



HERITAGE BANK LIMITED

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HERITAGE BANK LIMITED

STATEMENT OF FINANCIAL POSITION 31ST DECEMBER 2019

All amounts expressed in Belize dollars

	2019	2018
Assets:		
Cash and cash equivalents	80,004,586	103,710,259
Debt instrument investments	102,084,008	94,619,710
Loans receivable	293,787,199	277,777,668
Less: specific loan loss reserve	(7,833,276)	(13,207,291)
Other assets	11,832,666	8,226,181
Property and equipment	19,134,316	17,558,746
Total assets	499,009,499	488,685,273
Liabilities:		
Customers' deposits	437,861,475	430,761,626
Due to other banks	1,243,885	1,569,913
Other liabilities	6,414,329	7,891,629
Severance payable	1,232,504	1,046,074
Total liabilities	446,752,193	441,269,242
NET ASSETS	52,257,306	47,416,031
Shareholders' equity (page 8):		
Share capital	42,100,000	42,100,000
Share premium	490,000	490,000
General loan loss reserve	2,872,667	2,687,779
Accumulated surplus		
Statutory reserves	8,646,776	7,436,457
Unappropriated accumulated deficit	(1,852,137)	(5,298,205)
Total accumulated surplus	6,794,639	2,138,252
SHAREHOLDERS' EQUITY	52,257,306	47,416,031

Approved on behalf of the Board

 Director

 Director

HERITAGE BANK LIMITED

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31ST DECEMBER 2019

All amounts expressed in Belize dollars

	2019	2018
Interest income	23,928,168	22,421,459
Interest expense	(1,882,796)	(1,994,390)
Net interest income	22,045,372	20,427,069
Fee and commission income	6,974,855	6,633,922
Fee and commission expense	(3,456,668)	(2,692,001)
Net fee and commission income	3,518,187	3,941,921
Net trading income	2,054,972	2,299,904
Other operating income	2,752,996	5,302,674
OPERATING INCOME	30,371,527	31,971,568
Provision for impairment losses	(1,240,000)	(1,648,280)
Personnel expense	(10,837,078)	(11,259,807)
Other operating expenses	(8,750,161)	(7,568,343)
Operating income before taxes	9,544,288	11,495,138
Less: taxes	(4,703,013)	(4,446,997)
Net income for the year	4,841,275	7,048,141
Basic earnings per share	0.124	0.18

BOARD OF DIRECTORS

Richard Sutton (Chairman)

Julieta Sanchez Sutton

Karen Weir

Aldo Reyes

Stephen Duncan
(Managing Director/Secretary)

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

Qualified Opinion

We have audited the accompanying financial statements of Heritage Bank Limited which comprise the statement of financial position as at 31st 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, except for the possible effects of the matters described in the Basis for Qualified Opinion of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Heritage Bank Limited as at 31st 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 Qualified Opinion

The Bank complies with the Domestic Bank and Financial Institutions Act (2012) of Belize with regards to the provision for loan losses as stipulated by the Central Bank of Belize (the Regulator). The Bank does not apply IFRS 9's model (Expected Credit Losses) when provisioning for loan losses. The Bank's information system does not provide sufficient data to be able to approximate the impairment losses based on IFRS 9. As such, we were unable to obtain sufficient audit evidence to assess whether the loan loss provision would be materially different from the IFRS 9, Expected Credit Losses (ECL) model.

ADVISORY • ASSURANCE • TAX

Baker Tilly Hulse trading as Baker Tilly is a member of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities.

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 Heritage 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 qualified opinion.

Emphasis of Matter – Subsequent Event

We draw attention to Note 25 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 18th 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 31st 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 report of the current period. These matters were addressed in the context of our audit of the financial report, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- Compliance with International Financial Reporting Standard 9

Per Bank policy, the provisioning for loan losses was calculated using guidance in the Domestic Bank and Financial Institutions Act (2012) as required by the Central Bank of Belize. The Bank does not apply IFRS 9 (Expected Credit Losses) when provisioning for loan losses.

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 Heritage Bank Limited as at 31st 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 notes 1 and 2 of these financial statements.

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



Baker Tilly
21st April 2020

Belize City,
Belize, C.A.