CENTRAL BANK OF BELIZE

2010 ANNUAL REPORT

Cover Photo: The Central Bank of Belize main entrance door, which depicts the national symbols of Belize, is a mahogany wooden door carved by Frank Lizama in 1998. The photograph was taken by Richard Holder for the Central Bank of Belize Annual Report.

29 April 2011

Hon. Dean Barrow
Prime Minister and Minister of Finance
Sir Edney Cain Building
Belmopan
BELIZE

Dear Prime Minister:

It is my honour to submit to you in your capacity as the Minister of Finance, the Annual Report of the Central Bank of Belize's operations for the year 2010, together with a copy of the Bank's Statement of Accounts as certified by the External Auditors, Castillo Sanchez & Burrell, LLP.

These reports are submitted in accordance with Section 58 of the Central Bank of Belize Act, Chapter 262, Revised Edition 2000.

Respectfully,

Glenford Ysaguirre
Governor

CENTRAL BANK OF BELIZE

Twenty-ninth Annual Report
&
Statement of Accounts

For the Year Ending 31 December 2010

Abbreviations and Conventions used in this Report

ACLs	Adversely Classified Loans
BEL	Belize Electricity Limited
BTL	Belize Telemedia Limited
BFIA	Banks and Financial Institutions Acts, 1995
BMC	Belize Mortgage Company
BNTF	Basic Needs Trust Fund
BSI	Belize Sugar Industries Limited
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
BTL	Belize Telemedia Limited
BWSL	Belize Water Services Limited
CARICOM	Caribbean Community and Common Market
CAR	Capital Adequacy Ratio
CARTAC	Caribbean Regional Technical Assistance Centre
CBB	Central Bank of Belize
CDB	Caribbean Development Bank
CFZ	Corozal Free Zone
CGA	Citrus Growers Association
c.i.f.	Cost, Insurance and Freight
CLICO	Colonial Life Insurance Company Limited
CPI	Consumer Price Index
CPBL	Citrus Products of Belize Ltd.
CS-DRMS	Commonwealth Secretariat Debt Recording and Management System
DFC	Development Finance Corporation
ECLAC	Economic Commission for Latin America and the Caribbean
EPZ	Export Processing Zone
EU	European Union
FDI	Foreign Direct Investment
f.o.b.	free on board
GDP	Gross Domestic Product
GOB	Government of Belize
GST	General Sales Tax
HR	Human Resource
IBRD	International Bank for Reconstruction and Development
IDB/IADB	Inter-American Development Bank
IFSC	International Financial Services Commission
IMF	International Monetary Fund
Imp. Gal.	Imperial Gallon
IT	Information Technology
KHMH	Karl Heusner Memorial Hospital
MLTPA	Money Laundering and Terrorism (Prevention Act)
n.a.	not available
NFC	Not from concentrate
NPLs	Non-Performing Loans
OECS	Organisation of Eastern Caribbean States
PGIA	Phillip Goldson International Airport
ps	Pound solid
PUC	Public Utlities Commission
ROA	Return on Assets
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
SDR	Special Drawing Right
SIB	Statistical Institute of Belize
SIF	Social Investment Fund
VAT	Value Added Tax
UK	United Kingdom
US/USA	United States of America
WOCCU	World Council of Credit Unions

Notes and Conventions:

-- $ refers to the Belize dollar unless otherwise stated
-- mn denotes million
-- bn denotes billion
-- The figures for 2010 in this report are provisional, and the figures for 2009 have been revised.
-- Since May of 1976 the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00.
-- Totals in tables do not always equal the sum of their components due to rounding.

TABLE OF CONTENTS

DIRECTORS AND PRINCIPALS

At December 31, 2010

BOARD OF DIRECTORS

ALAN SLUSHER
Chairman

RALPH FEINSTEIN
Vice Chairman

KERRY BELISLE

DARRELL BRADLEY

GLENFORD YSAGUIRRE
Ex officio Member

CHRISTINE VELLOS
Ex officio Member

JOSEPH WAIGHT
Ex officio Member

PRINCIPAL OFFICERS

Glenford Ysaguirre
Governor

Christine Vellos
Deputy Governor - Economic Intelligence

Marilyn Gardiner-Usher
Deputy Governor - Operations

Stephen Heusner
Chief of Security

Carol Hyde
Director, Human Resources

Rabey Cruz
Director, Information Technology

Angela Wagner
Director, Administration

Michelle Estell
Director, Banking & Currency

Neri Matus
Director, Financial Sector Supervision

Effie Ferrera
Director, Internal Audit

Hollis Parham
Director, Finance

Azucena Quan-Novelo
Director, Research

OVERVIEW OF THE BANK

"*Within the context of the economic policy of the Government, the Bank shall be guided in all its actions by the objectives of fostering monetary stability especially as regards stability of the exchange rate and promoting credit conditions conducive to the growth of the economy of Belize.*" Central Bank of Belize Act, 1982, Clause 6

MISSION STATEMENT

To regulate and encourage the development of the financial system and to formulate economic policies that foster monetary and financial stability, confidence and economic growth. The Bank is committed to serving the interest of the people of Belize through highly motivated and skilled professionals who operate under the ethos of integrity, efficiency and transparency.

In the pursuit of its mission, the Bank sets a number of goals and operating objectives. These are listed below:

GOALS

- Provide prompt and well-considered macroeconomic information and advice to the Government, the business sector and the general public.
- Provide efficient banking services to the commercial banks, the government and various public sector bodies and regional and international organizations that hold accounts at the Bank.
- Provide guidelines to the banking community on matters such as money supply, interest rates, credit and exchange rates.
- Set high standards of efficiency and organization so as to encourage higher levels of attainment in the Bank.

OBJECTIVES

- Promote monetary stability.
- Regulate the issue and availability of money and its international exchange.
- Regulate and maintain the integrity and reputation of the financial system.

ORGANIZATION AND FUNCTIONS

The Bank's mission and objectives are pursued through its various departments with core functions as follows:

Office of the Governor

- Executive management of the operations of the Bank in advancement of the stated objectives of fostering monetary and exchange rate stability, promotion of credit and economic growth.
- Corporate Governance in accordance with the relevant laws, policies and directives of the Board.
- Strategic planning and leadership to develop and promote environment and culture that is supportive of stated goals and objectives.
- Public Relations and external communications to foster national and international confidence, promote financial stability, literacy and institutional credibility.

Administration

- Procuring supplies, and conducting stock keeping and inventory exercises.
- Managing the Bank's records management system.
- Disseminating information produced by the Bank, particularly economic reports and bulletins, research papers, relevant acts and regulations and related guidelines.
- Managing the Bank's numismatic operations.
- Maintaining the Bank's facilities, plant and equipment.
- Providing reprographic services to the Bank.
- Managing meeting(s) and conferences.

Human Resources

- Advising on personnel policy matters.
- Promoting the conditions necessary for staff development and training.
- Providing employee assistance.
- Administering and processing of staff compensation and benefits.
- Recruiting and selecting suitable staff.
- Fostering healthy industrial relations between the Bank and its employees' unions.

Finance

- Advising the Governor on the state of the finances of the Central Bank.
- Preparing the Bank's budget while monitoring and controlling the Bank's financial activities in the context of a risk management framework.
- Overseeing the development and implementation of goals, policies, priorities, and procedures necessary for auditing, budgeting, financial analysis and property management.
- Producing all financial reports, including special analyses and requested information reports.
- Performing fiscal agent functions on behalf of the Central Government and other public sector entities for the trading of securities.

Banking and Currency

- Issuing notes and coins.
- Providing banking services to Central Government, other public sector entities and financial institutions.
- Managing the Central Bank's foreign reserve holdings.
- Conducting clearing-house operations for the domestic banking system.

Financial Sector Supervision

- Screening and processing applications for financial institutions, domestic and international bank licenses and registration of credit unions.
- Supervising and regulating banks, financial institutions and credit unions through on-site examination and off-site surveillance.
- Processing of applications for large credit exposures under section 21(2) of the Banks and Financial Institutions Act (BFIA) and 21(2) 2 of the International Banking Act (IBA).
- Promoting and conducting anti-money laundering surveillance of financial institutions licensed under BFIA, IBA and the Credit Unions Act.

Research

- Monitoring economic activities in Belize on a continuing basis.
- Conducting focused economic research on the Belizean economy and aspects pertaining to its development.
- Maintaining the Bank's library.
- Preparing monthly, quarterly and annual economic reports.
- Processing and monitoring foreign exchange transactions of the financial system.
- Producing appropriate statistics.

Internal Audit

- Verifying Central Bank compliance with accounting policies, laws and regulations.
- Evaluating and verifying the operational effectiveness of internal controls to safeguard assets and to ensure the integrity of financial reports.
- Reviewing operations and programs to ascertain if goals and objectives are being achieved.

Security Services

- Analyzing potential threats to the Bank's security and devising strategies for avoiding or mitigating all such risks.
- Ensuring the security of the Bank's premises, staff and visitors.

Information Technology

- Monitoring and maintaining the Bank's information technology, introducing and maintaining appropriate automated information systems for the Bank and administering controls to protect the integrity, security, accuracy, and confidentiality of information.
- Ensuring proper functioning and business continuity of the Bank's ICT infrastructure.

GOVERNANCE

The Central Bank of Belize Board

The Board comprises of the Governor, a Deputy Governor, and the Financial Secretary as ex officio members and four other members who are appointed by the Minister of Finance, a total of seven members. There was no change in the composition of the Board during the year. The Chairman was appointed by the Minister and the Vice-Chairman was elected by the members.

Section 12 (1) of the Central Bank Act requires the Board to meet no less than 10 times in each year, on dates designated by the Chairman. A quorum for any meeting of the Board is three members, one of whom must be the Governor or a Deputy Governor. Decisions of the Board are by majority of votes cast with the presiding Chairman having a second or casting vote in the event of a tie.

The Board met 11 times and considered 68 submissions in 2010. All meetings were held at the Central Bank building in Belize City.

Attendance at Board Meetings in 2010	
Alan Slusher - Chairman	11
Ralph Feinstein - Vice-Chairman	10
Kerry Belisle - Member	8
Darrell Bradley - Member	9
Glenford Ysaguirre - Governor *(Ex officio)*	11
Joseph Waight - Financial Secretary *(Ex officio)*	8
Christine Vellos - Deputy Governor *(Ex officio)*	10
Marilyn Gardiner-Usher - Deputy Governor *(by invitation)*	10

Code of Conduct

On appointment to the Board, each member is required under Section 18(1) of the Central Bank of Belize Act to maintain confidentiality in relation to the affairs of the Board and the Bank. Further, members must meet and maintain general conditions of qualification of directors as laid out in Section 15 of the Central Bank Act and also subscribe to the set standard of conduct for directors and officers of the Bank. Over and above these legislated requirements, members recognise their responsibility for maintaining a reputation of integrity and propriety on the part of the Board and the Bank in all respects. Directors commit to:

- discharge their duties with care and diligence;
- act in good faith, and in the best interest of the Bank;
- not use their position or any information obtained thereby to benefit themselves or any other person, or to cause detriment to the Bank or any person; and

- declare any material personal interest where a conflict arises with the interests of the Bank.

Audit Committee

The objectives of the Audit Committee of the Board of Directors are to:

- assist in the selection of the external auditors and recruitment of internal audit staff;
- ensure a high-quality, independent and effective audit process;
- assist the Governor and the Board in fulfilling their obligations relating to financial reporting, compliance with laws and regulations, internal control and risk management, employee conflicts of interest, business ethics and prevention of fraud; and
- enhance transparency of contact between management and the Internal Audit Department.

The Audit Committee is made up of two non-executive board members, Mr. Kerry Belisle (Chairman) and Mr. Darrell Bradley. Other members of the Committee are Mrs. Marilyn Gardiner-Usher (Deputy Governor) and Mrs. Effie Ferrera (Chief Internal Auditor).

The Audit Committee Charter requires the Committee to meet no less than 4 times annually. During 2010, the Committee met on five occasions. The Audit Committee also met two times with the external auditors in the absence of other management. During the year the Committee considered the quarterly interim financial audits and made subsequent presentations to the Bank's Board.

FUNCTIONAL CHART

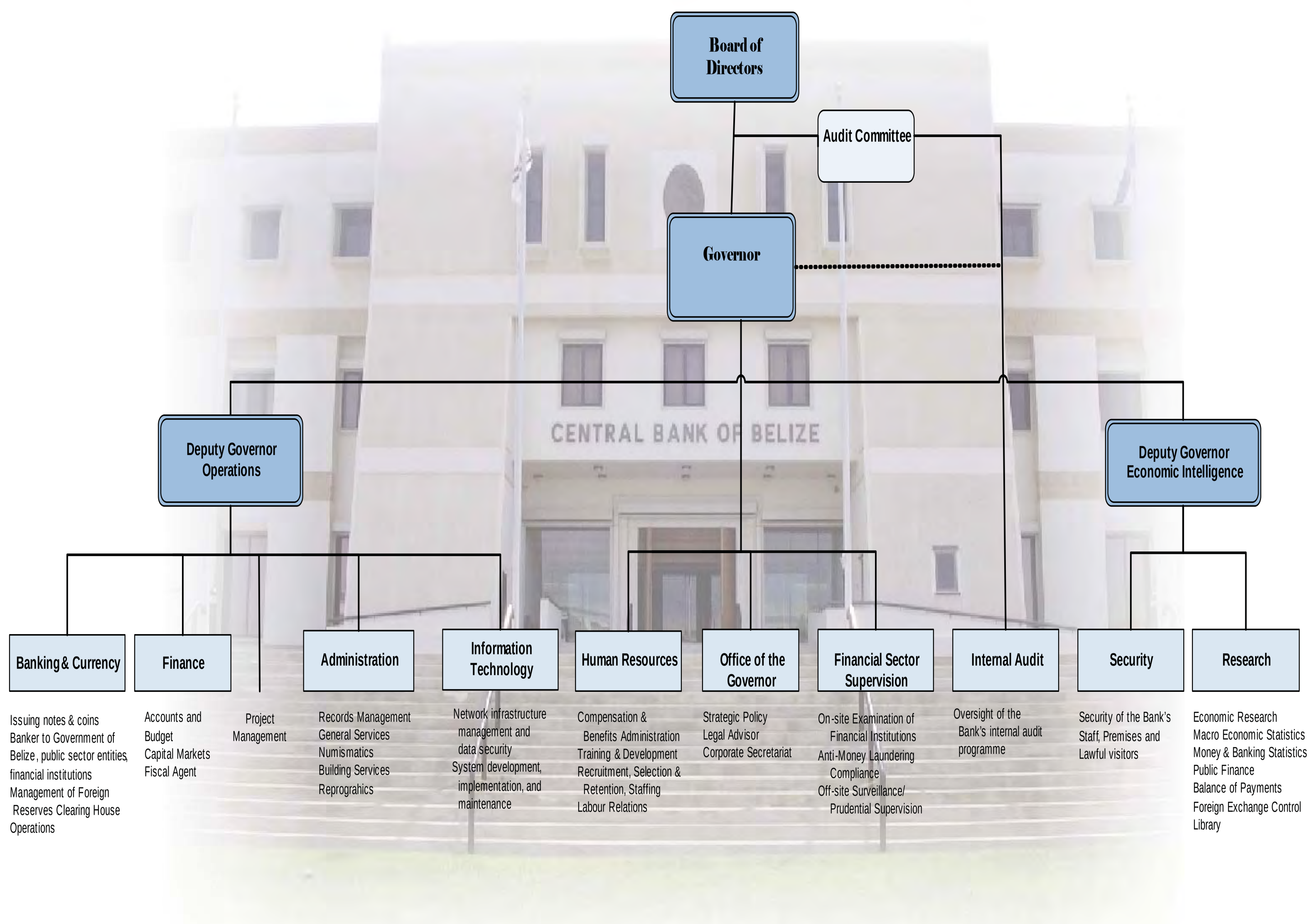


Table 1: Major Economic Indicators

	2003	2004	2005	2006	2007	2008	2009	2010
POPULATION AND EMPLOYMENT								
Population (Thousands)	271.1	281.1	289.9	299.8	309.8	322.1	333.2	313.0[1]
Employed Labour Force (Thousands)	89.2	95.9	98.6	102.2	111.8	114.5	120.5	n.a.
Unemployment Rate (%)[2]	12.9	11.6	11.0	9.4	8.5	8.2	13.1	n.a.
INCOME								
GDP at Current Market Prices ($mn)	1,976.4	2,112.6	2,229.7	2,426.2	2,553.5	2,727.0	2,698.0	2,802.0
Per Capita GDP ($, Current Mkt. Prices)	7,290.3	7,515.1	7,691.9	8,093.6	8,243.5	8,466.3	8,097.2	8,952.9
Real GDP Growth (%)	9.3	4.6	3.0	4.7	1.3	3.6	0.0	2.9
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	16.9	17.7	17.7	15.8	12.4	12.0	11.7	11.4
Secondary Activities	15.2	15.6	15.1	17.9	18.1	19.2	21.4	20.9
Services	53.7	53.0	54.1	52.7	54.7	54.4	53.7	54.1
MONEY AND PRICES ($mn)								
Inflation (Annual average percentage change)	2.6	3.1	3.7	4.2	2.3	6.4	-1.1	0.9
Currency and Demand deposits (M1)	442.6	492.2	516.1	617.9	704.4	706.2	713.3	707.9
Quasi-Money (Savings and Time deposits)	659.7	756.1	815.8	887.1	1,031.7	1,260.4	1,379.9	1,382.9
Annual Change of Money Supply (%)	3.7	13.2	6.7	13.0	15.4	13.3	6.4	-0.1
Ratio of M2 to GDP (%)	55.8	59.1	59.7	62.0	67.7	72.4	77.3	74.6
CREDIT ($mn)								
Commercial Bank Loans and Advances	1,056.6	1,176.5	1,254.7	1,390.5	1,599.6	1,742.4	1,805.4	1,762.0
Public Sector	30.0	46.3	62.4	48.6	40.8	19.1	10.2	8.9
Private Sector	1,026.6	1,130.2	1,192.3	1,342.8	1,558.8	1,723.3	1,795.2	1,753.1
INTEREST RATE (%)								
Weighted Average Lending Rate	14.2	14.0	14.3	14.2	14.3	14.1	14.0	13.8
Weighted Average Deposit Rate	4.9	5.2	5.5	5.8	6.0	6.4	6.1	5.6
Weighted Average Interest Rate Spread	9.3	8.8	8.8	8.5	8.3	7.8	7.9	8.2
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	422.2	451.9	511.5	566.0	651.5	729.4	653.9	735.7
Current Expenditure	393.0	474.1	561.2	550.8	636.1	617.9	661.8	676.7
Current Account Surplus(+)/Deficit(-)	29.1	-22.2	-49.7	15.2	15.3	111.5	-7.9	59.0
Capital Expenditure	276.4	173.2	123.1	97.1	160.4	141.6	113.3	126.1
Overall Surplus(+)/Deficit(-)	-216.0	-133.6	-152.3	-46.7	-30.8	41.2	-76.3	-43.0
Ratio of Budget Deficit to GDP at mkt. Prices (%)	-10.9	-6.3	-6.8	-1.9	-1.2	1.5	-2.8	-1.5
Domestic Financing (Net)[3]	-62.4	-36.2	-19.0	-8.9	19.3	-23.3	20.1	37.4
External Financing (Net)[4]	380.7	179.9	127.6	56.0	-0.8	-3.3	60.5	4.9
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (f.o.b.)[5]	315.5	308.4	325.2	427.1	425.6	480.1	383.6	475.7
Merchandise Imports (f.o.b.)	522.3	480.7	556.2	611.9	642.0	788.2	620.5	649.8
Trade Balance	-206.8	-172.3	-231.0	-184.8	-216.5	-308.2	-236.9	-174.0
Remittances (Inflows)	29.3	30.9	40.9	57.8	70.8	74.1	76.2	75.8
Tourism (inflows)	149.7	168.1	213.6	254.7	288.7	278.5	256.2	264.4
Services (Net)	71.1	88.2	143.0	210.7	229.9	216.9	182.6	200.1
Current Account Balance	-184.3	-154.9	-151.2	-25.4	-52.1	-144.9	-83.1	-40.6
Capital and Financial Flows	188.5	127.3	147.3	83.2	123.7	214.5	135.5	33.0
Gross Change in Official International Reserves	-30.1	-31.2	-12.2	49.8	-22.9	-57.9	-47.3	-4.3
Gross Official International Reserves[6]	84.6	48.0	35.8	85.6	108.5	166.4	213.7	218.0
Import Cover of Reserves (in months)	2.1	1.4	0.8	1.8	2.3	2.8	4.2	4.5
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	805.9	893.1	970.5	985.7	972.7	956.6	1,015.6	1,009.1
Ratio of Outstanding Debt to GDP at Mkt. Prices (%)	81.6	84.5	87.1	81.3	76.2	70.2	75.3	72.0
External Debt Service Payments (US $mn)	82.8	96.8	88.9	134.3	133.4	96.9	81.3	76.1
External Debt Service Ratio (%)[7]	15.7	17.8	14.2	17.0	16.2	11.2	11.3	10.5
Disbursed Outstanding Domestic Debt ($ mn)	256.5	278.5	279.4	299.9	321.9	332.8	320.2	367.8
Domestic Debt Service Payments ($ mn)	13.7	18.8	23.1	27.5	30.4	47.7	39.1	40.1

Sources: Ministry of Finance, Statistical Institute of Belize, and the Central Bank of Belize

n.a. = not available

(1) Based on 2010 Population & Housing Census
(2) Time series is at April except 2008, which is at May
(3) Includes Proceeds from the sale of BTL shares with domestic sources.
(4) Includes Privatization Proceeds
(5) Includes CFZ gross sales
(6) Starting in 2005 these numbers have been revised to reflect only usable reserves as defined by BPM5.
(7) Excludes refinancing of US$99.2mn (2002), US$50.2mn (2003), US$95.4mn (2004), US$136.7mn (2005), the restructuring amount of US$541.0mn (2007), US$0.8mn (2008) and US$1.0mn (2009).

ECONOMIC OVERVIEW & PROSPECTS

Benefitting as the global economy emerged from the doldrums of the previous year, GDP grew by 2.9% with a substantial increase in electricity generation and moderate rallies in "Hotels and Restaurants", "Transportation and Communication" and distributive trade that were underpinned by a modest increase in stay-over tourist arrivals and more robust growth in cruise ship disembarkations. Trade activity was further boosted by an upward surge in cross border trade with Mexico in the Corozal Free Zone (CFZ) during the year. Growth was also buoyed by the heightening of government activities to accommodate the 2010 Population Census and its capital programmes. On the other hand, contractions in fishing, petroleum extraction and construction exerted a dampening effect on the overall level of economic activity.

The domestic price level rose by 0.9% as increases in the fuel intensive categories of the Consumer Price Index (CPI) were largely offset by the government's targeted tax relief initiatives. An 8.2% surge in prices for "Transportation and Communication" reflected higher pump prices for gasoline and diesel while much of the 3.0% hike in "Rent, Water, Fuel and Power" was explained by the increase in the cost of butane. On the other hand, the inflationary impact of a 2.5 percentage point increase in the General Sales Tax (GST) was ameliorated by the zero rating of several essential food items and household durables that resulted in price reductions of 1.1% for "Household Goods and Maintenance" and 3.0% for "Food, Beverages and Tobacco".

On the external front, the current account deficit narrowed for a second consecutive year as higher commodity prices ramped up export earnings while subdued consumption and lower export processing zone (EPZ) production curbed imports. Higher inflows from services and current transfers also contributed to the improvement. Notwithstanding a considerable reduction in foreign direct investment inflows and net repayments to foreign creditors, gross official reserves rose by 2.0% to $436.0mn, equivalent to 4.5 months of merchandise imports.

The fiscal position improved in 2010 with a robust 8.7% increase in Central Government's revenues outpacing its 3.6% growth in expenditures. The revenue buoyancy reflected higher collections from the oil industry and several revenue enhancing measures enacted in April. Current expenditure rose by 2.3% with spending increases for all categories, except pensions and interest payments. After a sizeable contraction in the previous year, capital expenditure and net lending expanded by 11.3% as funds were disbursed to support the sugar industry and efforts began to be made to bring the pace of project execution back on track in the latter part of the year.

The primary surplus increased from 0.8% to 1.9% of GDP, and the overall deficit shrank from 2.8% to 1.5% of GDP, with the latter being mostly financed domestically through the issuance of securities and the sale of BTL shares.

While the public sector's external debt declined by $12.9mn to $2,018.3mn (72.1% of GDP), Central Government's domestic liabilities rose by $47.6mn to $367.8mn (13.1% of GDP) mainly due to increased issuances of Treasury bills and notes. The latter improved the government's domestic debt profile by reducing its reliance on high cost Central Bank overdraft financing. It resulted in the shrinkage of the government's domestic interest payments by $6.3mn as the average effective interest rate on its domestic debt fell from 7.6% to 5.3%.

Monetary policy initiatives were aimed at addressing the continued build-up in excess liquidity and influencing commercial banks' lending rates downward through cost reducing measures. In May, a new securities' requirement was implemented that required commercial banks to hold a minimum of 6.5% of their average deposit liabilities in short-term government paper. The cash reserve requirement was simultaneously lowered in a dual effort to free up the necessary funds for purchase of the securities and reduce the non-remunerated portion of required reserves. This was followed up in November with the reduction of the flooring on ordinary saving deposits from 4.5% to 3.5%. The hoped for re-pricing of loans was slow to materialise given the mismatch in the maturity structure of loans and deposits, and the recent increase in non-performing loans that further lengthened and complicated banks' adjustment processes. The weighted average lending rate consequently fell by 20 basis points compared to a 51 basis points decline in the weighted average deposit rate. Given the dearth of investment alternatives, commercial banks held onto the bulk of the available Treasury bills during the year and their holdings exceeded the required level by 19.3% ($24.7mn) at the end of December. In a climate of sluggish credit demand, banks' excess statutory and cash reserves similarly exceeded the required amounts by 35.7% and 36.5%, respectively.

