

# CENTRAL BANK OF BELIZE

## Financial Statements

For the years ended 31 December 2020 and 2019 and Independent Auditor's Report



# **CENTRAL BANK OF BELIZE**

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**INDEPENDENT AUDITOR'S REPORT  
TO THE BOARD OF DIRECTORS  
CENTRAL BANK OF BELIZE**

**Report on the audit of the Financial Statements**

**Opinion**

We have audited the accompanying financial statements of the **Central Bank of Belize (the Bank)**, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in capital and reserves, statement of cash flows for the year then ended, and notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and 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 the Bank 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 form a basis for our opinion.

**Emphasis of Matter**

We draw attention to the statement of other comprehensive income and Note 24 to the financial statements, which show the effects of Section 50 of the Central Bank of Belize Act Revised Edition 2011, which requires the profits or losses from any revaluation of the Bank's net assets or foreign securities to be excluded from the computation of the annual profits and losses of the Bank. International Financial Reporting Standards require any foreign exchange gains and losses on monetary assets and liabilities to be recognised in profit or loss contrary to Section 50 of the Central Bank of Belize Act. Considering the immaterial effects on the financial statements, our opinion is not modified in respect of this matter.

**Other Matters**

The financial statements of the Bank for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those statements on 20 April 2020.



**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.

**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 does not 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 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 ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 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 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 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 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 statements, including the disclosures, and whether the financial statements represent 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 statements. We are responsible for the direction, supervision and performance of the 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.



Moore Magaña LLP  
Chartered Accountants  
Belize City, Belize  
20 April 2021

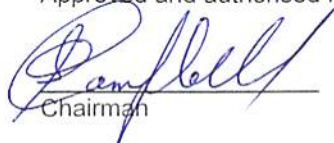


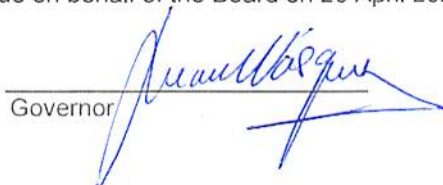
**CENTRAL BANK OF BELIZE**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

	Notes	2020	2019
<b>Approved external assets</b>			
Bank balances and deposits with foreign banks	2h, 2i, 3	5,758,609	18,862,319
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	76,100,409	72,999,604
Other foreign credit instruments	2h, 2k, 5	585,922,676	430,270,961
Accrued interest and cash-in-transit	2h, 2l, 6	1,981,480	5,199,732
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	11,839,047	13,408,059
<b>Total approved external assets</b>		<b>681,602,221</b>	<b>540,740,675</b>
<b>Domestic assets</b>			
Balances with local banks and cash on hand	2h, 2n, 8	749,946	464,667
Government of Belize securities	2h, 2o, 9	501,057,960	383,395,697
Consolidated revenue fund	2h, 2p	58,419,371	53,249,362
Other assets	2h, 2q, 10	32,653,225	90,756,988
Equity instruments	2h, 2r, 11	20,000,000	20,000,000
Property and equipment	2s, 12	34,939,503	29,397,674
Intangible assets	2t, 13	3,523,534	3,568,718
<b>Total assets</b>		<b>1,332,945,760</b>	<b>1,121,573,781</b>
<b>Liabilities</b>			
<b>Demand liabilities</b>			
Notes and coins in circulation	14	503,341,971	432,574,291
Deposits by licensed financial institutions	2h, 2u, 15	548,304,073	422,202,858
Deposits by and balances due to Government and public sector entities in Belize	2h, 2u, 16	141,053,734	80,681,569
Deposits by international agencies	2h, 2u, 17	2,408,017	1,427,484
<b>Total demand liabilities</b>		<b>1,195,107,795</b>	<b>936,886,202</b>
Balances due to CARICOM central banks	2h, 18	568,266	61,551
Other liabilities	2h, 19	36,573,694	87,362,987
Defined benefit plan net obligation	2v, 20	877,855	877,855
International Monetary Fund' SDR Allocations	2h, 21	51,553,984	49,553,375
Commercial banks' discount fund	2h, 22	1,572,850	1,410,484
<b>Total liabilities</b>		<b>1,286,254,444</b>	<b>1,076,152,454</b>
<b>Capital and reserves</b>			
Capital account	2x, 23	20,000,000	20,000,000
Revaluation account	2y, 24	2,522,843	1,609,625
Assets revaluation reserve	25	164,333	165,083
Post-employment obligation reserve	2v, 20	(37,327)	(37,327)
General reserve fund	2z, 26	24,041,467	23,683,946
<b>Total capital and reserves</b>		<b>46,691,316</b>	<b>45,421,328</b>
<b>Total liabilities, capital and reserves</b>		<b>1,332,945,760</b>	<b>1,121,573,781</b>

*The accompanying notes form an integral part of these financial statements.*

Approved and authorised for issue on behalf of the Board on 20 April 2021 and signed on its behalf by:

  
Chairman

  
Governor

  
Senior Manager Corporate Services

**CENTRAL BANK OF BELIZE**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

	Notes	2020	2019
<b>Interest income</b>	<b>2aa</b>		
Approved external assets	<b>27</b>	<b>5,427,141</b>	11,902,189
Advances to Government of Belize		<b>5,411,941</b>	5,416,673
Government of Belize securities	<b>28</b>	<b>13,535,571</b>	10,342,088
<b>Interest expense</b>	<b>29</b>	<b>(106,241)</b>	(538,708)
<b>Net interest income</b>		<b>24,268,412</b>	27,122,242
<b>Other income</b>			
Discount on Government of Belize securities		<b>521,566</b>	711,631
Commissions and other income	<b>30</b>	<b>3,400,619</b>	3,131,637
Dividends on equity instruments	<b>11</b>	-	820,000
<b>Total other income</b>		<b>3,922,185</b>	4,663,268
<b>Other expenses</b>	<b>2aa</b>		
Printing of notes and minting of coins	<b>31</b>	<b>(1,568,397)</b>	(1,981,173)
Salaries and wages, including superannuation contribution and gratuities	<b>32</b>	<b>(14,055,289)</b>	(14,141,899)
Depreciation and amortisation	<b>2s, 2t, 12,13</b>	<b>(2,436,250)</b>	(2,094,601)
Administrative and general expenses	<b>2ab, 33</b>	<b>(6,325,945)</b>	(10,332,850)
<b>Total other expenses</b>		<b>(24,385,881)</b>	(28,550,523)
<b>Profit for the year</b>		<b>3,804,716</b>	3,234,986
<b>Transfers:</b>			
General reserve fund	<b>2z, 26</b>	<b>380,472</b>	323,499
Consolidated revenue fund	<b>2p</b>	<b>3,424,244</b>	2,911,487
		<b>3,804,716</b>	3,234,986
<b>Other comprehensive income/(loss)</b>			
Items that will not be reclassified subsequently to profit or loss			
Artwork	<b>25</b>	<b>(750)</b>	552
Items that will be reclassified subsequently to profit or loss revaluation of financial assets			
Revaluation	<b>37 (ii)</b>	<b>913,218</b>	(167,810)
<b>Other comprehensive income/(loss) for the year</b>		<b>912,468</b>	(167,258)
<b>Total comprehensive income for the year</b>		<b>4,717,184</b>	3,067,728

*The accompanying notes form an integral part of these financial statements.*

**CENTRAL BANK OF BELIZE**  
**STATEMENT OF CHANGES IN CAPITAL AND RESERVES FOR THE YEARS ENDED 31 DECEMBER 2020**  
**AND 2019**  
**(IN BELIZE DOLLARS)**

	Capital account	Revaluation account	Assets revaluation reserve	Post- employment obligation reserve	General reserve	Total
<b>Balance as at 01 January 2019</b>	20,000,000	1,777,435	164,531	(37,327)	23,360,447	<b>45,265,086</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	3,234,986	<b>3,234,986</b>
Other comprehensive income/(loss)	-	(167,810)	552	-	-	<b>(167,258)</b>
Total comprehensive income	-	(167,810)	552	-	3,234,986	<b>3,067,728</b>
Transfer to consolidated revenue fund	-	-	-	-	(2,911,487)	<b>(2,911,487)</b>
<b>Balance as at 31 December 2019</b>	<b>20,000,000</b>	<b>1,609,625</b>	<b>165,083</b>	<b>(37,327)</b>	<b>23,683,946</b>	<b>45,421,327</b>
<b>Balance as at 01 January 2020</b>	20,000,000	1,609,625	165,083	(37,327)	23,683,946	<b>45,421,327</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	3,804,716	<b>3,804,716</b>
Other comprehensive income/(loss)	-	913,218	(750)	-	(22,951)	<b>889,517</b>
Total comprehensive income	-	913,218	(750)	-	3,781,765	<b>4,694,233</b>
Transfer to consolidated revenue fund	-	-	-	-	(3,424,244)	<b>(3,424,244)</b>
<b>Balance as at 31 December 2020</b>	<b>20,000,000</b>	<b>2,522,843</b>	<b>164,333</b>	<b>(37,327)</b>	<b>24,041,467</b>	<b>46,691,316</b>

*The accompanying notes form an integral part of these financial statements.*



**CENTRAL BANK OF BELIZE**  
**STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

	2020	2019	
<b>Cash flows from operating activities</b>			
Profit for the year	3,804,716	3,234,989	
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation of property and equipment	1,756,834	1,506,572	
Amortisation and impairment of intangible assets	679,416	588,029	
(Gain)/loss on disposal of property and equipment	(5,068)	1,896	
<b>Cash provided by operating activities before operating assets and liabilities</b>	<b>6,235,898</b>	<b>5,331,483</b>	
Changes in:			
Consolidated revenue fund	(5,170,016)	(5,472,870)	
Government of Belize securities	21,852,000	(8,893,000)	
Marketable securities	1,569,012	175,673	
Reserve Tranche and balances in the International Monetary Fund	(711,443)	98,667	
Other assets	58,103,763	(70,838,218)	
Other liabilities	(50,789,293)	62,197,462	
Revaluation account	912,467	(167,810)	
<b>Net cash generated by/ (used in) operating activities</b>	<b>32,002,388</b>	<b>(17,568,613)</b>	
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	(7,337,204)	(444,993)	
Acquisition of intangible assets	(634,232)	(781,614)	
Proceeds from the sale of assets	24,920	-	
<b>Net cash used in investing activities</b>	<b>(7,946,516)</b>	<b>(1,226,607)</b>	
<b>Cash flows from financing activities</b>			
Balances due to CARICOM central banks	506,715	(253,687)	
Commercial banks' discount fund	162,367	162,367	
Deposits by and balances due to Government and public sector entities in Belize	56,947,922	(11,164,018)	
Deposits by international agencies	980,533	(843,032)	
Deposits by licensed financial institutions	126,101,215	22,978,799	
International Monetary Fund' SDR allocations	2,000,608	(310,057)	
Notes and coins in circulation	70,767,680	35,237,765	
<b>Net cash generated by financing activities</b>	<b>257,467,040</b>	<b>45,808,137</b>	
Cash and cash equivalents at the beginning of the year	743,668,410	716,655,493	
Net increase in cash and cash equivalents	281,522,912	27,012,917	
<b>Cash and cash equivalents at the end of the year</b>	<b>1,025,191,322</b>	<b>743,668,410</b>	
<b>Cash and cash equivalents comprise of the following:</b>			
<b>Approved external assets</b>			
Bank balances and deposits with foreign banks	3	5,758,609	18,862,319
Other foreign credit instruments	5	585,922,676	430,270,961
Accrued interest	6	1,820,267	5,013,652
Cash-in-transit	6	161,214	186,080
SDR Holdings	4	58,262,395	55,873,034
		651,925,161	510,206,046
<b>Domestic assets</b>			
Balances with local banks and cash on hand	8	749,946	464,667
Current portion of Government of Belize securities		372,516,215	232,997,697
		373,266,161	233,462,364
		1,025,191,322	743,668,410

