(Continued)*

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

	2019			
	TT	US	Other	Total
	$	$	$	$
Assets				
Cash on hand and in transit	174,914	21,218	2,589	198,721
Loans and advances to banks and related companies	66,439	219,827	146,565	432,831
Treasury bills	1,737,126	1,744,114	77,944	3,559,184
Deposits with Central Bank	3,271,132	-	-	3,271,132
Loans to customers	14,641,787	1,453,705	-	16,095,492
Investment securities	1,292,114	141,004	4	1,433,122
Total financial assets	**21,183,512**	**3,579,868**	**227,102**	**24,990,482**
Liabilities				
Deposits from customers	15,152,996	3,663,742	224,723	19,041,461
Deposits from banks and related companies	13,052	74,323	-	87,375
Policyholders' funds	1,446,612	14,166	-	1,460,778
Total financial liabilities	**16,612,660**	**3,752,231**	**224,723**	**20,589,614**
Net financial position	**4,570,852**	**(172,363)**	**2,379**	**4,400,868**
Undrawn credit commitments	**3,212,904**	**26,830**	**-**	**3,239,734**

	Restated 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	-	510,988	269,979	780,967
Treasury bills	2,360,443	1,194,091	-	3,554,534
Deposits with Central Bank	2,560,438	-	-	2,560,438
Loans to customers	13,342,853	1,115,565	4	14,458,422
Investment securities	949,909	409,623	-	1,359,532
Total financial assets	**19,344,922**	**3,246,581**	**271,723**	**22,863,226**
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	**4,115,493**	**5,748**	**2,215**	**4,123,456**
Undrawn credit commitments	**3,374,510**	**21,092**	**-**	**3,395,602**

28.2.2 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:

Sensitivity of projected net interest income

	100bp parallel decrease	25bp parallel decrease	25bp parallel increase	100bp parallel increase
2019	$	$	$	$
At October 31	33,366	8,342	(8,342)	(33,366)
Average for the period	38,114	9,529	(9,529)	(38,114)
Maximum for the period	43,980	10,995	(10,995)	(43,980)
Minimum for the period	29,287	7,322	(7,322)	(29,287)
2018				
At October 31	35,214	8,803	(8,803)	(35,214)
Average for the period	42,001	10,500	(10,500)	(42,001)
Maximum for the period	49,580	12,395	(12,395)	(49,580)
Minimum for the period	34,406	8,601	(8,601)	(34,406)

28. Financial Risk Management / **28.2 Market risk** / **28.2.2 Interest rate risk** (*Continued*)

Interest sensitivity of financial assets and financial liabilities

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

	2019					
	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	-	-	-	-	198,721	198,721
Loans and advances to banks and related companies	31,281	-	-	-	401,550	432,831
Treasury bills	-	3,559,184	-	-	-	3,559,184
Deposits with Central Bank	-	-	-	-	3,271,132	3,271,132
Loans to customers	532,875	6,330,491	3,949,444	5,129,562	153,120	16,095,492
Investment securities	49,876	502,555	153,057	727,634	-	1,433,122
Total financial assets	**614,032**	**10,392,230**	**4,102,501**	**5,857,196**	**4,024,523**	**24,990,482**
Financial liabilities						
Deposits from customers	12,426,632	2,621,952	183,338	-	3,809,539	19,041,461
Deposits from banks and related companies	57,616	-	-	-	29,759	87,375
Policyholders' funds	66,089	75,870	261,441	1,038,607	18,771	1,460,778
Total financial liabilities	**12,550,337**	**2,697,822**	**444,779**	**1,038,607**	**3,858,069**	**20,589,614**
Net gap	**(11,936,305)**	**7,694,408**	**3,657,722**	**4,818,589**		
Cumulative gap	**(11,936,305)**	**(4,241,897)**	**(548,175)**	**4,234,414**		

28. Financial Risk Management / **28.2 Market risk** / **28.2.2 Interest rate risk** (*Continued*)

Interest sensitivity of financial assets and financial liabilities (continued)

	Restated 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	-	-	-	573,096	780,967
Treasury bills	-	3,554,534	-	-	-	3,554,534
Deposits with Central Bank	-	-	-	-	2,560,438	2,560,438
Loans to customers	562,933	5,030,818	3,888,713	4,746,845	229,113	14,458,422
Investment securities	45,188	398,016	335,482	557,056	23,790	1,359,532
Total financial assets	**815,992**	**8,983,368**	**4,224,195**	**5,303,901**	**3,535,770**	**22,863,226**
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	**(8,744,222)**	**7,080,772**	**3,582,304**	**4,281,660**		
Cumulative gap	**(8,744,222)**	**(1,663,450)**	**1,918,854**	**6,200,514**		

28.2.3 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 equity instruments designated as FVOCI, whereas the impact on income will arise from equity instruments measured at FVTPL.

