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## **INDEPENDENT AUDITORS' REPORT**

To the Shareholder  
Scotiabank (Turks and Caicos) Ltd.:

### **Report on the financial statements**

We have audited the accompanying financial statements of Scotiabank (Turks and Caicos) Ltd. (the Bank), which comprise the statement of financial position at October 31, 2012, the statements of operations, comprehensive income, shareholder's equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



### **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Bank at October 31, 2012, and its financial performance and cash flows for the year then ended, in accordance with IFRS.

### **Intended use of report**

This report is intended solely for the information and use of the board of directors and shareholder of the Bank and the Financial Services Commission of the Turks and Caicos Islands and should not be used by anyone other than these specified parties.

KPMG Ltd.

Chartered Accountants

Providenciales, Turks and Caicos Islands

February 7, 2013

## SCOTIABANK (TURKS AND CAICOS) LTD.

### Statement of Financial Position

At October 31, 2012

with comparative figures at October 31, 2011

	2012	2011
	US\$'000	US\$'000
<b>Assets</b>		
Cash and cash equivalents (note 6)	10,933	9,576
Short-term investments (note 7)	22,043	31
Other investments (note 8)	–	139
Loans to customers, net (notes 9 and 10)	401,003	411,573
Other assets (note 11)	1,469	1,746
Property and equipment, net (note 12)	4,675	4,949
	<u>440,123</u>	<u>428,014</u>

## Liabilities and Shareholder's Equity

### Liabilities

Deposits from banks (note 13)	2,926	12,230
Deposits from customers (note 14)	210,821	221,582
Loans from related party (note 15)	142,663	113,553
Other liabilities (note 16)	3,981	5,473
	<u>360,391</u>	<u>352,838</u>

### Shareholder's equity

Share capital (note 17)	6,130	6,130
Reserves (note 18)	7,120	7,179
Retained earnings	66,482	61,867
	<u>79,732</u>	<u>75,176</u>
	<u>440,123</u>	<u>428,014</u>

See accompanying notes to financial statements.

These financial statements  
were approved on behalf of the Board of Directors  
on February 7, 2013 by the following:

Patricia Adams Director

Cecil Arnold Managing Director

## SCOTIABANK (TURKS AND CAICOS) LTD.

### Statement of Operations

Year ended October 31, 2012

with comparative figures for year ended October 31, 2011

	2012	2011
	US\$'000	US\$'000
<b>Income</b>		
Net interest income		
Interest income	22,919	24,411
Interest expense	(3,373)	(5,397)
	<u>19,546</u>	<u>19,014</u>
Other income		
Fee and commission income (note 19)	9,842	9,517
Investment income (note 8)	66	—
Net interest and other income	<u>29,454</u>	<u>28,531</u>
<b>Expenses</b>		
Allowances for impairment (note 10)	(8,362)	(3,555)
Other operating expenses (note 20)	(7,111)	(5,260)
Salaries and benefits (note 21)	(5,623)	(5,628)
Property expenses (note 22)	(2,070)	(1,992)
Communication and marketing (note 23)	(1,023)	(996)
Depreciation (note 12)	(650)	(621)
	<u>(24,839)</u>	<u>(18,052)</u>
Net profit for year	<u>4,615</u>	<u>10,479</u>

See accompanying notes to financial statements.