*The accompanying notes form an integral part of these financial statements.*

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

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**1. GENERAL INFORMATION**

**Central Bank of Belize (the Bank)**, was established under the Central Bank of Belize Act (the Act), Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act and its related amendments, the Domestic Banks and Financial Institutions Act, the International Banking Act, Credit Unions Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bills Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circular and Guidance Notes, the Exchange Control Regulations Act, the National Payment Systems Act along with associated Practice Directions, Circulars, Requirements and Statutory Instruments. The principal objectives of the Bank are to foster monetary salability, especially regarding the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize, C.A.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- a. Statement of compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the financial reporting provisions of the Central Bank of Belize Act (the Act). These and any amendments thereto have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.
- b. Basis of preparation – The financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of investments and derivatives. Monetary amounts are expressed in Belize dollars (BZD). All amounts are rounded to the nearest dollar unless otherwise indicated. Due to rounding, numbers presented throughout this document may not sum precisely to the totals provided and percentages may not precisely reflect the absolute figures.
- c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the Bank's functional currency.
- d. Foreign currency transactions and translations – Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of other comprehensive income. Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates when fair value was determined.
- e. Foreign investment policy – Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover the value of the total amount of its notes and coins fully for the time being in circulation. As at 31 December 2020, the value of total assets was BZD 1,332,945,760 (2019: BZD 1,121,573,781) while the value of notes and coins in circulation was BZD 503,341,971 (2019: 432,574,291).

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- e. Foreign investment policy (continued) - Section 25(2) of the Act requires that the Bank maintains at all times a reserve of external assets of not less than 40.0% of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sight and time deposits. As at 31 December 2020 and 2019, total approved external assets approximated 56.2% and 58.0% of such liabilities, respectively.

Section 25(3) of the Act requires that the reserve shall consist of any of the following:

- Gold in any form and at such a valuation as may be determined by the Bank;
  - Foreign exchange in the form of demand or time deposits with foreign central banks, agents and correspondents, documents and instruments customarily used for making payments or transfers in international transactions;
  - Notes and coins;
  - Securities of, or guaranteed by foreign governments or international financial institutions;
  - Belize's drawing facility equivalent to its reserve position in the International Monetary Fund;
  - Belize's holdings of special drawing rights in the International Monetary Fund.
- f. Significant accounting judgements and estimates - The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

Information about estimates and assumptions that may have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

### Defined benefit obligation (DBO)

The estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses.

### Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change information technology equipment and software.

### Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- g. Change in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, may give rise to additional disclosures or changes to the presentation of the financial statements in future periods.

The following standards and amendments have become effective for the annual periods commencing on or after 01 January 2020 and have been adopted.

- Amendments to IAS 1 and IAS 8 - Definition of Material;
- Amendments to IFRS 3 - Definition of a Business;
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform;
- Revised Conceptual Framework for Financial Reporting.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' have clarified the definition of 'material' and aligned the definition used in the Conceptual Framework and the standards.

Amendments to IFRS 3 'Business combinations' have amended Appendix A 'Defined terms', the application guidance and the illustrative examples of IFRS 3.

The amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform - were triggered by the replacement of benchmark interest rates such as LIBOR and other interbank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

Amendments to References to the Conceptual Framework in IFRS set out amongst other details, the objectives of general purpose financial reporting and the qualitative characteristics of useful financial information.

The adoption of standards and amendments stated above has not had any material impact on the disclosures or the amounts reported in these financial statements.

The following standards and amendments have become effective for the annual periods commencing on or after 01 January 2021.

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2;
- Amendments to IAS 37 - Onerous contracts - Cost of Fulfilling a Contract;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use;
- Amendments to IFRS 3 - Reference to Conceptual Framework;
- Annual Improvements to IFRS Standards 2018-2020 Cycle;



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g. Change in accounting policies (continued) -

- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture (Available for optional adoption/effective date deferred indefinitely);
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.

Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications. The amendments are applicable for annual periods commencing on or after 01 June 2020.

Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 & IAS 16 - Interest Rate Benchmark Reform – Phase 2. As a result of these amendments, among other matters, an entity:

- will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The amendments are applicable for annual periods commencing on or after 01 January 2021.

Amendments to IAS 37 'Provisions, contingent liabilities and contingent assets' specify the costs that an entity includes when assessing whether a contract will be loss-making. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IAS 16 'Property, plant and equipment' require an entity to recognise the sales proceeds from selling items produced while preparing the property, plant and equipment for its intended use and the related costs in profit or loss, instead of deducting the amounts received from the cost of the asset. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IFRS 3 'Business combinations' update a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Annual Improvements to IFRS Standards 2018–2020 amend:

- IFRS 1 to simplify the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences;
- IFRS 9 to clarify the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability;
- IFRS 16 illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements.
- IAS 41 to remove the requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in other accounting standards.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **g. Change in accounting policies (continued)**

The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates' clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. Otherwise, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments are applicable for annual periods commencing on or after 01 January 2022.

Amendments to IAS 1 'Presentation of financial statements' clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. The meaning of settlement of a liability is also clarified. The amendments are applicable for annual periods commencing on or after 01 January 2023.

IFRS 17 'Insurance contracts' establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. IFRS 17 is effective for annual periods commencing on or after 01 January 2023.

The standards and amendments will be adopted when they become effective. Their effects, if any, will be quantified at that time.

### **h. Financial instruments**

#### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. Financial liabilities are derecognised when it is extinguished, discharged, cancelled or expired.

#### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- fair value through profit and loss (FVTPL);
- fair value through other comprehensive income (FVOCI).

All income and expenses relating to financial assets that are recognised in profit or loss are presented within administrative and general expenses.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **h. Financial instruments (continued)**

#### Subsequent measurement of financial assets

##### Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Bank's investments and securities fall into this category of financial instruments which were previously classified as held-to-maturity under IAS 39.

##### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The Bank's investment in an unquoted equity instrument falls into this category and was previously classified as available for sale under IAS 39.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

#### Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included investments and securities measured at amortised cost.

Recognition of credit losses is no longer dependent on the Bank first identifying a credit loss event. Instead, the Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

$ECL = EAD \times LGD \times PD$ . See also note 37(i).

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **h. Financial instruments (continued)**

#### Impairment of financial assets (continued)

EAD – The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

LGD – The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral.

PD – The Probability of Default is an estimate of the likelihood of default over a given period of time.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### Classification and measurement of financial liabilities

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the Bank's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed as follows.

The Bank's financial liabilities include deposits held, balances due to third parties and other liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Bank designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

#### Adoption of IFRS 9

In adopting IFRS 9, the Bank has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Bank's financial assets. The Bank's financial assets are held to collect the associated cash flows. The bonds and securities previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.
- Investments in unquoted equity instruments previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI).



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

h. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Adoption of IFRS 9 (continued)

The Bank did not elect to irrevocably designate any of the equity investments at fair value with changes presented in other comprehensive income.

- The impairment of financial assets applying the expected credit loss model. This affects the financial assets measured at amortised cost. For regular receivables, the Bank applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

- i. Bank balances and deposits with foreign banks – Comprises of cash at overseas correspondent banks and demand deposits including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

- j. Reserve Tranche and balances with the International Monetary Fund (IMF) – The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR), which is a supplementary international reserve asset.

The SDR interest rate provides the basis for calculating the interest charged and the interest paid to members of the IMF for the use of their resources for regular (non-concessional) IMF loans. It is also the interest paid to members on their SDR holdings and charged on their SDR allocation. The SDR interest rate is determined weekly and is based on a weighted average of representative interest rates on short-term debt instruments in the money markets of the SDR basket currencies.

- k. Other foreign credit instruments – Comprises of short-term financial assets, including fixed deposits and overnight deposits held at overseas financial institutions with maturities of a year or less. The Bank's intention is to hold these until maturity.

Other foreign credit instruments are measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, by reference to external credit ratings, the instrument is then measured at the present value of its estimated future cash flows.

- l. Accrued interest and cash in transit – Comprises of interest earned but not yet received on other foreign credit instruments and marketable securities issued or guaranteed by foreign governments and international financial institutions along with and cash on hand-held for shipment and in transit.

- m. Marketable securities issued or guaranteed by foreign governments and international financial institutions – Comprises of short-term financial assets, including bonds and debentures with maturities beyond a year.

- n. Balances with local banks and cash on hand – Comprises of cash on hand and deposits held at local financial institutions that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

- o. Government of Belize securities – Comprises of locally held financial assets, including treasury bills and treasury notes issued and guaranteed by the Government of Belize.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

o. Government of Belize securities (continued)

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid-up capital and general reserves of the Bank. As at 31 December 2020 the Bank's aggregate holding of these Government of Belize Securities approximated 11.38 times (2019: 8.78), respectively, the amount of paid-up capital and general reserves of the Bank.

p. Consolidated revenue fund – Comprises of advances made to the Government of Belize as governed by section 33 and 34 of the Act. All amounts are short term and their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

q. Other assets –

Loans and other receivables

Loans are recognised when cash is advanced. It is stated at amortised cost using the effective interest method. Loans receivable are derecognised when the rights to receive cash flows from the financial assets have expired or extinguished. Their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

Inventory of notes and coins

Inventory of notes and coins are measured at cost upon initial recognition. After initial recognition, they are measured at the lower of cost and net realisable value. Cost is determined on the weighted average cost method.

Supplies

Stationary, computer, building, kitchen and administrative supplies are held at cost expensed when used.

Collectible coins inventory

Collectible coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognised when sales are made. As of 01 January 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.

r. Equity instruments – equity instruments are measured at FVTPL. Fair value of equity instruments held by the Bank cannot currently be measured reliably; thus, the cost is considered the best estimate of fair value. Impairment charges are recognised in profit or loss.

s. Property and equipment

Land

Land held for use in the ordinary course of business is stated at costs. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

s. Property and equipment (continued)

Property (Buildings), Equipment, Vehicles

Buildings, equipment and vehicles are initially recognised at acquisition cost or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Bank's management. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. The cost of software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Buildings, equipment and vehicles are subsequently carried at cost less accumulated depreciation and impairments. Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the asset.

The following rates are applied:

Property 1% – 5%  
Furniture 10%

Equipment 10% – 25%  
Vehicles 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use. Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

t. Intangible assets

Application software and licenses

Costs that are directly attributable to acquiring application software and licenses asset are recognised as intangible assets, provided they meet the following recognition requirements:

Initial recognition of other intangible assets

- the costs can be measured reliably
- the asset is technically and commercially feasible
- the Bank intends to and has sufficient resources to complete the asset and the Bank has the ability to use or sell the application or licenses
- the software will generate probable future economic benefits.