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

28.3 Liquidity risk

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

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

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

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.

	2019				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial assets					
Cash on hand and in transit	198,721	-	-	-	198,721
Loans and advances to banks and related companies	432,831	-	-	-	432,831
Treasury bills	-	3,559,184	-	-	3,559,184
Deposits with Central Bank	3,271,132	-	-	-	3,271,132
Loans to customers	685,994	6,330,491	3,949,444	5,129,563	16,095,492
Investment securities (excluding equities)	-	502,555	153,057	714,121	1,369,733
Total financial assets	**4,588,678**	**10,392,230**	**4,102,501**	**5,843,684**	**24,927,093**
Financial liabilities					
Deposits from customers	16,236,170	2,621,952	183,339	-	19,041,461
Deposits from banks and related companies	87,375	-	-	-	87,375
Policyholders' funds	1,460,778	-	-	-	1,460,778
Total financial liabilities	**17,784,323**	**2,621,952**	**183,339**	**-**	**20,589,614**
Net Gap	**(13,195,645)**	**7,770,278**	**3,919,162**	**5,843,684**	**4,337,479**
Cumulative Gap	**(13,195,645)**	**(5,425,367)**	**(1,506,205)**	**4,337,479**	

28. Financial Risk Management / **28.3 Liquidity risk** *(Continued)*

The table below shows the contractual maturities of financial guarantee contracts:

	2019				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Financial guarantee contracts	**-**	**924,427**	**953**	**26**	**925,406**

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.

	Restated 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	780,967	-	-	-	780,967
Treasury bills	-	3,554,534	-	-	3,554,534
Deposits with Central Bank	2,560,438	-	-	-	2,560,438
Loans to customers	792,045	5,030,818	3,888,713	4,746,846	14,458,422
Investment securities (excluding equities)	11,024	436,573	350,234	571,902	1,369,733
Total financial assets	**4,293,807**	**9,021,925**	**4,238,947**	**5,318,748**	**22,873,427**
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	**(10,879,235)**	**7,119,329**	**3,597,056**	**4,296,507**	**4,133,657**
Cumulative Gap	**(10,879,235)**	**(3,759,906)**	**(162,850)**	**4,133,657**	

28. Financial Risk Management / **28.3 Liquidity risk** (*Continued*)

The table below shows the contractual maturities of financial guarantee contracts:

	Restated 2018				
	Due on demand	Up to one year	Two to five years	Over five years	Total
	$	$	$	$	$
Acceptances, guarantees, and letters of credit	**-**	**876,016**	**8,228**	**44**	**884,288**

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.

	2019					
	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	16,236,170	2,627,142	184,696	-	19,048,008	19,041,461
Deposits from banks and related companies	87,375	-	-	-	87,375	87,375
Policyholders' funds	65,506	72,379	283,458	1,747,620	2,168,963	1,460,778
Total liabilities	**16,389,051**	**2,699,521**	**468,154**	**1,747,620**	**21,304,346**	**20,589,614**

	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**

28.4 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	**2019**	Restated 2018
Scotiabank Trinidad and Tobago Limited	8%	**27.57%**	25.95%
Scotia Investments Trinidad and Tobago Limited	8%	**2,690.39%**	1,496.62%

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.

	2019	2018
	$	$
Capital held in the statutory fund	**1,830,684**	1,891,230
Minimum capital required	**(1,734,920)**	(1,684,284)
Surplus	**95,764**	206,946

28.5 Operational risk

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

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

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

- Appropriate segregation of duties, including the independent authorisation of transactions
- Reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Periodic assessment of operational risks, the adequacy of controls and procedures to address the risks identified
- Reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

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

28.6 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.

29. 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)(ii).

(a) Valuation models

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

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

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.