Looking ahead, GDP growth is likely to be in the proximity of 2.5% in 2011 as increased production of electricity, tourism and government services are expected to outweigh contractions in farmed fish, farmed shrimp and crude oil.The domestic price level is expected to rise at a slightly higher rate of around 2.0% in the wake of higher international costs for fuel and food, particularly wheat, prices for which have been trending upwards as global supplies fall due to inclement weather. The uptick in economic growth along with higher petroleum tax and grant receipts should boost government revenues and provide some headroom for the acceleration of ongoing capital projects as well as for the commencement of new capital works and programs. Despite a modest rebound in private sector credit, the banking system will continue to feature high levels of liquidity as commercial banks continue to strengthen their balance sheets.

A 1.6% contraction is expected in the primary sector as sizeable declines in sugarcane, farmed fish and shrimp outweighs increased output of citrus, papaya, banana, grains and livestock. Sugarcane deliveries are projected to decline by 16.0% due to the shortening of the growth cycle that resulted from the unusual two month harvest extension of the previous crop and field losses from an unusually high volume of stand-over sugarcane. The financial difficulties being faced by several local aquaculture enterprises should also result in further contractions of 72.0% and 12.2%, respectively, in output of farmed fish and shrimp. On the other hand, citrus will be emerging from a cyclical downturn and production is slated to bounce back with a 10.8% increase in deliveries attributable solely to orange given the damage inflicted by Hurricane Richard on the grapefruit harvest in October of 2010. Productivity increases should boost papaya production by 6.4% and output of banana, corn and livestock (cattle and poultry) by 3.0%.

Meanwhile, greater use of plant capacity should ensure that the secondary sector grows by around 2.0%. This would include an 11.0% increase in domestic electricity generation as the co-generation plant and hydro-electric facilities operate for the entire year. Even with a smaller harvest, the delivery of high quality sugarcane is likely to boost sugar production by nearly 13.0% to 105,000 long tons, while citrus juice output is expected to improve by 22.0% with the cyclical upswing in orange deliveries. In contrast, petroleum production should be contracting by nearly 4.0% to 1.5mn barrels as the incremental output from the Never Delay oil field falls short of the decline in output of the Spanish Lookout oil field.

Underpinned by increases of 5.1% in government services and 5.8% in distribution, the tertiary sector is expected to spearhead the economy with an overall expansion of 3.2%. The carry-over of a backlog of capital projects from the previous fiscal year points to the likelihood of an undiminished level of government outlays during the upcoming period, while distribution should be spurred by improved cross-border trade at the Corozal Free Zone, a small pick-up in domestic demand and an uptick in tourism activity. A projected 2.3% increase in overnight arrivals would more than offset the projected decline in cruise ship disembarkations that is partly attributable to the uncertainties caused by the cruise lines demand for the use of large tenders that local service providers do not currently possess. Hotel and restaurant activity should therefore grow by a modest 0.8% with financial intermediation also projected to grow by 2.2%, reflecting a moderate increase in private sector loans.

A larger trade deficit, a fall in service receipts due to the downsizing of the British military presence in Belize, and to a lesser extent, the hike in public sector interest payments that reflects a full year of super bond interest payments at the heightened 6.0% rate are expected to be the principal factors in the projected widening of the external current account deficit to some 4.0% of GDP in 2011. Positive developments include a modest rise in remittance inflows and a notable increase in government's grant receipts. A modest increase in foreign direct investment and sizeable external loan disbursements to the public sector for pipeline projects are expected to boost the capital and financial account surplus and hold gross official reserves steady at around 4.5 months of merchandise import coverage.

INTERNATIONAL & REGIONAL DEVELOPMENTS

Advanced Economies

The world economy rebounded with a 5.0% increase aided by the continuation of relaxed monetary policies, fiscal expansion and a recovery in commodity prices. The latter reflected increased demand particularly from developing countries, the return of private capital flows to middle income countries and a marked rise in manufacturing and global trade. The recovery was uneven however, with a relatively muted 2.7% upswing in advanced economies that was heavily dependent on continued policy interventions while emerging and developing economies registered buoyant growth of 7.1%, fuelled by internal demand, strong capital inflows and higher commodity prices.

Advanced countries continued to wrestle with elevated levels of unemployment, modest income growth, tightened credit, financial sector weaknesses and high levels of government and household debt. The rearing of sovereign debt issues, especially in the Euro-zone area, also provided a source of instability that undermined consumer confidence and raised questions as to the sustainability of the recovery.

While Japan returned to positive growth with a 2.8% increase in GDP that was export led, its domestic demand remained tepid. Further policy measures were therefore undertaken to prop up domestic consumption and the result was a further deterioration in public finances. Notwithstanding the growth turnaround, investment spending was weak and unemployment remained unchanged from the previous year at 5.1%.

After two consecutive years of contraction, economic activity expanded in the United Kingdom (UK) with GDP growing by 1.7% led by heightened manufacturing

Table 2: Key Indicators for Advanced, Emerging and Developing Economies

Country	GDP Growth Rate (%)		Inflation Rate (%)		Current a/c Ratio (%)		Unemployment Rate (%)	
	2009	2010	2009	2010	2009	2010	2009	2010
Advanced	-3.2	2.7	0.1	1.4	-0.3	-0.3	8.2	n.a
United States	-2.6	2.6	-0.3	1.4	-2.7	-3.2	9.3	9.7
United Kingdom	-4.9	1.7	2.1	3.1	-1.1	-2.2	7.5	7.9
Japan	-5.2	2.8	-1.4	-1.0	2.8	3.1	5.1	5.1
Emerging and Developing	2.5	7.1	5.2	6.2	1.9	1.5	5.4	n.a
China	9.1	10.5	-0.7	3.5	6.0	4.7	4.3	4.1
India	5.7	9.7	10.9	13.2	-2.9	-3.1	0.0	n.a
Mexico	-6.5	5.0	5.3	4.2	-0.6	-1.2	5.5	5.0

Sources: World Economic Outlook and World Bank activity, government consumption and a pick-up in fixed investment. The trade balance also improved but not as much as expected given the sizeable depreciation of the pound sterling. The unemployment rate increased from 7.5% to 7.9% and the rate of inflation rose to 3.1%, more than double the Bank of England's target rate. While the monetary policy stance remained accommodative, the government began to introduce measures aimed at lowering its sizeable deficit and restoring the fiscal position to a more sustainable path in the medium term.

The United States (US) economy also staged a recovery with a 2.6% increase in GDP that was fuelled by massive monetary and fiscal expansion. However, the issue of sustainability remained on the table since growth was predominantly driven by public sector expansion underpinned by large fiscal deficits and escalating debt. Private sector demand, business profits and investment remained relatively anaemic although there was a pick-up in consumer spending in the fourth quarter as the effect of the fiscal stimulus waned. The tepid nature of the recovery was highlighted by an increase in the rate of unemployment from 9.3% to 9.7% while inflation remained subdued at 1.4%.

Looking ahead, the economic recovery in advanced economies is expected to continue in 2011, albeit at a weaker pace, as the effects of fiscal stimulus measures fizzle out and the implementation of fiscal consolidation measures begin to bite. The hope is that the private sector would regain its dominant position as growth leader, however, much depends on whether household balance sheets improve with its inevitable impact on consumer confidence and spending. Monetary policy is likely to remain highly accommodative but since policy rates are already near zero, this will mainly take the form of quantitative easing in order to provide further impetus to stimulate demand and offset any economic drag caused by fiscal tightening. Against this backdrop, unemployment is expected to remain high and inflation muted.

Emerging and Developing Economies

Successful execution of countercyclical monetary and fiscal policies underpinned the strong economic recovery in the emerging and developing nations with robust domestic demand being the cornerstone for growth in these economies.

China led the global recovery with GDP growth of 10.5%. Its fiscal stimulus was mainly aimed at infrastructural development and included lower taxation, consumption subsidies and increased welfare spending. After relaxing monetary conditions in response to the financial crisis a year earlier, the authorities started tightening to mitigate the inflationary risks associated with the prolongation of its loose stance. The current account surplus contracted further to 4.7% as exports fell with the reduction in global demand and imports rose with the robust increase in domestic demand for commodities and capital goods. Driven primarily by higher food prices, inflation rose to 3.5%, while unemployment shrank from 4.3% to 4.1%.

Following a severe economic contraction in the previous year, the Mexican economy bounced back with GDP growth of 5.0% that was buttressed by a resurgence in exports to the US, the restoration of normalcy in the tourism sector (after the set back caused by the A(H1N1) flu) and a resurgence in private consumption. The monetary policy stance remained accommodative, while, to address the deterioration in its fiscal position caused by countercyclical measures in 2009, the government launched a programme of tax reform to strengthen non-oil tax revenues. Partly reflecting the impact of the fiscal consolidation, the domestic inflation rate fell from 5.3% to 4.2%.

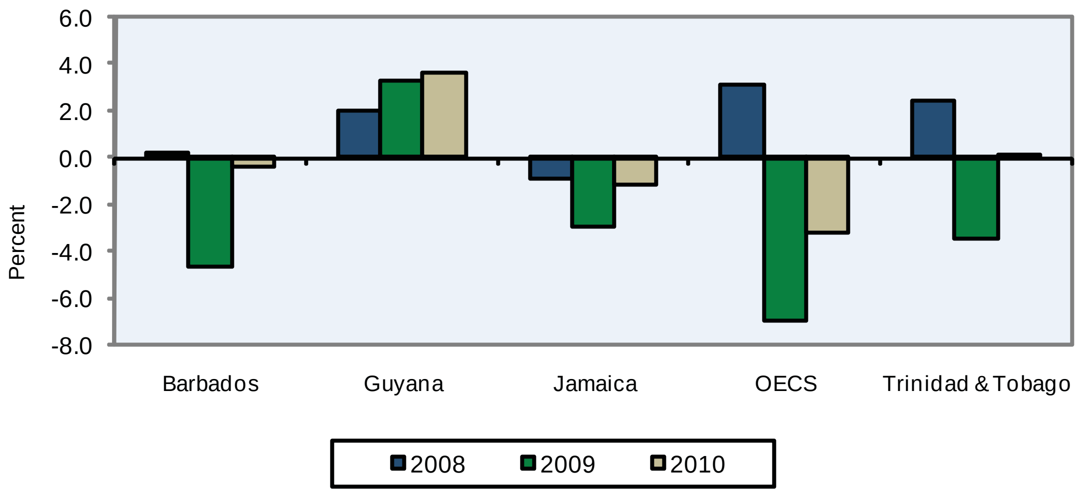
With domestic demand spurred by expansionary fiscal and monetary policies, India grew by a robust 9.7%. GDP growth was led by a marked increase in industrial activity as well as an expansion in services. However, the government's fiscal deficit rose from 7.4% to 9.6% of GDP during the year pointing to the need for fiscal consolidation in the upcoming period. The substantial growth in domestic expenditure led to a slight widening of the current account deficit as growth in imports outpaced exports. Meanwhile, escalating food prices drove inflation up from 10.9% to 13.2%.

Following their high paced recovery in 2010, indications are that emerging and developing countries will continue to drive world growth in 2011 but at a more moderate pace. While the contribution of private consumption and investment to growth will likely rise, there will be a certain amount of deceleration as governments seek to unwind large fiscal stimulus packages in order to restore fiscal sustainability and monetary authorities also tighten their extraordinarily loose stances in the wake of inflationary pressures and prudential risks. GDP growth is therefore expected to slow to 6.0% in 2011, with unemployment rates remaining sticky and higher levels of inflation due to rising oil and food prices.

Caribbean

The Caribbean recovered at a slower pace than initially projected, hindered by slow growth in the developed economies on which the region depended for tourism, remittances and foreign direct investment. The effects of natural disasters and high debt burdens also limited the scope for countercyclical fiscal and monetary policies. Regional GDP consequently grew by 0.5%, with ECLAC (the Economic Commission for Latin America and the Caribbean) estimating output expansions for Guyana and Bahamas of 3.6% and 0.5%, respectively, while GDP growth in Trinidad and Tobago edged up by 0.1%. Although output declined again in the Organization of Eastern Caribbean States (OECS), Jamaica and Barbados by 3.2%, 1.2%

Chart 1: GDP Growth for Selected Caribbean Countries



and 0.4%, respectively, the contractions were less severe than in the previous year.

The region's mild rebound in stayover and cruise tourist visitors fuelled a modest improvement in economies that relied heavily on tourism. In the Bahamas, stayover tourist arrivals were up 14.4% during the first ten months supported by an 18.2% rise in sea traffic. The OECS saw increases in luxury stay-over arrivals and cruise passengers of 5.0% and 3.0%, respectively, and the tourism sector in Barbados grew by 3.0% during the first eleven months as arrivals from the United States and Canada were up by a respective 17.0% and 13.0%. On the other hand, activities in construction, distribution and manufacturing generally declined as foreign direct investment stagnated and private sector borrowings waned.

In confronting generally lacklustre credit performance, the approach of the monetary authorities varied across the region. Barbados, Jamaica and Trinidad & Tobago assumed a more proactive stance with the implementation of monetary policy measures to lower interest rates. The Bank of Jamaica reduced the cash reserve requirements for deposit taking institutions by 2 percentage points to 12.0%. The Central Bank of Trinidad & Tobago reduced the policy repo rate by 125 basis points from 5.0% to 3.75%. In Barbados, the three-month Treasury bill rate declined by 0.09 percentage points to 3.35% in December. Although commercial banks responded by reducing lending rates somewhat in these countries, credit demand remained weak with private sector credit down by 2.2% in Trinidad & Tobago and up by 1.0% in Jamaica and Barbados.

The central banks in the OECS and Bahamas chose to make no monetary policy changes but focused mainly on

Table 3: Key Indicators for Selected Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US$mn)	
	2009	2010P	2009	2010P	2009	2010	2009	2010
Barbados	-4.7	-0.4	4.4(2)	5.4(2)	10.5(1)	11.2(1)	743	726
Belize	0.0	2.9	-1.1	0.9	13.1	n.a.	214	218
Guyana	3.3	3.6	3.6	4.5	9.0	n.a.	628	780
Jamaica	-3.0	-1.2	10.2	11.7	n.a.	n.a.	1,752	2,979
OECS	-7.0	-3.2	-0.6	n.a.	n.a.	n.a.	2,154	n.a.
Trinidad & Tobago	-3.5	0.1	1.3	13.4	5.3	5.8(3)	8,652	9,070

Sources: ECLAC, Central Bank of Barbados, Central Bank of Guyana, Bank of Jamaica, Central Bank of Trinidad & Tobago, Eastern Caribbean Central Bank

(1) As at September

(2) As at October

(3) Represents the average of the first two quarters of 2010

financial system stability and maintaining credibility of the currency peg. Private sector loans edged down by 0.3% in the Bahamas but were up by a contrasting 2.0% in the OECS even though the discount rate, average lending and deposit rates were unchanged at 6.5%, 11.3% and 4.5%, respectively. Guyana was the only economy to experience buoyant credit growth of 7.1% during the year with increased lending for mortgages, agriculture, manufacturing, mining and quarrying. In other developments, Bahamas, Barbados and Trinidad & Tobago reported increases in the ratio of non-performing loans to total loans.

Regional governments also juggled the divergent goals of fiscal consolidation and their desire to maintain expenditure at levels supportive of the economic recovery. Commitments made by the OECS under an Eight–Point Stabilization and Growth Programme that included country-specific fiscal targets limited their ability to engage in counter-cyclical policies. Jamaica was similarly constrained due to its 27-month stand-by arrangement with the International Monetary Fund (IMF). On the other hand, Barbados raised customs duties, bus fares and the Value Added Tax (from 15.0% to 17.5%), with a view to reducing the fiscal deficit and the overall public debt, while simultaneously maintaining business support programmes begun in the previous year. In the case of Trinidad & Tobago, the government scaled back capital expenditures due to revenue constraints, but slower growth rates, outstanding wage settlements and a 39.0% increase in the minimum wage posed challenges to fiscal consolidation efforts.

Increased taxation and a spate of natural disasters that disrupted agricultural production pushed inflation rates higher in several Caribbean countries. The Bahamas was the only country to experience an easing with inflation falling from 3.6% to 1.0%, reflecting lower prices for food and beverages. St. Kitts & Nevis registered a 3.0% increase due to the impact of Hurricane Tomas and the introduction of VAT while Jamaica's price level rose by 11.7% due to a prolonged drought in the first half of the year and the effects of Tropical Storm Nicole in the latter half. Indications are that annual inflation in Trinidad & Tobago and Guyana will be up in 2010 by 13.4% and 4.5%, respectively, due to higher food prices.

Barbados experienced a rise in its unemployment rate to 11.2% at the end of September, with activity in construction and distribution down significantly. A similar rise in unemployment is expected in the OECS due to the slowdown in the construction and tourism sectors. Trinidad & Tobago is also expecting to report a rise in its jobless rate from 5.3% in 2009 to 5.8% in 2010. On the other hand, employment levels in the Bahamas are expected to register a marginal improvement due to the rebound in tourism. Prospects for the region appear somewhat mixed in the medium term. While the outlook for Jamaica seems lacklustre, this should change once the fiscal position is brought to a sustainable path and other measures are taken to improve the investment climate and maintain social stability. The Trinidad & Tobago economy should benefit from a new bail-out plan that was implemented for Colonial Life Insurance Company (CLICO) at the end of 2010, which makes provisions for cash repayments to short term investors and mutual fund holders, while payments for investments above TT$75,000 would be made via zero-interest government bonds. Barbados is projected to return to positive growth in 2011 with continued improvement in tourism and a pick-up in private capital inflows. The government aims to continue focusing on fiscal consolidation as well as the development of competitiveness and market diversification within tourism and other sectors. The outlook for Guyana is positive with assistance being received from Brazil for the completion of the Takutu Bridge and an energy project at Amaila Falls. The adoption of a low-carbon development strategy which commits them to reduce emissions from deforestation is expected to boost foreign exchange inflows over time. In the OECS, reconstruction efforts after the hurricanes are expected to contribute to improved growth performance in 2011.

Central America

Notwithstanding various natural disasters, Central American economies rebounded due to the strengthening of external demand (particularly from the United States), a sharp turnaround in domestic demand, resiliency in foreign direct investment (FDI) inflows and small increases in remittance inflows. At 3.1%, regional growth was slower than that of the emerging economies since exports consisted mainly of basic agricultural commodities compared to the energy based raw materials and higher value added agricultural products of the emerging economies. Panama led the region for the second consecutive year with a 6.3% expansion that was driven by large public and private sector projects such as the expansion of the Panama Canal, the construction of an underground train system and a new copper mine, modernization of the metropolitan transport system, hydroelectric projects, new hotel developments and social housing projects. Mainly fueled by rebounds in their export sectors, Costa Rica and Nicaragua registered GDP increases of 4.0% and 3.0%, respectively. Subsequent to its normalization of relations with the rest of the world, the Honduras economy rebounded with a 2.5% increase; while GDP growth in Guatemala and El Salvador came in at a moderate 2.5% and 1.0%, respectively.

Principal growth areas were agriculture, manufacturing, transportation and communications, and hotel and restaurants, while on the down side, construction activity declined in all countries except Panama. Inflation rose across board in response to the increase in economic activity and higher acquisition costs of petroleum and energy based raw materials as well as lower food production in countries affected by storms and floods. Nicaragua recorded the largest price level increase of some 7.7% followed by Costa Rica and Honduras with 6.1% and 5.8%, respectively. Guatemala, Panama and El Salvador reported inflation rates of 5.3%, 4.1% and 3.2%, respectively.

Fiscal revenues generally grew in line with the expansion in economic activity, revenue enhancing measures or administrative reforms, so the fiscal deficit edged down slightly from 3.6% of GDP in 2009 to 3.3% of GDP. The focus during the year shifted to fiscal consolidation measures to ensure public sector debt sustainability. In September, Honduras sought IMF assistance in its fiscal consolidation and economic stability efforts, while Nicaragua met the targets under its current IMF programme. Meanwhile, monetary developments varied across countries. While interest rates declined across all countries, El Salvador, Costa Rica and Nicaragua reported a contraction in lending to the private sector whereas increases were recorded in Guatemala and Panama.

Although the region's export earnings increased in tandem with the US recovery, imports grew faster with a steep rise in the fuel bill and stronger domestic demand from households and the productive sector. The external current account deficit consequently worsened as inflows from family remittances, tourism and other miscellaneous services couldn't

Table 4: Key Indicators for Central America

Country	GDP Growth Rate(%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US$bn)	
	2009	2010p	2009	2010p	2009	2010	2009	2010
Guatemala	0.5	2.5	-0.3	5.3	n.a.	n.a.	5.2	5.9
Honduras	-1.9	2.5	3.0	5.8	4.9	6.4	2.3	2.7
El Salvador	-3.5	1.0	-0.2	3.2	7.1	n.a.	2.6	2.7
Nicaragua	-1.5	3.0	1.8	7.7	10.5	n.a.	1.6	1.8
Costa Rica	-1.1	4.0	4.0	6.1	7.6	n.a.	4.1	4.6
Panama	3.2	6.3	1.9	4.1	7.9	7.7	1.9	n.a

Source: ECLAC

compensate for the larger trade deficit. The latter was financed mostly by FDI flows, with Costa Rica being the largest recipient of net FDI, short term capital inflows and loan disbursements to the private sector. Holdings of official international reserves remained stable in Guatemala, increased in Nicaragua, fell in El Salvador and Panama, while a program to build up reserves was implemented in September in Costa Rica.

In May, a Treaty of Association between Central America and the European Union was signed, an important development that has the potential to boost future levels of trade and foreign investment in the region. The closeness of the US economy with that of the Central American region means that growth in 2011 will continue to hinge on the pace and magnitude of the recovery of the US economy. Growth is expected to remain positive and should once again be led by Panama due to its ongoing massive public and private sector projects. Costa Rica, Honduras and Nicaragua are expected to grow by 4.2%, 3.5% and 3.0%, respectively.

MONETARY & FINANCIAL DEVELOPMENTS

Notwithstanding the modest economic upturn and higher net foreign asset inflows, broad money supply (M2) contracted by 0.1% due mainly to a contraction in net domestic credit caused by sizeable and unusual one-off repayments from a single company group. The latter was largely accountable for a decline in outstanding loans to the private sector, the first such in 24 years. While inflows associated with improvements in the external current account enabled commercial banks to improve their net foreign asset positions significantly, in the context of sluggish domestic credit demand, it also contributed to a significant increase in the system's excess liquidity, which rose to an eight year high at year-end.

With interest rate spreads also widening as the pace of decline in deposit rates exceeded those on loans, the Central Bank took several steps aimed at sterilizing some of the excess liquidity in the system, reducing commercial banks' costs and influencing lending rates downwards. The first was the introduction of a new securities requirement on 1 May, which obliged commercial banks to hold a minimum of 6.5% of their average deposit liabilities in the form of Treasury bills while legally mandated cash reserves (funds held with the Central Bank at zero interest rate) were simultaneously reduced from 10.0% to 8.5% of average deposit liabilities. The government's Treasury bill issuance was raised by $75.0mn to accomodate this initiative and provide an outlet for investment of surplus funds. This was followed up with a reduction of the minimum interest rate on saving deposits from 4.5% to 3.5% on 1 November. Since asset repricing

Chart 2: Private Sector Credit and Money Supply (Annual Percentage Growth)

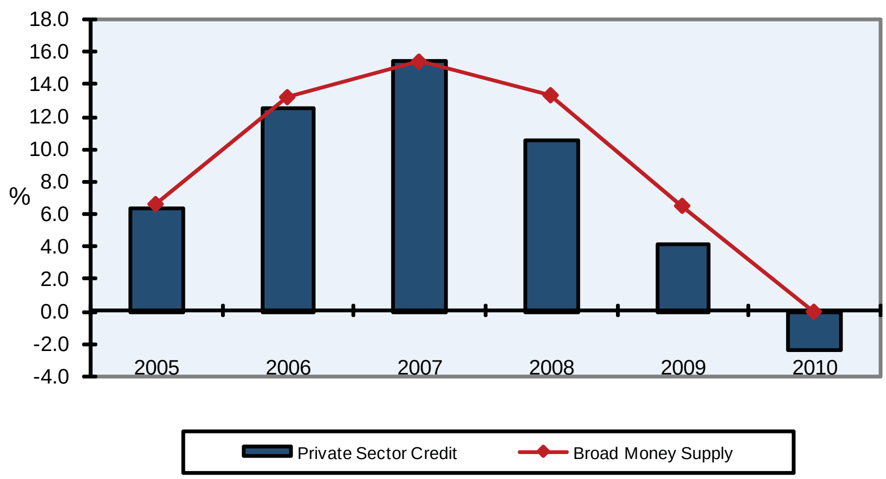
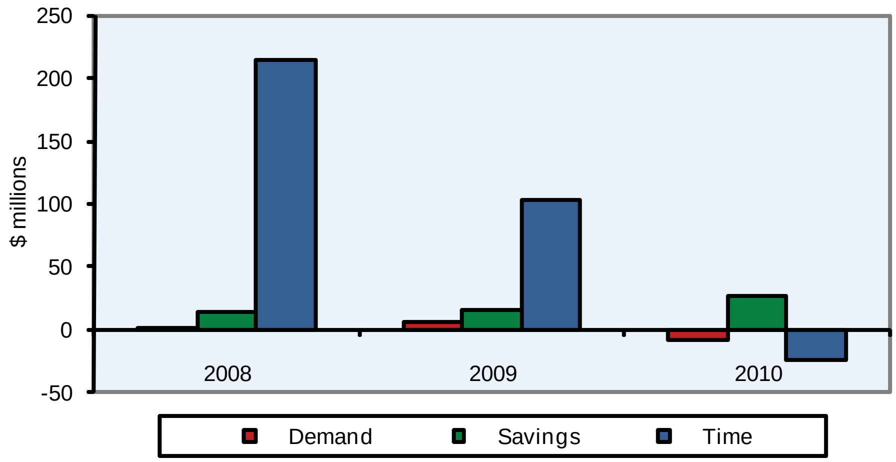


Chart 3: Annual Growth in Bank Deposits

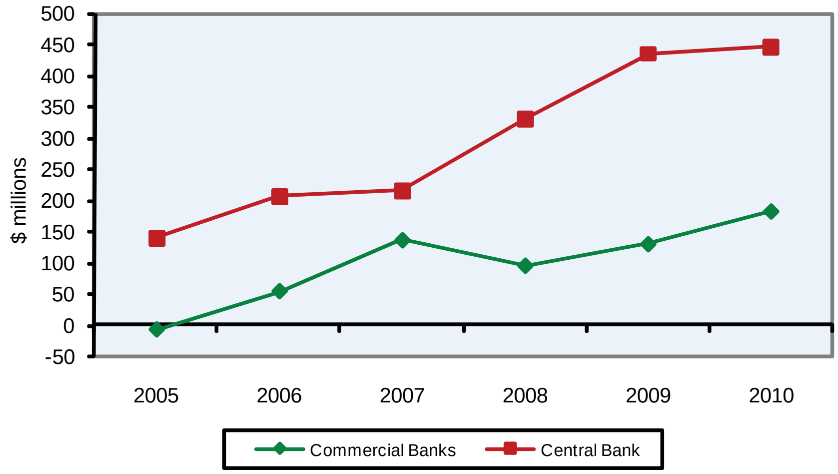


typically lags behind cost changes on the liabilities side of the banks' balance sheets, the impact on domestic lending rates was not immediately significant.