Costs not meeting these criteria for capitalisation are expensed as incurred.

Subsequent measurement

All finite-lived intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing annually.

Application software is amortised over a useful life of 3-10 years. Application licenses are amortised over the period the license is granted. Amortisation has been included within depreciation, amortisation and impairment of non-financial assets.

**CENTRAL BANK OF BELIZE**

**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
(IN BELIZE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

t. Intangible assets (continued)

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

- u. Deposits – comprised of deposits accepted on behalf of licensed banks, other licensed financial institutions including Government of Belize and Public Sector entities. Their carrying value is considered a reasonable approximation of fair value.

Under the revised provisions of Domestic Banks and Financial Institutions Act (No. 11 of 2012), it stipulates that every licensed bank shall maintain on account in its name with the Central Bank a minimum balance which on average shall be equivalent to at least five per centum of its average deposit liabilities represented by demand deposits, plus at least three per centum of its average deposit liabilities not represented by demand deposits, or such higher proportion of such demand deposits or other deposit liabilities as may from time to time be prescribed or specified by the Central Bank.

- v. Defined benefit plan – Under the Bank's defined benefit plan, the amount of pension benefit an employee will receive on retirement is defined by reference to the employee's length of service and final salary. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside.

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO every three years with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality.

w. Short term employee benefits –

Gratuity - The Bank is liable to pay gratuity for contract employees who are not eligible to participate in the pension scheme. In order to meet this liability, a provision is carried forward in the statements of financial position equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service.

The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the statement of income. The gratuity liability is neither funded nor actuarially valued.

Severance benefits payable – Severance obligations are recognised at the point of not being able to withdraw from the provision of the benefit to qualifying employees. The provision is calculated in accordance with the Labour Act of Belize Chapter 297.

Other short-term employee benefits – Short-term employee benefits, including holiday entitlement, are current liabilities included in pension and other employee obligations, measured at the undiscounted amount that the Bank expects to pay as a result of the unused entitlement.



**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- x. Capital account – The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on 12 October 2016 to increase the authorised capital of the Bank to BZD 20,000,000 and that the increase shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the consolidated revenue fund until such time as the increase in capital is fully paid up. As at 31 December 2020, the authorised capital of the Bank is BZD 20,000,000 (2019: BZD 20,000,000).
- y. Revaluation account – Section 50 of the Act permits the Bank to exclude profits or losses from any revaluation of the Bank's net assets or liabilities from the computation of the annual profits and losses of the Bank. All such profits or losses are carried in a special account called the Revaluation Account.

The Act also requires that no profits shall be credited to the General Reserve Fund or paid to the Government of Belize under section 9 of the Act whenever the Revaluation Account shows a net loss. Such profits shall be credited to the Revaluation Account in an amount sufficient to cover the loss.

- z. General reserve fund – The profits of the Bank shall be distributed in accordance with the Central Bank of Belize Act, Chapter 262, Section 8(4) (Amendment 2016) and Section 9(1).

As at 31 December 2020, the Bank's General Reserve Fund was at BZD 24,041,467, which exceeded the paid-up capital of BZD 20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

- aa. Interest income and expense – Interest income and expense for all interest-bearing financial instruments are recognised in the statement of profit or loss at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest to discount the future cash flows for the purpose of measuring the impairment loss.

- ab. Administrative and general expense – Administrative and general expense are recognised in the profit or loss upon utilisation of the service or as incurred.
- ac. Taxation – In accordance with Section 52 of the Central Bank of Belize Act, the Bank is exempt from the provision of any law relating to income tax or customs duties and from the payment of stamp duty.
- ad. Segment-reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Bank has determined the Board of Directors as its chief operating decision-maker.

The Bank has one operating segment for financial reporting purposes.

**3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKS**

	<u>2020</u>	<u>2019</u>
Balances with other central banks and foreign banks	<b>5,531,607</b>	18,615,881
Foreign currency notes	<b>227,002</b>	246,438
	<b><u>5,758,609</u></b>	<u>18,862,319</u>

**4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND**

Belize joined the International Monetary Fund (IMF) on 16 March 1982. As at 31 December its financial position in the IMF was as follows:

	<u>2020</u>	<u>2019</u>
SDR Holdings	<b>58,262,396</b>	55,873,034
Reserve Tranche	<b>17,838,013</b>	17,126,570
	<b><u>76,100,409</u></b>	<u>72,999,604</u>

SDRs are converted at an exchange rate of BZD 2.88053 to SDR 1.0 as at 31 December 2020 (2019: BZD 2.76565 to SDR 1.0)

**5. OTHER FOREIGN CREDIT INSTRUMENTS**

	<u>2020</u>	<u>2019</u>
Fixed deposits	<b>390,122,247</b>	339,910,953
Overnight deposits	<b>195,849,473</b>	90,408,135
Expected credit losses	<b>(49,044)</b>	(48,127)
	<b><u>585,922,676</u></b>	<u>430,270,961</u>

Other foreign credit instruments are held with foreign banks and other foreign financial institutions.

Movements in expected credit losses on other foreign credit instruments were as follows:

	<u>2020</u>	<u>2019</u>
At the beginning of the year	<b>(48,127)</b>	(47,806)
(Charge) during the year	<b>(917)</b>	(321)
At the end of the year	<b><u>(49,044)</u></b>	<u>(48,127)</u>

**CENTRAL BANK OF BELIZE**  
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**6. ACCRUED INTEREST AND CASH-IN-TRANSIT**

	<u>2020</u>	<u>2019</u>
Accrued interest on foreign credit instruments	<b>1,713,256</b>	4,825,172
Accrued interest on marketable securities issued and guaranteed by foreign government and foreign financial institutions	<b>94,212</b>	96,705
Accrued interest on balances with the International Monetary Fund	<b>12,798</b>	91,775
Cash-in-transit	<b>161,214</b>	186,081
	<u><b>1,981,480</b></u>	<u>5,199,732</u>

Due to short-term nature of the accrued interest, its carrying amount is considered to be the same as their fair value.

**7. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENTS AND FOREIGN FINANCIAL INSTITUTIONS**

Amounts comprise debt securities at amortised cost:

	<u>2020</u>	<u>2019</u>
Bonds	<b>10,000,000</b>	11,409,510
Debenture	<b>1,840,000</b>	2,000,000
Expected credit losses	<b>(953)</b>	(1,451)
	<u><b>11,839,047</b></u>	<u>13,408,059</u>

Movements in expected credit losses on marketable securities issued or guaranteed by foreign governments and foreign financial institutions were as follows:

	<u>2020</u>	<u>2019</u>
At the beginning of the year	<b>(1,451)</b>	(130,554)
Release during the year	<b>498</b>	129,103
At the end of the year	<u><b>(953)</b></u>	<u>(1,451)</u>

Debenture represents a foreign government debenture that bears an interest of 3.5% and matures in 2034. Bonds represent bonds of a foreign financial institution that bear an interest of 1.6% and mature in 2022.

**8. BALANCES WITH LOCAL BANKS AND CASH ON HAND**

	<u>2020</u>	<u>2019</u>
Balances with local financial institutions	<b>465,720</b>	154,006
Cash on hand	<b>284,226</b>	310,661
	<u><b>749,946</b></u>	<u>464,667</u>

During 2020 and 2019, the expected credit losses on balances with local banks and cash on hand have not been recorded.

**CENTRAL BANK OF BELIZE**  
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**9. GOVERNMENT OF BELIZE SECURITIES**

Amounts comprise debt securities at amortised cost:

	<u>2020</u>	<u>2019</u>
Treasury notes	<b>491,622,000</b>	326,889,000
Treasury bills	<b>9,435,960</b>	56,506,697
	<b><u>501,057,960</u></b>	<b><u>383,395,697</u></b>

During 2020 and 2019, the expected credit losses on Government of Belize securities have not been recorded.

**10. OTHER ASSETS**

	<u>2020</u>	<u>2019</u>
<u>Financial assets</u>		
Accounts receivable	<b>207,128</b>	345,643
Staff loans receivable	<b>4,478,039</b>	4,402,242
Expected credit losses and accounts receivable and staff loans	<b>(5,043)</b>	(3,941)
	<b><u>4,680,124</u></b>	<u>4,743,944</u>
Escrow accounts (Note 19) (i)	<b>15,564,320</b>	69,091,257
Accrued interest on GOB treasury notes	<b>4,661,310</b>	3,919,600
Accrued discount on GOB treasury bills	<b>46,637</b>	160,587
Dividends receivable	<b>-</b>	820,000
	<b><u>20,272,267</u></b>	<u>73,991,444</u>
<u>Non-financial assets</u>		
Inventory of circulation notes and coins	<b>4,979,435</b>	4,523,406
Collectible coins inventory	<b>1,086,511</b>	1,086,869
Prepayments	<b>1,099,142</b>	5,963,372
Supplies	<b>210,329</b>	191,684
Artwork	<b>165,133</b>	165,883
Other assets	<b>160,284</b>	90,386
	<b><u>7,700,834</u></b>	<u>12,021,600</u>
	<b><u>32,653,225</u></b>	<u>90,756,988</u>

- (i) During 2020, significant funds held in escrow on behalf of Choice Bank Limited liquidation have been paid to depositors.

Movements in expected credit losses on accounts receivable and staff loans receivable were as follows:

	<u>2020</u>	<u>2019</u>
At the beginning of the year	<b>(3,941)</b>	(16,650)
(Charge) release during the year	<b>(1,102)</b>	1,200
Other assets written off during the year as uncollectible	<b>-</b>	11,509
At the end of the year	<b><u>(5,043)</u></b>	<u>(3,941)</u>

**11. EQUITY INSTRUMENTS**

	<u>2020</u>	<u>2019</u>
Belize Telemedia Limited	<u>20,000,000</u>	<u>20,000,000</u>
	<u>20,000,000</u>	<u>20,000,000</u>

The equity instruments represent the Bank's investment of 4,000,000 shares in Belize Telemedia Limited (BTL) at a par value of BZD 5.00 per share, totalling BZD 20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated 17 June 2011, for 800,000 shares each at par value of BZD 1.00 per share have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. These instruments are secured by the Government of Belize with no valuation exposure to the Bank. As at 31 December 2020, BTL has not declared dividends for the fiscal year 2020 (2019 – BZD 0.205 per share).

## CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
(IN BELIZE DOLLARS)**12. PROPERTY AND EQUIPMENT**

<b>Cost</b>	<b>Property</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Vehicle</b>	<b>Work in progress</b>	<b>Total</b>
Balance as at 01 January 2020	31,605,279	1,910,727	11,775,709	757,697	76,205	<b>46,125,617</b>
Additions	331,558	91,420	4,807,043	-	2,107,183	<b>7,337,204</b>
Disposals	-	(31,790)	(569,026)	(197,378)	-	<b>(798,194)</b>
Transfers	76,205	-	-	-	(76,205)	-
<b>Balance as at 31 December 2020</b>	<b>32,013,042</b>	<b>1,970,357</b>	<b>16,013,726</b>	<b>560,319</b>	<b>2,107,183</b>	<b>52,664,627</b>
<b>Accumulated depreciation</b>						
Balance as at 01 January 2020	(6,253,571)	(1,420,382)	(8,577,570)	(476,420)	-	<b>(16,727,943)</b>
Depreciation charge for the year	(400,505)	(79,470)	(1,174,642)	(102,217)	-	<b>(1,756,834)</b>
Disposals	-	28,697	562,250	168,701	-	<b>759,648</b>
<b>Balance as at 31 December 2020</b>	<b>(6,654,076)</b>	<b>(1,471,155)</b>	<b>(9,189,962)</b>	<b>(409,933)</b>	<b>-</b>	<b>(17,725,126)</b>
<b>Net book value</b>						
<b>31 December 2020</b>	<b>25,358,966</b>	<b>499,202</b>	<b>6,823,764</b>	<b>150,386</b>	<b>2,107,183</b>	<b>34,939,503</b>
<b>Net book value</b>						
<b>31 December 2019</b>	<b>25,351,708</b>	<b>490,345</b>	<b>3,198,139</b>	<b>281,277</b>	<b>76,205</b>	<b>29,397,674</b>

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**13. INTANGIBLE ASSETS**

	<b>Application software and licenses</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost</b>			
Balance as at 01 January	6,060,152	270,090	<b>6,330,242</b>
Additions	502,407	131,825	<b>634,232</b>
Transfers	270,090	(270,090)	-
<b>Balance as at 31 December</b>	<b>6,832,649</b>	<b>131,825</b>	<b>6,964,474</b>
<b>Accumulated amortisation</b>			
Balance as at 01 January	(2,761,524)	-	<b>(2,761,524)</b>
Amortisation charge for the year	(679,416)	-	<b>(679,416)</b>
Disposal	-	-	-
<b>Balance as at 31 December</b>	<b>(3,440,940)</b>	<b>-</b>	<b>(3,440,940)</b>
<b>Net book value as at 31 December 2020</b>	<b>3,391,709</b>	<b>131,825</b>	<b>3,523,534</b>
<b>Net book value as at 31 December 2019</b>	<b>3,298,628</b>	<b>270,090</b>	<b>3,568,718</b>

**14. NOTES AND COINS IN CIRCULATION**

	<b>2020</b>	<b>2019</b>
Notes in circulation	<b>467,564,887</b>	398,120,870
Coins in circulation	<b>35,777,084</b>	34,453,421
	<b>503,341,971</b>	432,574,291

**15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS**

At 31 December 2020 and 2019 deposits by local financial institutions comprised deposits of five licensed financial institutions located in Belize.

**16. DEPOSITS BY AND BALANCES DUE TO GOVERNMENT AND PUBLIC SECTOR ENTITIES IN BELIZE**

	<b>2020</b>	<b>2019</b>
Government of Belize accounts	<b>137,080,462</b>	73,745,638
Public sector entities accounts	<b>3,973,272</b>	6,935,931
	<b>141,053,734</b>	80,681,569

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**17. DEPOSITS BY INTERNATIONAL AGENCIES**

The Bank acts as an agent for and accepts deposits from international financial agencies.

	<b>2020</b>	<b>2019</b>
Caribbean Development Bank	<b>1,711,000</b>	738,243
Inter-American Development Bank	<b>472,316</b>	472,316
International Monetary Fund	<b>194,961</b>	187,185
International Bank for Reconstruction and Development	<b>29,740</b>	29,740
	<b><u>2,408,017</u></b>	<b><u>1,427,484</u></b>

**18. BALANCES DUE TO CARICOM CENTRAL BANKS**

	<b>2020</b>	<b>2019</b>
Bank of Jamaica	<b>511,956</b>	61,551
Central Bank of Barbados	<b>53,160</b>	-
Central Bank of Trinidad and Tobago	<b>3,150</b>	-
	<b><u>568,266</u></b>	<b><u>61,551</u></b>

**19. OTHER LIABILITIES**

	<b>2020</b>	<b>2019</b>
<u>Financial liabilities</u>		
Escrow accounts (Note 10)	<b>15,564,320</b>	69,091,257
Abandoned property	<b>9,403,041</b>	9,392,987
Deposits by licensed international offshore financial institutions (i)	<b>4,112,993</b>	2,231,000
Belize City Municipal Bonds - Sinking Fund	<b>1,138,315</b>	231,183
Contribution (deposit insurance) (ii)	<b>1,000,000</b>	1,000,000
Corozal Freezone Municipal Bonds - Sinking Fund	<b>119,533</b>	176,470
Accounts payable	<b>103,243</b>	558,604
Unclaimed balances of Belize Unit Trust	<b>46,089</b>	46,089
Bond discount	<b>12,167</b>	23,133
	<b><u>31,499,701</u></b>	<b><u>82,750,723</u></b>
<u>Non-financial liabilities</u>		
Severance and gratuities	<b>3,690,588</b>	3,538,059
Other staff costs payable	<b>851,375</b>	577,689
Deferred income	<b>532,030</b>	496,516
	<b><u>5,073,993</u></b>	<b><u>4,612,264</u></b>
	<b><u>36,573,694</u></b>	<b><u>87,362,987</u></b>



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**19. OTHER LIABILITIES (CONTINUED)**

- (i) Under Section 21 A (1) of the International Banking Act, licensed international offshore financial institutions are required to maintain an account of a minimum balance of BZD 200,000 with the Bank. At 31 December 2020 total amount of such deposits included BZD 3,312,993 (2019: 1,631,000) that relate to balances with international offshore financial institutions with active licenses and BZD 800,000 (2019: BZD 800,000) that relate to the Bank's liabilities in respect of minimal balances of such financial institutions, whose licenses have been revoked/surrendered by the Bank.
- (ii) In accordance with Section 19 of the Deposit Insurance Act, 2020, the Central Bank is holding in escrow its contribution due on the commencement of the Deposit Insurance Corporation.

**20. DEFINED BENEFIT PLAN NET OBLIGATION**

The Bank operates a defined benefit pension scheme that receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of the final pensionable salary on attaining the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit. During the year under review, the Bank contributed BZD 578,924 (2019: BZD 540,710) to the scheme.

<b>Significant actuarial assumptions used in the valuation were:</b>	<u>2016</u>	<u>2014</u>
I. Discount rate at the end of year (pa)	5.0%	5.0%
II. Future salary increases (pa)	3.5%	3.5%
III. Future pension increases (pa)	0.0%	0.0%

The Bank has performed an actuarial valuation on its defined benefit pension scheme for the year ended 31 December 2015. The results of the valuation are captured below:

**Reconciliation of actuarial losses as at 31 December 2014**

Surplus as at 31 December 2012	3,341,174
Fair value of the plan assets	18,113,646
Present value of defined benefit obligation	(19,542,000)
Non-current pension liability as at 31 December 2014	(1,428,354)
Actuarial losses as at 31 December 2014	<u>4,769,528</u>

**Presentation of actuarial losses as at 31 December 2014**

Amounts to recognise in statement of financial position:	
Non-current pension liability as at 31 December 2014	(1,428,354)
Amounts to recognise in statement of other comprehensive income:	
Remeasurement losses	(4,769,528)

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**20. DEFINED BENEFIT PLAN NET OBLIGATION (CONTINUED)**

**Reconciliation of actuarial losses as at 31 December 2016**

Present value of the obligation at the start of the year	19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through other comprehensive income	(1,339,432)
Present value of the obligation at the end of year	<u>19,867,000</u>

Fair value of the plan assets at the start of the year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through other comprehensive	51,595
Fair value of the plan assets at the end of the year	<u>18,989,145</u>

**Net change in non-current pension liability for the year ended  
31 December 2016**

**877,855**

Non-current pension liability 01 January 2016	1,428,354
Net interest cost	119,782
Current service cost	1,101,762
Contributions to the pension as per actuarial report	(381,016)
Remeasurement gain on obligation through other comprehensive income	(1,339,432)
Remeasurement gain on assets through other comprehensive income	(51,595)
<b>Non-current pension liability 31 December 2016</b>	<u><b>877,855</b></u>

Revaluation of the pension plan is done on a 3-year rotation. An IAS 19 evaluation was done during 2019 for the 2018 fiscal year, which shows a defined benefit plan net obligation of the plan of BZD 173,707. Full revaluation of the plan will be done in the 2021 fiscal year.

**Reconciliation of pension reserve:**

Reserve as at 31 December 2012	3,341,174
Actuarial losses 31 December 2014	(4,769,528)
Remeasurement gain on obligation through other comprehensive income	1,339,432
Remeasurement gain on assets through other comprehensive income	51,595
	<u>(3,378,501)</u>
<b>Reserve as at 31 December 2016</b>	<u><b>(37,327)</b></u>

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**21. INTERNATIONAL MONETARY FUND' SDR ALLOCATIONS**

	<b>2020</b>	2019
International Fund' SDR allocations	<b>51,545,064</b>	49,489,264
Interest payable	<b>8,920</b>	64,111
	<b>51,553,984</b>	49,553,375

A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD 250 billion became effective on 28 August 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 26,700,000. Based on this quota, the Bank received allocations of SDR 17,894,000. At 31 December 2020, the SDR's were revalued at SDR 2.88054 to BZD 1.00 (2019: 2.76565 to BZD 1.00).

**22. COMMERCIAL BANKS' DISCOUNT FUND**

	<b>2020</b>	2019
Loan receivable from Development Finance Corporation	<b>(80,380)</b>	(238,759)
Interest paid to United States Agency for International Development	<b>(2,311,316)</b>	(2,311,316)
Interest received by the Bank	<b>3,964,546</b>	3,960,559
	<b>1,572,850</b>	1,410,484

Commercial Banks' Discount Fund (Fund) is a facility that was established by an agreement signed in March 1983 by the Government of Belize and the United States of America, providing for a discount fund to be operated through the Bank. The United States Government acting through United States Agency for International Development (USAID), earmarked USD 5 million in loan funds up to 30 June 1987, to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. In 1993, USAID and the Bank agreed that BZD 2 million and BZD 1.5 million from the reflows to the Fund could be used as a line of credit to the National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

Interest rate of 2% for the first ten years and 3% thereafter. The loan was repayable within 25 years with a grace period of 9-12 years and 31 equal semi-annual principal payments for 15 ½ years. The final payment to USAID was made in 2009.

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**22. COMMERCIAL BANKS' DISCOUNT FUND (CONTINUED)**

In October 2009, the Bank approved a new 10-year discount facility, amount of BZD 1,465,000 at 2.0% interest per annum, to the Development Finance Corporation. The loan is to mature in June 2021.

**23. CAPITAL ACCOUNT**

	<u>2020</u>	<u>2019</u>
Authorised and paid-up capital	<u>20,000,000</u>	<u>20,000,000</u>
	<u>20,000,000</u>	<u>20,000,000</u>

Capital was authorised and fully paid up in accordance with Section 8 of the Central Bank Act (amended as of 12 October 2016).

