

**REPORT OF THE INDEPENDENT AUDITORS  
TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF  
ATLANTIC BANK LIMITED**

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*Opinion*

We have audited the accompanying financial statements of Atlantic Bank Limited which comprise the statement of financial position as at 31<sup>st</sup> December 2019 and the statement of comprehensive income, statements of changes in equity and cash flows for the year then ended, and summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Atlantic Bank Limited as at 31<sup>st</sup> December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

*Basis for Unqualified Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Atlantic Bank Limited 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 financial statements in Belize, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

*Emphasis of Matter – Subsequent Event*

We draw attention to Note 24 of the financial statements, Subsequent Event, which discussed the World Health Organization declaration of COVID-19, a global pandemic and recommendation for containment and mitigation measures worldwide. As such, on 18<sup>th</sup> March 2020, the Central Bank of Belize (Central Bank) announced measures for the Financial Sector amid the COVID-19 Pandemic. The Central Bank has released a set of monetary and macro-prudential instruments in response to the COVID-19 pandemic. It is expected that the

instruments will help the financial institutions to remain safe, sound, and able to honor their obligations. The sector-specific instruments are described in more detail at Note 25. At this time, the Bank cannot reasonably estimate the duration and severity of this pandemic, which could have a significant impact on the Bank's business, results of operations, financial position and cash flows in the year ending 31<sup>st</sup> December 2020. Our opinion is not modified in respect of this matter.

#### *Key audit matters*

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

#### **Key Audit Matter**

Impairment provision on loans and advances to customers

How our audit addressed the Key Audit Matter

Loans and advances comprises the most significant portion of the Bank's assets, and due to the significance of judgement used in estimating both the individual and collective provisions, this is considered to be a key audit matter.

The bank assesses the impairment of loans using the Expected Credit Losses model based on IFRS 9 which requires management to make judgements to determine whether there is objective evidence of impairment and to make assumptions about the financial condition of borrowers and expected future cash flows. In addition, the Bank is also required under IFRS 15 to disclose the impact of IFRS 9 adoption for accounting periods beginning on or after 1<sup>st</sup> January 2018.

Note 3 "Summary of Significant Accounting Policies", and Note 6 details information on the estimation of the individual and collective provision for impairment of loans and advances to customers as at 31st December 2019. It

In our audit procedures, we have focused on the following judgements and estimates which could give rise to material misstatement or are potentially subject to management bias:

- The completeness and timing of recognition of loss events;
- The measurement of individually assessed provisions, which is dependent on the valuation of collateral, the timing of cash flows and realizations;

In obtaining sufficient audit evidence we:

- Reviewed the design and operating effectiveness of key controls around the process of loan performance monitoring;
- Reviewed impairment methodology to establish key inputs used in the calculation of provisions and on sample basis tested the key inputs used;

also compares the effects of the Bank's compliance with the Domestic Banks and Financial Institutions Act (2012) and the Regulations of the Central Bank of Belize with regards to the provisioning for loan losses (specific reserve) to provisioning in accordance with IFRS 9, Expected Credit Losses.

- For material non-performing loans, we performed loan file reviews to verify the adequacy of the recognized individual loss provision;
- Assessed the disclosures made against the relevant accounting standards.

The Bank calculates the provision for impairment of loans using the ECLs (expected credit losses) as required by IFRS 9. The amount of the required provision is compared to the provision as calculated under the Practice Directions of the DBFIA.

In respect of the disclosure of the impact of IFRS 9, we obtained an understanding of the external expert's model acquired by the Bank and further evaluated management's implementation process of this model for the calculation of Expected Credit Losses, including governance over the determination of key judgements.

We also performed the following procedures:

- Reviewed key technical papers prepared by the external experts on their model;
- We determined that the methodology and model used give a basis for a reasonable quantitative estimate of the impact of IFRS 9 as at 31<sup>st</sup> December 2019.

#### *Responsibility of Management and the Directors for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), 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.



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

The Directors are responsible for overseeing the Bank's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 International Standards on Auditing 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statement, 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statement. We are responsible for the direction, supervision and performance of the Bank audit. We remain solely responsible for our audit opinion.

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 to 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 financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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.