Domestic monetary developments partly reflected the tepid nature of the economic recovery. Narrow money shrank by 0.8% with a 5.6% reduction in demand deposits overshadowing increases in savings/ chequing deposits and currency in circulation of 6.8% and 2.1%, respectively. The downward movement in demand deposits was dominated by private utilities and businesses that withdrew funds to meet electricity, fuel and dividend payments. A contrasting 0.2% rise in quasi money reflected a $27.3mn increase in saving deposits mainly attributable to individuals while time deposits dipped by $24.3mn due to the sizeable withdrawal of funds that were used in the first quarter reduction of loan balances of the company group mentioned earlier.

Higher inflows from the exports of goods and services underpinned an 11.2% improvement in net foreign assets, though this was considerably lower than the 32.7% increase in 2009, the latter having been somewhat inflated by the Emergency National Disaster Assistance (ENDA) loan receipts and new IMF Special Drawing Right (SDR) allocations. The net position of the commercial banks improved by 40.3% reflecting an 11.0% increase in foreign assets and 40.2% reduction in liabilities to head offices and foreign affiliates. Rising by a comparatively modest 2.5%, the improvement in the Central Bank's foreign asset position was mainly facilitated by taxes and royalties received from petroleum producers, loan disbursements to the government and sugar export receipts that respectively accounted for 30.6%, 23.2% and 17.6% of the Bank's foreign exchange inflows. Since the Central Bank was not called on to provide the foreign exchange required

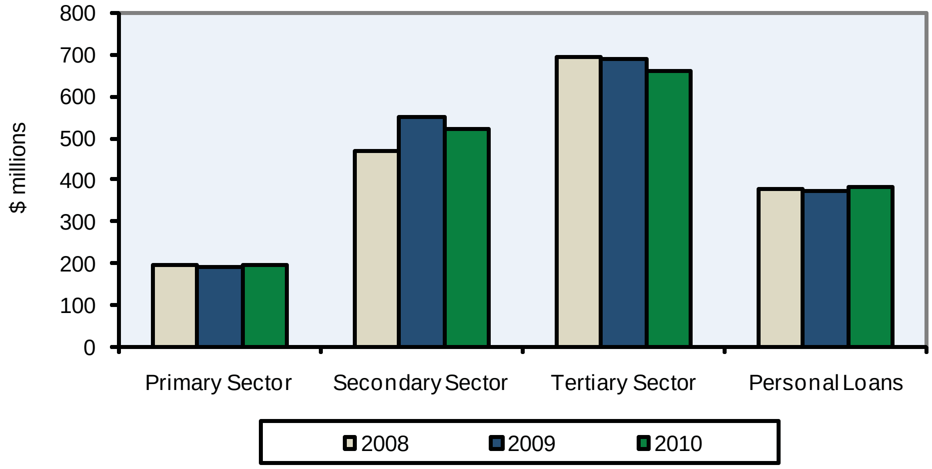
Chart 4: Net Foreign Assets



for essential imports as had been the case in 2009, outflows were 5.6% lower. Some 76.7% ($175.0mn) went to the public sector mostly for external debt servicing that included the $56.5mn interest payment on the super bond. Sales to statutory bodies, commercial banks (to meet repayments on the North American Securitization) and Belize Electricity Limited (BEL) accounted for 15.0% and the balance was made up of revaluation losses and bilateral payments.

In addition to a $42.0mn (2.3%) contraction in bank lending to the private sector, the 2.6% credit downturn featured declines of $8.6mn (4.4%) in net credit to Central Government and $0.9mn in loans to statutory bodies. A combination of the new securities requirement and high bank liquidity underpinned a shift in the government's domestic creditor profile with commercial banks adding significant amounts of government paper to their portfolios as their net lending to Central Government rose by 43.8%. In contrast, Central Bank's net credit to Government plummeted by 49.5% with income from the new securities, sale of Belize Telemedia Limited (BTL) shares and increased tax collections facilitating a marked reduction in the latter's Central Bank overdraft as well as a build up in deposits with the Central Bank and commercial banks. Meanwhile, in addition to the sizeable loan repayments by the single company group early in the year there was some loan portfolio consolidation by other private businesses that sought to reduce reliance on high cost overdraft facilities. Cuts in credit were concentrated in the secondary and tertiary sectors with substantial reductions to entities engaged in construction and transportation, and smaller decreases for activities such as real estate, professional services, distribution and entertainment. Apart from this there was a small increase (0.7%) for the primary sector that included new disbursements

Chart 5: Commercial Banks' Loan Distribution



to marine, citrus and banana producers while personal loans rose by 2.8%. Of some note was the fact that although bank lending was down, the five largest credit unions chalked up a 6.7% ($21.8mn) increase included in which was $12.4mn in personal loans, $4.7mn for real estate and $3.0mn for manufacturing.

Reduced commercial bank lending combined with net foreign inflows yielded an annual 52.5% increase in excess statutory liquidity with bank holdings exceeding requirements by 35.7% at the end of December. Holdings of excess cash reserves also rose by 51.3% and at year-end were 36.5% above the required level. The expansion in the latter reflected the relative scarcity of eligible investment alternatives as well as the 1.5% reduction in the cash reserve requirement effected in the month of May. Consequently, daily average cash holdings were down by $8.0mn year on year as compared to the

Chart 6: Excess Liquidity

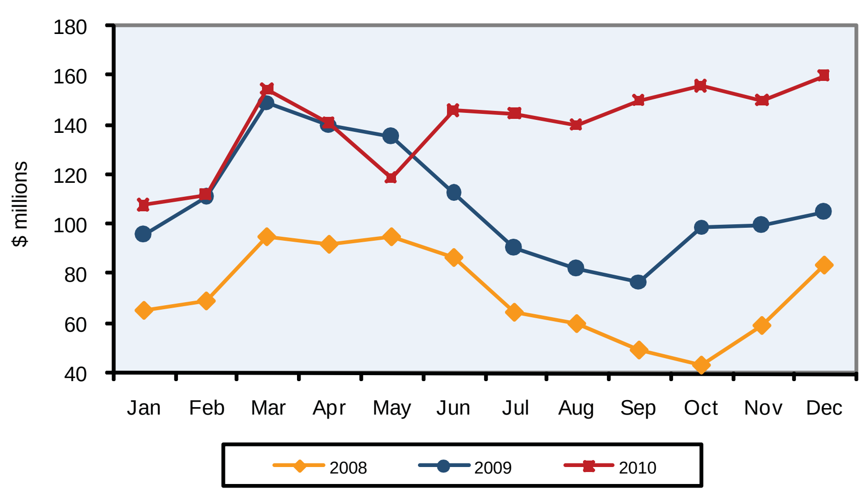
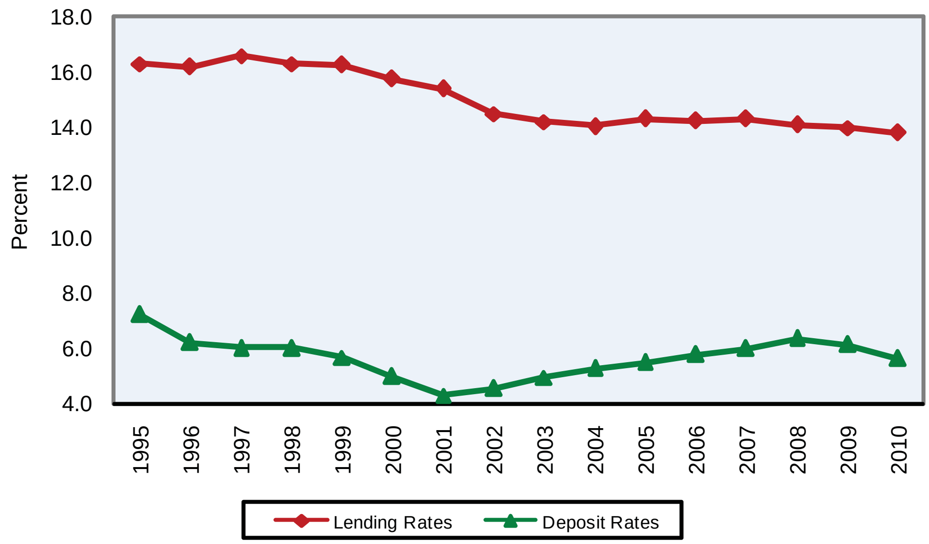


Chart 7: Weighted Average Deposit and Lending Rates



$28.5mn reduction in the level of required holdings. Notwithstanding this, loan rates continued to exhibit a certain stickiness with a 20 basis points fall in the weighted average lending rate falling short of a more substantial 51 basis points decline in the weighted average deposit rate. The situation appeared to be coloured by the necessity for careful portfolio management on the part of the banks given the recent increase in non-performing loans. Also, because of the small size of the system, the impact of a few large transactions tended to create some short term volatility which had the potential to mask the overall trend and magnitude of changes in weighted average rates. To illustrate this, while the marginal lending rate of several banks was shown to be an average of 100 basis points lower, other banks were bucking the trend with an average increase of 44 basis points. Thus, while the widening of the spread on the entire loan portfolio of the banks was seemingly a contraindicator of the effectiveness of the Central Bank's policy measures, there were also signs that a new downward trend in lending rates had been initiated. Given the typical time lag in asset repricing, the downward trend is expected to be maintained if there are no additional shocks to the system and other measures are effected to encourage fair competition in the domestic system. Focusing narrowly on the terms offered for new loans at the end of the review period as compared to those that were offered 24 months earlier, the data shows a decline in the weighted average lending rate of 164 basis points as compared to a reduction of 32 basis points in the weighted average rate for new deposits.

Box 1: Monetary Policy Reform

Building on the progress made in 2009, a number of significant milestones were accomplished under the aegis of the Monetary Policy Reform Project in 2010. Reform initiatives focused on two areas - the development of the domestic government debt market and the lowering of intermediation costs in order to influence lending rates downwards.

The development of the government domestic debt market is a prerequisite for the implementation of market-based monetary policy which involves adjusting the Central Bank's holdings of government securities in order to influence the supply of loanable funds. Efforts undertaken to increase the depth and the level of participation in the securities market required amendments to the Treasury Bill, Central Bank and the Banks and Financial Institutions Acts and adjustments to the commercial banks' reserve requirement structure. The volume of government securities, which was limiting market activity during 2009, was expanded during the year with the raising of the ceiling placed on total securities issuance from $175.0mn to $425.0mn. The headroom for Central Bank's market interventions was also expanded by allowing the Central Bank to hold up to ten times (up from seven times) its paid up capital and General Reserve Fund in government securities. Subsequently, an additional $130.0mn in government paper was issued at varying maturities extending up to ten years.

A commitment to fiscal discipline is also required for government debt markets to develop, function effectively and foster investor confidence. Central Government made notable strides toward this end, agreeing to significantly reduce direct financing from the Central Bank through its overdraft facility. The overdraft limit was lowered in April from 20.0% to 8.5% of the previous year's current revenues. The issuance of the additional securities allowed government to restructure its domestic debt and remain well within the newly agreed overdraft limit for the remainder of the year.

In efforts to secure market participation and improve the efficacy of the reserve requirement system, the Central Bank implemented a securities' requirement in May, mandating that banks hold a minimum of 6.5% of their average deposit liabilities in Treasury bills. The securities' requirement added a third tier to the reserve requirements, with tiers one and two being the cash reserve requirement and approved liquid asset requirement, respectively. While this gave the Central Bank an additional policy tool that could be adjusted to address changes in liquidity, more importantly, it furthered the development of the domestic debt market by requiring all banks to actively participate and manage their excess liquidity more efficiently. In the future, it is envisaged that the banks' holdings of Treasury bills will be used to collateralize interbank borrowing and repurchase agreements.

Box 1: Monetary Policy Reform (cont'd)

Against a backdrop of weakened credit demand, a fragile economic recovery, high excess liquidity and increasing levels of non-performing loans, the Central Bank implemented several measures aimed at reducing commercial banks' costs and influencing lending rates downwards. The legally mandated level of cash reserves (funds held with the Central Bank at zero interest rate) was reduced in May from 10.0% to 8.5% of average deposit liabilities. Furthermore, the new issuance of government securities provided an investment alternative for banks' surplus funds. In addition, the floor on saving deposits was lowered from 4.5% to 3.5% in November. Faced with diminishing profitability and the needed longer-term adjustments to reduce the level of non-performing loans in the system, banks have been re-pricing the asset side of their balance sheets at differing speeds, so lending rates over the year fell by a weighted average of 20 basis points compared to a 51 basis points fall in average deposit rates.

FINANCIAL SYSTEM DEVELOPMENTS

Domestic Commercial Banks

Sluggish credit demand coupled with an elevation in non-performing loans resulted in a 0.6% erosion in the asset base of the domestic commercial banks in 2010. Credit developments were heavily influenced by sizeable and unusual one-off repayments by a single company group that outweighed a more modest increase in disbursements to other borrowers. The result was a 2.4% contraction in commercial bank loans and advances. On the liabilities side, growth in bank deposits slowed to 0.3% (as compared to the 7.4% growth in 2009) with the substantial drawing down of business deposits to facilitate the loan reduction of the aforesaid company group being partly responsible. Customers continued to hold the bulk of their deposits in the form of time deposits (60.7%) with demand and saving deposits accounting for 28.5% and 10.8%, respectively.

Non-performing loans expanded by 46.5% during the year thus raising the commercial banks' ratio of non-performing loans (net of specific provisions) to total loans from 10.8% to 16.1%. The upward trend was indicative of the continued slackness in the real estate market as well as accounting adjustments called for as a result of the Central Bank's enhanced supervision of the system. In accordance with the Central Bank's prudential guidelines, loan loss reserves were increased by 37.2% resulting in a decline in return on assets (ROA) from 1.7% to 0.7%. The growth in primary capital of banks also slowed as a consequence to 3.6%, compared to the 10.6% increase realized at the end of 2009. Notwithstanding the spike in non-performing loans, the capital adequacy ratio (CAR) of the domestic banking

Chart 8: Assets, Loans and NPLs

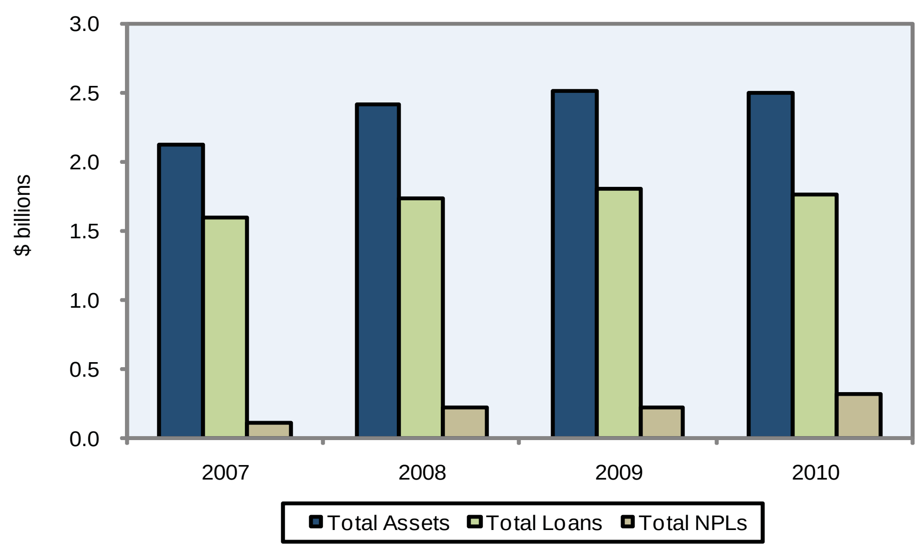
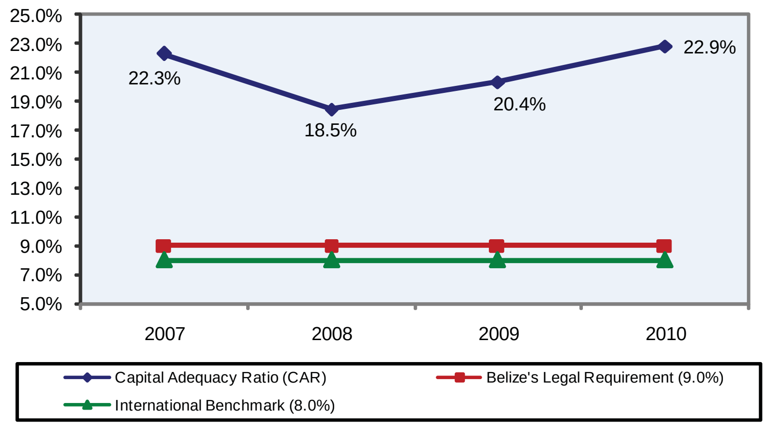


Chart 9: Capital Adequacy Ratios



system increased by 12.2% to 22.9% by year-end, with the individual CARs ranging from 10.1% to 29.8%, well above the 8.0% minimum requirement established by BASLE and the mandated minimum legal requirement of 9.0%.

The general weakening in bank earnings was shown in declines of 6.0% and 5.8%, respectively, in annual gross and net interest income. Non-interest income was also down by 6.1% with the latter coinciding with a 1.8% rise in non-interest expenses that was driven by higher operational costs. After factoring in additional provisions to beef up the system's loan loss reserves, net income before taxes shrank by 31.6% while net income after taxes was approximately halved to $20.7mn. At 4.4%, the system's return on equity (ROE) was significantly below the previous year's 11.4%. The combination of slumping operating income and rising operating expenses highlighted a deterioration in the overall efficiency ratio of the domestic banks from 57.9% in 2009 to 62.6%, which is compared to the international benchmark of 60.0%.

Chart 10: Key Sources of Funding

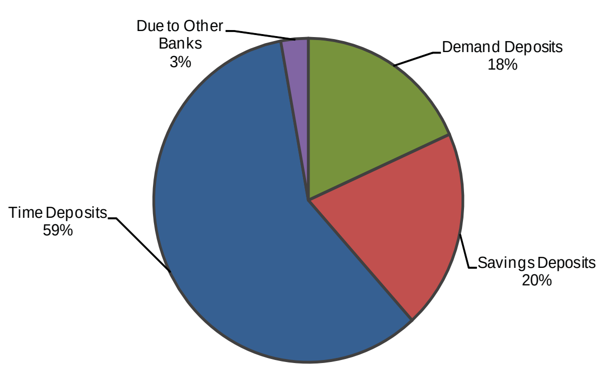


Chart 11: Composition of Capital

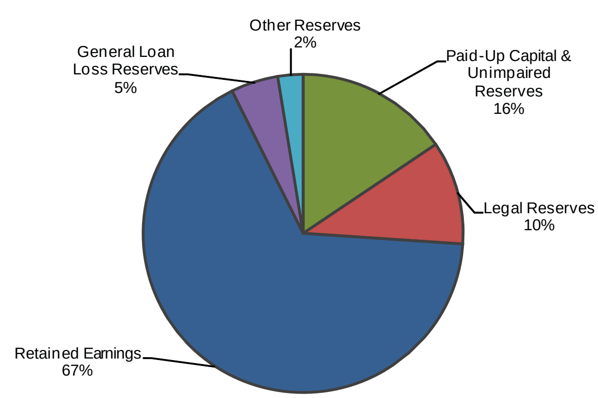
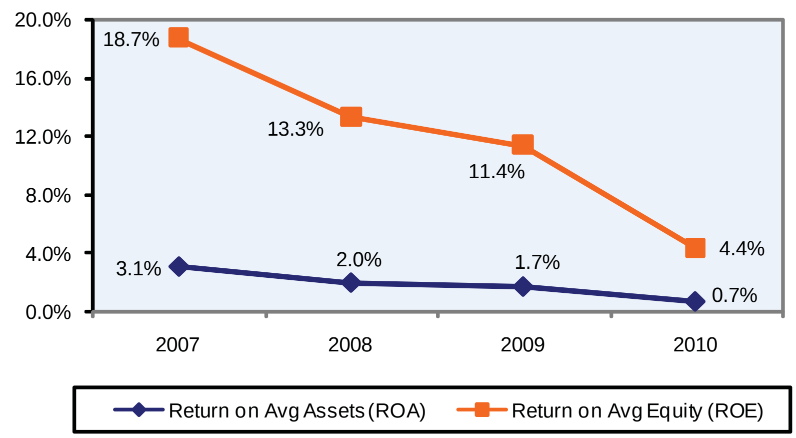


Chart 12: Profitability Ratios

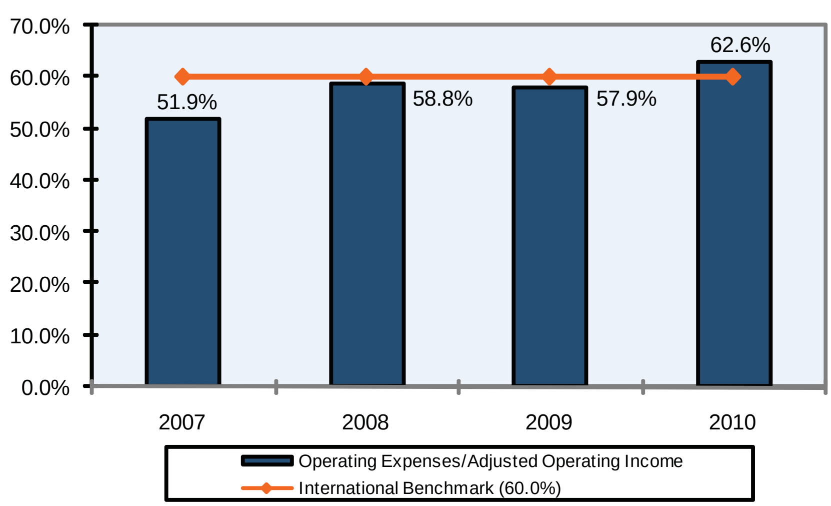


Supervision Issues

Thirteen applications for extensions of credit facilities that exceeded 25.0% of the banks' paid-up and unimpaired capital and reserves were submitted to the Central Bank in 2010. Approval was granted for eight facilities that summed to $70.3mn as compared to approvals for four facilities summing to $150.3mn in 2009.

The continuation of efforts to ensure the safety and soundness of the financial system included on-site examinations of two domestic banks, two international banks and six credit unions during the year. Using a risk focused approach, the Central Bank evaluated compliance with the Money Laundering and Terrorism (Prevention) Act (MLTPA), and also zeroed in on institutional viability and prudential performance, including matters related to solvency, liquidity,

Chart 13: Efficiency Ratios



capital adequacy and risk management.

Bearing in mind the importance of protecting the system against money laundering, the Bank conducted training for banks, credit unions and money transfer service providers in the latter part of the year aided by the Director of the Financial Intelligence Unit. The focus was on the new or enhanced requirements of the revamped MLTPA that came into effect on 1 January 2009 as well as the recently published Anti-Money Laundering and Combating the Financing of Terrorism guidelines.

Under the enhanced approach to supervision adopted in recent years, the heightened frequency in submission of loan delinquency reports by banks, financial institutions and credit unions was maintained. As a result of the increased intensity of its oversight, the Central Bank was able to secure quicker responses and corrective actions to deal with threats to the viability of the financial sector.

Revision to Banks and Financial Institutions Act (BFIA)

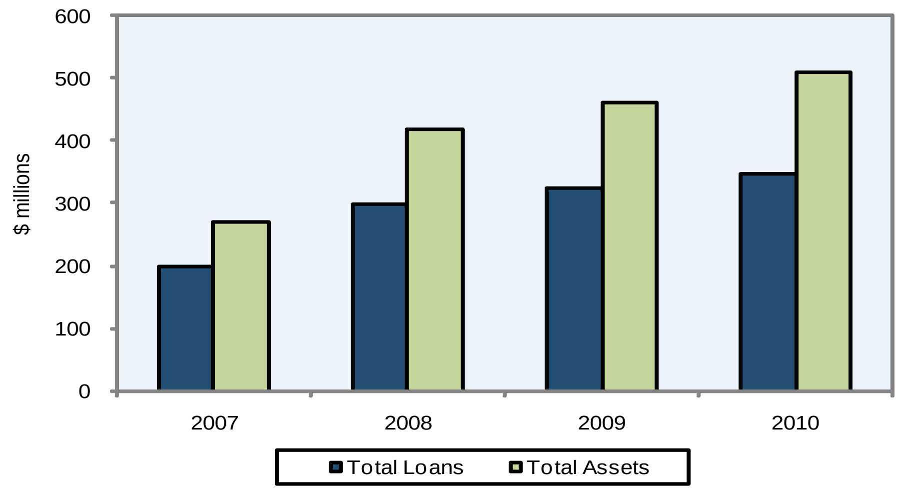
Technical assistance was received from the IMF as the Bank continued its programmed efforts to update and strengthen the BFIA, a piece of legislation that had been enacted 15 years earlier. The proposed revisions are aimed at strengthening prudential standards so as to align them with the recently revised international standards and best practices promulgated by the BASLE Committee on Banking Regulation and Supervisory Practices. The revisions are also aimed at improving efficiency by setting administrative penalties for non-compliance with the requirements of the law.

Revision of BFIA Circulars

Under current loan provisioning requirements, domestic and international banks are not required to allocate provisions against fully collateralized adversely classified loans (ACLs). However, the ongoing financial turmoil has highlighted the fact that the value of real estate held as collateral by banks tends to deflate during a crisis, either because it may have been originally overvalued or through the impact of adverse market conditions. As a result, balance sheets and capital positions of banks may be significantly overstated.