**24. REVALUATION ACCOUNT**

	<u>2020</u>	<u>2019</u>
At the beginning of the year	<u>1,609,625</u>	1,777,435
Gain/(loss) from revaluation during the year	<u>913,218</u>	<u>(167,810)</u>
At the end of the year	<u><u>2,522,843</u></u>	<u><u>1,609,625</u></u>

**25. ASSET REVALUATION RESERVE**

Historical and contemporary pictures and paintings were revaluated in 2009 by an independent appraiser, Carlos Bardalez of Belize City, whose report is dated 09 November 2009. In 2020 and 2019, the value was adjusted to include disposed and additional artwork, respectively.

**26. GENERAL RESERVE FUND**

	<u>2020</u>	<u>2019</u>
At the beginning of the year	<u>23,683,946</u>	23,360,447
Loss due to restricted Barbados bonds	<u>(22,951)</u>	-
Transfer from net profit	<u>380,472</u>	323,499
At the end of the year	<u><u>24,041,467</u></u>	<u><u>23,683,946</u></u>

Section 9 (1) of the Central Bank of Belize Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the fund is equal to the amount of the Bank's paid-up capital. Thereafter, 10 percent of the net profit of the Bank in each financial year is paid into the Fund. In 2020 and 2019, 10 percent of the net profit of the Bank was transferred into the Fund each year.

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**27. INTEREST ON APPROVED EXTERNAL ASSETS**

	<u>2020</u>	<u>2019</u>
Fixed deposits with foreign international institutions	<b>4,625,669</b>	9,686,057
Overnight deposits with foreign financial institutions	<b>417,065</b>	1,258,459
Marketable securities issued or guaranteed by foreign governments and foreign financial institution	<b>240,973</b>	243,466
International Monetary Fund' facilities	<b>142,090</b>	701,370
Other balances with foreign financial institutions	<b>1,344</b>	12,837
	<u><b>5,427,141</b></u>	<u>11,902,189</u>

**28. INTEREST ON GOVERNMENT OF BELIZE SECURITIES**

	<u>2020</u>	<u>2019</u>
Treasury notes	<b>13,535,571</b>	10,342,088
	<u><b>13,535,571</b></u>	<u>10,342,088</u>

The interest earned in 2020 was due to an increase of BZD165 million in Bank's Treasury notes portfolio.

**29. INTEREST EXPENSE**

	<u>2020</u>	<u>2019</u>
International Monetary Fund' facilities	<b>100,129</b>	493,167
Other interest expense	<b>6,112</b>	45,541
	<u><b>106,241</b></u>	<u>538,708</u>

**30. COMMISSIONS AND OTHER INCOME**

	<u>2020</u>	<u>2019</u>
Commissions	<b>1,080,021</b>	1,073,571
Automated Payment and Securities Settlement System (APSSS) transaction fees	<b>1,186,743</b>	594,800
License and examination fees	<b>746,188</b>	928,564
Interest on staff loans	<b>203,312</b>	197,352
Cash shipment and other miscellaneous income	<b>144,869</b>	270,082
Gain on valuation of financial instruments	<b>25,418</b>	63,629
Sales of collectible coins	<b>9,000</b>	2,523
Gain on disposal of assets	<b>5,068</b>	1,116
	<u><b>3,400,619</b></u>	<u>3,131,637</u>

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**31. PRINTING OF NOTES AND MINTING OF COINS**

	<u>2020</u>	<u>2019</u>
Printing of currency notes	<b>836,985</b>	980,030
Minting of circulation coins	<b>706,895</b>	969,129
Currency publicity campaign expenses	<b>24,517</b>	32,014
	<u><b>1,568,397</b></u>	<u>1,981,173</u>

**32. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES**

	<u>2020</u>	<u>2019</u>
Salaries and wages	<b>9,640,099</b>	9,360,230
Employee benefits expenses	<b>3,574,851</b>	4,036,519
Pension contributions	<b>578,924</b>	540,710
Social security costs	<b>261,415</b>	204,440
	<u><b>14,055,289</b></u>	<u>14,141,899</u>

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**33. ADMINISTRATIVE AND GENERAL EXPENSES**

	<b>2020</b>	2019
Professional services and technical support	<b>1,624,195</b>	2,119,268
Utilities expenses	<b>1,008,176</b>	1,077,710
Computer software licenses	<b>965,087</b>	962,116
Repairs and maintenance	<b>594,694</b>	671,450
Supplies and small equipment	<b>516,055</b>	525,969
Legal fees	<b>317,206</b>	1,963,897
Other miscellaneous expenses	<b>231,588</b>	316,162
Membership fees	<b>200,991</b>	174,836
Directors' fees	<b>113,791</b>	130,576
Insurance expenses	<b>109,612</b>	106,720
Subscriptions	<b>96,440</b>	69,406
Advertising	<b>96,280</b>	134,476
Audit fees	<b>88,875</b>	68,235
Freight charges	<b>63,686</b>	53,715
Business continuity	<b>62,854</b>	17,571
Bank charges	<b>54,872</b>	78,780
Travel expenses	<b>38,865</b>	52,503
Books and publications	<b>38,387</b>	33,140
Meetings and conferences	<b>29,731</b>	437,304
Donations	<b>18,997</b>	61,025
Firearm license and ammunition	<b>16,212</b>	17,455
Surveys	<b>13,245</b>	15,590
Assistance programme	<b>13,200</b>	-
Entertainment	<b>10,887</b>	18,851
Expected credit losses on financial instruments	<b>2,019</b>	226,095
Contribution (deposit insurance) (Note 19)	<b>-</b>	1,000,000
	<b><u>6,325,945</u></b>	<b><u>10,332,850</u></b>

**34. RELATED PARTY TRANSACTIONS**

The Bank considers a party to be related if control or significant influence over the Bank is exercised. The Bank's related parties include key management personnel, the Government of Belize and other related public sector entities and the Bank's Defined Benefit Plan. Unless otherwise stated, none of the transactions included special terms and conditions and no guarantees were given or received.

### **34. RELATED PARTY TRANSACTIONS (CONTINUED)**

#### **Transactions with key management personnel**

Transactions with key management personnel include short-term benefits, post-employment benefits and termination benefits.

	<u>2020</u>	<u>2019</u>
Short-term benefits	<b>2,290,949</b>	2,146,436
Termination benefits	<b>268,294</b>	169,833
Post-employment benefits	<b>63,433</b>	65,288
	<u><b>2,622,676</b></u>	<u>2,381,557</u>

#### **Transactions with the members of the Board of Directors**

Transactions with key management personnel include short-term benefits.

	<u>2020</u>	<u>2019</u>
Short-term benefits	<b>105,903</b>	96,730
	<u><b>105,903</b></u>	<u>96,760</u>

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at 31 December 2020, an amount of BZD 294,544 (2019: BZD 343,882) was receivable from key management personnel as approved advances made by the Bank. No expected credit losses have been recognised in respect of loans given to related parties. The amount of collateral in respect of loans to related parties as at 31 December 2020 BZD 754,625 (2019: BZD 654,625). The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

#### **Transactions with the Government of Belize and public sector entities in Belize**

Receivables and payables to the Government of Belize and other related public sector entities arise mainly from the Bank carrying out one of its key functions as a fiscal agent for all transactions with International financial institutions (Section 31, 33, 34 and 35 of the Central Bank of Belize Act Revised Edition 2011). Section 24 also permits the Bank to make direct advances to the Government of Belize. Below is an analysis of the transactions with the Government and other related public sector entities:



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**34. RELATED PARTY TRANSACTIONS (CONTINUED)**

	<b>01 January 2020</b>	<b>Disbursements</b>	<b>Deposits</b>	<b>31 December 2020</b>
Social Security Board	(89,177)	36,065,006	(36,070,534)	(94,705)
Development Finance Corporation	(990,417)	7,746,538	(7,113,090)	(356,969)
DFC Mortgage Securitisation Proceeds	(447)	-	-	(447)
Financial Intelligence Unit	(376,047)	2,023,631	(1,760,000)	(112,415)
Belize Tourism Board	(1,797,556)	8,449,316	(6,709,366)	(57,606)
Belize Electricity Limited	(24,925)	1,777,896	(1,777,896)	(24,925)
Belize City Council - Sinking Fund	(231,183)	9,996,055	(10,903,187)	(1,138,315)
International Financial Services Commission	(3,657,362)	4,699,255	(4,368,079)	(3,326,185)
Government of Belize (current account)	56,160,843	591,820,030	(586,137,257)	61,843,616
	<b>48,993,730</b>	<b>662,577,727</b>	<b>(654,839,409)</b>	<b>56,732,028</b>

	<b>01 January 2019</b>	<b>Disbursements</b>	<b>Deposits</b>	<b>31 December 2019</b>
Social Security Board	(18,623)	-	(70,554)	(89,177)
Development Finance Corporation	(9,306)	8,013,119	(8,994,230)	(990,417)
DFC Mortgage Securitisation Proceeds	(447)	-	-	(447)
Financial Intelligence Unit	(209,504)	1,899,457	(2,066,000)	(376,047)
Belize Tourism Board	(138,089)	5,018,991	(6,678,458)	(1,797,556)
Belize Electricity Ltd.	(24,925)	1,652,851	(1,652,851)	(24,925)
Belize City Council - Sinking Fund	(1,011,819)	5,780,809	(5,000,172)	(231,182)
International Financial Services Commission	(6,565,636)	2,908,274	-	(3,657,362)
Government of Belize (current account)	47,776,492	608,620,099	(600,235,748)	56,160,843
	<b>39,798,143</b>	<b>633,893,600</b>	<b>(624,698,013)</b>	<b>48,993,730</b>

**Transactions with the Central Bank of Belize Pension Scheme**

The Bank accumulates the pension contributions for the Scheme's members and remits it to the Scheme on a monthly basis along with its own contributions. In addition, the Bank acts as an intermediary for payments of benefits to the Scheme's members and payment of professional fees. The Scheme periodically reimburses the Bank for such expenses.