29. Fair Value of Financial Assets, Financial Liabilities and Other Contracts *(Continued)*

(b) Financial instruments measured at fair value – Fair value Hierarchy

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

	2019			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Treasury bills	-	3,559,184	-	3,559,184
Investment securities	157,118	1,262,489	-	1,419,607
	157,118	**4,821,673**	**-**	**4,978,791**

	Restated 2018			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Treasury bills	-	3,554,534	-	3,554,534
Investment securities	418,989	908,492	-	1,327,481
	418,989	**4,463,026**	**-**	**4,882,015**

(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
	$	$	$	$	$
2019					
Asset					
Loans to customers	-	16,354,049	-	16,354,049	16,033,356
Debt instruments measured at amortised cost	-	52,207	-	52,207	46,678
	-	**16,406,256**	**-**	**16,406,256**	**16,080,034**
Liabilities					
Deposits from customers	-	19,034,194	-	19,034,194	19,034,194
Policyholders' funds	-	1,442,007	-	1,442,007	1,442,007
	-	**20,476,201**	**-**	**20,476,201**	**20,476,201**
Restated 2018					
Asset					
Loans to customers	-	14,697,345	-	14,697,345	14,397,542
Debt instruments measured at amortised cost	-	53,377	-	53,377	46,502
	-	**14,750,722**	**-**	**14,750,722**	**14,444,044**
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**

29. Fair Value of Financial Assets, Financial Liabilities and Other Contracts (*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) Debt instruments measured at amortised cost

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.

30. 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:

	2019				
	FVTPL	FVOCI Debt	FVOCI Equity	Amortised Cost	Total
	$	$	$	$	$
Assets					
Cash and cash equivalents	-	-	-	198,721	198,721
Loans and advances to banks and related companies	-	-	-	432,831	432,831
Treasury bills	-	3,559,184	-	-	3,559,184
Deposits with Central Bank	-	-	-	3,271,132	3,271,132
Loans to customers	-	-	-	16,095,492	16,095,492
Investment securities	40,208	1,323,055	9,666	60,193	1,433,122
Total financial assets	**40,208**	**4,882,239**	**9,666**	**20,058,369**	**24,990,482**
Liabilities					
Deposits from customers	-	-	-	19,041,461	19,041,461
Deposits from banks and related companies	-	-	-	87,375	87,375
Policyholders' funds	1,442,007	-	-	-	1,442,007
Total financial liabilities	**1,442,007**	**-**	**-**	**19,128,836**	**20,570,843**

	Restated 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	-	-	-	780,967	780,967
Treasury bills	-	3,554,534	-	-	3,554,534
Deposits with Central Bank	-	-	-	2,560,438	2,560,438
Loans to customers	-	-	-	14,458,422	14,458,422
Investment securities	36,928	1,244,051	8,260	46,503	1,335,742
Total financial assets	**36,928**	**4,798,585**	**8,260**	**17,995,663**	**22,839,436**
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**

31. 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

31. Related Party Balances and Transactions (*Continued*)

	2019	2018
	$	$
(i) Outstanding balances		
Loans, investments and other assets		
Directors, key management personnel and close family members	**8,722**	11,012
Other related entities	**117,904**	305,027
	126,626	316,039
Provisions for amounts due from related parties	**-**	-
Deposits and other liabilities		
Directors, key management personnel and close family members	**6,697**	8,986
Other related entities	**109,478**	69,946
	116,175	78,932
(ii) Transactions		
Interest and other income		
Directors, key management personnel and close family members	**186**	298
Other related entities	**6,483**	14,312
	6,669	14,610
Interest and expenses		
Directors, key management personnel and close family members	**2,776**	2,831
Other related entities	**222,506**	220,707
	225,282	223,538

(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:

	2019	2018
	$	$
Short-term benefits	**21,126**	23,448
Share based payment	**4,447**	2,364
	25,573	25,812

32. 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.

	2019				
	Retail, Corporate & Commercial Banking	Asset Management	Insurance Services	Other	Total
	$	$	$	$	$
Interest income	1,246,444	1,010	101,937	1,957	1,351,348
Interest expense	(25,330)	-	-	-	(25,330)
Net other income	461,733	6,717	63,146	154	531,750
Income from associated companies	2,954	-	-	-	2,954
Total revenue	1,685,801	7,727	165,083	2,111	1,860,722
Material non-cash items:					
Depreciation	17,123	-	-	-	17,123
Segment profit before taxes	806,286	4,325	136,743	1,897	949,251
Segment assets	16,095,492	45,828	2,171,412	7,096,286	25,409,018
Segment liabilities	19,041,461	675	1,509,664	675,109	21,226,910