To address this, the Central Bank revisited the regulations that govern the provisioning of impaired assets and proposed that banks set aside provisions amounting to 25.0% of outstanding loan balances that are categorized as substandard secured. Once adopted, the result should be a reduction in commercial bank reliance on collateral that will ensure a smoother migration along the delinquency path based on progressive increases in provisioning (from an initial 25.0% to 50.0% and then 100.0%) in accordance with the actual performance and viability of the loans. The Central

Chart 14: Five Largest Credit Unions - Loans and Assets



Bank also proposed new regulations on the classification of loans and other assets to specify a more comprehensive range of circumstances governing the classification of accounts that do not have fixed repayment dates (i.e. overdrafts). In an effort to prevent the ever-greening of loans by banks, the maximum number of restructurings/renegotiations permissible over the life of a loan will be stipulated.

As the changes to the provisioning requirements take full effect, the expectation is that this will encourage more prudent lending practices that should result in lower levels of adversely classified loans and increased profitability.

Credit Unions

Unlike the domestic commercial banks, activity of the five largest credit unions was unabated with total assets growing by 10.9% to $509.3mn underpinned by a 6.7%

Chart 15: Credit Unions' NPLs

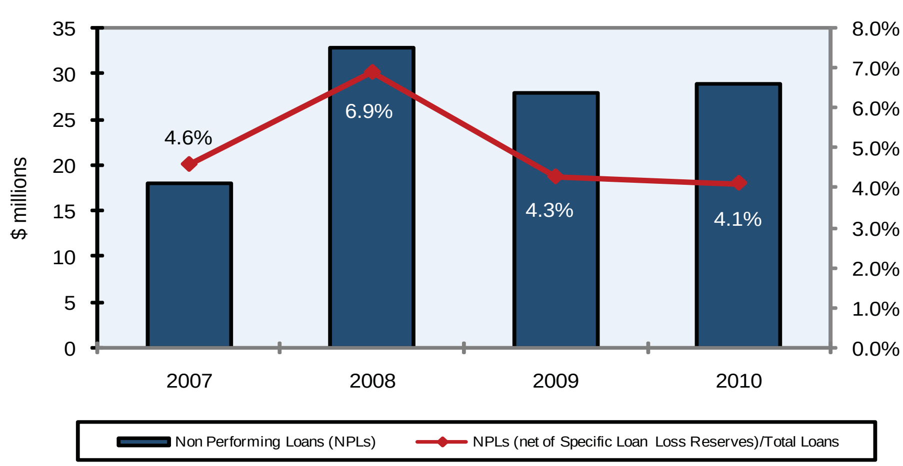
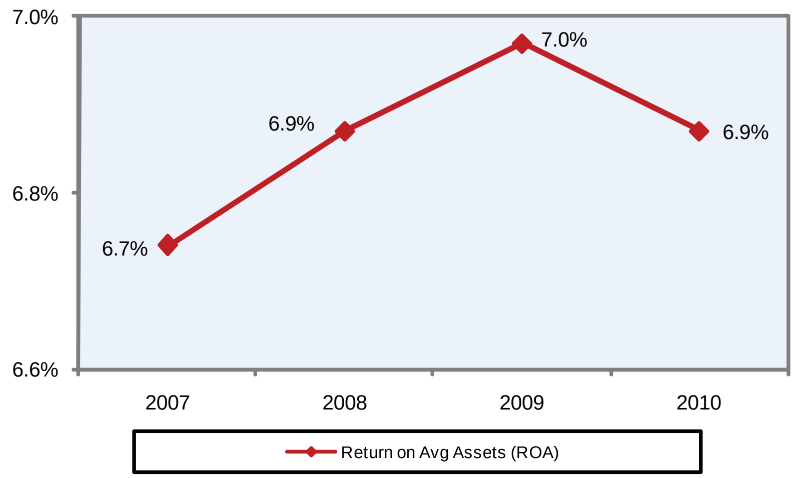


Chart 16: Five Largest Credit Unions - Profitability



increase in loans and advances. The ratio of non-performing loans (net of specific provisions) to total loans decreased slightly from 4.3% to 4.1% and net profits rose by 8.2% to $33.3mn, compared to the 11.9% growth experienced in the previous year. As a result, ROA remained at a healthy 6.9%, almost on par with the previous year due to strong growth in assets and net profits.

International Banks

Growth in assets of the international banks accelerated from 14.5% to 23.6% (US$92.5mn) with a combined increase of 56.5% in their portfolio holdings of "Cash and Balances due from Banks" and "Government Securities/Investments". While total loans were down US$1.0mn reflecting the continued deceleration in lending for non-resident construction of condominiums, deposits grew robustly by 24.6% to US$371.8mn. Demand deposits

Chart 17: Non Performing Loans - International Banks

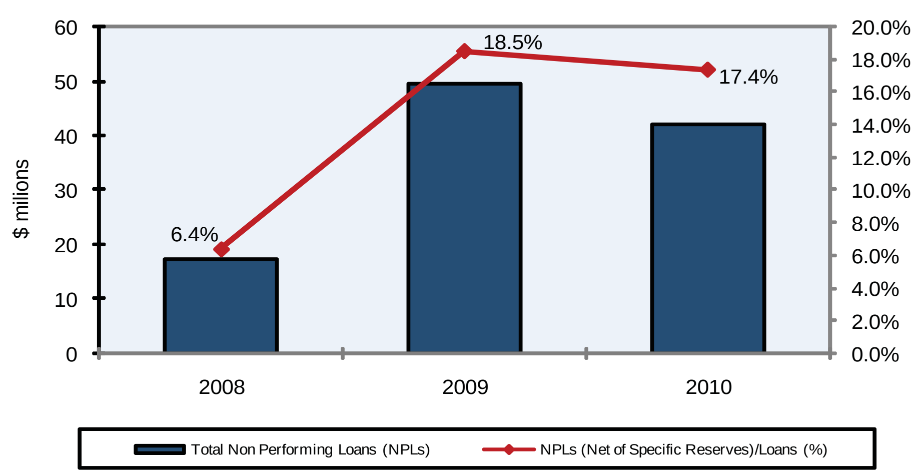
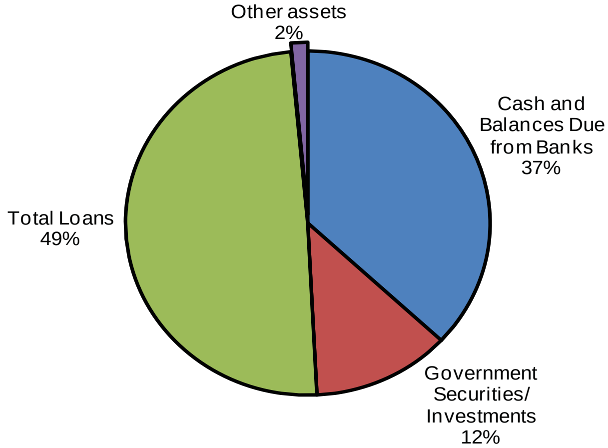


Chart 18: Asset Composition - International Banks



accounted for 61.0%, while time and saving deposits comprised 26.0% and 9.0%, respectively. The industry's ratio of non-performing loans (net of specific provisions) to total loans fell from 18.5% to 17.4% during the year and retained earnings saw an upward spurt that facilitated a 13.6% growth in system capital to US$92.1mn. The industry consequently reported a CAR of 27.3% with ratios of individual banks ranging from 11.9% to 50.9%, which compares favourably with the legal requirement of 10.0% and the 8.0% minimum requirement established by BASLE. Industry ROE and ROA were reported at 13.2% and 2.5%, respectively. Both ratios exceeded the international benchmarks of 10.0% for ROE and 1.0% for ROA.

Licensing Activities

During the year, two banks implemented name changes, licensing fees for domestic and international banks were restructured and one institution requested the Central

International Banks

Chart 19: Key Sources of Funding

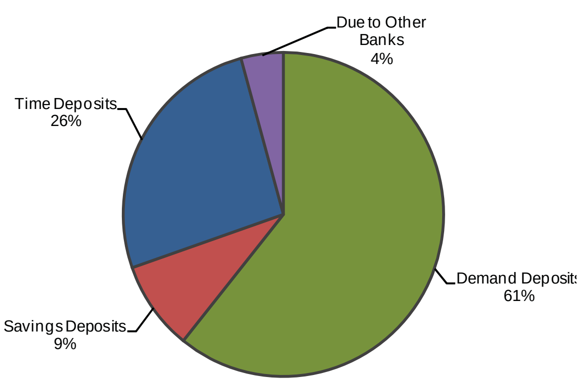
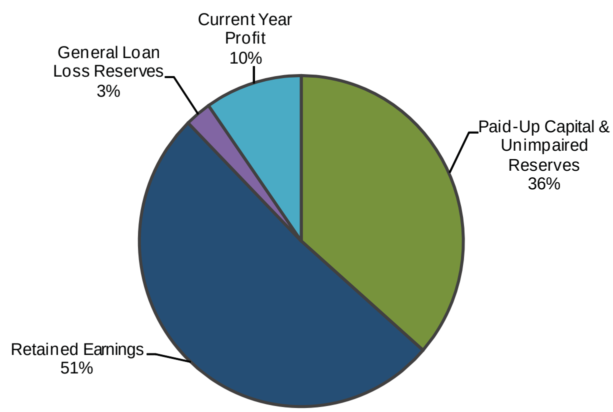


Chart 20: Composition of Capital



Bank's approval for voluntary liquidation.

Subsequent to receiving Central Bank approval in November 2009, the names of Alliance Bank of Belize Ltd. and Provident Bank and Trust of Belize Ltd. were officially changed on 1 January 2010 to "Heritage Bank Limited" and "Heritage International Bank & Trust Limited", respectively.

License fees that had been fixed since 1996 were adjusted in November after consultations were held with the domestic and international banks. Annual fees for domestic banks were changed from BZ$25,000 to 0.015% of the individual bank's total assets or $25,000, whichever is greater. Concurrently, the annual fees for international banks for the Unrestricted 'A' Class license moved from a set amount of US$20,000 to range from US$20,000 to US$40,000, depending on total bank assets.

After a year of operations under an Unrestricted 'A' Class license, Scotiabank (Belize) International Limited requested and was granted approval in October 2010 for the voluntary winding-up of its operations.

Box 2: Financial Infrastructure Initiatives

National Payment System

The Central Bank's mandate for ensuring the stability and orderly development of Belize's financial system includes the primary responsibility for overseeing the evolution and improvement of the country's national payment system. A project to modernize the financial infrastructure aimed at increasing the efficiency of the payments system and reducing the cost of financial transactions is consequently deemed to be of high priority at this time.

A payments system that operates efficiently is one of the prerequisites for the development of interbank market operations, monetary policy operations and capital markets; and by lowering the cost of certain financial transactions, it thus embodies significant potential for stimulating economic activity and growth. Such a system provides effective links between financial institutions and settlement systems for payments and securities and is underpinned by a robust framework of laws and regulations. International examples of payments systems that meet all the needs of a developing economy all include the essential components of

- an Automated Clearing House (ACH) for processing of small payments;
- a Real Time Gross Settlement (RTGS) facility for processing of large payments;
- a Securities Settlement System (SSS); and
- an updated legal and regulatory framework.

The current project therefore seeks to upgrade Belize's payments system by putting in place these components to facilitate the smooth uninterrupted flow of economic transactions and business. This initiative is not the first but is following on the continuum of various efforts to reform the system over the past few years. In mid 2010, technical assistance was received from the World Bank in order to conduct a full assessment and this study confirmed the need to modernize the domestic payment systems and put in place better measures to address liquidity, credit, operational, and legal risks. Among the most glaring shortcomings of the present system is the fact that customers can only transfer funds electronically through direct debits and credits and online payments within the same bank, the settlement time for cheques ranges from three days for district to seven days for out-district cheques and the fact that institutions are being exposed to unacceptable risks when it comes to the settlement of large value cheque transactions.

It is expected that the World Bank will be providing further technical assistance in 2011 for a development plan that will determine a suitable and cost effective design for Belize's payment system and for the drafting of an appropriate legal and regulatory framework. Given the versatility of a modernized payment systems, the expected benefits are not only a lowering of cost to the general consumers, but on a macro level, the strengthening of the Central Bank's oversight of the financial system and its capacity to conduct monetary policy.

Box 2: Financial Infrastructure Initiatives (cont'd)

Credit Bureau

The Central Bank is also seeking to establish a credit bureau in Belize in order to improve the quantity and quality of information provided to local lenders thus making it possible for risks, processing time and costs to be lowered. The result should be more effective and efficient distribution of credit in the domestic system. In pursuit of this goal, the Central Bank invited the International Finance Corporation (IFC,) a member of the World Bank Group, to meet with stakeholders in February 2010 to gauge interest in the development of a credit bureau in Belize. Working in collaboration with the Caribbean Regional Technical Assistance Centre (CARTAC), the IFC is presently involved in the development of credit bureaus across the English speaking Caribbean where the initiative has been generally received with enthusiasm. The initial meetings held in Belize revealed a high level of interest in the project.

In April, IFC consultants partnered with the World Bank in completing a Legal and Regulatory assessment of Belize to identify the areas of the legislation that are deficient and that would require amendment in order to enable the proper operation of a credit bureau. Subsequent to this, the IFC conducted a technical assessment of the private and public sectors in July and obtained data on each stakeholder's loan portfolio, credit operations and potential use of the bureau. The results are slated to be presented in April 2011.

The next phase of the project entails public education of stakeholders/consumers and the development of draft legislation that would address issues such as:

- minimum criteria for credit reporting service providers;
- regulatory and supervisory framework;
- exclusions related to sensitive data;
- limits on how long the data can be distributed (to allow borrowers a "fresh start");
- limits on access to the data;
- consumer rights framework; and
- assignment of liabilities for participants in the system – from providers (originators of credit information) and users to service providers.

DOMESTIC PRODUCTION & PRICES

Production

GDP rebounded with a 2.9% increase made possible by the growth of activity in the trade and service industries and with a further boost coming from the expansion of capacity in "Electricity & Water" and upswing in "Government Services". Benefitting from international and domestic demand, the tertiary sector expanded by 3.7% with "Government Services" growing by 6.5% partly due to activities associated with the 2010 Population Census and with the steady increase in cruise ship passengers and a return to positive growth of stay-over tourist arrivals after a two year decline contributing to increases of 5.5% in "Hotels and Restaurants", 2.9% in "Transportation and Communication" and 6.2% in "Wholesale and Retail Trade". The latter was also boosted by an escalation in cross border trade with Mexico via the CFZ. The sharpest annual growth was in "Electricity and Water" which surged by

Table 5: Selected Indicators (Annual Percent Change)

	2008	2009	2010
GDP at Current Market Prices	6.8	-1.1	3.9
Real GDP (2000 prices)	3.6	0.0	2.9
Primary Sector	**0.1**	**-2.2**	**0.6**
of which: Agriculture, Hunting & Forestry	0.7	-4.8	0.8
Fishing	-2.9	9.4	-0.3
Secondary Sector	**9.9**	**11.2**	**0.5**
of which: Construction	35.7	18.8	-5.7
Electricity and Water	3.1	17.1	19.7
Tertiary Sector	**3.0**	**-1.3**	**3.7**
of which: Hotels & Restaurants	-4.6	-4.8	5.5
Wholesale & Retail Trade	-6.0	-6.5	6.2
Government Services	4.6	3.9	6.5
Transportation and Communication	1.7	-2.7	2.9
Consumer Price Index			
Average	6.4	-1.1	0.9
End of period	4.4	-0.4	0.0

Source: Statistical Institute of Belize

19.7% almost entirely due to expansion in domestic electricity production as the cogeneration plant and the Vaca Dam facility became fully operational during the year. Notwithstanding this, overall growth in secondary sector activities came in at a very moderate 0.5% due to the offsetting impact of a 4.7% fall in "Manufacturing, Mining and Quarrying" that reflected diminishing petroleum output and a 5.7% decline in "Construction", the latter being influenced by the wrap-up of the power projects and considerable deceleration in work on condominiums.

Positive though muted growth of 0.6% in the primary sector reflected a 0.8% increase in agriculture while fishing contracted by 0.3%. In the case of agriculture, increased output of sugarcane, grains, papaya, root crops and livestock outweighed declines in banana and citrus while the fishing downturn was largely due to declines of 5.8% and 20.1%, respectively, in shrimp and fish aquacultural operations that were financially strapped and also sustained damage from Hurricane Richard in October.

Agriculture

Sugarcane

Teething problems with Belcogen, the new cogeneration plant, caused a two week delay in the start of the 2009/2010 sugarcane crop, drastic fluctuations in the factory's daily intake and longer delivery queues that resulted in reduced sugar content in the waiting sugarcane. To close the production gap, the industry extended the crop year by two months, well into the rainy season. The harvest consequently came in at 1,122,765 long tons, a 22.3% rebound over the previous crop year in which deliveries had slumped to a twenty year low. Sugarcane deliveries from the farmers and Belize Sugar Industries' (BSI) cane growing project expanded by 22.9% and 15.8%, respectively.

As virtually all (99.8%) sugar sales were to the European Union (EU), developments in this market heavily influenced the price paid to sugarcane farmers so that notwithstanding exchange rate gains from

Table 6: Sugarcane Deliveries

	2007/08	2008/09	2009/10
Deliveries to BSI (long tons)	980,114	917,728	1,122,765

Source: Belize Sugar Industries Ltd.

Box 3: Sugar Industry Update

Pressure to transform the domestic sugar industry in order to increase its competitiveness has greatly intensified in recent years as a result of gradual cuts in EU sugar prices over a four year period ending October 2009. However, while the erosion of the protective trade canopy spurred stakeholders to address long standing problems of low sugarcane production and poor quality, an attempt to institute payment on the basis of quality through the use of a core sampler for the 2008/2009 crop was unsuccessful because of widespread opposition from farmers skeptical of the accuracy of the sampling tests. As an alternative, it was agreed that a home-grown quality control system to deliver clean, fresh, mature sugarcane would be instituted. However, an unfortunate lack of leadership and cohesiveness among the farmers resulted in delayed implementation of the new system. Quality problems for the 2009/2010 crop were further exacerbated as a result of inconsistency in the factory's performance caused by the teething problems of the new cogeneration plant and extension of the harvest two months into the rainy season.

With the full weight of the EU's 36.0% price cut equating to an industry revenue loss of approximately $23.7mn, the year 2010 was particularly challenging. The farmers' portion of this revenue loss was $15.0mn or $13.70 per long ton of sugarcane. Furthermore, three consecutive years of producing less than 100,000 long tons of sugar cut into expected cash flows and exacerbated BSI's financial problems particularly in view of the fact that it took on a large amount of debt in order to invest in the construction of the cogeneration plant. Two key conditions to access credit from its financiers included the installation of a core sampler to motivate the delivery of better quality sugarcane and a minimum production of 100,000 long tons of sugar. After the third crop year of underperformance, the principal financier pulled its line of credit in September 2010, leaving the company unable to meet the third and final payment to farmers for the 2009/2010 crop year as well as the 2010/2011 crop payments.

The financial crisis served as the impetus for bringing all the stakeholders together to make a concerted attempt at ensuring the survival of the industry. The government stepped in with a $10.0mn loan and BSI secured another $10.0mn loan from Tate and Lyle. The Cane Farmers' Association affirmed their commitment to work closely with the Sugarcane Production Committee and BSI to carry through the necessary reforms to keep the industry going. The ad hoc delivery system that was a source of contention between the factory and the Association for many years was replaced in December with a delivery schedule organized by divisions and test groups. These scheduled deliveries should reduce delivery times and lower the loss of sugars in the cut sugarcane. Furthermore, a series of extensive meetings with farmers convinced the majority to opt for payment by quality, and the factory has improved its consistency in forecasting daily sugarcane requirements. So far,

Box 3: Sugar Industry Update (Cont'd)

the new modus operandi appears to be working quite well as the tons cane to tons sugar ratio improved substantially from 12.37 in 2009/2010 to an average of 9.04 in the early months of the new crop year.

Although its interim financial needs have been met, BSI still needs to access a new line of credit to fund its operations. The financial crisis in 2010 highlighted the need to accelerate the pace of reform to tackle the inefficiencies that have been impeding the industry's profitability and long term viability. The industry's restructuring initiatives must continue to focus on increasing field yields through replanting efforts and better husbandry practices, improving cost and technical efficiencies at all levels and rationalizing the transportation system. These reforms must be complemented by the firm resolve of all industry partners to collaborate and communicate effectively to ensure the survival of the sugar industry.

the average Euro price negotiated on the futures market, the final average price paid to farmers was down by 32.6% to $45.28 per long ton. In addition to the final scheduled EU price cut in October 2009, the latter also reflected marked increases in international freight costs and the lower sugar outturn per unit of sugarcane.

Citrus

Continuing the downward trend started in the previous crop year, citrus production fell by 19.1% to 5.5mn boxes of fruit. Approximately 95.7% of the harvest was processed, 3.0% went into fresh fruit exports and 1.3% was rejected at the factories.

Factory deliveries were down by 21.1% with orange deliveries plummeting by 30.2% to 3.9mn boxes. The latter usually accounts for upward of 70.0% of the citrus harvest and the smaller crop in

Table 7: Citrus Fruit Deliveries

	2007/08	2008/09	2009/10
Deliveries ('000 boxes)	7,102	6,643	5,241
Oranges	5,661	5,519	3,851
Grapefruits	1,441	1,124	1,390

Source: Citrus Growers Association

Chart 21: Banana Production

2010 reflected the cyclical nature of the Valencia variety of citrus trees as well as reduced usage of field inputs during the growing season by cash squeezed farmers. On the other hand, deliveries of grapefruit were up by 23.7% to 1.4mn boxes as improved prices provided a crop harvesting incentive for farmers. The expectation is for a surge in output of oranges in the next crop year, however it also appears that the lack of a certified disease free nursery to provide seedlings for the continuous work of grove rehabilitation and replanting will continue to present a looming cloud on the industry's horizon.

The final price paid to farmers for oranges vaulted to $1.55 per pound solid (ps) in 2010, a 46.4% increase that was underpinned by higher orange juice prices in the key markets of Florida and Brazil, which were experiencing smaller crops. With export prices for grapefruit also being strengthened by lower beginning grapefruit juice stocks and declining productive acreage in Florida, the price paid to local farmers rose by 29.5% to $1.22 per ps of grapefruit.

Banana

A first quarter production spurt that was partly the result of the industry's meristem investments was followed by a second quarter marked by unfavourable weather that hindered plant development and fruit maturation. This caused farmers to reduce their productive acreage and increase the area under rehabilitation. Output levels consequently staggered, resulting in a 3.2% decline in annual banana production to 4.3mn boxes. While the industry has maintained banana acreage relatively constant at around 6,500 acres over the past five years, it aims to expand this to 7,000 acres by 2012.

At the start of the year, 6,524 acres had harvestable trees and 350 acres were under plantilla (young, non-harvestable trees). By December, the acreage under cultivation had decreased by 2.0% to 6,396 acres while the area under plantilla grew to 635 acres.

Papaya

Output of papaya expanded by 22.0% to 66.7mn pounds as a 9.4% decline in productive acreage was offset by higher yields arising from improved agronomic practices and favorable weather. At year-end, the area under production stood at 1,135 acres, of which 573 acres had harvestable trees and 562 acres were under young non-producing trees. Most of the acreage under cultivation was in the Corozal District with the Orange Walk and Cayo Districts maintaining groves of only 30 acres and 8 acres, respectively.

Other Agricultural Production

While there were substantial increases in sorghum, bean and soybean production, output of corn and rice remained relatively stable after the bumper crops of 2009. In response to the rising demand for animal feed, growers increased their acreage and upgraded their farming practices to produce higher yields resulting in a more than doubling of sorghum output to 43.9mn pounds. Acreage under soybean also increased by 114.4% with output expanding by 125.0% to 2.9mn pounds, while bean production, driven by Caribbean demand, increased by 36.2% to 25.6mn pounds. Given the massive increase in sorghum, which is a substitute, corn registered a comparatively marginal 1.2% increase as a reduction in the mechanized acreage was more than compensated for by a 57.1% increase in the average yield. Rice output dipped by 0.4% to 45.2mn pounds as a reduction of 1,700 acres under mechanization and irrigation was almost matched by higher average yields.

Production of most root crops increased, with the exception of Irish potato which was down by 22.9% as higher acreage failed to compensate for a sharp decline in the average yield. Double digit increases were recorded for tomato, sweet pepper, cabbage, lettuce, celery, broccoli, cauliflower and pumpkin, while hot pepper, onion, carrot, cucumber and squash recorded lower outputs due to a reduction in acreage. With acreage down by 0.9% and average yields plunging by 66.8%, output of plantain shrank by 67.1% to 0.2mn bunches.

The performance of livestock and dairy was mixed as increases in egg, poultry and pig coincided with lower production of milk and cattle. To satisfy local demand, poultry and egg output rose by 5.4% to 30.1mn pounds and by 17.7% to 4.0mn dozens. While pig production grew by 2.0% to 2.7mn pounds, cattle and milk declined by 6.9% and 11.4%, respectively, to 3.3mn and 7.3mn pounds. In a notable development, the export of live cattle increased by 1,054 to 4,895 heads.

Marine Products

Total marine output fell by 6.7% in 2010 as the sector was confronted by a variety of challenges. Highly leveraged aquaculture farms faced significant financial difficulties during the year and were under extreme pressure to cope and survive. The country's largest tilapia producer went into receivership, the management of the largest shrimp farm in the country sought buyers to take over its operations in the face of a challenging global market, and investments into a cobia hatchery stalled yet again, while the mortality of cobia fingerlings shot up in the wake of hurricane damages. The consequent throttling back in operations resulted in a 20.1% contraction in fish farm output. Meanwhile, notwithstanding improved international prices and increased production from all but two farms, shrimp output fell by 5.8% as operations on the largest shrimp farm wound down at the end of the third quarter. On the upside, the wild capture of lobster and conch increased by 15.4% to 0.6mn pounds and 5.9% to 0.7mn pounds, respectively as a result of upturns in these species' reproductive cycles.