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**34. RELATED PARTY TRANSACTIONS (CONTINUED)**

	<b>01 January 2020</b>	<b>Contributions paid by the Bank to the Scheme</b>	<b>Contributions due to the Scheme</b>	<b>31 December 2020</b>
Contributions to the Scheme	-	578,924	(578,924)	-
	-	<b>578,924</b>	<b>(578,924)</b>	-
	<b>01 January 2019</b>	<b>Contributions paid by the Bank to the Scheme</b>	<b>Contributions due to the Scheme</b>	<b>31 December 2019</b>
Contributions to the Scheme	-	540,708	(540,708)	-
	-	<b>540,708</b>	<b>(540,708)</b>	-

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**35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on Note 2g describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

<b>As at 31 December 2020</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
<b>Financial assets:</b>				
Balances and deposits with foreign banks	-	5,758,609	-	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-	-	76,100,409	<b>76,100,409</b>
Other foreign credit instruments	-	585,922,676	-	<b>585,922,676</b>
Accrued interest and cash transit	-	1,981,480	-	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign governments and international institutions	-	11,839,047	-	<b>11,839,047</b>
Balances with local bankers and cash on hand	-	749,947	-	<b>749,947</b>
Government of Belize securities	-	501,057,960	-	<b>501,057,960</b>
Consolidated revenue fund	-	58,419,371	-	<b>58,419,371</b>
Other assets	-	20,272,267	-	<b>20,272,267</b>
Equity instruments	20,000,000	-	-	<b>20,000,000</b>
<b>Total financial assets</b>	<b>20,000,000</b>	<b>1,186,001,357</b>	<b>76,100,409</b>	<b>1,282,101,766</b>

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**35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)**

<b>As at 31 December 2020</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised costs</b>	<b>Financial liabilities at fair value through other comprehensive income</b>	<b>Total</b>
<b>Financial liabilities:</b>				
Notes and coins in circulation	-	503,341,971	-	<b>503,341,971</b>
Deposits by licensed financial institutions	-	548,304,073	-	<b>548,304,073</b>
Deposits by and balances due to Government and public sector entities in Belize	-	141,053,734	-	<b>141,053,734</b>
Deposits by international agencies	-	2,408,017	-	<b>2,408,017</b>
Balances due to CARICOM central banks	-	568,266	-	<b>568,266</b>
Other liabilities	-	31,499,701	-	<b>31,499,701</b>
International Monetary Fund's SDR allocations	-	-	51,553,984	<b>51,553,984</b>
Commercial banks' discount fund	-	1,572,850	-	<b>1,572,850</b>
<b>Total financial liabilities</b>	<b>-</b>	<b>1,228,748,612</b>	<b>51,553,984</b>	<b>1,280,302,596</b>

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**35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)**

<b>As at 31 December 2019</b>	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised costs</b>	<b>Financial assets at fair value through other comprehensive income</b>	<b>Total</b>
<b>Financial assets</b>				
Balances and deposits with foreign banks	-	18,862,319	-	18,862,319
Reserve Tranche and balances with the International Monetary Fund	-	-	72,999,604	72,999,604
Other foreign credit instruments	-	430,270,961	-	430,270,961
Accrued interest and cash-in-transit	-	5,199,732	-	5,199,732
Marketable securities issued or guaranteed by foreign governments and international institutions	-	13,408,059	-	13,408,059
Balances with local banks and cash on hand	-	464,667	-	464,667
Government of Belize securities	-	383,395,697	-	383,395,697
Consolidated revenue fund	-	53,249,359	-	53,249,359
Other assets	-	73,991,444	-	73,991,444
Equity instruments	20,000,000	-	-	20,000,000
<b>Total financial assets</b>	<b>20,000,000</b>	<b>978,842,238</b>	<b>72,999,604</b>	<b>1,071,841,842</b>

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**35. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (CONTINUED)**

<b>As at 31 December 2019</b>	<b>Financial liabilities at fair value through profit or loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Financial liabilities at fair value through other comprehensive income</b>	<b>Total</b>
<b>Financial liabilities</b>				
Notes and coins in circulation	-	432,574,291	-	432,574,291
Deposits by licensed financial institutions	-	422,202,858	-	422,202,858
Deposits by and balances due to Government and public sector entities in Belize	-	80,681,569	-	80,681,569
Deposits by international agencies	-	1,427,484	-	1,427,484
Balances due to CARICOM central banks	-	61,551	-	61,551
Other liabilities	-	82,750,723	-	82,750,723
International Monetary Fund' SDR allocations	-	-	49,553,375	49,553,375
Commercial banks' discount fund	-	1,410,484	-	1,410,484
<b>Total financial liabilities</b>	<b>-</b>	<b>1,021,108,960</b>	<b>49,553,375</b>	<b>1,070,662,335</b>

**36. FAIR VALUE MEASUREMENT**

Determination of fair value and fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing their fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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**36. FAIR VALUE MEASUREMENT (CONTINUED)**

The following table provides the fair value measurement hierarchy of the Bank's assets and liabilities.

<b>As at 31 December 2020</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVOCI</u>					
Reserve Tranche and balances with the International Monetary Fund	4	76,100,409	-	-	76,100,409
<u>Financial assets at FVTPL</u>					
Equity instruments	11	-	-	20,000,000	20,000,000
<b>Total financial assets measured at fair value</b>		<b>76,100,409</b>	<b>-</b>	<b>20,000,000</b>	<b>96,100,409</b>

<b>As at 31 December 2019</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVOCI</u>					
Reserve Tranche and balances with the International Monetary Fund	4	72,999,604	-	-	72,999,604
<u>Financial assets at FVTPL</u>					
Equity instruments	11	-	-	20,000,000	20,000,000
<b>Total financial assets measured at fair value</b>		<b>72,999,604</b>	<b>-</b>	<b>20,000,000</b>	<b>92,999,604</b>

Fair value of financial instruments not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Financial assets and liabilities with carrying values that approximate fair value

For financial assets and liabilities that are liquid or have a short-term maturity, it is assumed that the carrying amounts approximate to their fair value. For all other financial instruments, it is assumed that the carrying amounts also approximate to their fair value.

### **37. FINANCIAL RISK MANAGEMENT**

By its nature, the Bank's activities are principally related to the use of financial instruments. The strategy for using these financial instruments is embedded in the mission of the Bank to foster an economic and financial environment conducive to sustainable economic growth and development.

The Bank has exposure to the following risks from its use of financial instruments:

- Credit risk
- Currency risk
- Liquidity risk
- Interest rate risk
- Operational risk

The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. It has established two committees for this purpose:

- (i) Investment Committee, which is responsible for providing oversight on the conversion of investment strategy into performance, risk exposure for the Bank's Foreign Reserves, financial structure, and performance of the portfolio and investments.
- (ii) Audit Committee, which is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by the Internal Audit Department. This department undertakes both regular and ad hoc reviews of management controls and procedures, the results of which are reported to the Board of Directors and the Audit Committee.

#### **(i) Credit risk**

The Bank is exposed to credit risk, which is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. Credit risk arises in the Bank's management of its financial assets, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers and employees.



### **37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **(i) Credit risk (continued)**

Credit risk is managed on a portfolio basis consisting of both foreign, local and internal designations. Credit risk in respect of foreign designations, are managed via diversification of investments and held by major reputable financial institutions. In respect of local securities, the Bank transacts primarily with or investments related to the Government of Belize. Internal designations are managed using internal policies of eligibility and security for employee loans.

In measuring the expected credit losses, the Bank's foreign and local investments are considered to have low credit risk and the loss allowance recognised is based on the 12 months expected loss. Low credit risk are those with high-quality external credit ratings. The Bank has developed a model utilising external credit ratings to develop the probability of default (PD) against a loss given default of 25%.

#### Security

The Bank holds collaterals in respect of its internally designated financial assets as follows:

<b>As at 31 December 2020</b>	<b>Maximum exposure</b>	<b>Stamped value</b>	<b>Appraised value</b>
Mortgage loans	2,679,845	4,047,241	6,198,689
Consumer loans (Bill of Sale)	347,634	568,547	645,345
Consumer loans (Regular)	1,450,560	25,000	28,307
	<b>4,478,039</b>	<b>4,640,788</b>	<b>6,872,341</b>

<b>As at 31 December 2019</b>	<b>Maximum exposure</b>	<b>Stamped value</b>	<b>Appraised value</b>
Mortgage loans	2,737,616	3,861,141	6,096,487
Consumer loans (Bill of Sale)	308,202	440,091	440,091
Consumer loans (Regular)	1,450,560	25,000	28,307
	<b>4,496,378</b>	<b>4,326,232</b>	<b>6,564,885</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECL's. The Bank assess whether there has been a significant increase in credit risk since initial recognition to determine whether a financial instrument is subject to 12 months ECL or life-time ECL.

The following table details the gross carrying amounts and the corresponding ECL's by stage:

<b>As at 31 December 2020</b>	<b>Notes</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Other foreign credit instruments	5	585,971,720	-	-	585,971,720
Expected credit loss		(49,044)	-	-	(49,044)
		585,922,676	-	-	585,922,676
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions	7	11,840,000	-	-	11,840,000
Expected credit loss		(953)	-	-	(953)
		11,839,047			11,839,047
Other assets	10	4,685,167	-	-	4,685,167
Expected credit loss		(5,043)	-	-	(5,043)
		4,680,124	-	-	4,680,124
<b>Total net amounts</b>		<b>602,441,847</b>	<b>-</b>	<b>-</b>	<b>602,441,847</b>
<b>ECL as a % of carrying amounts</b>		<b>0.01%</b>	<b>-</b>	<b>-</b>	<b>0.01%</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

**As at 31 December 2019**

	<b>Notes</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Other foreign credit instruments	5	430,319,088	-	-	430,319,088
Expected credit loss		(48,127)	-	-	(48,127)
		430,270,961			430,270,961
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions	7	13,409,510	-	-	13,409,510
Expected credit loss		(1,451)	-	-	(1,451)
		13,408,059			13,408,059
Other assets	10	4,747,885	-	-	4,747,885
Expected credit loss		(3,941)	-	-	(3,941)
		4,743,944	-	-	4,743,944
<b>Total net amounts</b>		<b>448,422,964</b>	<b>-</b>	<b>-</b>	<b>448,422,964</b>
<b>ECL as a % of carrying amounts</b>		<b>0.01%</b>	<b>-</b>	<b>-</b>	<b>0.01%</b>

Geographical concentration

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2020 and 31 December 2019. The Bank has allocated exposure to regions based on the country of domicile of the counter parties.

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

**As at 31 December 2020**

<b>Financial assets</b>	<b>Belize</b>	<b>USA</b>	<b>Canada</b>	<b>UK</b>	<b>Europe</b>	<b>Dominica</b>	<b>Total</b>
Balances and deposits with foreign banks	227,003	2,297,292	131,532	1,059,774	2,043,008	-	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-	76,100,409	-	-	-	-	<b>76,100,409</b>
Other foreign credit instruments	-	415,331,915		93,451,579	77,139,182		<b>585,922,676</b>
Accrued interest and cash-in-transit	-	110,706	708,548	411,658	719,943	30,625	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign governments and international institutions	-	9,999,499	-	-	-	1,839,548	<b>11,839,047</b>
Balances with local banks and cash on hand	749,946	-	-	-	-	-	<b>749,946</b>
Government of Belize securities	501,057,960	-	-	-	-	-	<b>501,057,960</b>
Consolidated revenue fund	58,419,371	-	-	-	-	-	<b>58,419,371</b>
Other assets	20,272,267	-	-	-	-	-	<b>20,272,267</b>
Equity instruments	20,000,000	-	-	-	-	-	<b>20,000,000</b>
	<b>600,726,547</b>	<b>503,839,821</b>	<b>840,080</b>	<b>94,923,011</b>	<b>79,902,133</b>	<b>1,870,173</b>	<b>1,282,101,765</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

**As at 31 December 2020**

<b>Financial liabilities</b>	<b>Belize</b>	<b>USA</b>	<b>Barbados</b>	<b>Jamaica</b>	<b>Trinidad and Tobago</b>	<b>Total</b>
Notes and coins in circulation	503,341,971	-	-	-	-	<b>503,341,971</b>
Deposits by licensed financial institutions	548,304,073	-	-	-	-	<b>548,304,073</b>
Deposits by and balances due to Government and public sector entities in Belize	141,053,734	-	-	-	-	<b>141,053,734</b>
Deposits by international agencies	-	697,017	1,711,000	-	-	<b>2,408,017</b>
Balances due to CARICOM central banks	-	-	53,160	511,956	3,150	<b>568,266</b>
Other liabilities	31,499,701	-	-	-	-	<b>31,499,701</b>
International Monetary Fund' SDR allocations	-	51,553,984	-	-	-	<b>51,553,983</b>
Commercial banks' discount fund	-	1,572,850	-	-	-	<b>1,572,850</b>
	<b>1,224,199,479</b>	<b>53,823,851</b>	<b>1,764,160</b>	<b>511,956</b>	<b>3,150</b>	<b>1,280,302,596</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

