

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

Opinion

We have audited the accompanying financial statements of Atlantic Bank Limited which comprise the statement of financial position as at 31st December 2018 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 31st December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 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 opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. 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.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment provision on loans and advances to customers</p> <p>The bank exercises significant judgement, using subjective assumptions, when determining both the timing and the amounts of the impairment provision for loans and advances (ECL model). As loans and advances comprises a large 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.</p> <p>In addition, the Bank is required under IFRS 15 to disclose the impact of IFRS 9 adoption for accounting periods beginning on or after 1 January 2018. This is a new and complex accounting standard which has required considerable judgment and interpretation in its implementation.</p> <p>We consider this transition and the required disclosure to be a key audit matter because new models have been developed by the Bank to calculate IFRS 9 impairment losses and judgement is required in a number of significant areas, in particular around the calculation of Expected Credit Losses.</p> <p>Note 2 "Summary of Significant Accounting Policies" and Note 5</p>	<p>We have focused on the following judgements and estimates which could give rise to material misstatement or are potentially subject to management bias:</p> <ul style="list-style-type: none"> - 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; - The measurement of modelled provisions, which is dependent upon key assumptions relating to probability of default, loss given default and expected future recoveries discounted to present value. <p>In obtaining sufficient audit evidence we:</p> <ul style="list-style-type: none"> - 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 collective provisions and on sample basis tested the key inputs used; - For material non-performing loans, we performed loan file reviews to inspect "Loans and Advances to Customers" to the financial statements provide

detailed information on the estimation of the individual and collective provision for impairment of loans and advances to customers as at 31st December 2018. It also describes 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) as opposed to provisioning in accordance with IFRS 9, Expected Credit Losses

Note 2 "Summary of Significant Accounting Policies" to the financial statements provides information on IFRS 9 "Financial Instruments".

financial particulars and assessed the adequacy of the recognized individual provision losses;

- Assessed the disclosures made against the relevant accounting standards.

In respect of the disclosure of the impact of IFRS 9, we obtained an understanding of the external expert's models ("models") acquired by the Bank and further evaluated management's implementation process of these models 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 models;
- Reviewed the Bank's business model assessment for each category of debt financial assets;

We determined that the methodologies and models used give a basis for a reasonable quantitative estimate of the impact of IFRS 9 as at 31st December 2018.

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 is 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.

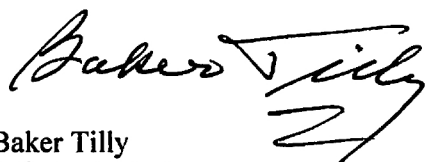
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 31st December 2018 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 2 of these financial statements.

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



Baker Tilly
29th April 2019

Belize City,
Belize, C.A.

STATEMENT OF FINANCIAL POSITION
31ST DECEMBER 2018

All amounts expressed in Belize dollars

	Notes	2018	2017 (Restated)
Assets:			
Cash and cash equivalents	2, 3	207,570,757	153,734,902
Investments other than associates	2, 4	68,256,328	153,476,530
Loans receivable	2, 5	731,236,140	611,514,229
Less: specific loan loss reserve	2, 5	(26,409,206)	(22,302,359)
Other assets	2, 6	16,768,626	9,991,520
Property and equipment	2, 7	25,388,618	25,162,327
Total assets		<u>1,022,811,262</u>	<u>931,577,149</u>
Liabilities:			
Customers' deposits	2, 8	889,632,142	817,239,623
Other liabilities	2, 9	17,744,124	13,228,259
Severance payable	2, 10	4,381,790	4,067,311
Total liabilities		<u>911,758,056</u>	<u>834,535,193</u>
NET ASSETS		<u>111,053,206</u>	<u>97,041,956</u>
Shareholders' equity (pages 8 & 9):			
Share capital	2	44,400,000	42,400,000
Share premium		1,523,500	1,523,500
Retained earnings			
Appropriated for legal reserve	2	23,345,615	21,190,123
Appropriated for contingencies reserve	2	14,164,198	13,301,999
Unappropriated		14,176,461	8,874,448
Total retained earnings		<u>51,686,274</u>	<u>43,366,570</u>
Investment reserves	2	6,615,367	3,994,356
General loan loss reserve	2	6,828,065	5,757,530
SHAREHOLDERS' EQUITY		<u>111,053,206</u>	<u>97,041,956</u>

Approved on behalf of the Board



Director



Director

Auditor's report pages 1 - 5.

The notes on pages 12 - 40 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31ST DECEMBER 2018**

All amounts expressed in Belize dollars

	Notes	2018	2017 (Restated)
INCOME			
Interest income	2, 11	56,463,019	52,251,101
Interest expense	2, 11	<u>(14,560,659)</u>	<u>(14,841,376)</u>
Net interest income		41,902,360	37,409,725
Fee and commission income	2, 12	28,249,766	23,580,335
Fee and commission expense	2, 12	<u>(11,566,577)</u>	<u>(8,874,900)</u>
Net fee and commission income		16,683,189	14,705,435
Dividend income	2, 13	210,584	171,568
Net trading income	2, 14	10,836,702	10,335,470
Other income	2, 15	<u>6,116,189</u>	<u>6,186,720</u>
		<u>75,749,023</u>	<u>68,808,918</u>
EXPENSE			
Provision for loan losses	2, 16	(6,089,882)	(8,259,697)
Personnel expenses	2, 17	(31,261,972)	(29,401,638)
Other operating expenses	2, 18	(12,778,286)	(11,756,527)
		<u>(50,130,140)</u>	<u>(49,417,862)</u>
Net income before taxes and depreciation		25,618,883	19,391,056
Less: depreciation on property		<u>(2,491,448)</u>	<u>(2,294,810)</u>
Net income before taxes		23,127,435	17,096,246
Less: taxes	2, 19	<u>(9,737,197)</u>	<u>(8,409,467)</u>
Net income for the year		<u>13,390,239</u>	<u>8,686,779</u>
OTHER COMPREHENSIVE INCOME			
Fair value gains/(losses) on equity investments - listed securities	2	<u>2,621,011</u>	<u>3,994,356</u>
TOTAL COMPREHENSIVE INCOME		<u>16,011,250</u>	<u>12,681,135</u>
Basic earnings per share	2	0.31	0.24

The notes on pages 12 - 40 form an integral part of these financial statements.