Manufacturing

Sugar and Molasses

Notwithstanding the bumper harvest, sugar production declined by 4.5% to 88,144 long tons due to poor sugarcane quality caused in part by the start-up problems of the cogeneration plant and exacerbated by the extension of harvesting into the rainy season. Factory hiccups increased the kill-to-mill time and consequent deterioration of sugars in the queued sugarcane, while harvesting into the rainy season led to an 81.0% increase in the quantity of mud in sugarcane delivered to the factory. As a result, the sucrose content of sugarcane declined to a pol of 10.82% compared to 12.32% in 2008/09 and the cane/sugar ratio deteriorated from 9.93 to 12.73. Molasses

Chart 22: Sugar Production & Cane to Sugar Ratio

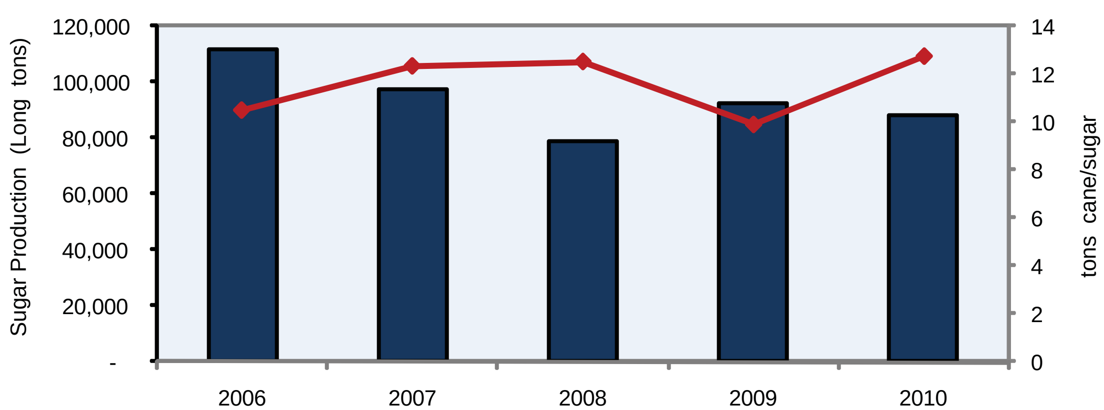


Table 8: Sugar & Molasses Production

	2007/08	2008/09	2009/10
Sugar Processed (long tons)	78,235	92,325	88,144
Molasses Processed (long tons)	40,204	28,473	54,248
Performance			
Factory Time Efficiency	88.46	93.27	93.89
Cane Purity (%)	80.47	84.81	80.29
Cane/Sugar Ratio	12.53	9.93	12.73

Source: Belize Sugar Industries Ltd.

production, on the other hand, expanded by 90.5% to 54,248 long tons, reflecting its negative correlation with sugar output.

Citrus Juices, Citrus Oil and Pulp

Citrus juice production shrank by 28.1% to 28.0mn ps reflecting a 21.1% drop in citrus deliveries and lower juice outturn per box of fruit. With orange accounting for the greater portion of the crop, an 8.8% fall in its average juice yield per box masked a 7.2% increase in the average juice out-turn per box of grapefruit. In line with the processor's objective of selling more value added juices, NFC production more than doubled to 0.9mn ps. Even so, most of the delivered fruit was used to produce orange and grapefruit concentrates that accounted for 78.7% and 17.9% of juice production, respectively. Output of orange concentrate declined by 35.4% in line with deliveries and the lower juice yield per box, while that of grapefruit concentrate was up 12.8% due to the higher processing volume and juice

Table 9: Production of Citrus Juices and Pulp

	2007/08	2008/09	2009/10
Production ('000 ps)	39,927	38,923	27,995
Orange Concentrate	33,400	34,100	22,023
Grapefruit Concentrate	5,793	4,453	5,023
Not-from-concentrate (NFC)	734	370	948
Production ('000 pounds)			
Pulp	1,904	3,012	1,406
Citrus Oil	2,006	2,357	1,683

Source: Citrus Products of Belize Ltd.

Box 4: Citrus Industry Update

In another landmark Supreme Court judgement, the courts ruled that the exclusive right of the Citrus Growers' Association (CGA) to issue licences to deliver citrus fruit was unconstitutional under the Citrus and Production Act because it restricted the freedom of association constitutionally guaranteed to every citrus farmer. Along with the mandatory 'cess' payments, which were also ruled unconstitutional in 2007, this system was designed to secure the sustainability of the association and its critical farmer extension services.

Another major challenge in the citrus industry was the continued battle against citrus greening, also known as Huanglongbing (HLB) or yellow dragon. This is a bacterial disease transmitted by psyllids that suck the fluid out of trees and leaves a residue that paralyzes the tree's vascular system, leaving it too weak to grow healthy fruit. The presence of HLB in Belize is of paramount importance to the industry as almost all citrus species are susceptible to this disease. In an effort to control the spread of HLB, Belize Agricultural Health Authority (BAHA) dismantled all nurseries and destroyed trees in 2010. Standards for nurseries were tightened to include, among other things, protective screening. To date, there has been no BAHA approved nursery in Belize, and none is expected to be completed until mid 2012. The CGA, which would logically be expected to focus on raising this investment, has instead been embroiled in institutional conflicts. As a result, replanting using germ free material by farmers came to a standstill, and this will have a negative effect on crop yields and lower production in the medium-term. Although OIRSA-Mexico gifted Belize with US$700,000 for the screening of HLB, removal of infected trees and staff training, more local investment is needed in research and development programs so as to effectively combat the threat to the industry.

In the month of October the industry suffered significant financial losses as a result of Hurricane Richard with the fore-runner crop, grapefruit, being the most affected. As indicated by the National Emergency Management Organization in its Damage Assessment and Needs Analysis report, approximately 1,500 acres of unharvested oranges and grapefruits were destroyed, which equated to a loss of BZ$29.1mn. Notwithstanding the losses, the citrus industry still foresees a successful crop year with prices expected to improve considerably for both the orange and grapefruit crops.

The reinvigoration of the industry in the upcoming years will depend on the resolution of the institutional rifts, which is creating an atmosphere of distrust and uncertainty in the industry, and financial investments to address citrus greening issues and improve grove replanting and rehabilitation.

yield. The comparatively lower processing volume notably led to reduced output of by-products such as pulp and oil which fell by 53.3% and 28.6%, respectively.

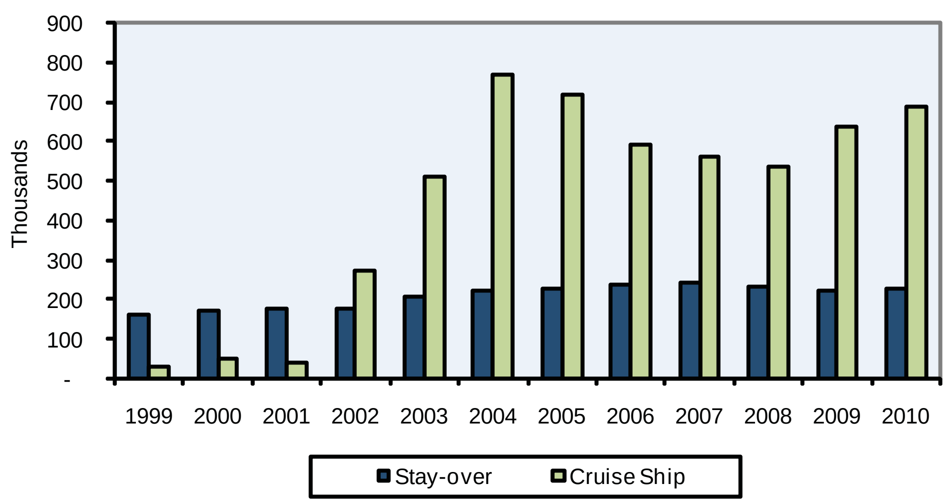
Other Manufacturing Production

Except for petroleum, the performance of the rest of the manufacturing sector improved during the year. Demand for fertilizer rose sharply in the first quarter as "Fair Trade" programme funds were disbursed to purchase fertilizers for sugarcane farmers. This led to a reversal of the previous year's decline as fertilizer production surged upward by 51.4%. The modest economic recovery, growth in tourist arrivals and crackdown on contraband activities contributed to respective increases of 0.7%, 3.3% and 5.4% in beer, soft drink and cigarette production. Flour output also expanded by 5.5% to 31.7mn lbs. On the other hand, output of petroleum fell by 5.9% to 1,513,700 barrels even with the commissioning of an additional well that increased the total in operation at the Spanish Lookout field to 11. The reduction was attributable to well downtime and the natural decline in output over the life of an oil field. The daily extraction rate averaged 4,147 barrels, some 240 less than 2009. Total output from the Spanish Lookout field over the five full years of commercial production amounted to 6.3mn barrels, which is 33.0% of the recoverable reserves (estimated at 19.0mn barrels as at the end of December 2010).

Tourism

Reports from the World Tourism Organization were that international tourism recovered strongly in 2010 following a 4.0% decline in the previous year. Notwithstanding intractable economic problems in some major markets, natural disasters suffered by some countries and the serious disruption to air travel following the April volcanic eruption in Iceland, international visitors

Chart 23: Tourist Visitors



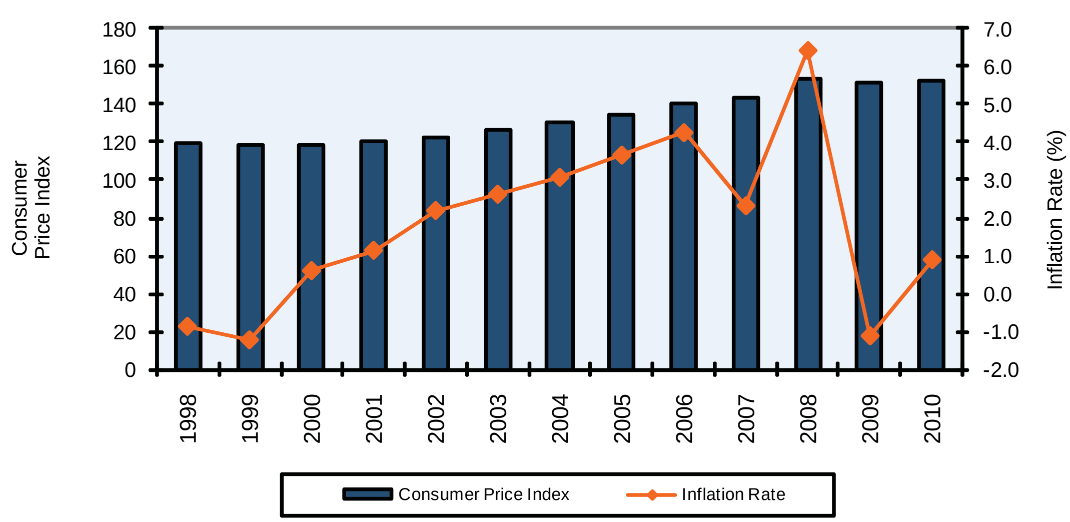
increased by 6.7% to 935 million. While growth in travel to all world regions was up, the speed of recovery varied, with emerging and advanced economies experiencing increases of 8.0% and 5.0%, respectively. Closer to home, North and Central America recorded an 8.0% increase, while growth in the Caribbean was the lowest in the region at 4.0%.

Given the lingering effects of the financial crisis in its key source markets, stay-over tourist visitors to Belize grew by a modest 2.2% to 226,632. Overnight visitors that entered through the Phillip Goldson International Airport (PGIA) and land borders increased by 2.5% and 2.1%, respectively, while arrivals through the sea ports declined by 1.0%. US visitors were up by 3.5% and accounted for 64.6% of total stay-overs. However, there was only a marginal 0.2% rise in visitors from the EU, the second largest source market, while those from all other markets registered a 0.1% decline. Cruise lines achieved significant success in marketing economy packaged deals and short haul trips to price concious consumers and cruise ship disembarkations consequently rose for a second consecutive year to 688,165, an 8.4% increase over the previous year. A change to larger ships reduced the number of port calls from 284 in 2009 to 279.

Prices

Influenced by a combination of domestic and external factors, the CPI rose by 0.9% during the year. The modest uptick occurred as price hikes in the fuel intensive categories of the index were countered by the targeted tax relief initiatives of the government. The cost of imported fuel increased significantly as the global recovery stoked demand for oil and fueled a price rally that had the average price of West Texas

Chart 24: Consumer Price Index



Intermediate (WTI) crude, one major price indicator, peaking at over US$90 per barrel in the latter part of 2010, compared to prices that had fallen below US$40 per barrel in the first half of the previous year. The fuel dependent categories of the CPI consequently registered the largest price increases with "Transportation and Communication" up by 8.2% and "Rent, Water, Fuel and Power" up by 3.0%. The former reflected price increases at the pump of 21.5% for gasoline and 27.0% for diesel, while the latter was mostly influenced by a 17.1% rise in butane prices. As indicated by the US export price index, import prices rose by 4.9% and this underpinned modest upward movements in the "Clothing and Footwear" and "Personal Care" categories. "Medical Care" and "Recreation, Education and Culture" also registered increases of 0.5% and 0.8% respectively. Price pressures that were expected to emanate from the 2.5 percentage points increase in the GST to 12.5% in April were substantially mitigated by the government's decision to zero rate basic food items and selected household durables. As a result, prices for "Household Goods and Maintenance" and "Food, Beverages and Tobacco" declined by 1.1% and 3.0%, respectively.

FOREIGN TRADE & PAYMENTS

Higher prices for key domestic exports and a modest upswing in international demand factored into a substantial improvement in the 2010 balance of payments position. The external current account deficit fell from 6.2% to 2.9% of GDP, a second consecutive year of improvement that was underscored by a sizeable reduction in the trade deficit as well as higher inflows from services and current transfers. Although net capital and financial inflows were significantly down due to lower foreign direct investments and net loan repayments to foreign creditors, these were nevertheless sufficient to finance the current account deficit and top up gross international reserves to $436.0mn, the equivalent of 4.5 months of merchandise imports.

Merchandise Trade

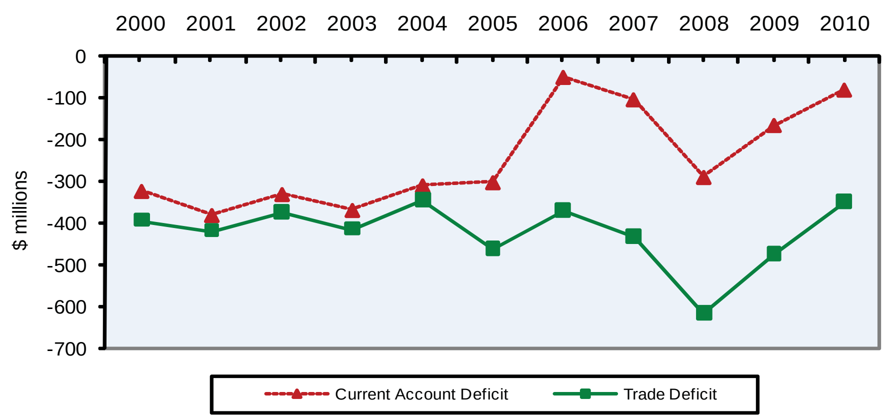
The merchandise trade deficit shrank by 26.5% to $348.1mn (12.4% of GDP), reflecting a 24.0% expansion in exports and comparatively modest 4.7% rise in imports. Escalating international oil prices provided a substantial boost to petroleum revenues and was the most significant factor driving the increase in domestic export earnings. Higher earnings from citrus juices, banana and papaya also contributed, helping to offset the fall in earnings from sugar, marine products and other miscellaneous commodities. Imports for domestic consumption contracted

Table 10: Balance of Payments Summary

$mn

	2008 Net	2009 Net	2010 Net
CURRENT ACCOUNT	**-289.8**	**-166.2**	**-81.2**
Merchandise Trade	-616.3	-473.7	-348.1
Services	433.7	365.3	400.2
Income	-330.4	-216.5	-316.9
Current Transfers	223.1	158.8	183.6
CAPITAL ACCOUNT	**18.1**	**37.0**	**11.3**
FINANCIAL ACCOUNT	**411.0**	**234.1**	**54.7**
NET ERRORS & OMMISSIONS	-23.5	-10.4	23.8
OVERALL BALANCE	115.8	94.5	8.6
RESERVE ASSETS (Minus = Increase)	-115.8	-94.5	-8.6
Memo Items:			
Import cover in months	**2.8**	**4.2**	**4.5**
Current Account/GDP Ratio (%)	-10.7	-6.2	-2.9

Chart 25: Current Account and Trade Deficits

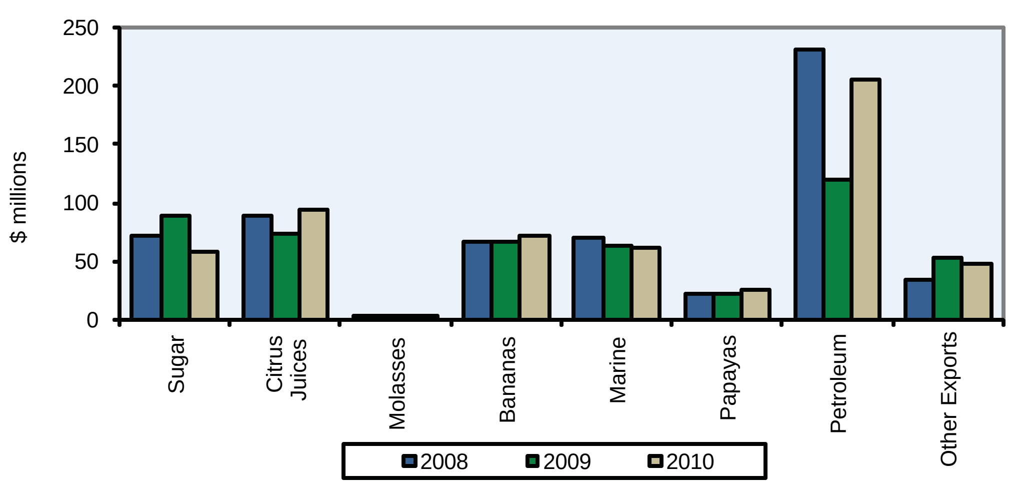


by 3.5% as notably lower outlays on "Machinery & Transport Equipment" and inputs for EPZ companies more than offset higher spending on "Manufactured Goods", "Minerals, Fuels & Lubricants" and "Beverages & Tobacco". Contrasting with this, CFZ imports skyrocketed by 68.5% as cross border trade with Mexico accelerated.

Domestic Exports

Domestic export earnings rose by 15.5% to $569.3mn with higher revenues from petroleum, citrus, banana, papaya and molasses outweighing a less than stellar performance from sugar, marine commodities and non-traditional products. Petroleum, citrus and banana benefitted from robust prices while the rise in receipts for papaya and molasses was a reflection of larger volumes. Crude oil maintained its position as the most important export earner for the fourth successive year. On the down side, volume and price declines were responsible for the lowering of sugar and marine receipts.

Chart 26: Domestic Exports



Sugar and Molasses

Sugar export receipts plummeted by 34.1% to $58.7mn in response to a 6.6% contraction in export volume and the EU price cut (from €448.80 to €335.14 per metric ton) that took effect in October 2009. Sales to the EU amounted to 72,243 long tons, and the remaining 120 long tons were sold to Canada. Due to supply shortfalls, demand from the EU was once again met by foregoing sales to CARICOM and, for the third consecutive year, by not fulfilling the US quota. Even with the price cut, the EU remained the preferred export destination as sales to that market enabled the local industry to access some $22.2mn in Fair Trade grants, which were used to fund social and infrastructural projects in the sugarcane belt. Molasses exports more than doubled to 42,303 long tons but receipts were up by only 10.1% to $4.3mn as a surge in molasses production by key Asian producers such as India led to a more than halving in the average price from $209.08 to $100.70 per long ton.

Citrus Juices and Pulp

Notwithstanding reduced production, exports of citrus juices (mainly concentrates) rose by 0.4% as inventories were drawn down while revenues received a notable upward boost of 26.8% to some $93.7mn due to improved prices.

Although exports of orange concentrate dipped by 3.8%, receipts surged upward to $77.3mn, a 22.3% increase that was due to stronger prices in all major markets except Japan. Sales to the US declined by 22.6% to 15.8mn ps, while earnings grew by 18.7% to $40.5mn as the average price rose by $0.89 per pound solid as a result of adverse weather and lower harvestable acreage in Florida. Sales to the Caribbean shrank by 25.0% (to 6.4mn ps) and revenues fell to $16.4mn, a slightly less than proportionate decline of 23.6% that was due to a 1.9% rise in the average unit price. On the other hand, earnings from the European market jumped more than eightfold to $13.8mn reflecting a more than six fold increase in export volume and 26.5% increase in the average unit price. Sales of freeze concentrate juices to Japan amounted to 2.9mn ps valued at $6.7mn.

Receipts from grapefruit concentrate sales escalated by 53.3% to $16.4mn, buoyed by a 29.8% increase in volume as well as higher prices. As in the case of orange, the upward price trend was largely due to a smaller Florida harvest. Europe was Belize's principal market for this particular product, accounting for almost half of all export volume and yielding some $7.8mn in earnings, a 30.0% increase over the previous year that also reflected a $0.52 improvement in the unit price. The volume sold to Japan, the second largest market, expanded by 62.9%, and with prices improving by 20.2%, receipts almost doubled to $5.4mn. Exports to the Caribbean were up by 14.7%, however receipts lagged somewhat, increasing by

13.2% to $2.1mn as the average unit price contracted slightly. Exports of pulp fell to 1.7mn pounds valued at $1.2mn mainly due to a decline in volume produced.

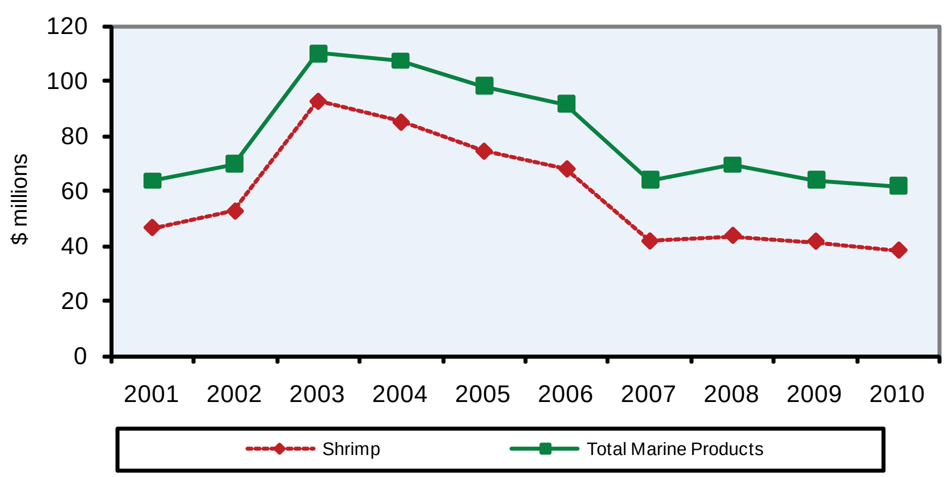
Banana

In consonance with the production decline, banana export volume fell by 3.2% to 77,826 metric tons, however, receipts rose by 7.0% to $71.6mn due to the higher prices offered by Fyffes in exchange for exclusivity in marketing Belize's bananas. In the previous year, marketing privileges had been shared between Fyffes (84.6%) and Dole (15.4%). In 2010, the average banana box price improved by 10.3%, while quality penalties for the year reduced by 47.0% to $0.1mn.

Marine Products

With financial problems hamstringing the largest shrimp and fish farms, marine export volume was down 6.7% and earnings contracted by 3.7% to $61.7mn. While benefits were derived from the shifting of focus by some shrimp producers from keeping businesses afloat in 2009 to rebuilding the export market in 2010, these were significantly offset by the drastic reduction in output of the largest shrimp farm in the last quarter of the year due to financial problems. The net result was a 6.6% reduction in annual export volume and an even steeper 7.8% fall in export receipts to $38.4mn as the price per pound edged down by 1.2%. Mexico remained the chief market although new market opportunities were identified in CARICOM countries such as Trinidad & Tobago. In the case of fish exports, financial difficulties affecting the tilapia farm and high mortality of cobia fingerlings led to a 20.1% slump in export volume. In addition, a 21.9% deterioration in the average unit price pushed receipts down by 37.6% to $1.3mn. In contrast to the previous year when prices were low because of reduced

Chart 27: Marine Exports



demand and an abundant supply of Venezuelan lobsters, lobster export receipts increased by 10.0% to $14.3mn in response to a 15.4% rise in sale volume as well as an increase of $3.10 per pound in the price of lobster tails. Meanwhile, a 5.0% increase in conch receipts to $7.6mn reflected modest gains in export volume since prices remained relatively stable.

Other Major Exports

Improved land selection and crop management paid off with a papaya production spurt and export volume and value consequently rose by 22.0% to 66.7mn pounds and by 18.8% to $25.9mn, respectively. Notwithstanding storm damage to papaya fields in Mexico, the main US supplier, the average price edged down by US$0.01 to US$0.19 per pound in the US market. Petroleum remained the lead earner among the commodity exports with receipts shooting upward by 71.0% to $206.2mn due to a 13.3% expansion in export volume and a 50.9% increase in the average price (from US$47.71 per barrel to US$71.98 per barrel). The latter reflected higher than expected global demand, lower OECD inventories and a weaker US dollar.

Non Traditional Exports

Earnings from other domestic exports summed to $47.2mn, a year on year reduction of 9.9% that was mainly due to declines in non-traditional products such as orange oil, fresh oranges and pepper sauces, revenues from which shrank by 40.7%, 72.7% and 17.3%, respectively. Partly offsetting this were increased earnings from red kidney beans, black eye peas, sawn woods and grapefruit oil which were up by 41.0%, 14.0%, 73.8% and 5.9%, respectively. Higher volumes and improved prices accounted for the increased revenue from red kidney beans and grapefruit oils and in the case of sawn woods and black eye peas, improved prices offset lower export volumes.

Re-Exports

Propelled by higher sales from the CFZ and the customs area, re-exports increased by 39.2%. Sales from the CFZ increased by 37.3% to $350.8mn as the substantial turnaround in the Mexican economy fueled an acceleration in cross border trade. Other re-exports also increased significantly due to higher sales of all major categories of goods but most notably “Minerals, Fuels & Lubricants”, “Other Manufactures” and “Machinery & Transport Equipment”.

Gross Imports

Following its 21.3% contraction in 2009, gross imports (f.o.b.) rose by 4.7%, as a $39.0mn fall in imports for domestic consumption was outweighed by a $97.5mn increase in CFZ imports to accommodate the rebound in cross border trade. While increases were recorded in most import categories for the domestic market, these were eclipsed by significant contractions in "Machinery & Transport Equipment" and purchases by EPZ companies. Underpinning a $30.3mn fall in outlays on the former was lower purchases of engines, transformers and other electrical supplies. Imports for EPZ companies contracted by $37.9mn due in part to the trimming of purchases by aquaculture farms as two of the major ones scaled down operations considerably in the second half of the year. While amounts expended on "Food & Live Animals" and "Miscellaneous Manufactured Goods" were stable, imports of "Crude Materials" and "Personal Goods" fell by 16.1% and 17.7%, respectively.