**As at 31 December 2019**

<b>Financial assets</b>	<b>Belize</b>	<b>USA</b>	<b>Canada</b>	<b>UK</b>	<b>Europe</b>	<b>Dominica</b>	<b>Barbados</b>	<b>Total</b>
Balances and deposits with foreign banks	246,438	11,040,534	123,459	962,559	6,489,329	-	-	<b>18,862,319</b>
Reserve Tranche and balances with the International Monetary Fund	-	72,999,604	-	-	-	-	-	<b>72,999,604</b>
Other foreign credit instruments	-	255,213,096	-	90,982,524	84,075,341	-	-	<b>430,270,961</b>
Accrued interest and cash-in-transit	14,427	2,671,416	-	1,522,069	958,702	33,118	-	<b>5,199,732</b>
Marketable securities issued or guaranteed by foreign governments and international institutions	-	9,998,918	-	-	-	1,999,784	1,409,357	<b>13,408,059</b>
Balances with local bankers and cash on hand	464,667	-	-	-	-	-	-	<b>464,667</b>
Government of Belize securities	383,395,697	-	-	-	-	-	-	<b>383,395,697</b>
Consolidated revenue fund	53,249,362	-	-	-	-	-	-	<b>53,249,362</b>
Other assets	73,991,444	-	-	-	-	-	-	<b>73,991,444</b>
Equity instruments	20,000,000	-	-	-	-	-	-	<b>20,000,000</b>
	<b>531,362,035</b>	<b>351,923,568</b>	<b>123,459</b>	<b>93,467,152</b>	<b>91,523,372</b>	<b>2,032,902</b>	<b>1,409,357</b>	<b>1,071,841,845</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Credit risk (continued)**

	<b>Belize</b>	<b>USA</b>	<b>Barbados</b>	<b>Jamaica</b>	<b>Trinidad and Tobago</b>	<b>Total</b>
<b>Financial liabilities</b>						
Notes and coins in circulation	432,574,291	-	-	-	-	<b>432,574,291</b>
Deposits by licensed financial institutions	422,202,858	-	-	-	-	<b>422,202,858</b>
Deposits by and balances due to Government and public sector entities in Belize	80,681,569	-	-	-	-	<b>80,681,569</b>
Deposits by international agencies	-	689,241	738,243	-	-	<b>1,427,484</b>
Balances due to CARICOM central banks	-	-	-	61,551	-	<b>61,551</b>
Other liabilities	82,750,723	-	-	-	-	<b>82,750,723</b>
International Monetary Fund's SDR Allocations	-	49,553,375	-	-	-	<b>49,553,375</b>
Commercial banks' discount fund	-	1,410,484	-	-	-	<b>1,410,484</b>
	<b>1,018,209,441</b>	<b>51,653,100</b>	<b>738,243</b>	<b>61,551</b>	<b>-</b>	<b>1,070,662,335</b>

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Currency risk**

Currency risk is the risk that the market value of, or cash flow from, financial instruments will vary because of exchange rate fluctuations. The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited since a significant portion of its external assets are held in US funds and in SDR funds necessary to meet Belize's quota with the IMF and SDR allocations. Other external asset funds are kept at a minimum. Management seeks to manage this risk by monitoring the levels of exposure by currency.

**As at 31 December 2020**

<b>Financial assets</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Balances and deposits with foreign banks	-	3,933,162	-	1,620,337	131,532	73,578	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-		76,100,409	-	-	-	<b>76,100,409</b>
Other foreign credit instruments	-	585,922,676	-	-	-	-	<b>585,922,676</b>
Accrued interest and cash-in-transit	-	1,857,886	12,798	23,330	75,123	12,343	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign government and international institutions	-	11,839,047	-	-	-	-	<b>11,839,047</b>
Balances with local banks and cash on hand	749,947	-	-	-	-	-	<b>749,947</b>
Government of Belize securities	501,057,960	-	-	-	-	-	<b>501,057,960</b>
Consolidated revenue fund	58,419,371	-	-	-	-	-	<b>58,419,371</b>
Other assets	13,077,199	7,195,068	-	-	-	-	<b>20,272,267</b>
Equity instruments	20,000,000	-	-	-	-	-	<b>20,000,000</b>
<b>Total</b>	<b>593,304,476</b>	<b>610,747,839</b>	<b>76,113,207</b>	<b>1,643,667</b>	<b>206,655</b>	<b>85,920</b>	<b>1,282,101,765</b>



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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Currency risk (continued)**

<b>Financial liabilities</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Notes and coins in circulation	503,341,971	-	-	-	-	-	<b>503,341,971</b>
Deposits by licensed financial institutions	548,304,073	-	-	-	-	-	<b>548,304,073</b>
Deposits by and balances due to Government and public sector entities in Belize	91,856,263	44,598,333	-	4,599,138	-	-	<b>141,053,734</b>
Deposits by international agencies	-	2,213,056	194,961	-	-	-	<b>2,408,017</b>
Balances due to CARICOM central banks	-	568,266	-	-	-	-	<b>568,266</b>
Other liabilities	24,304,633	7,195,068	-	-	-	-	<b>31,499,701</b>
International Monetary Fund' SDR allocations	-	-	51,553,984	-	-	-	<b>51,553,984</b>
Commercial banks' discount fund	1,572,850	-	-	-	-	-	<b>1,572,850</b>
<b>Total</b>	<b>1,169,379,790</b>	<b>54,574,723</b>	<b>51,748,945</b>	<b>4,599,138</b>	<b>-</b>	<b>-</b>	<b>1,280,302,596</b>
<b>Net currency position</b>	<b>(576,075,314)</b>	<b>556,173,116</b>	<b>24,364,262</b>	<b>(2,955,471)</b>	<b>206,655</b>	<b>85,921</b>	<b>1,799,169</b>

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Currency risk (continued)**

**As at 31 December 2019**

**Financial assets**

	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Balances and deposits with foreign banks	-	12,070,712	-	6,068,001	123,459	600,147	<b>18,862,319</b>
Reserve Tranche and balances with the International Monetary Fund	-	-	72,999,604	-	-	-	<b>72,999,604</b>
Other foreign credit instruments	-	430,270,961	-	-	-	-	<b>430,270,961</b>
Accrued interest and cash-in-transit	-	5,093,653	91,775	5,843	8,461	-	<b>5,199,732</b>
Marketable securities issued or guaranteed by foreign government and international institutions	-	13,408,059	-	-	-	-	<b>13,408,059</b>
Balances with local banks and cash on hand	464,667	-	-	-	-	-	<b>464,667</b>
Government of Belize securities	383,395,697	-	-	-	-	-	<b>383,395,697</b>
Consolidated revenue fund	53,249,362	-	-	-	-	-	<b>53,249,362</b>
Other assets	73,991,444	-	-	-	-	-	<b>73,911,444</b>
Equity instruments	20,000,000	-	-	-	-	-	<b>20,000,000</b>
<b>Total</b>	<b>531,101,170</b>	<b>460,843,385</b>	<b>73,091,379</b>	<b>6,073,844</b>	<b>131,920</b>	<b>600,147</b>	<b>1,071,841,845</b>

**Financial liabilities**

	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Notes and coins in circulation	432,574,291	-	-	-	-	-	<b>432,574,291</b>
Deposits by licensed financial institutions	422,202,858	-	-	-	-	-	<b>422,202,858</b>
Deposits by and balances due to Government and public sector entities in Belize	65,283,594	10,262,746	-	5,135,229	-	-	<b>80,681,569</b>
Deposits by international agencies	-	1,240,299	187,185	-	-	-	<b>1,427,484</b>
Balances due to CARICOM central banks	-	61,551	-	-	-	-	<b>61,551</b>
Other liabilities	82,750,723	-	-	-	-	-	<b>82,750,723</b>
International Monetary Fund' SDR allocations	-	-	49,553,375	-	-	-	<b>49,553,375</b>
Commercial banks' discount fund	1,410,484	-	-	-	-	-	<b>1,410,484</b>
<b>Total</b>	<b>1,004,221,950</b>	<b>11,564,596</b>	<b>49,740,560</b>	<b>5,135,229</b>	<b>-</b>	<b>-</b>	<b>1,070,662,335</b>
<b>Net currency position</b>	<b>(473,940,780)</b>	<b>449,278,789</b>	<b>23,350,819</b>	<b>938,615</b>	<b>131,920</b>	<b>600,147</b>	<b>1, 179,510</b>

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Currency risk (continued)**

**Statement of revaluation as at 31 December 2020**

	<b>Foreign currency</b>	<b>Year-end rate</b>	<b>Belize dollar value</b>
Euro Dollar Fund	(669,300)	2.45580	<b>(1,643,667)</b>
Canadian Fund	(131,410)	1.57260	<b>(206,655)</b>
SDR Fund	(26,423,270)	2.88054	<b>(76,113,286)</b>
USD Fund	(301,801,383)	2.00000	<b>(603,602,766)</b>
Sterling Fund	(31,465)	2.73060	<b>(85,918)</b>
Belize Dollar Fund	682,565,510	1.00000	<b>682,565,510</b>
<b>Revaluation gain for the year</b>	<b>-</b>	<b>-</b>	<b>913,217</b>
<b>Revaluation balance, 01 January 2020</b>			<b>1,609,625</b>
<b>Increase in revaluation</b>			<b>913,217</b>
<b>Revaluation balance, 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>2,522,842</b>

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

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**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(ii) Currency risk (continued)**

**Statement of revaluation as at 31 December 2019**

	Foreign currency	Year-end rate	Belize dollar value
Euro Dollar Fund	(417,645)	2.24740	<b>(938,615)</b>
Canadian Fund	(85,752)	1.53840	<b>(131,921)</b>
SDR Fund	(8,466,336)	2.76565	<b>(23,414,931)</b>
USD Fund	(224,664,184)	2.00000	<b>(449,328,368)</b>
Sterling Fund	(227,122)	2.64240	<b>(600,147)</b>
Belize Dollar Fund	474,246,172	1.00000	<b>474,246,172</b>
<b>Revaluation loss for the year</b>	-	-	<b>(167,810)</b>
<b>Revaluation balance, 01 January 2019</b>	-	-	<b>1,777,435</b>
<b>Decrease in revaluation</b>			<b>(167,810)</b>
<b>Revaluation balance, 31 December 2019</b>	-	-	<b>1,609,625</b>

The following table demonstrates the sensitivity of profit and equity to a reasonably possible change in the foreign exchange rates, with all other variables held constant.

