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HERITAGE BANK LIMITED

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2020 (IN BELIZE DOLLARS)

	Notes	2020	2019
ASSETS			
Cash and cash equivalents	2g, 2h, 4.	\$ 100,351,193	\$ 80,004,586
Debt instrument investments	2g, 5	56,473,243	102,084,008
Loans receivable	2g, 6.	337,097,390	293,787,199
Less: specific loan loss reserve	2i, 6.	(8,013,865)	(7,833,276)
Other assets	8.	3,736,369	11,832,666
Property and equipment - net	2j, 2k, 7.	33,966,069	19,134,316
Total assets		523,610,399	499,009,499
LIABILITIES			
Customers' deposits	2g, 2l, 9.	447,839,445	437,861,475
Due to other banks	2g, 10.	10,694,350	1,243,885
Other liabilities	2g, 11.	6,247,461	6,414,329
Severance payable	2m, 2n, 12.	1,139,808	1,232,504
Total liabilities		465,921,064	446,752,193
NET ASSETS		\$ 57,689,335	\$ 52,257,306
SHAREHOLDERS' EQUITY			
Share capital	13.	\$ 42,100,000	\$ 42,100,000
Share premium	14.	490,000	490,000
Statutory reserves	2p.	10,004,783	8,646,776
Retained earnings (accumulated deficit)		1,801,481	(1,852,137)
General loan loss reserve	2o.	3,293,071	2,872,667
SHAREHOLDERS' EQUITY		\$ 57,689,335	\$ 52,257,306

The financial statements on pages 4 to 7 were approved and authorized for issue by the Board of Directors on April 21, 2021 and are signed on its behalf by:



Director



Director

HERITAGE BANK LIMITED

STATEMENT OF PROFIT AND OTHER COMPREHENSIVE INCOME YEAR ENDED DECEMBER 31, 2020 (IN BELIZE DOLLARS)

	Notes	2020	2019
Continuing Operations			
Net interest income	15.	\$ 20,213,565	\$ 22,045,372
Net fee and commission income	16.	3,638,907	3,518,187
NET REVENUES		23,852,472	25,563,559
OTHER INCOME AND EXPENSES:			
Provision for impairment losses	2n, 6.	(1,330,000)	(1,240,000)
Personnel expense	19.	(8,340,355)	(10,837,078)
Other operating expenses	20.	(7,849,577)	(7,385,386)
Net trading income	17.	1,715,029	2,054,972
Other operating income	18.	3,328,401	2,752,996
Depreciation	7.	(1,641,413)	(1,364,775)
		(14,117,915)	(16,019,271)
PROFIT BEFORE TAXATION		9,734,557	9,544,288
Business Tax	21.	(4,302,528)	(4,703,013)
PROFIT FOR THE YEAR		5,432,029	4,841,275
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		\$ 5,432,029	\$ 4,841,275
EARNINGS PER SHARE:			
From continuing operations	22.		
Basic (\$ per share)		\$ 0.14	\$ 0.12
Diluted (\$ per share)		\$ 0.14	\$ 0.12

BOARD OF DIRECTORS

Richard Sutton (Chairman)
Julieta Sanchez Sutton
Karen Weir
Aldo Reyes
Stephen Duncan (Managing Director/Secretary)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of:
Heritage Bank Limited

Qualified Opinion

We have audited the financial statements of Heritage Bank Limited (the Bank), which comprise the statement of financial position as at December 31, 2020, and the statement of profit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of The Bank as at December 31, 2020, 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

At December 31, 2020, the Bank has not adopted IFRS 9 - Financial Instruments as explained in Note 2a to the financial statements. The Bank does not classify its financial instruments nor impair its financial instruments in accordance with IFRS 9.

The Bank currently uses standards that has been superseded by IFRS 9 to classify, measure and present financial instruments.

The Bank currently uses the incurred loss model prescribed by the Central of Belize in the Domestic Banks and Financial Institutions Act, Circular No. 2 of 2020.

In the absence of sufficient and appropriate audit evidence to evaluate the impact compliance with IFRS 9 would have on the financial statements, we are unable to assess whether the current positions would be materially different.

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 Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

The financial statements for the year ended December 31, 2019 were audited by a predecessor auditor who expressed a qualified opinion on April 21, 2020. This was due to noncompliance with IFRS with the implementation of certain components of IFRS 9 - Financial Instruments.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 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 on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to 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 entity'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 entity'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 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 entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the unconsolidated 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 identified during the audit.

HLB Belize, LLP
Chartered Accountants
Belize City, Belize
April 21, 2021