Outlays on "Manufactured Goods" and "Minerals, Fuels & Lubricants" were up by $13.2mn and $17.1mn, respectively, with the latter being significantly impacted by the sharp rise in world petroleum prices. Of particular note was a $3.1mn fall in the value of electricity imports, as a 16.0% volume reduction outweighed the heightening of Mexican electricity rates that are indexed to international fuel prices. Expenditure on "Chemical Products" rose by $0.3mn due to higher fertilizer demand, particularly from the sugarcane industry. Outlays on "Beverages and Tobacco" grew by $1.9mn with the uptick in tourism, and spending on "Oils & Fats" rose by $1.2mn.

Direction of Visible Trade

Higher sales of petroleum, citrus juices and papaya boosted the share of exports going to the US from 32.4% to 46.3% resulting in that country remaining Belize's lead export market. While the UK's share fell from 31.7% to 25.7% as the plummeting of sugar sales outweighed increased banana exports, improved citrus juice

Table 11: Percentage Distribution of Visible Trade by Country/Area

Percentage

	Exports(1)			Imports(2)		
	2008	2009	2010	2008	2009	2010
United States of America	42.4	32.4	46.3	34.2	34.7	34.3
Mexico	1.7	2.2	2.8	12.8	10.2	10.2
United Kingdom	19.8	31.7	25.7	1.5	1.4	2.0
Other EU	7.2	5.0	5.3	3.7	3.9	3.0
Central America	20.6	18.4	8.2	18.5	18.7	16.8
CARICOM	5.2	5.4	6.2	1.5	2.0	2.0
Canada	0.4	0.4	0.2	0.8	0.9	0.8
Other	2.7	4.4	5.3	27.0	28.1	31.0
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Sources: SIB and CBB

(1) excludes CFZ sales

(2) includes electricity imports from Mexico

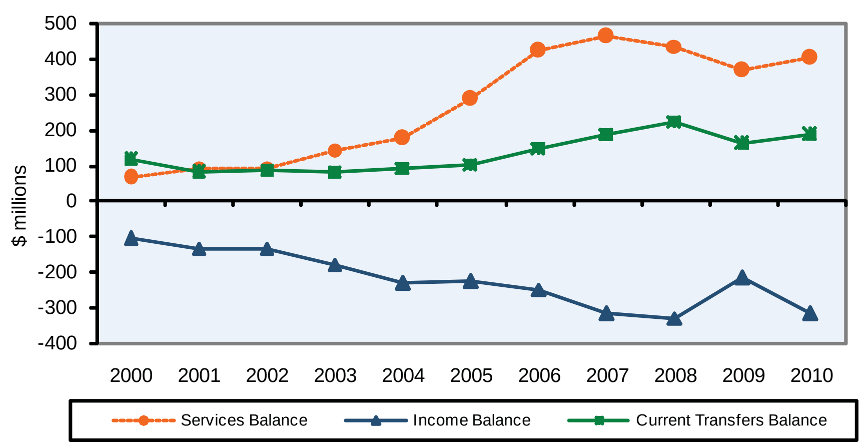
sales resulted in a marginal increase in the share of other EU countries. The diversion of petroleum sales to the US caused a significant drop in Central America's share (from 18.4% to 8.2%) and there was only a small increase in Mexico's share (from 2.2% to 2.8%) due mainly to strong shrimp sales. Meanwhile, the share allocated to CARICOM rose from 5.4% to 6.2% as a result of increased sales of grapefruit concentrate, as well as new market opportunities for shrimp and black beans.

Imports continued to be sourced mainly from the US, which accounted for 34.3% of goods purchased from abroad. Mexico's share held steady at 10.2%, notwithstanding a fall in electricity imports as domestic capacity expanded. An expansion in the import share of other miscellaneous countries from 28.1% to 31.0% was indicative of increased purchases from China and this was apparently at the expense of Central America, which experienced a drop in share from 18.7% to 16.8% as CFZ companies opted to source cheaper goods directly from Asia rather than from the Panama Free Zone.

Services

Reversing its 2009 decline of some 15.8%, net earnings from services rebounded with a 9.6% increase that was underpinned by higher inflows from tourism, transportation, business, professional and government services. In addition to a 5.7% growth in net tourism receipts, the uptick in foreign visitors contributed to heightened earnings by the shipping agencies that service the cruise lines. Receipts from transportation services consequently rose by 14.5%. Inflows to embassies and professional/ business service providers were also up by 5.9% and 7.3%, respectively. Annual payments to foreign service providers were $3.8mn lower mainly due to a reduction in outflows for foreign travel as international freight

Chart 28: Net Balance for Services, Income and Current Tranfers



charges and outflows from embassies & military units remained virtually steady when compared to the previous year.

Income

Smaller citrus and banana harvests resulted in a second consecutive year of reduced payments to foreign seasonal workers and net labour outflows consequently fell by 8.6%. Contrasting with this, net outflows in the form of investment income spiralled upward by 48.2% as a 20.5% growth in public sector interest expenses plus higher profit remittances from the oil and tourism industries eclipsed a 29.5% decline in commercial banks' retained earnings. The net result of these transactions was $316.9mn in outflows on the income account, a year on year increase of $100.4mn.

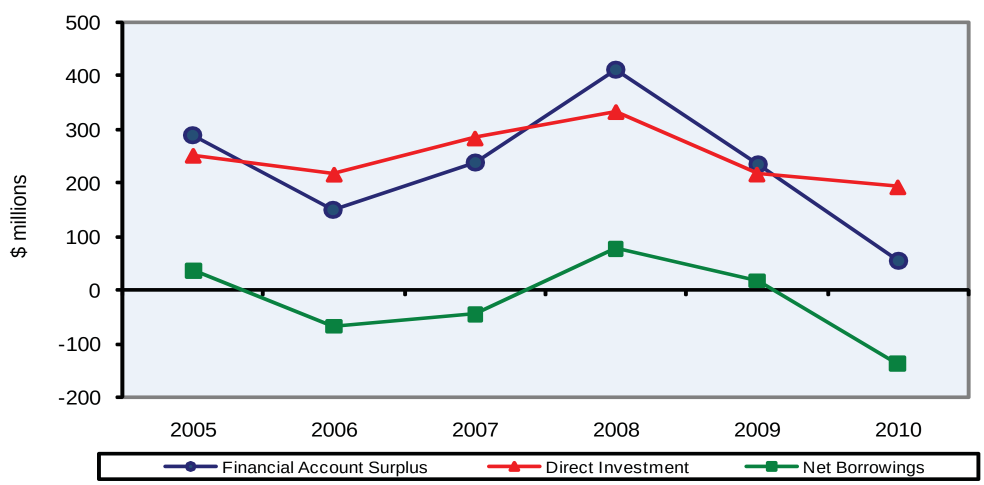
Current Transfers

The surplus on current transfers expanded by 15.6% ($24.8mn) facilitated by a 17.4% ($28.2mn) hike in net inflows to the private sector. Fair Trade receipts on behalf of the sugar industry accounted for almost half of this growth, with the remainder coming from an 8.5% increase in inflows to religious organizations, credit unions and insurance companies. In a reversal of its 3.1% growth in 2009, family remittances declined by 0.6% as high levels of unemployment persisted in developed economies. In other developments, the government recorded net outflows for a second consecutive year as grants receipts fell short of routine outlays related to subscriptions to international institutions.

Capital and Financial Accounts

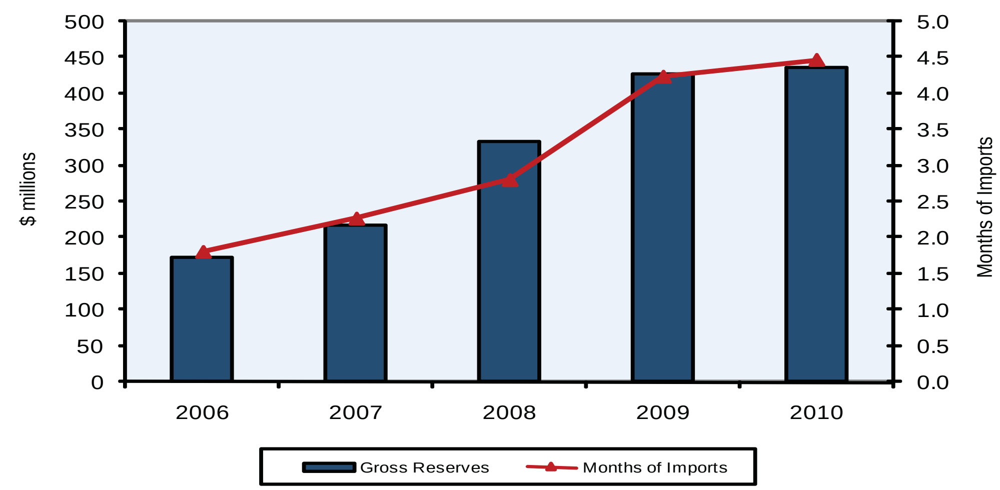
The surplus on the capital account plummeted by 69.5% to $11.3mn, as inflows shrank with the culmination of the UK's debt relief program and the non-recurrence of grant assistance received in the previous year for flood relief efforts. In

Chart 29: Main Components of the Financial Account



like fashion, the surplus on the financial account nosedived by 76.6% to $54.7mn as foreign direct investments into agriculture, tourism and the petroleum industry fell by 10.4% and substantial net loan repayments were made by the government, private sector and commercial banks. In other developments, commercial banks built up their foreign asset holdings abroad by $22.5mn and the Central Bank invested $4.1mn in bonds issued by the Government of Barbados.

Chart 30: Gross Official International Reserves and Months of Imports



CENTRAL GOVERNMENT FISCAL OPERATIONS & PUBLIC DEBT

Central Government Operations

Rebounding from 2009's 12.7% decline, Government revenues rose by 8.7% due to a more than doubling of receipts from the oil industry and several revenue enhancing measures. As a result, even with expenditures growing by 3.6%, the primary surplus heightened from 0.8% to 1.9% of GDP while the overall deficit shrank from 2.8% to 1.5% of GDP, the latter being mainly financed domestically through the issuance of government securities and sale of BTL shares.

Current revenues were up 12.5% to $735.7mn (26.3% of GDP), boosted by higher collections from the business tax, GST and social fee as well as the petroleum taxes. Regarding the latter,

Table 12: Summary of Revenue and Expenditure

	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2010	Change during 2010
		(In millions of dollars)		
Current Revenue	729.4	653.9	735.7	81.8
Tax Revenue	616.6	576.9	641.4	64.5
Non-Tax Revenue	112.8	77.0	94.3	17.3
Current Expenditure	617.9	661.8	676.7	14.9
CURRENT BALANCE	**111.5**	**-7.9**	**59.0**	**66.8**
Capital Revenue	8.6	10.6	14.1	3.5
Capital Expenditure (Capital II local sources)	69.1	67.9	73.1	5.1
OPERATING SURPLUS	**51.1**	**-65.2**	**0.0**	**65.2**
Total Grants	62.7	34.3	10.1	-24.2
Total Revenue and Grants	800.7	698.8	759.9	61.1
Total Capital Expenditure	141.6	113.3	126.1	12.8
Total Expenditure	759.5	775.1	802.8	27.8
of which Interest Payment on Public Debt	105.2	97.0	95.8	-1.2
PRIMARY BALANCE	**146.5**	**20.7**	**52.8**	**32.1**
PRIMARY BALANCE W/OUT Grants	**83.8**	**-13.6**	**42.7**	**56.3**
OVERALL BALANCE	**41.2**	**-76.3**	**-43.0**	**33.3**
OVERALL BALANCE W/OUT Grants	**-21.4**	**-110.6**	**-53.1**	**57.5**
FINANCING REQUIREMENTS	**-41.2**	**76.3**	**43.0**	**-33.3**
Net Privatization Proceeds	0.0	0.0	33.3	33.3
Domestic Financing	-23.3	20.1	4.1	-16.0
Financing Abroad	-3.3	60.5	4.9	-55.6
Other	-14.6	-4.3	0.6	4.9
		(Percent of GDP)		
Current Expenditure	**22.7**	**24.4**	**24.2**	**-0.2**
Capital Expenditure (Capital II local sources)	**2.5**	**2.5**	**2.6**	**0.1**
Total Capital Expenditure	**5.2**	**4.2**	**4.5**	**0.3**
of which Interest Payment on Public Debt	**3.9**	**3.6**	**3.4**	**-0.2**
Primary Balance to GDP	**5.4**	**0.8**	**1.9**	**1.1**
Primary Balance w/out Grants to GDP	**3.1**	**-0.5**	**1.5**	**1.0**
Overall Balance to GDP	**1.5**	**-2.8**	**-1.5**	**1.3**
Overall Balance w/out Grants to GDP	**-0.8**	**-4.1**	**-1.9**	**2.2**

Sources: Central Bank of Belize and Ministry of Finance

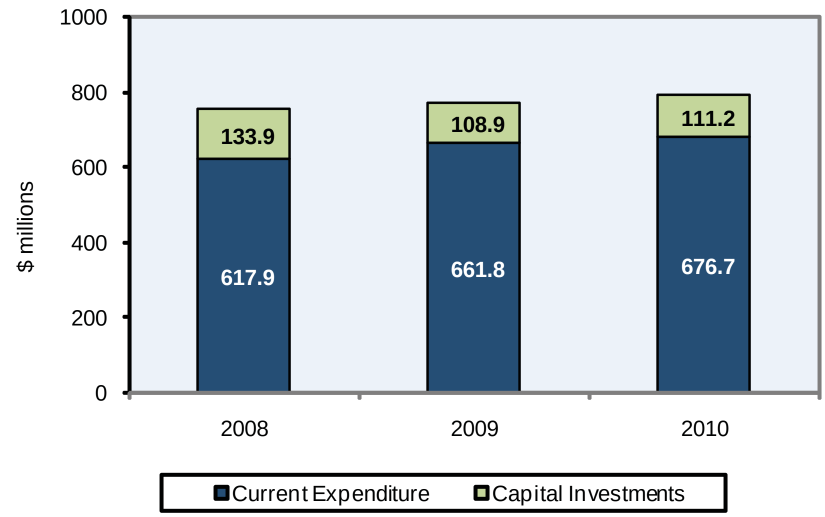
although production was down, the resurgence in crude oil prices provided a significant boost to earnings thus enabling the oil industry to account for 52.9% of the government's revenue increase and 10.2% of its total revenues.

GST collections surged upward following the government's April decision to raise the rate from 10.0% to 12.5%. However, while receipts of some $182.4mn were 20.6% higher year on year, this was below original expectations with the relative under performance possibly being due in part to its simultaneous removal from a range of basic food items, household appliances and monthly electricity consumption of $200 or less (up from $150 per month) as well as its dampening effect on domestic consumption. In other developments, a heightening in the business tax rate from 1.5% to 6.5% on the supply of electricity and the levying of a social fee on EPZ fuel and other imports yielded a combined revenue increase of $7.3mn. Excluding petroleum royalties, non-tax revenues were up 17.7% ($11.8mn) because of BTL dividend payments as well as first time transfers from the Public Utility Commission (PUC) and the International Financial Services Commission (IFSC), while capital revenue increased due to the working interest collected from the oil industry. Contrasting with this, grant receipts fell for the third consecutive year to bottom out at $10.1mn, of which $5.0mn was for the development of the National Coast Guard and $1.0mn was from ROC/Taiwan for the modernization of the Foreign Affairs department.

Current expenditure rose by 2.3% reflecting general spending increases except for pensions and interest payments. Comprising 41.0% of the total, outlays on wages and salaries were up 3.4%, while the amount expended on goods and services increased by 1.3% in response to higher operating, rent, contractor and travel costs. Subventions given to the Belize City Council, Karl Heusner Memorial Hospital (KHMH), Belize Trade and Investment Development Service (BELTRAIDE), BAHA and contributions to non-governmental organizations (NGOs) accounted for a 6.4% growth in subsidies and current transfers. Annual interest payments were 1.3% lower, as a $6.3mn fall in domestic costs due to the substantial lowering of government's overdraft balance at the Central Bank and its increased reliance on financing through low interest government securities outweighed a $5.1mn rise in external charges that largely reflected the step up in the annual interest rate on the super bond from 4.25% to 6.0%.

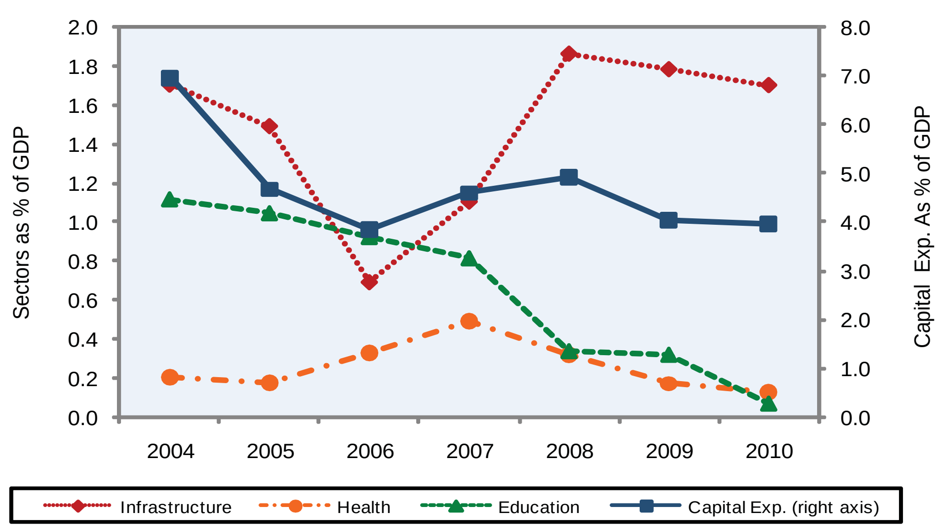
The government's $10.0mn loan to BSI in December to assist with the start-up of the sugarcane crop helped to account for the 11.3% growth in capital expenditure and net lending in 2010. Outlays for capital projects increased by $2.3mn and totalled $111.2mn, with spending on locally funded projects up by $5.1mn but with outlays on projects funded from

Chart 3: Current and Capital Expenditure



external sources (Capital III) coming in some $2.8mn lower and falling short of budget expections. Included in the backlog of major Capital III projects were the Kendall Bridge, paving of the Southern Highway, water systems, Belize/Mexico international crossing, rural finance, EU sugar support and the sustainable tourism project. Some 32.0% of capital outlays went on infrastructure projects such as the upgrading of the Placencia road, poverty alleviation, maintenance of roads, bridges, ferries, culverts and causeways. Another 17.4% was spent on social projects that included the Social Investment Fund (SIF), the Basic Needs Trust Fund (BNTF), human development and the housing and population census. Housing projects were allotted 10.9% and 8.9% was assigned for land development/ acquisition and solid waste management. Some $7.2mn was spent to upgrade

Chart 32: Capital Expenditure as a Percentage of GDP



the infrastructure for national security and included the construction of the National Coast Guard headquarters on Calabash Caye and purchase of state-of-the-art equipment for their use. Capital expenditure on youth, sports, education, health, agriculture and contributions to international agencies totalled $27.2mn.

Central Government's Domestic Debt

The most notable development during the year was the expansion in the volume of government securities that enabled an improvement in Central Government's debt structure while providing some scope for open market operations and a more active securities market. Resulting from this, Central Government's domestic debt rose by 14.9% to $367.8mn (13.1% of GDP) with disbursements of $159.3mn and amortization payments of $21.9mn. Excluding a miniscule amount for the dredging of the Belize City harbour, disbursements consisted of $65.0mn in new Treasury notes as well as a net increase of $75.0mn in Treasury bills. The proceeds were used to reduce the overdraft balance with the Central Bank from $124.7mn to $34.0mn the latter amount being equivalent to 5.0% of the preceding fiscal year's recurrent revenues. The commercial banks purchased most of the Treasury bills in order to meet a new statutory securities' requirement that became effective in May and also to invest their surplus liquidity. Some of the proceeds from the new Treasury notes was also earmarked for a Hurricane Richard housing rehabilitation program and to extend a loan to BSI for the start of the 2010/2011 sugarcane crop. Excluding the $18.9mn redemption of Treasury bills that was a necessary component of a scheduling change, amortization consisted of $2.9mn that went to the Belize Social Security Board (BSSB), the Debt for Nature Swap, Heritage Bank for the payment of the Belize City Council loan and Fort Street Tourism Village for dredging at the mouth of the Belize River. Interest payments totaled $18.2mn, which was $6.3mn lower than the previous year and equivalent to an average effective interest rate of 5.3% compared to the 7.6% for 2009. The shift in the composition of the

Table 13: Central Government's Domestic Debt

$mn

Instrument	2008	2009	2010
Loans & Advances	152.0	139.4	46.0
Treasury Bills	100.0	100.0	175.0
Treasury Notes	65.8	70.8	136.8
Defence Bonds	15.0	10.0	10.0
Total	**332.8**	**320.2**	**367.8**

Sources: Central Bank of Belize and Ministry of Finance

domestic debt – the substantial lowering of the overdraft balance at the Central Bank and increase in lower interest government securities – was mostly responsible for the lower costs. Central Bank received $6.1mn on the overdraft facility (down from $13.3mn in the previous year) and $3.7mn on its holding of government securities. The commercial banks and non-bank entities received $4.6mn and $2.6mn, respectively, on their holdings of government securities. Interest on loans totaled $1.2mn and included payments to the BSSB, the Debt for Nature Swap, a commercial bank and an insurance company.

The commercial banks ended the year holding 87.2% of the outstanding Treasury bills, after selling $13.9mn principally to the Central Bank. The Central Bank was the largest holder of Treasury notes followed by the non-bank entities. At year-end, the holders of Central Government's domestic debt consisted of commercial banks with 44.9%, Central Bank with 41.6% and non-bank entities with 13.5%.

Public Sector External Debt

At year-end, the external public sector debt stood at $2,018.3mn (72.1% of GDP), declining by some $12.9mn during the year with disbursements of $60.1mn being outweighed by amortization payments of $70.7mn and downward valuation adjustments of $2.4mn mainly due to the appreciation of the US dollar against the SDR and Euro. In the first quarter, $1.0mn worth of Treasury notes surrendered by an international bank was taken up by the Central Bank. Within the next twelve months, $3.6mn of the present portfolio is slated to mature, some $202.6mn will mature during the next ten years, leaving $1.8bn (89.2%) with a maturity schedule that exceeds ten years. Central Government held 93.4% of the outstanding debt and the financial and non-financial public sectors

Chart 33: Sources of Central Government's Domestic Debt

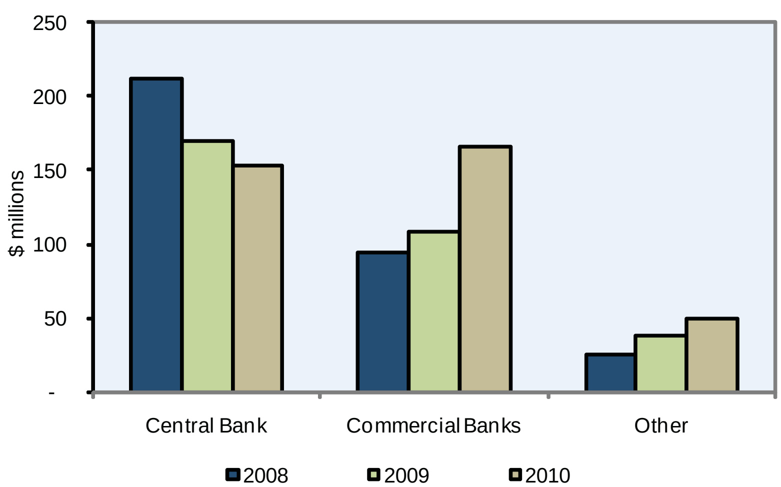


Table 14: Public Sector External Debt by Source

$mn

	Outstanding Debt 31/12/2009	Disbursement	Amortization	Interest & Other Charges	Valuation Adjustments	Outstanding Debt 31/12/2010
Bilateral	**355.3**	20.1	26.7	9.2	0.4	**349.0**
Bonds	**1,123.5**	0.0	11.2	58.8	0.0	**1,112.3**
Commercial Banks	**1.5**	0.0	1.4	0.1	0.0	**0.1**
Multilateral	**551.0**	40.0	31.3	14.2	-2.7	**556.9**
Total	**2,031.2**	**60.1**	**70.7**	**82.3**	**-2.4**	**2,018.3**

accounted for 5.0% and 1.5%, respectively. Bilateral and multilateral disbursements to Central Government totaled $20.1mn and $39.0mn, respectively, and included $20.0mn from ROC/Taiwan for budget support and $12.4mn from Caribbean Development Bank (CDB) for the third phase of works to upgrade the Placencia Road. An additional $26.6mn was sourced from various multilateral agencies to fund projects such as road rehabilitation, the social investment fund, solid waste management, tourism, land management, agricultural services and the Development Finance Corporation (DFC) micro-financing. Central Government's loan repayments summed to $54.2mn with bilateral creditors (principally ROC/Taiwan) receiving $25.8mn and $27.3mn being shared among multilateral creditors such as the International Bank for Reconstruction and Development (IBRD), CDB and Inter-American Development Bank (IDB). Loan repayments by the DFC to the Belize Mortgage Company (BMC) in respect of the North American securitization liabilities totaled $11.2mn and should be completed within the next two years. The financial public sector also paid $1.6mn to multilateral creditors, while the non-financial public sector amortized a total of $3.4mn to CDB, Deutsche Bank and the Government of Kuwait. Interest and other payments amounted to $82.3mn, with Central Government accounting for 95.0%. The 'super bond' accounted for 68.7% ($56.5mn) of these payments, with the step up in the annual interest rate from 4.25% to 6.0% in August adding $9.6mn of this amount and factoring into an increase in the annual average effective interest rate from 3.9% in 2009 to 4.0%. In comparison, the government's bilateral and multilateral creditors received $9.0mn and $12.5mn, respectively. Other interest payments by the rest of the public sector to creditors that included the BMC, CDB, the Government of Kuwait and Deutsche Bank summed to $4.1mn, a decline of approximately 11.0% relative to the previous year.