### 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (ii) Currency risk (continued)

A 10% strengthening of the BZD against the following currencies as at 31 December would have increased/(decreased) equity and profit or loss by the following amounts:

	2020		2019	
	Profit or loss	Equity	Profit or loss	Equity
	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)	Effect of 10% increase/(decrease)
<b>Financial assets</b>				
SDR	-	(97,148)	-	83,819
CAD	-	318	-	(584)
EUR	-	5,063	-	(7,602)
USD	-	-	-	-
GBP	-	446	-	2,050
	-	<b>(91,321)</b>	-	<b>77,683</b>

#### (iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect the future cash flows or fair values of financial instruments. CBB's objective in the management of interest rate risk is to reduce the sensitivity of its earnings and overall portfolio value to variations in interest rates. The strategy employed to achieve this involves keeping a significant portion of all financial assets in BZDs and USDs. The only other major category is SDRs that are necessary to meet Belize's requirements and quota with the IMF. Other financial assets are kept at a minimum.

The following table presents interest rate gap analysis at BZD'000.

CENTRAL BANK OF BELIZE  
NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019  
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37. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Interest rate risk (continued)

As at 31 December 2020

	On demand/less than 1 month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years	Total
<b>Rate sensitive assets</b>							
Fixed deposits	-	10.9	17.7	28.4	-	-	57
Treasury bills	-	0.7	-	-	-	-	0.7
Treasury notes	-	5.8	10.8	60.6	130.5	159.2	366.9
Bonds	-	-	-	-	6	-	6
Debenture	-	-	-	-	-	5.5	5.5
<b>Total rate sensitive assets</b>	-	<b>17.4</b>	<b>28.5</b>	<b>89</b>	<b>136.5</b>	<b>164.7</b>	<b>436.1</b>
<b>Rate sensitive liabilities</b>							
IMF SDR allocations	-	-	-	-	-	77.3	77.3
<b>Total rate sensitive liabilities</b>	-	-	-	-	-	<b>77.3</b>	<b>77.3</b>
<b>Interest sensitivity surplus</b>	-	<b>17.4</b>	<b>28.5</b>	<b>89</b>	<b>136.5</b>	<b>87.4</b>	<b>358.8</b>

**CENTRAL BANK OF BELIZE**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019**  
**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iii) Interest rate risk (continued)**

<b>As at 31 December 2019</b>	<b>On demand/less than 1 month</b>	<b>1-3 Months</b>	<b>3-6 Months</b>	<b>6-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Total</b>
<b>Rate sensitive assets</b>							
Fixed deposits	-	19.0	8.2	6.4	-	-	33.61
Treasury bills	-	1.5	-	-	-	-	1.5
Treasury notes	-	3.4	2.4	34.5	160.3	130.6	331.2
Bonds	-	-	-	-	6	-	6
Debenture	-	-	-	-	-	6	6
<b>Total rate sensitive assets</b>	<b>-</b>	<b>23.9</b>	<b>10.6</b>	<b>40.9</b>	<b>166.3</b>	<b>136.6</b>	<b>378.31</b>
<b>Rate sensitive liabilities</b>							
IMF SDR allocations	-	-	-	-	-	74.3	74.3
<b>Total rate sensitive liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>74.3</b>	<b>74.3</b>
<b>Interest sensitivity surplus</b>	<b>-</b>	<b>23.91</b>	<b>10.6</b>	<b>40.9</b>	<b>166.3</b>	<b>62.3</b>	<b>304.01</b>

The table below analyses the average interest rates for the Bank's foreign deposit accounts and investments.

	<b>2020</b>	<b>2019</b>
Balances and deposits with foreign bankers	<b>0.29%</b>	2.17%
Other foreign credit instruments - overnight deposits	<b>0.29%</b>	2.18%
Other foreign credit instruments - fixed deposits	<b>0.54%</b>	2.32%
Marketable securities - bonds	<b>1.63%</b>	1.63%
Marketable securities - debentures	<b>3.50%</b>	3.50%

**CENTRAL BANK OF BELIZE**  
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**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) Liquidity risk**

Liquidity risk is the risk that the Bank will not be able to meet its financial liabilities as they fall due. Prudent liquidity management requires maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed standby credit facilities to meet commitments.

IFRS 7 requires an analysis of the Bank's assets and liabilities at the Statements of Financial Position date into relevant maturity groupings based on the remaining period to the contractual maturity date. This requirement is not relevant to the Central Bank which is the ultimate source of Belize dollar liquidity. In managing the foreign currency liquidity risk, the Bank makes every effort to hold appropriate cash balances by forecasting and monitoring liquidity through cash flow matching and holding a portfolio of liquid foreign exchange reserves. The table below analyses the Bank's assets into relevant maturity grouping based on the remaining period at the statements of financial position date to the contractual maturity date.

**As 31 December 2020**

<b>Financial assets</b>	<b>On demand/less than 1 month</b>	<b>1-3 months</b>	<b>4-6 months</b>	<b>6-12 months</b>	<b>1year - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Balances and deposits with foreign bankers	5,758,609	-	-	-	-	-	5,758,609
Reserve tranche and balances with the IMF	-	-	-	-	-	76,100,409	76,100,409
Other foreign credit instruments	226,621,471	146,418,444	118,308,299	94,574,462	-	-	585,922,676
Accrued interest and cash-in-transit	1,981,480	-	-	-	-	-	1,981,480
Marketable securities issued or guaranteed by foreign governments and international institutions	-	-	-	-	9,999,499	1,839,548	11,839,047
Balances with local banks and cash on hand	749,946	-	-	-	-	-	749,946
Government of Belize securities	-	86,920,960	72,008,000	196,403,000	92,635,000	53,091,000	501,057,960
Consolidated revenue fund	-	58,419,371	-	-	-	-	58,419,371
Other assets	-	-	-	20,272,267	-	-	20,272,267
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
<b>Total</b>	<b>235,111,506</b>	<b>291,758,774</b>	<b>190,316,299</b>	<b>311,249,729</b>	<b>102,634,499</b>	<b>151,030,957</b>	<b>1,282,101,765</b>



**CENTRAL BANK OF BELIZE**  
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**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) Liquidity risk**

**As 31 December 2020 (continued)**

<b>Financial liabilities</b>	<b>On demand/less than 1 month</b>	<b>1-3 months</b>	<b>4-6 months</b>	<b>6-12 months</b>	<b>1 year - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Notes and coins in circulation	-	-	-	-	-	503,341,971	503,341,971
Deposits by licensed financial institutions	-	-	-	548,304,073	-	-	548,304,073
Deposits by and balances due to Government and public sector entities in Belize	-	141,053,734	-	-	-	-	141,053,734
Deposits by international agencies	-	2,408,017	-	-	-	-	2,408,017
Balances due to CARICOM central banks	568,266	-	-	-	-	-	568,266
Other liabilities	-	-	-	31,499,701	-	-	31,499,701
International Monetary Fund' SDR allocations	-	-	-	-	-	51,553,984	51,553,984
Commercial banks' discount fund	-	-	-	-	-	1,572,850	1,572,850
<b>Total</b>	<b>568,266</b>	<b>143,461,751</b>	<b>-</b>	<b>579,803,774</b>	<b>-</b>	<b>556,468,805</b>	<b>1,280,302,596</b>
<b>Net liquidity position</b>	<b>(234,543,240)</b>	<b>148,297,024</b>	<b>190,316,299</b>	<b>(268,554,045)</b>	<b>102,634,499</b>	<b>(405,437,848)</b>	<b>1,799,170</b>

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**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) Liquidity risk (continued)**

**As 31 December 2019**

<b>Financial assets</b>	<b>On demand/less than 1 month</b>	<b>1 - 3 months</b>	<b>4-6 months</b>	<b>6 - 12 months</b>	<b>1 year - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Balances and deposits with foreign banks	18,862,319	-	-	-	-	-	18,862,319
Reserve Tranche and balances with the IMF	-	-	-	-	-	72,999,604	72,999,604
Other foreign credit instruments	101,013,589	253,649,896	54,485,355	21,122,121	-	-	430,374,019
Accrued interest and cash-in-transit	5,199,732	-	-	-	-	-	5,199,732
Marketable securities issued or guaranteed by foreign governments and international institutions	-	-	-	-	11,408,059	2,000,000	13,408,059
Balances with local bankers and cash on hand	464,667	-	-	-	-	-	464,667
Government of Belize securities	56,506,697	45,485,000	16,008,000	114,998,000	106,850,000	43,548,000	383,395,697
Consolidated revenue fund		53,249,362					53,249,362
Other assets	-	-	-	73,991,444	-	-	73,171,444
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
<b>Total</b>	<b>182,047,004</b>	<b>352,384,258</b>	<b>70,493,355</b>	<b>209,394,623</b>	<b>118,258,059</b>	<b>138,547,604</b>	<b>1,071,124,903</b>

**CENTRAL BANK OF BELIZE**  
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**(IN BELIZE DOLLARS)**

**37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(iv) Liquidity risk (continued)**

**As 31 December 2019 (continued)**

<b>Financial liabilities</b>	<b>On demand/less than 1 month</b>	<b>1 - 3 months</b>	<b>4-6 months</b>	<b>6 - 12 months</b>	<b>1 year - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Notes and coins in circulation	-	-	-	-	-	432,574,291	432,574,291
Deposits by licensed financial institutions	-	-	-	-	422,202,858	-	422,202,858
Deposits by and balances due to Government and public sector entities in Belize	-	-	80,681,569	-	-	-	80,681,569
Deposits by international agencies	-	-	1,427,484	-	-	-	1,427,484
Balances due to CARICOM central banks	-	61,551	-	-	-	-	61,551
Other liabilities	-	-	-	82,750,723	-	-	82,750,723
International Monetary Fund' SDR allocations	-	-	-	-	-	49,553,375	49,553,375
Commercial banks' discount fund	-	-	-	-	-	1,410,484	1,410,484
<b>Total</b>	-	61,551	82,109,053	82,750,723	422,202,858	483,538,150	1,070,662,335
<b>Net liquidity position</b>	<b>182,047,004</b>	<b>352,322,707</b>	<b>(11,615,698)</b>	<b>127,360,842</b>	<b>(303,944,799)</b>	<b>(344,990,546)</b>	<b>1,179,510</b>

### **37. FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **(v) Operational risk (continued)**

The Bank is exposed to operational risk which can lead to financial losses through error, fraud or inefficiencies. The Bank mitigates this risk by constantly revisiting internal controls, adhering to its fraud policy and reliance on the internal audit function.

### **38. COMMITMENTS AND CONTINGENCIES**

#### **(i) Claims and litigations**

The Bank is subject to certain legal proceedings and claims that arise in the ordinary course of business operations. Management believes that the amount of liability, if any, from these actions would not have a material effect on the financial statement of the Bank.

#### **(ii) Printing of notes and minting of coins**

The Bank commits to order currency from several minters and printers. As at 31 December, the Bank was committed to the following payments for currency:

	<u>2020</u>	<u>2019</u>
Not later than one year	<u>3,722,059</u>	<u>-</u>
	<u><u>3,722,059</u></u>	<u><u>-</u></u>

### **39. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through 20 April 2021. Management is unaware of any events after that date that they believe would materially and adversely affect these financial statements. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Moore Magaña LLP  
3 ½ Miles Philip Goldson Highway  
Belize City, Belize, C.A.

T +501 223 2144 +501 223 2139  
E [info@moore-belize.bz](mailto:info@moore-belize.bz)  
W [www.moore-belize-bz](http://www.moore-belize-bz)