32. Operating Segments *(Continued)*

	Restated 2018				
	Retail, Corporate & Commercial Banking	Asset Management	Insurance Services	Other	Total
	$	$	$	$	$
Interest income	1,207,141	731	97,959	3,418	1,309,249
Interest expense	(20,711)	-	-	-	(20,711)
Net other income	468,137	6,209	67,432	-	541,778
Income from associated companies	2,678	-	-	-	2,678
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	814,032	4,168	136,075	3,168	957,443
Segment assets	14,458,422	41,250	2,219,882	6,653,795	23,373,349
Segment liabilities	17,284,198	509	1,462,277	613,266	19,360,250

33. Divestment of ScotiaLife Trinidad and Tobago Limited

On November 27, 2018, Scotiabank announced its intention to enter into an agreement with Sagicor Financial Corporation Limited and Alignvest Acquisition II Corporation for the proposed acquisition of ScotiaLife Trinidad and Tobago Limited (SLTT) to obtain 100% of SLTT's ordinary shares subject to receipt of all applicable regulatory approvals. This transaction is not yet completed and the regulatory approval process is ongoing.

34. Dissolution of Scotia SKN Limited

On September 10, 2019, the Board of Directors approved the dissolution of Scotia SKN Limited (Scotia SKN), which was a wholly owned subsidiary of Scotiabank. Scotia SKN was incorporated under the Companies Act, 1996 of the Federation of St. Christopher and Nevis and its principal activity was the purchase and holding of investments. Scotia SKN's assets have been duly disposed of and share capital has been returned to Scotiabank. Scotia SKN has been dissolved as at October 31, 2019. The dissolution had no impact on the Group's financial position.

35. Restatement of Prior Period Results

The Group has adopted IFRS 9 *Financial Instruments* and restated the prior period results as permitted by the standard. The impact of the restatement is disclosed in the transition disclosures in Note 3(t).

36. Events after the Reporting Date

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

Five Year Review

Scotiabank Trinidad and Tobago Limited and its wholly-owned subsidiary companies

October 31, 2019 ($ thousands, except per share data)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2019	2018 (Restated)	2017 (Restated)	2016	2015
Assets					
Cash resources	**7,461,868**	7,045,272	8,320,954	7,308,420	6,540,202
Loans and Investments (includes Reverse Repos)	**17,563,534**	15,850,608	15,605,687	15,572,979	15,319,206
Property, plant and equipment	**254,385**	256,817	246,780	250,967	251,616
Other assets	**129,231**	220,652	158,580	131,754	44,193
Total assets	**25,409,018**	23,373,349	24,332,001	23,264,120	22,155,217
Liabilities and shareholders' equity					
Deposits	**19,041,461**	17,284,198	18,538,048	17,571,183	16,837,090
Other liabilities	**2,185,449**	2,076,052	1,900,879	1,819,400	1,583,072
Shareholders' equity	**4,182,108**	4,013,099	3,893,074	3,873,537	3,735,055
Total liabilities and shareholders' equity	**25,409,018**	23,373,349	24,332,001	23,264,120	22,155,217
CONSOLIDATED STATEMENT OF INCOME					
Interest income	**1,351,348**	1,309,249	1,261,768	1,146,488	1,006,209
Interest expense	**(25,330)**	(20,711)	(17,532)	(17,449)	(31,586)
Net interest income	**1,326,018**	1,288,538	1,244,236	1,129,039	974,623
Other income	**534,704**	544,456	481,210	479,221	497,300
Total Revenue	**1,860,722**	1,832,994	1,725,446	1,608,260	1,471,923
Non-interest expenses	**(767,125)**	(736,963)	(685,669)	(691,458)	(656,073)
Income before taxation and loan loss	**1,093,597**	1,096,031	1,039,777	916,802	815,850
Loan Loss Expense	**(144,346)**	(138,588)	(105,597)	(76,780)	(38,558)
Income before taxation	**949,251**	957,443	934,180	840,022	777,292
Provision for taxation	**(280,923)**	(316,677)	(276,516)	(214,797)	(211,155)
Income After Taxation	**668,328**	640,766	657,664	625,225	566,137
OTHER STATISTICS					
Return on average assets	**2.74%**	2.69%	2.76%	2.75%	2.64%
Return on average equity	**16.31%**	16.21%	16.94%	16.43%	15.59%
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	300
Earnings per share	**379.0**	363.4	372.9	354.5	321.0
Number of offices (including subsidiary companies)	**26**	27	28	28	28

Scotiabank in the Community

In 2019, Scotiabank Trinidad and Tobago invested $3.3 million in donations, sponsorships and other forms of assistance impacting 19,634 individuals of which 13,319 were youth and worked with 1,174 organizations, schools, business and NGOs.