Table 15: Public Sector and Publicly Guaranteed Debt

	2008	2009	2010
	(in millions of BZ dollars)		
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**2,309.3**	**2,406.0**	**2,432.2**
Public Sector Debt	**2,261.3**	**2,361.6**	**2,392.2**
External:	**1,915.6**	**2,031.2**	**2,018.3**
Central Government	1,822.2	1,882.1	1,885.9
Non-Financial Public Sector	35.2	33.2	30.8
Financial Public Sector	58.3	115.9	101.6
Development Finance Corporation	57.8	45.1	32.0
Of which BMC bonds:	*40.3*	*30.0*	*18.8*
Central Bank of Belize	0.5	70.8	69.6
Domestic:	**345.7**	**330.4**	**373.9**
Central Government	332.8	320.2	367.8
Other Public Sector	12.9	10.2	6.1
Publicly Guaranteed Debt	**48.0**	**44.4**	**40.0**
External:	**47.0**	**43.5**	**39.1**
Other Public Sector	0.4	0.4	0.4
Privatized Enterprises	22.5	19.0	14.6
Private Enterprises	24.1	24.1	24.1
Domestic:	**1.0**	**0.9**	**0.9**
Private Enterprises	1.0	0.9	0.9
	(in percent of GDP)		
Public Sector & Publicly Guaranteed Debt Outstanding (end of period)	**90.1**	**88.9**	**86.9**
Public Sector Debt	**83.2**	**87.2**	**85.5**
External:	**70.5**	**75.0**	**72.1**
Central Government	67.1	69.5	67.4
Non-Financial Public Sector	1.3	1.2	1.1
Financial Public Sector	2.1	4.3	3.6
Domestic:	**12.7**	**12.2**	**13.4**
Central Government	12.2	11.8	13.1
Other Public Sector	0.5	0.4	0.2
Publicly Guaranteed Debt	**1.8**	**1.6**	**1.4**
External:	**1.7**	**1.6**	**1.4**
Other Public Sector	0.0	0.0	0.0
Debt for Privatized Enterprises	0.8	0.7	0.5
Private Enterprises	0.9	0.9	0.9
Domestic:	**0.0**	**0.0**	**0.0**
Private Enterprises	0.0	0.0	0.0

Sources: Central Bank of Belize and Ministry of Finance

Box 5: Major Fiscal Initiatives

30 March, 2010 – The Central Bank of Belize Act was amended to reduce the total amount of direct advances the Bank may make to the Government at any one time from 20% to 8.5% of previous fiscal year current revenue and to increase the aggregate amount of Government securities that the Central Bank may hold at anytime from seven times to ten times the aggregated amount of its paid up capital and General Reserve Fund.

30 March, 2010 – The Treasury Bill Act was amended to raise the principal sums represented by Treasury bills and Treasury notes outstanding at any one time from $100.0mn to $200.0mn and $75.0mn to $225.0mn, respectively, and to increase the maturity limit of Treasury notes from five years to ten years.

31 March, 2010 – The Income and Business Tax Act was amended to provide tax relief to employed persons earning not more than $26,000 per annum; and to increase the rate of business tax on electricity supply from 1.75% to 6.5%.

31 March, 2010 – The Customs and Excise Duties Act was amended to vary the duties on certain goods in order to lower the cost of living and also to provide for an excise duty on locally extracted crude oil as follows:

Locally extracted crude oil $1.00 per barrel (of 42 US gals.)

Import duty was removed from the following items:

a) cooking oils
b) some canned foods (sausages, luncheon meat & potted meat)
c) macaroni & cheese
d) breakfast cereals
e) chocolate & coffee drinks
f) vitamin & supplements
g) powdered laundry detergents
h) agricultural supplies and packing materials
i) school supplies
j) essential consumable items such as bed linens, towels, carpets imported by small licensed hotel and guest operators.

31 March, 2010 – The General Sales Tax Act was amended to increase the rate of tax from 10% to 12.5%.

31 March, 2010 – The EPZ Act was amended to provide for the imposition of a Social Fee on imports into an EPZ as follows:

Box 5: Major Fiscal Initiatives (cont'd)

a) fuel: 10.0%
b) all other goods and services: 1.5%

13 April, 2010 – The General Sales Tax was amended to remove the GST on the supply of electricity to consumers who use up to $200.00 of electricity per month – up from the prior ceiling of $150.00 per month.

17 April, 2010 – The General Sales Tax was amended to remove the GST on the following items:

a) rice, flour, corn, beans and eggs
b) fresh meat from any mammal, bird and fish
c) edible offal of bovine animals, swine and sheep
d) processed foods such as: milk, oats, edible swine and bovine meats salted or in brine
e) cooking lard, cooking oil, margarine
f) chicken sausage, potted meat, luncheon meat
g) sugar, cocoa powder, chocolate powder drink, baby formula, cereals
h) bread, yeast, soups and broths in powdered form
i) agricultural supplies and equipment
j) medicines and medical supplies
k) laundry detergent, stoves, refrigerators and washing machines
l) education supplies

16 September, 2010 – The Fiscal Transparency and Responsibility Act commits the Government of Belize to fiscal transparency and accountability in the conduct of its affairs; and to provide a framework for sound fiscal discipline and public scrutiny of fiscal policy and performance at all levels.

22 October, 2010 – The Customs and Excise Duties Act was amended to vary the rates of customs duties on certain goods to further lower the cost of living; and to make provisions to give effect to the Partial Scope Agreement between Belize and Guatemala to strengthen commercial and economic relations.

24 December, 2010 – The Environmental Tax was amended on certain imported fuel products, effective 28 December.

Description of Goods	Rate of Environmental Tax
aviation spirit	from $0.18 to $0.20 per Imp. Gal
premium gasoline	from $0.18 to $0.20 per Imp. Gal.
regular gasoline	from $0.18 to $0.20 per Imp. Gal.

Box 5: Major Fiscal Initiatives (cont'd)

kerosene (jet fuel)	from $0.18 to $0.20 per Imp. Gal.
illuminating kerosene	from $0.18 to $0.20 per Imp. Gal.
diesel oil	from $0.18 to $0.20 per Imp. Gal.
gas oils (other than diesel oil)	from $0.18 to $0.20 per Imp. Gal.

30 December, 2010 – The Income and Business Tax Act was amended to provide further relief to employed persons earning not more than $29,000.00 per annum; to lower the rate of business tax for entities licensed to provide telecommunication services that offer real time voice services from 24.5% to 19.0%; and to exempt from tax the dividends paid by such entities to their shareholders.

OPERATIONS

Foreign Exchange Operations

As in the previous year, Central Bank foreign currency purchases exceeded its sales in seven out of the twelve months. However, the $13.5mn increase in net holdings was significantly below the amount recorded in the previous two years ($114.5mn in 2008 and $107.3mn in 2009) the main difference being a significant decline in foreign grants and loan inflows. The downward trend in commercial bank sales of US dollars to the Central Bank (US$54.4mn in 2008, US$8.7mn in 2009 and US$0.18mn in 2010) also continued. Notable receipts in 2010 included US$10.0mn from the ROC and US$38.7mn from Belize Natural Energy, with the latter being bumped up by working interest accrued since 2006. The largest external payments were in February and August to cover the semi-annual interest payment on the super bond. Trading in CARICOM currencies continued to be mostly for settlement of official transactions and resulted in net sales of $2.5mn, an increase of $0.7mn over the previous year.

External Assets Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank of Belize Act 1982, which stipulates that the Bank should maintain external assets amounting to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities.

Throughout the year, the external asset ratio was maintained at more than twice the legal threshold with changes being mainly determined by fluctuations in the

Chart 34: Trading in Foreign Exchange

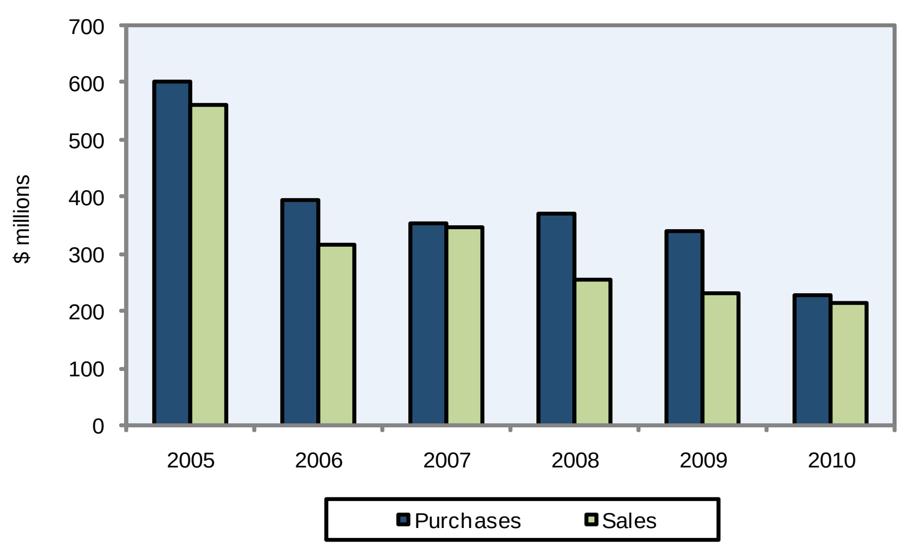
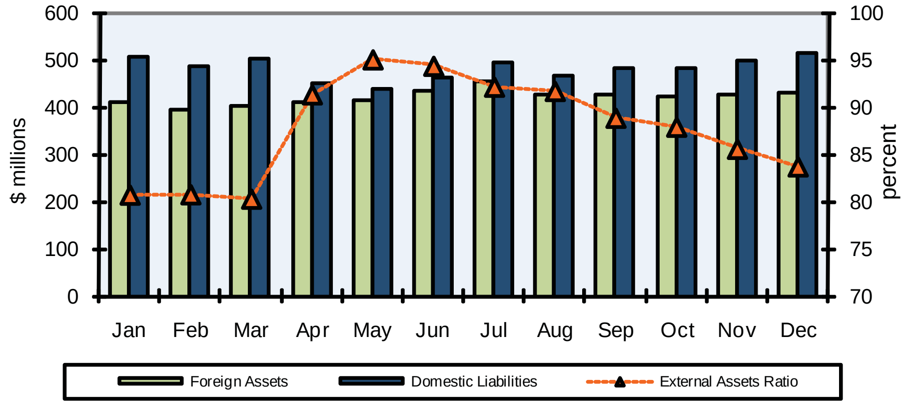
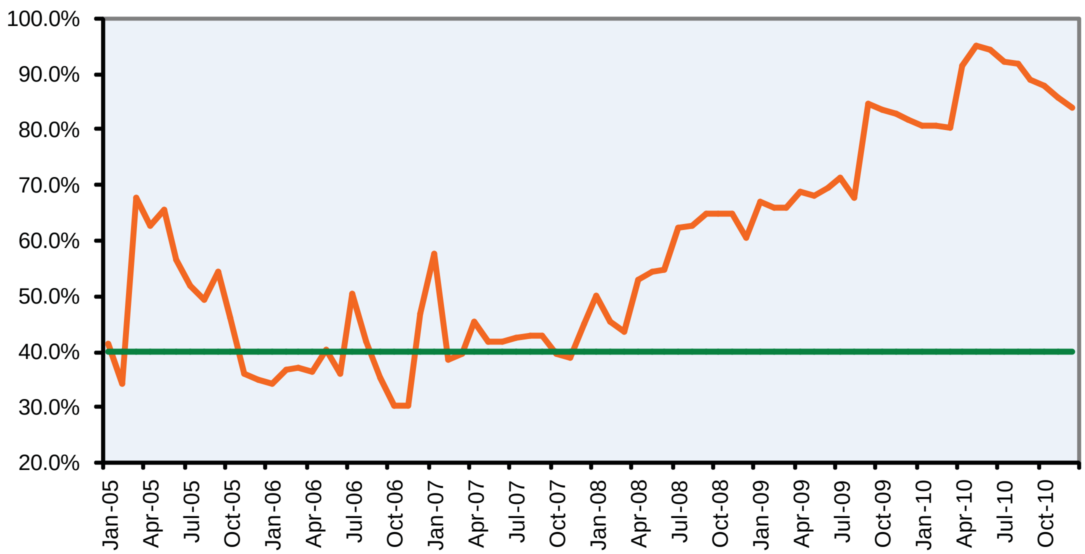


Chart 35: Monthly External Assets Ratio - 2010



level of Central Bank's deposit liabilities rather than the tamer movements in foreign assets. It was at its lowest, averaging 80.5% in the first three months of the year. In the second quarter, the ratio breached and remained above the 90.0% threshhold (a level last achieved in 2003), peaking at 95.1% in May, as banks substantially reduced their deposits at the Central Bank during April ($53mn) and May ($16mn) in order to invest in Treasury bills to meet the new security reserve requirement that came into effect on 1 May 2010 and earn higher returns on surplus cash. Thereafter, it declined steadily to close the year at 83.7% (compared to 82.6% in December 2009), as domestic liabilities gradually returned to pre-amendment levels due to the increase in government deposits resulting from its

Chart 36: External Assets Ratio - 2005 to 2010



sale of BTL shares, a buildup in excess liquidity in the banking system and the customary spike in currency in circulation for the Christmas season. At the end of December, the Central Bank's external assets amounted to $431.6mn consisting of 74.7% in cash and fixed deposits, 7.9% in foreign securities and 17.4% in SDRs with the IMF.

Relations with Commercial Banks

Cash Balances

The implementation of the new securities requirement and simultaneous reduction of the cash reserve requirement from 10.0% to 8.5% of average deposit liabilities resulted in wide fluctuations in commercial banks' cash balances in the first three quarters of the year before there was some leveling off during the fourth quarter. Sluggishness in private sector credit coupled with net foreign inflows boosted the banks' cash position creating an average monthly excess of $46.1mn, $9.1mn above that of the previous year. In March, excess cash reserves peaked at $63.0mn before plunging in the subsequent two months and bottoming out at $20.5mn in May as the banks invested $61.7mn in Treasury bills and raised their holdings of the latter to $160.1mn, 24.8% above the mandated 6.5% of their average deposit liabilities. Thereafter, surplus cash reserves holdings trended steadily upwards to end the year at $60.5mn, a year-on-year increase of 51.3%.

Currency Operations

The Central Bank issued $90.7mn in new notes during the year while removing $98.7mn in notes considered unfit for circulation. At the end of December, the total value of banknotes in circulation was down by 0.75% to $171.8mn although the percentage mix of notes remained the

Chart 37: Required & Excess Cash Balances - 2005 to 2010

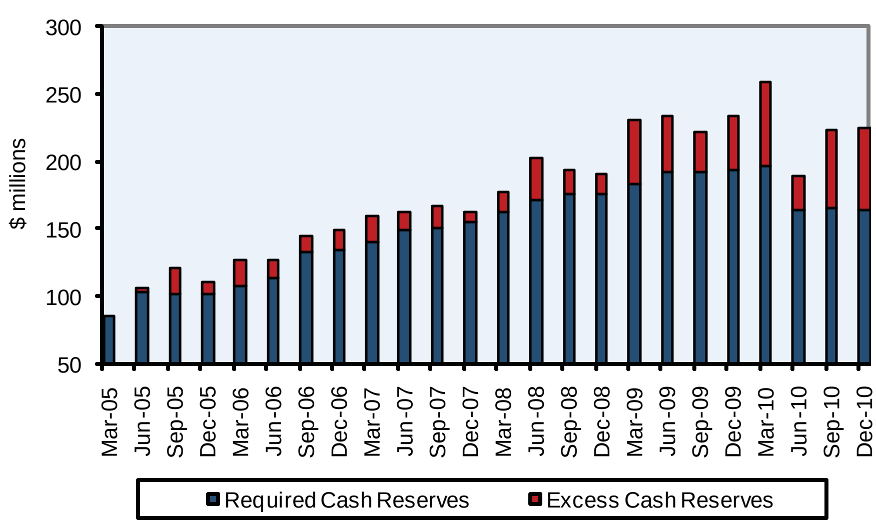
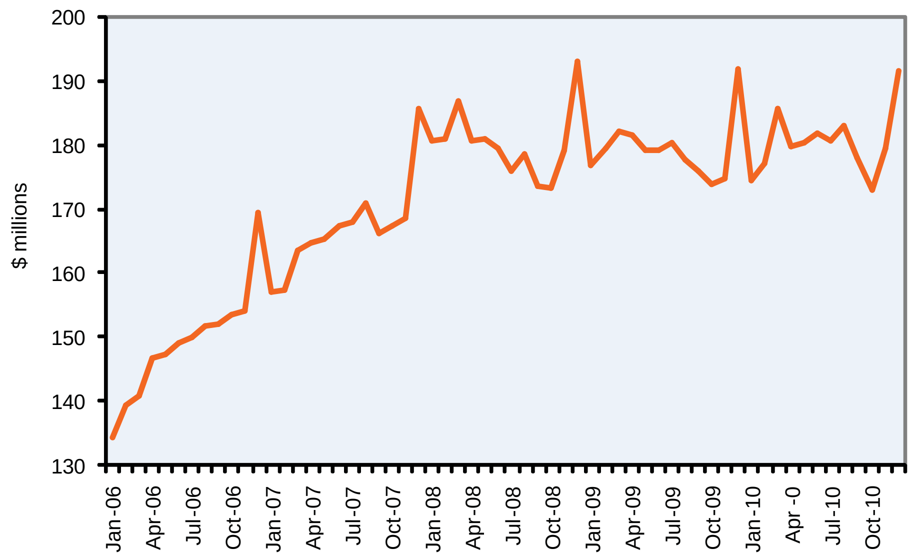


Chart 38: Currency in Circulation - 2006 to 2010



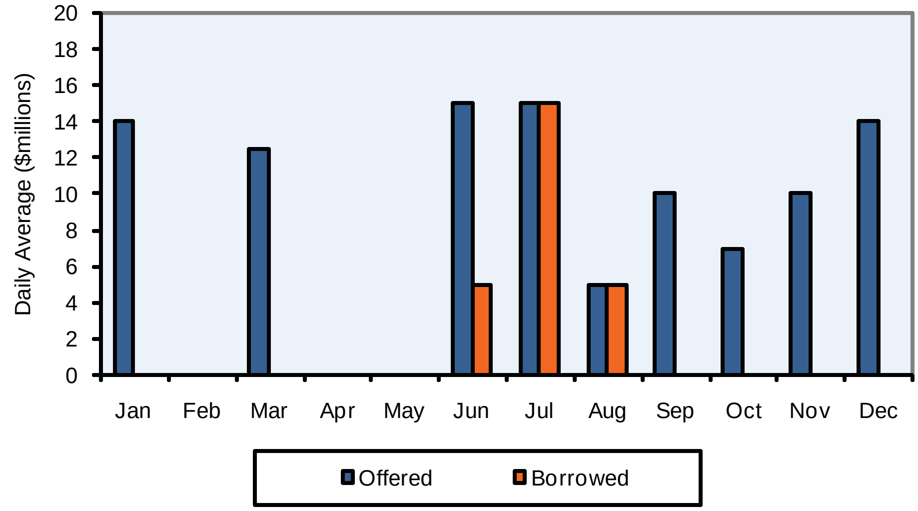
same as the previous year with the $50 banknote accounting for 41.0% of the value and 16.0% of the quantity, and the $100 bill accounting for 32.0% of the value and 6.0% of the quantity in circulation. The value of coins in circulation increased by 4.2% to $19.7mn with the percentage mix remaining the same as in the previous year.

Increased usage of other payment instruments and moderation in the pace of economic transactions partly accounted for the relatively static growth in currency in circulation.At year-end, it stood at $191.5mn, $0.5mn below that of December 2009, with a $3.7mn reduction in commercial banks' vault cash being partly offset by a $3.2mn increase in currency held by the public. The latter averaged $149.6mn monthly with a high of $157.8mn in December and a low of $145.9mn in September. Commercial banks' vault cash fluctuated marginally during the year except for March when holdings rose by $8.7mn to its highest level of $36.5mn. The ratio of notes and coins remained relatively constant with notes accounting for approximately 90.0% of the currency in circulation. As in previous years, currency demand peaked in the Easter and Christmas seasons.

Inter-Bank Market

High levels of liquidity in the banking system considerably reduced the volume of inter-bank lending for the second consecutive year. Amounts offered and borrowed on the inter-bank market dwindled by 63.9% to $102.5mn and by 55.0% to $25.0mn, respectively. While offers were placed in nine of the twelve months, there was borrowing in only

Chart 39: Monthly Inter-bank Market Activity



three months – June through August – to meet cash reserve requirements. Nineteen offers were placed and five loans, each for $5.0mn and a seven day period at interest rates ranging between 7.0% and 6.5%, were executed. This compared with loans that averaged $4.6mn for periods averaging fourteen days in 2009. While lending rates started the year fluctuating between 9.0% and 7.0%, the rate leveled out at 6.5% by the fourth quarter.

Transactions with Central Government

On April 1, the ceiling on advances which the Central Bank can legally extend to the government was lowered from 20.0% to 8.5% of current revenue collected during the preceding fiscal year, thereby decreasing the overdraft limit from $134.9mn for fiscal year 2009/2010 to $57.3mn for fiscal year 2010/2011. Concomitantly, the aggregate amount of

Chart 40: Inter-bank Market Activity - 2008 to 2010

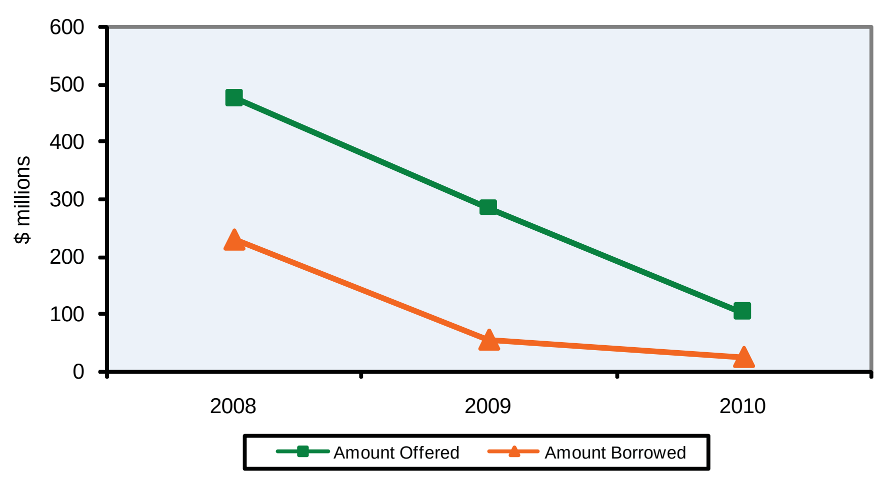
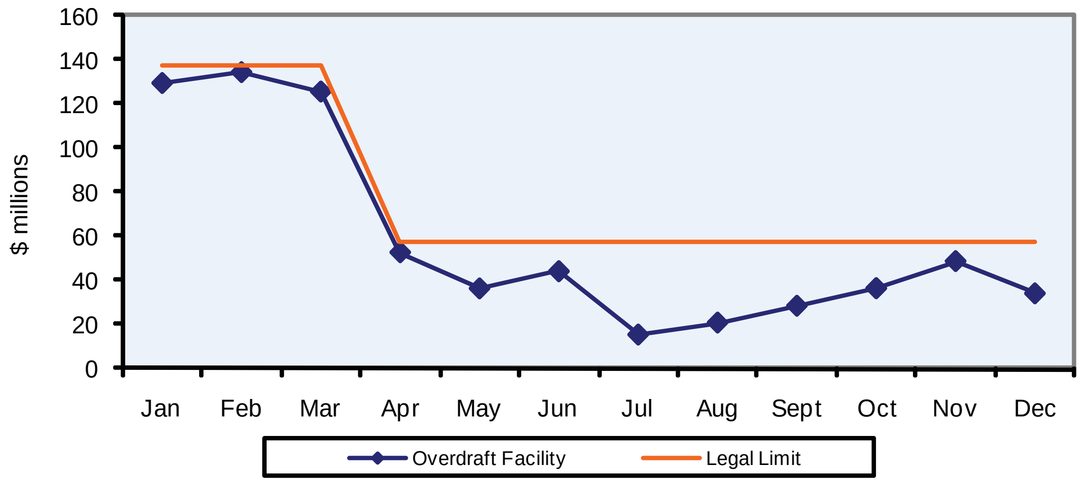


Chart 41: Overdraft Financing to Central Government



government securities that the Central Bank can hold was increased from seven to ten times its paid up capital and General Reserve Fund. These reforms facilitated a restructuring of government's domestic debt by replacing part of the overdraft with lower cost securities whilst enhancing the capacity of the Central Bank to manage liquidity in the banking system.

Bouyant revenue collections and proceeds from the issuance of new securities ensured that the government's overdraft at the Central Bank was kept well below the new ceiling. After peaking at $134.4mn in February, the overdraft balance progressively fell to $52.7mn in April and $36.3mn in May as the government adjusted to the newly prescribed limit by increasing its issuance of Treasury bills, the bulk of which was used by commercial banks to meet the new security requirement. A further substantial reduction was recorded in

Chart 42: Treasury Bills Allocation

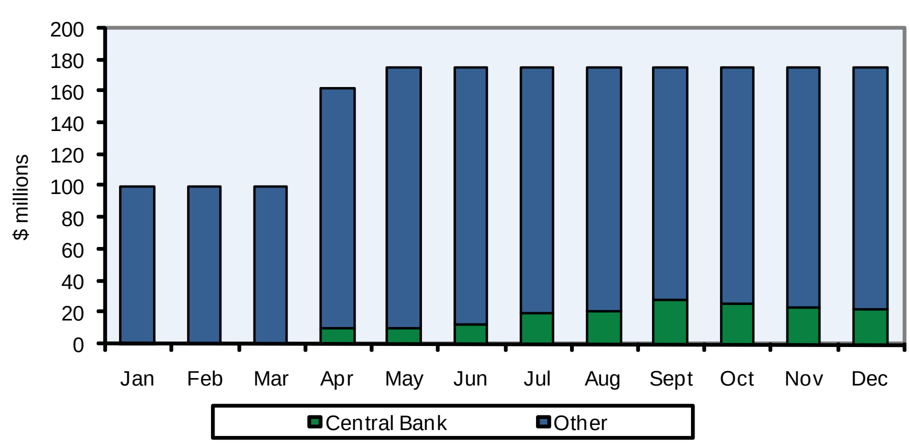
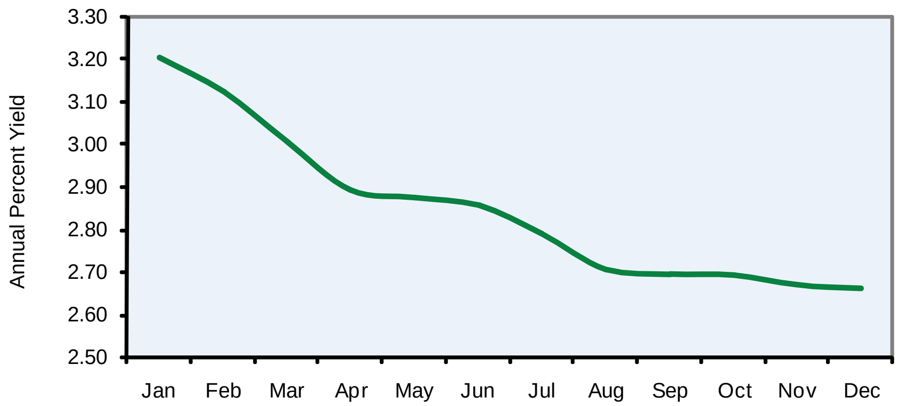


Chart 43: Treasury Bill Yield



July, with the overdraft reaching its lowest level of $15.3mn for 2010 following the Government's issuance of $40.0mn in Treasury notes. A series of subsequent transactions caused the account balance to gradually climb back up and it ended the year at $34.0mn (5.0% of current revenue of the preceding fiscal year).

