

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

*Opinion*

We have audited the accompanying financial statements of NATIONAL BANK OF BELIZE LIMITED which comprise the statement of financial position as at 31<sup>st</sup> August 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 NATIONAL BANK OF BELIZE LIMITED as at 31<sup>st</sup> August 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 National Bank of Belize 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.

*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.

Impairment provision on loans and advances to customers	How our audit addressed the Key Audit Matter
See accounting policy note 3.2 - Significant accounting policies and disclosure note 5 - Loans and advances to customers (Net).	

**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.

The bank also assesses the impairment using the Domestic Banks and Financial Institutions Act, 2012 (DBFIA) and its practice directions model which is required by local regulation. The valuation and recording of the impairment loss allowance on an individual basis based on the DBFIA and its practice directions.

The calculation of Loan Loss Provisions and reserves for loans and other assets that are reflected in the financial statements are guided by the Domestic Banks and Financial Institutions Act, 2012 (DBFIA) and its practice directions model.

Our audit procedures in this area included, among others:

NBBL 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.

At 31<sup>st</sup> August 2019, the impairment loss under IFRS 9 was estimated at \$1.8M.

The bank applies the requirement of Practice Directions of the DBFIA in calculating and recording of the loan loss provisions and reserves for loans and other assets. The impairment provision at 31<sup>st</sup> August 2019 was \$3.0M, which was excess of \$1.2M when compared to the IFRS 9 model.

- Assessing whether disclosures in the financial statements appropriately reflect the Bank's exposure to credit risk.

*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.

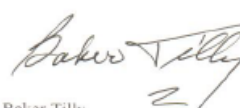
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 National Bank of Belize Limited as at 31<sup>st</sup> August 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  
 4<sup>th</sup> December 2019

Belize City,  
 Belize, C.A.

NATIONAL BANK OF BELIZE LIMITED

STATEMENT OF FINANCIAL POSITION  
31ST AUGUST 2019

All amounts expressed in Belize Dollars

	Notes	2019	2018
<b>Assets:</b>			
Cash and cash equivalents	3, 4	12,840,725	13,733,539
Loans and advances	3, 5	46,755,572	40,741,742
Less: specific loan loss reserve	3, 5	(2,975,182)	(3,335,975)
Other assets	3, 6	331,277	461,168
Bank premises and equipment	3, 7	1,233,488	1,655,895
<b>Total assets</b>		<u>58,185,880</u>	<u>53,256,368</u>
<b>Liabilities:</b>			
Customer deposits	3, 8	34,875,698	28,854,348
Other liabilities	3, 9	1,102,169	1,101,008
Severance payable	3, 10	90,225	68,440
<b>Total liabilities</b>		<u>36,068,092</u>	<u>30,023,796</u>
<b>NET ASSETS</b>		<u>22,117,788</u>	<u>23,232,573</u>
<b>Shareholders' equity (page 8):</b>			
Share capital	3	35,025,000	35,025,000
General loan loss reserve	3	411,230	346,222
Accumulated losses	3	(13,318,442)	(12,138,649)
<b>SHAREHOLDERS' EQUITY</b>		<u>22,117,788</u>	<u>23,232,573</u>

Approved on behalf of the Board

 Director

 Director

NATIONAL BANK OF BELIZE LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
YEAR ENDED 31ST AUGUST 2019

All amounts expressed in Belize Dollars

	Notes	2019	2018
Interest income	3, 11	2,804,018	2,382,100
Interest expense	3, 12	(566,193)	(602,025)
<b>Net interest income</b>		2,237,825	1,780,075
Fees, commission and other income	3, 13	352,936	205,481
<b>OPERATING INCOME</b>		2,590,761	1,985,556
Provision for loan losses	3, 14	360,793	519,674
Personnel expense	3, 15	(1,866,573)	(1,898,198)
Other operating expenses	3, 16	(1,811,696)	(1,733,079)
<b>NET (LOSS) BEFORE TAXATION</b>		(726,715)	(926,047)
BUSINESS TAX	3, 17	(388,070)	(296,290)
<b>NET (LOSS) AFTER TAXATION</b>		<u>(1,114,785)</u>	<u>(1,222,337)</u>