Young People in the Community

Scotiabank is committed to helping young people reach their infinite potential by investing in the complete picture of their development. We recognize what is possible when young people have the guidance, confidence and tools they need to achieve their dreams. We believe this is an investment in the long-term security, stability and growth of our communities.

We're very honoured that our investments in youth focused programmes has earned us the title of Top Corporate Sponsor at the Ministry of Sport and Youth Affairs' National Youth Awards 2019.

Some of our major youth focused programmes this year included:

- Scotiabank Schools Table Tennis Tournament
- Bursaries to UWI Students
- Scotiabank Kiddy Cricket Programme
- Scotiabank Concacaf NextPlay Cup
- Youth Leadership Academy with Families in Action
- Donations to various NGOs
  - orphanages, special purpose homes

Environmental Focus

In addition to supporting schools environmental and beautification initiatives, this year, our employees focused on environmental sustainability and food security through a partnership with IAMovement a non-profit organization which aims to effect positive environmental and social change. Activities undertaken included setting of 1,000 forestry saplings for reforestation initiatives across Trinidad and Tobago; preparing, and propagation of nurseries of vetiver grass to create greater supplies of this plant, for use in many environmental and land rehabilitation and community projects across the country; and organic and chemical free farming of a 1 acre plot of heirloom vegetables.

Scotiabank Women against breast cancer programme

For over 2 decades, this programme has helped provide free breast cancer screening and other health and wellness services to women and families, particularly in rural communities. Over 19,500 women have benefited to date. We're heartened by the tremendous support our Charity Golf and Women against breast cancer 5k receives - from sponsors, participants and general public.

Notice of Annual General Meeting

Scotiabank Trinidad and Tobago Limited

To: Shareholders of Scotiabank Trinidad and Tobago Limited

You are invited to our 50th Annual Meeting of Shareholders.

When: Tuesday 10th March 2020 at 2:00 p.m.

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

Our meeting will cover:

Financial statements – You will receive the financial statements for the fiscal year ended 31st October 2019 and the Auditors' Report on those financial statements.

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

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

Special Business – You will be asked to consider and approve aggregate Directors' Remuneration in accordance with the By-Laws of the Company.

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

BY ORDER OF THE Board

Rachel Laquis
Corporate Secretary
3rd February 2020

Notes:

1. A Management Proxy Circular is appended to this Notice.
2. The Directors of the Company have fixed a record date of 27th January 2020 for the determination of shareholders who are entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on 27th January 2020 are therefore entitled to receive Notice of the Annual Meeting.
   A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
3. A shareholder entitled to attend and vote at the Annual Meeting is entitled to appoint one or more proxies to attend and vote instead of him/her. A proxy need not be a shareholder. To be valid the Proxy Form must be completed and signed in accordance with the Notes on the Proxy Form and then deposited with The Registrar, The Trinidad and Tobago Central Depository Limited, 10th Floor, Nicholas Towers, 63-65 Independence Square, Port of Spain, Trinidad, at least 48 hours before the time appointed for the Meeting.
4. A shareholder that is a body corporate may, in lieu of appointing a proxy, authorize an individual by resolution of its Directors or of its governing body to represent it at the Annual Meeting.

Management Proxy Circular

Appendix to the Notice of Annual Meeting of Scotiabank Trinidad and Tobago Limited

Management Proxy Circular

THE COMPANIES ACT, CH. 81:01
(Section 144)

1. **Name of Company:**

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

2. **Particulars of Meeting:**

   Fiftieth Annual Meeting of the Shareholders of the Company to be held on
   Tuesday 10th March 2020, at 2:00 p.m at The Hyatt Regency Hotel, Port of Spain, Trinidad

3. **Solicitation:**

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

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

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

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

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

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

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

Date	Name and Title	Signature
3rd February 2020	Rachel Laquis Secretary	Rachel Laquis

Form of Proxy

Republic of Trinidad and Tobago
THE COMPANIES ACT, CH. 81:01
(Section 143(1))

Form Of Proxy

1. **Name of Company:**
   SCOTIABANK TRINIDAD AND TOBAGO LIMITED **Company No.:** S. 7610 (95) A
2. **Particulars of Meeting:**
   Fiftieth Annual Meeting of Shareholders to be held at The Hyatt Regency Hotel, Port of Spain, Trinidad on Tuesday 10th March 2020, at 2:00 p.m.