#### *Report on Other Legal and Regulatory Requirements*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Atlantic Bank Limited as at 31<sup>st</sup> December 2019 and of its financial performance and cash flows for the year then ended in compliance with the Domestic Banks and Financial Institutions Act (2012) as specified in Note 3 of these financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Mark C. Hulse.



Baker Tilly  
23<sup>rd</sup> June 2020

Belize City,  
Belize, C.A.

STATEMENT OF FINANCIAL POSITION  
31ST DECEMBER 2019

All amounts expressed in Belize dollars

	Notes	2019	2018
<b>Assets:</b>			
Cash and cash equivalents	3, 4	255,426,681	207,570,757
Investments	3, 5	69,043,123	68,256,328
Loans receivable	3, 6	861,529,878	731,236,140
Less: specific loan loss reserve	3, 6	(31,162,487)	(26,409,206)
Other assets	3, 7	14,107,183	16,768,626
Property and equipment	3, 8	29,137,517	25,388,618
Total assets		<u>1,198,081,895</u>	<u>1,022,811,263</u>
<b>Liabilities:</b>			
Customers' deposits	3, 9	1,025,936,748	889,632,142
Other liabilities	3, 10	22,516,634	17,744,124
Severance payable	3, 11	4,968,934	4,381,790
Total liabilities		<u>1,053,422,316</u>	<u>911,758,056</u>
NET ASSETS		<u>144,659,579</u>	<u>111,053,207</u>
<b>Shareholders' equity (pages 8 &amp; 9):</b>			
Share capital	3	<u>64,000,000</u>	<u>44,400,000</u>
Share premium		<u>1,523,500</u>	<u>1,523,500</u>
Retained earnings			
Appropriated for legal reserve	3	26,693,174	23,345,615
Appropriated for contingencies reserve	3	15,503,221	14,164,198
Unappropriated		<u>14,260,952</u>	<u>14,176,461</u>
Total retained earnings		<u>56,457,347</u>	<u>51,686,274</u>
Investment reserves	3	14,559,794	6,615,367
General loan loss reserve	3	<u>8,118,938</u>	<u>6,828,066</u>
SHAREHOLDERS' EQUITY		<u>144,659,579</u>	<u>111,053,207</u>

Approved on behalf of the Board

  
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Director

  
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Director

Auditor's report pages 1 - 5.

The notes on pages 12 - 45 form an integral part of these financial statements.



STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31ST DECEMBER 2019

All amounts expressed in Belize dollars

	Notes	2019	2018
<b>INCOME</b>			
Interest income	3, 12	66,760,077	56,463,019
Interest expense	3, 12	<u>(16,574,191)</u>	<u>(14,560,659)</u>
Net interest income		50,185,886	41,902,360
Fee and commission income	3, 13	38,542,272	28,249,766
Fee and commission expense	3, 13	<u>(19,023,423)</u>	<u>(11,566,577)</u>
Net fee and commission income		19,518,849	16,683,189
Dividend income	3, 14	234,911	210,584
Net trading income	3, 15	12,053,558	10,836,702
Other income	3, 16	<u>5,977,801</u>	<u>6,116,189</u>
		<u>87,971,005</u>	<u>75,749,023</u>
<b>EXPENSE</b>			
Provision for loan losses	3, 17	(8,109,159)	(6,089,882)
Personnel expenses	3, 18	(36,707,886)	(31,261,972)
Other operating expenses	3, 19	(16,571,944)	(12,778,286)
		<u>(61,388,989)</u>	<u>(50,130,140)</u>
Net income before taxes and depreciation		26,582,016	25,618,883
Less: depreciation on property		<u>(2,684,824)</u>	<u>(2,491,448)</u>
Net income before taxes		23,897,192	23,127,435
Less: taxes	3, 20	<u>(11,835,247)</u>	<u>(9,737,197)</u>
Net income for the year		<u>12,061,945</u>	<u>13,390,239</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value gains/(losses) on equity investments - listed securities	3	<u>7,944,427</u>	<u>2,621,011</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u><u>20,006,372</u></u>	<u><u>16,011,250</u></u>
Basic earnings per share	3	0.22	0.31

The notes on pages 12 - 45 form an integral part of these financial statements.