I/We ....

(Block Letters Please)

Of ....

(Address)

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

failing him, ...of...

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

Dated this...day of ...., 2020.

....

(Signature(s) of Member(s))

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

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

Ordinary Business		For	Against
Resolution 1	THAT the following persons shall be elected a Director of the Company for the term from the date of his or her election until the close of the first Annual Meeting of the Company following election, subject always to earlier termination under the By Laws of the Company:		
	PLEASE VOTE NOW BY CHECKING EITHER THE BOX "FOR" OR THE BOX "AGAINST" FOR EACH INDIVIDUAL Director.		
	1. Mr. Brendan King	1.	
	2. Mr. Derek Hudson	2.	
	3. Mr. Stephen Bagnarol	3.	
	4. Mrs. Wendy-Fae Thompson	4.	
	5. Mr. Steve Ragobar	5.	
	6. Mrs. Lisa Mackenzie	6.	
	7. Mr. Alan Fitzwilliam	7.	
	8. Mrs. Roxane De Freitas	8.	
	9. Mr. David Thomas	9.	
Resolution 2	BE IT RESOLVED: THAT KPMG be reappointed as auditors of the Company.		
Resolution 3	BE IT RESOLVED: THAT the aggregate total compensation paid to Directors shall be increased to $4Million and that in accordance with paragraph 7 of By-Law No. 1 of the Company the remuneration to be paid to each individual Director and the structure of such payment shall be determined by the Directors.		

Notes:

1. A Shareholder may appoint a proxy of his/her own choice. If such an appointment is made, delete the words "the Chairman of the Meeting" from the Proxy Form and insert the name and address of the person appointed proxy in the space provided and initial the alteration.
2. If the appointer is a corporation, this Proxy Form must be under its common seal or under the hand of some officer or attorney duly authorized in that behalf.
3. The Directors of the Company have fixed a record date of 27th January 2020 for the determination of shareholders who are entitled to receive notice of the Annual Meeting. Only shareholders on record at the close of business on 27th January 2020 are therefore entitled to receive Notice of the Annual Meeting. A list of such shareholders will be available for examination by shareholders at the Company's Registered Office during usual business hours and at the Annual Meeting.
4. A Shareholder that is a body corporate may, in lieu of appointing a proxy authorize an individual by resolution of its Directors or of its governing body to represent it at the Annual Meeting.
5. In the case of joint Shareholders, the names of all joint Shareholders must be stated on the Proxy Form and all joint Shareholders must sign the Proxy Form.
6. If the Proxy Form is returned without any indication as to how the person appointed proxy shall vote, the proxy will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting.
7. To be valid, this Proxy Form must be completed and deposited at the office of The Registrar, The Trinidad and Tobago Central Depository Limited, at the address below not less than 48 hours before the time for holding the Annual Meeting or adjourned Meeting.

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

Contact Information

All Scotiabank Branches and Scotia Insurance Locations

62 – SCOTIA (627 – 2684)

Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

Corporate Banking Centre

Scotia Centre
56-58 Richmond Street,
Port of Spain

Tel: 868-625-3566
Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

Managing Director's Office

Scotia Centre
56-58 Richmond Street,
Port of Spain

Tel: 868-625-3566
Email: customercarett@scotiabank.com
Website: www.tt.scotiabank.com

Scotia Insurance (Scotialife Trinidad And Tobago Limited)

Head Office
56-58 Richmond Street,
Port of Spain

Tel: 868-625-3566

Our Purpose

Scotiabank's purpose is:

for every future

Through our work, we enable futures for:

- Employees
- Customers
- Communities
- And building the future of the Bank, delivering for shareholders.

The vision and the journey may differ – but by focusing on our customers and delivering results, Scotiabankers make the possible possible.

Why?

We believe banking is a calling. We have seen the positive impact that our Bank has had in communities across our footprint. From the jobs we create, to the investments we make in businesses and communities, to the values we uphold and promote, our Bank continues to serve as an important part of the economic and social fabric of the countries in which we live and work.

As we build a stronger Bank, it's up to each and every one of us to contribute to the legacy of those who have come before us and to continue to build our Bank *for every future*.

Our Values

Respect: Value Every Voice

Integrity: Act with Honour

Passion: Be Your Best

Accountability: Make it Happen

Scotiabank®