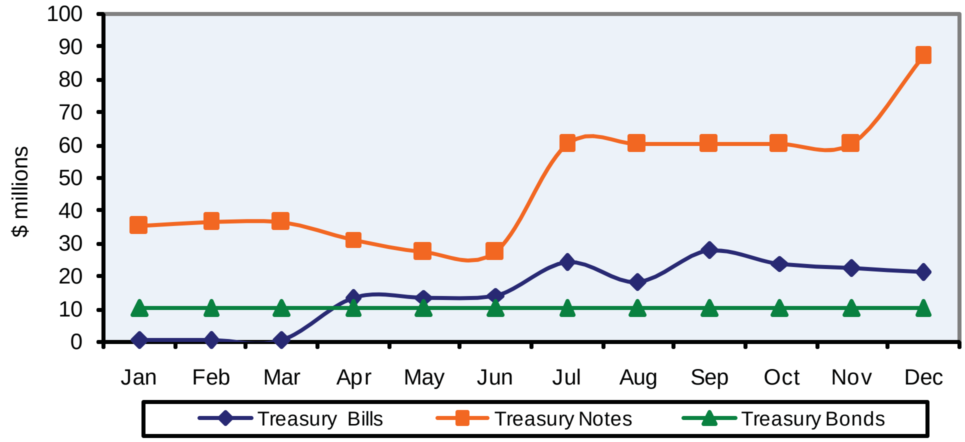
Treasury Bills

For the second consecutive year, high levels of bank liquidity coincided with a shortage of eligible securities for investment. With the demand for Treasury bills chronically exceeding supply, the Treasury Bill Act was consequently amended on March 30 in order to raise the ceiling on the amount the government could issue from $100 million to $200 million. New issuances were subsequently made in April ($62.0mn) and in May ($13.0mn) bringing the total outstanding to $175.0mn where it remained to the end of the year. As the highly liquid banks were also required to hold Treasury bills valued at $128.3mn (equivalent to 6.5% of average deposit liabilities) in order to comply with the statutory requirement that became effective on May 1, these institutions dominated with average Treasury bill holdings of $155.0mn during the remainder of the year. The market was a competitive one as is expected in an environment of high liquidity and muted private sector credit demand. This was demonstrated in the downward trend of the Treasury bill yield, which started the year at 3.20% and drifted gradually down to 2.66% by the end of the year. Meanwhile, the Central Bank, also a key player in the Treasury bill market, began the year holding only $0.2mn worth. This rose to $13.0mn in April, peaked at $27.6mn in September and declined thereafter to end the year at $23.0mn.

Treasury Notes

The Treasury Bill Act was also amended to allow for an increase of $150.0mn in the issuance of Treasury notes (from

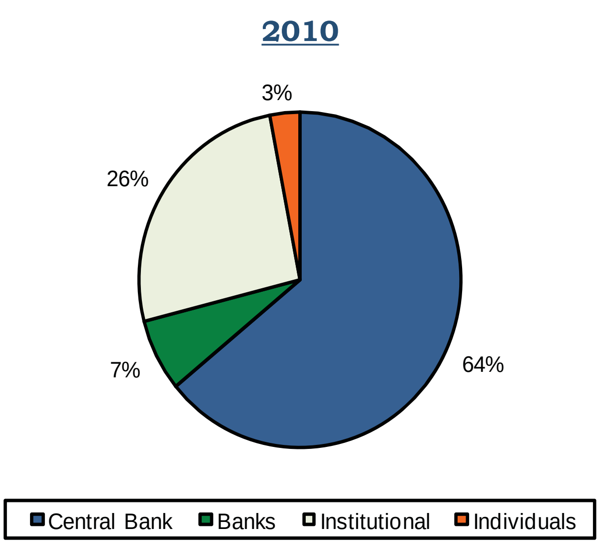
Chart 44: Holdings of Government Securities



$75.0 million to $225.0 million) and for an extension in maturity from five to ten years. Beginning the year at $71.8mn, the Treasury note issue was subsequently raised to $136.8mn with the Central Bank initially taking up all of the new notes. The new issuances provided the opportunity to introduce notes of two and ten year durations with annual interest rates on the new issues ranging from 6.0% on the one-year notes to 8.25 % on the ten-year notes.

The Central Bank started the year holding Treasury notes valued at $35.1mn and this rose to $60.1mn at the end of July as some $40.0mn in new notes were issued during that month. In December, the Government issued an additional $25.0mn to underwrite the Hurricane Richard

Chart 45: Treasury Notes Distribution



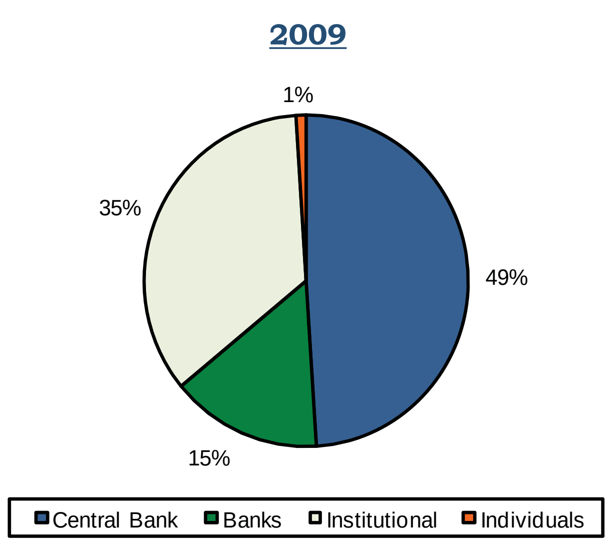
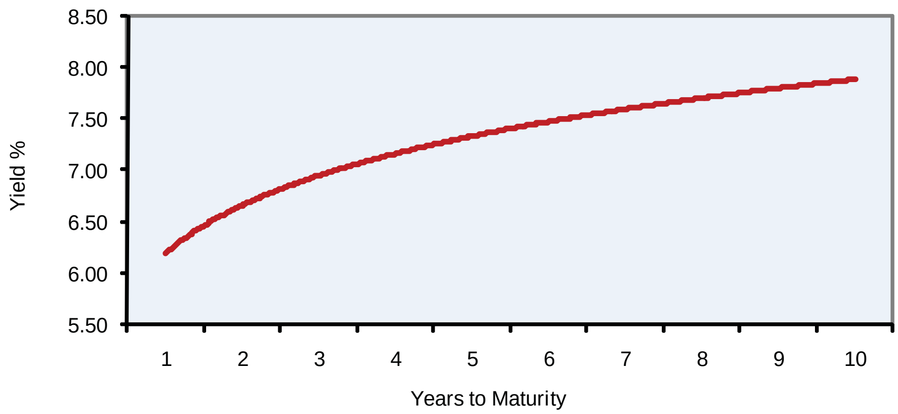


Chart 46: Treasury Notes Yield on Issues for 2010



Reconstruction Programme and provide assistance to the Belize Sugar Industries Ltd. In order to foster conditions conducive to credit expansion, the Central Bank took a policy decision to secure the bulk of the available Treasury notes and consequently closed the year holding some $87.9mn worth. As a result, holdings by commercial banks which were at their highest level of $19.0mn for six of the twelve months of the year, subsequently declined to end the year at $10.0mn.

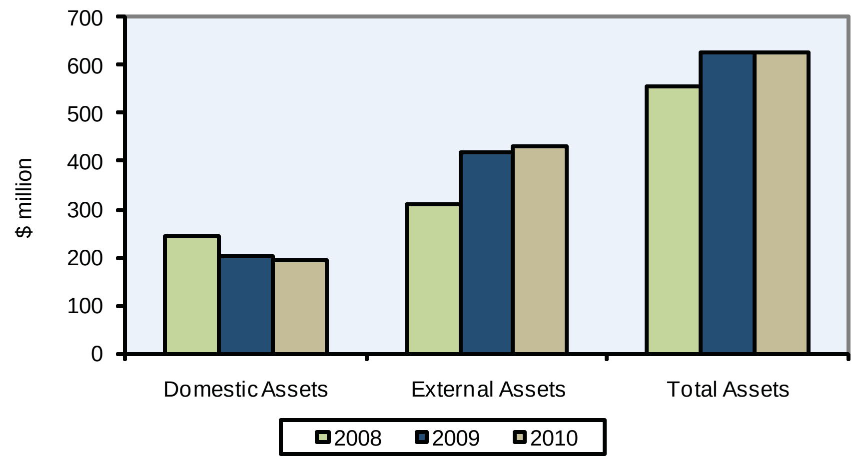
While the number of other market participants remained relatively stable, the size of their investments increased from $25.7mn to $38.8mn with the BSSB, pension and saving funds, insurance companies, and other institutional investors accounting for a total of $34.8mn and the remainder being shared among approximately fifty small investors.

At the end of the year, the outstanding Treasury notes issue consisted of $25.5mn in one-year notes at 6.0%, $15.0mn in two-year notes at 7.0%, $31.5mn in five-year notes at 9.0%, $35.0mn in five-year notes at 7.5% and $30.0mn in ten-year notes at 8.25%.

Financial Performance

Annual growth in the Central Bank's assets slowed from 12.6% to 0.6% with an increase in foreign assets of $12.0mn being partly offset by an $8.0mn shrinkage in domestic assets. At $1.1mn, the net operating surplus was $5.9mn below the previous year's outturn. Since expenses were held steady, this mostly reflected a reduction in income, specifically from facilities provided to the government. The latter reflected a shift in the composition of government financing with increased reliance on commercial banks and other private sector institutions that is one of the intermediate objectives of the Bank's monetary policy reform programme. In 2010, the government significantly reduced

Chart 47: Assets

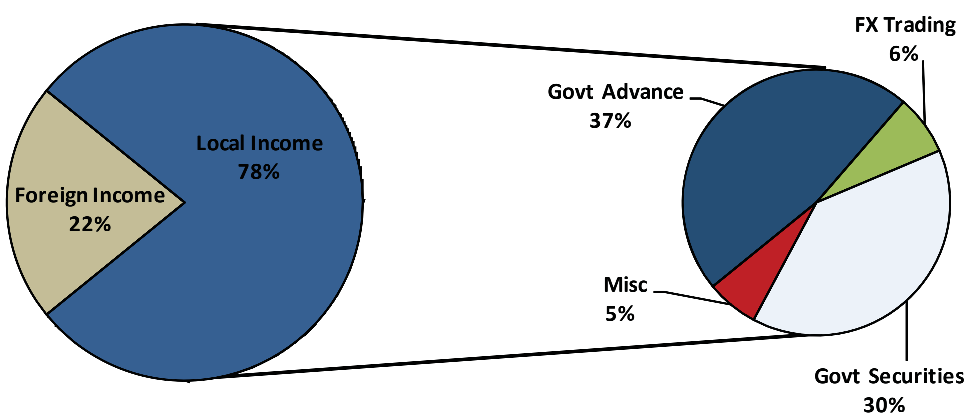


its overdraft balance at the Central Bank and simultaneously issued additional securities at much reduced interest rates.

Gross income declined by $6.1mn to $16.4mn, with domestic and foreign income amounting to $12.8mn and $3.6mn, respectively. While some 33.3% below the previous year, income from domestic operations continued to outweigh the Bank's earnings from its foreign investments given the depressed state of international interest rates. Domestic operations consequently contributed 78.0% of the Central Bank's total income with some 37.0% derived from direct lending to Central Government and 30.0% being earned on Government's securities.

Current expenditure totaled $15.3mn, a 1.3% decline, with staff costs, interest payments and other operating costs

Chart 48: Foreign and Local Income



accounting for approximately 50.0%, 10.0% and 40.0% respectively.

As provided for under Section 9(1) and Section 50 of the Central Bank Act, $0.1mn (10.0% of the net operating surplus less any revaluation loss) will be paid into the Central Bank's General Reserve Fund. The balance of $1.0mn will be transferred to the Accountant General for Government's consolidated revenue fund.

ADMINISTRATION

Information Systems

The Bank's virtual private network (VPN) infrastructure was expanded in 2010 to enhance the exchange of information with stakeholders such as the commercial banks, which began using the facility to submit their reports to the Central Bank. The Ministry of Finance, money transfer businesses, external auditors and other financial institutions also began using the system to safely exchange electronic data with the Bank during the year.

Steps were taken to: (i) upgrade the communication software for the Swift systems, (ii) install, configure and parallel test new software to facilitate the management of loans and, (iii) implement a new library management system that included the conversion and uploading of existing electronic library records. Upgrades were also implemented for the human resource information system, building management system and the CS-DRMS software applications.

A project was launched to replace the Bank's current website and the first stage, which includes development of the web content strategy and content design was completed with the second stage of website development expected to be completed in 2011.

Given the general increase in the challenges and threats to electronic information systems, the decision was taken to add an Information Security Officer to the Bank's Information Technology Department. This officer was assigned responsibility for implementing and managing a bank-wide information systems security programme, which includes appropriate information systems security policies and procedures that will ensure the integrity, confidentiality and security of the Bank's information. In the same vein, a revised Portable Computer Guidelines was implemented that specifies full data encryption for identified portable computers and the security scanner for the email system was replaced with new software that integrates with Windows Active Directory and provides for more granular policy-based security administration. An examination of the Bank's external network security was conducted by a network security consultant who reported that the security penetration tests he had conducted demonstrated that the Bank's network security is adequate and consistent with international best practices.

Internal Audit

Internal Audit assessments of internal controls and its other general administrative functions that included the observation of currency destruction, routine monitoring of stocktaking exercises and information systems' back up processes continued during the year. In addition, audits were conducted of the staff club, pension, severance and gratuity payables, social security sickness payments, purchases, contracts, building service supplies, ammunition, staff loans, the Bank's vehicle fleet and other fixed assets. Other audits were done on the procedures for treatment of abandoned property, the timeliness of financial reconciliations of 2009 activities, the operations of the mail center and the 2009 work program of the FSSD, with the focus of the latter two being on the effective achievement of work objectives.

With a view to ensuring that management appropriately addressed the issues raised by the external auditors, the Audit Committee reviewed the Bank's annual audited financial statements for 2009, the management letter and the general computer controls audit report. The Audit Committee was able to verify that the Bank's affairs were being handled in an environment of openness, honesty and integrity, supported by prudent accounting policies, internal controls and financial reporting practices.

Project Management

Recognizing the need for more strategic allocation and efficient management of resources in order to implement several ongoing and new priority projects, the Central Bank established a project management office within the office of the Deputy Governor, Operations during the year. Shortly thereafter, it was decided that the Bank's project management approach should be standardized, and in this regard, the Prince2 methodology and Microsoft Project software tool were selected. The Bank also introduced a governance framework to increase the efficiency of decision making and ensure the full accountability of project team members. To date, the initiative has borne considerable fruit by drawing upon the contributions of a broader cross section of Central Bank staff than had been the general practice prior to this.

Currently being implemented are several important projects that are at various stages of development. Among these are the National Payments System Reform and Credit Bureau projects that are aimed at modernizing Belize's financial infrastructure. Both of these are in the project preparation stage and are expected to be phased in over the next two years. Other significant projects aimed at improving the Central Bank's operational efficiency include the replacement of its accounting system and website, and development of an external communication plan. The communication plan and website are scheduled for completion in mid 2011, while the implementation of a new enterprise business solution information system will be launched in 2012.

Human Resources

The Human Resources (HR) Department focused on improving the behavioural culture of the Central Bank during the year by developing and implementing policies and procedures that would promote a positive work environment and optimize employee engagement within the organization.

The initiatives included:

- a revised Staff Training & Development Policy to promote personal and professional development of staff;
- an Employee Code of Conduct for staff and the Board of Directors to foster a culture of transparency, accountability and integrity; and
- a revised Dress Policy to promote uniformity in dress and to convey a positive and professional image of staff to the general public.

Staffing and Employee Relations

At year-end, the Central Bank's staff complement totaled 168 employees, comprised of 152 permanent, 12 contract and 4 temporary staff. The Bank received 198 employment applications and filled 6 permanent positions in the supervisory, professional and management categories. The relatively low turnover rate of 1.8% provided further evidence of the continued success of the Bank's recognition programmes and retention strategies.

On 28 May 2010, negotiations with the Christian Workers Union were successfully concluded with the signing of a Memorandum of Understanding (MOU) and an Addendum to the Collective Bargaining Agreement, which resulted in improved benefits to staff. Both parties agreed that the current Agreement would remain in effect until 31 December 2012.

Staff Activities

The HR Department hosted its first HR Awareness Day, under the theme, "HR & You" in order to show appreciation to staff for their contributions to the Central Bank and to encourage them to ask questions and learn more about the Central Bank's policies, procedures and staff benefits.

At the Bank's Annual Employee Recognition Ceremony and Family Day, 18 employees were honoured for serving ten or more years. Of these recipients, four were recognized for 25 years of service.

In line with its objective to promote staff unity, the Central Bank's Staff Club organized several social and sporting activities during the year. The Club also coordinated several community outreach activities that included the adoption of the Maternity Ward at the Karl Heusner Memorial Hospital, a food and clothing drive to assist two impoverished schools and donations to the Belize Red Cross. Additionally, the Bank donated to the Haiti Earthquake Relief Fund and with the spearheading of its HR Department, conducted a toy drive for the children of More Tomorrow Village, one of the communities devastated by Hurricane Richard.

Staff continued to donate generously to the annual Salvation Army Christmas Appeal and, cognizant of their social responsibility and the importance of maintaining good health, engaged in a national diabetes awareness promotion, the annual Belize Cancer Society's Walk and the Belize Blood Bank volunteer drive.

Training and Development

The Bank's management maintained its commitment to facilitate higher education in order to reinforce continuous staff development and increased commitment to the Central Bank. Numerous training and professional development opportunities were provided for staff with the aim of developing functional areas and building technical competencies. These efforts included the facilitation of e-learning courses as well as in-house training workshops to build competencies in software applications such as Microsoft Word, Excel 2007, Eviews, CS-DRMS and Crystal Report Writer. Dr. Kevin Greenidge, Director of Research of the Central Bank of Barbados, conducted a workshop for professional and executive staff entitled "Econometrics for Central Bankers" that covered foundational concepts and various econometric techniques. The Central Bank also awarded a full scholarship to a Deputy Director in its Research Department to pursue a Masters degree at Columbia University in New York City.

Supervision of the financial sector was furthered strengthened through specialized staff training and participation at several major conferences. These included Bank Analysis and Examination, 15th Annual International Anti-Money Laundering Conference in Hollywood, Florida, World Council of Credit Unions (WOCCU) Regulators' Roundtable in Las Vegas, Nevada, Seminar on Regulation and Supervision of Savings and Credit Cooperatives in Quito, Ecuador, WOCCU/CARTAC Caribbean Credit Union Supervision Workshop in Montego Bay, Jamaica and the University of Oxford's Small Countries Financial Management Programme that was held in the Isle of Man.

With technical assistance being provided by the IMF and CARTAC, Central Bank Examiners also received training in September to upgrade the quality of the stress testing conducted on domestic and international banks. Stress testing tools were developed to analyze the impact of various scenarios on individual banks as well as the entire banking system.

Corporate Relations

The Bank demonstrated its commitment to continuous development of national education through participation in tertiary level internship programmes. Five students at the university and junior college levels were offered temporary employment to meet their core requirements for graduation. At the secondary level, nine senior high school students did their work study programmes at the Central Bank and under the Central Bank's Summer Employment Programme, nine tertiary level students had the opportunity to develop their practical skills and work experience.

Box 6: Meetings and Conferences Attended by the Governor and Deputy Governors

Name of Meeting/Conference	Month	Place
XXXI Meeting of the Latin American Network of Central Banks and Finance Ministries	April	Nassau, The Bahamas
Harvard Business School-Executive Education	May	San Francisco, U.S.A.
Meeting of Committee of CARICOM Central Bank Governors	May	Washington, D.C., U.S.A.
CARTAC Steering Committee Meeting	May	Bridgetown, Barbados
10th Annual International Seminar on Policy Challenges for the Financial Sector	June	Washington, D.C., U.S.A.
Meeting on the Agreement of Reciprocal Credits & Payments of the ALADI	July	Santo Domingo, Dominican Republic
CARTAC Steering Committee Meeting	October	Georgetown, Guyana
IMF Annual Spring Meeting and work on IMF Article IV Corrections	October	Washington, D.C., U.S.A.
35th Bi-Annual Meeting of CARICOM Central Bank Governors	November	Nassau, The Bahamas

APPENDICES

A. Monetary Policy Developments

1998 - **(01 November)** Commercial banks' liquid asset and cash reserve ratios were lowered from 26% to 24% and from 7% to 5%, respectively. The Central Bank also authorized the inclusion of new loans for residential construction (up to 5% of deposit liabilities) as part of commercial banks approved liquid assets.

2000 - **(03 April)** Commercial banks' cash reserve requirement on savings and time deposits was lowered from 5.0% to 3.0%. New commercial bank loans for non-traditional, export-oriented enterprises became classifiable as approved liquid assets.

2002 - **(02 January)** Amendments to the Exchange Control Regulations that allowed the licensing and operations of Casas de Cambios became effective.
(01 October) The Offshore Banking Act was amended to enable domestic companies with EPZ and CFZ status to conduct banking transactions with offshore banks licensed in Belize. The Act was also renamed "The International Banking Act".
(28 September) Commercial banks' cash reserve requirements were raised from 3.0% to 5.0% on average savings and time deposit liabilities and from 5.0% to 7.0% on average demand deposit liabilities.
(01 November) The cash reserve requirements on demand, savings and time deposit liabilities were harmonized at 6.0%.

2004 - **(29 January)** The Export Processing Zone Act was amended to disallow the use of Belize currency within an EPZ, require that all transactions be conducted in US dollars and specify that EPZ's are subject to the Exchange Control Regulations.
(01 April) The Central Bank disallowed the inclusion of residential construction loans as part of commercial banks' approved liquid assets, a move that coincided with the reduction of the liquid asset ratio from 24% to 19%.
(01 November) The International Banking Act was amended to eliminate the co-mingling of resident and non-resident deposits in domestic banks. The Central Bank decreed that commercial banks' loans from affiliates must not exceed 10% of domestic deposit liabilities.
(01 December) Commercial banks' cash and liquid asset ratios were increased from 6% to 7% and from 19% to 20%, respectively.

2005 - **(01 May)** Commercial banks' cash and liquid asset ratios were raised from 7% to 8% and from 20% to 21% respectively.
(01 May) The Central Bank disallowed the inclusion of long-term loans to Central Government as part of the commercial banks' approved liquid assets.
(11 July) Amendment to the Exchange Controls Regulations to repeal the licensing of Casas de Cambios.
(01 July) Commencement of the new Commercial Free Zone Act to make new and better provisions with respect to free zones.
(01 December) Amendment of the Credit Unions Act to provide for the appointment of the Governor of the Central Bank as Registrar of credit unions.

2006 - **(01 January)** Commercial banks' cash and liquid asset ratios were raised from 8% to 9% and from 21% to 22% respectively.

(01 January) The Central Bank disallowed the process of co-mingling domestic and offshore deposits and required the commercial banks to transfer all foreign currency deposits belonging to non-residents to their offshore branches as stipulated under the International Banking Act.

(01 September) Commercial banks' cash and liquid asset ratios were raised from 9% to 10% and from 22% to 23% respectively.

2009- **(06 May)** The short term yield on Treasury bills that had been fixed by the Ministry of Finance at 3.25% since 2002 was liberalized with a reversion to the system of competitive bidding.

(26 August) The fixed interest rate for interbank loans was removed and replaced by an 11.0% ceiling rate. Commercial banks were subsequently allowed to offer and place funds at market determined rates below this upper threshold.

2010- **(30 March)** The Central Bank of Belize Act was amended to reduce Central Government's limit on direct advances from the Central Bank from 20.0% of the preceding year's current revenue or $50.0mn (whichever is greater), to 8.5% of the previous fiscal year current revenue and to increase the aggregate amount of Government securities that the Central Bank may hold at anytime from seven times to ten times the aggregated amount of its paid up capital and General Reserve Fund.

(30 March) The provision under the Central Bank Act which allowed foreign exchange earners to settle domestic expenses in US currency was repealed in an effort to strengthen Belize's single currency system.

(01 April) The Export Processing Zone Act was amended to repeal the requirement for Export Processing Zone companies to conduct all transactions in US currency, thereby restoring the Belize dollar as the sole currency for domestic transactional purposes.

(01 May) Central Bank implemented a third tier to the liquid asset requirement, which required commercial banks to hold a minimum of 6.5% of their average deposit liabilities in Government of Belize Treasury bills.

(01 May) Cash reserve requirements were reduced from 10.0% to 8.5% of average deposit liabilities, while the liquid asset requirement remained at 23%.

(01 November) The minimum interest rate on saving deposits was reduced from 4.5%, set in March 1994, to 3.5%.

B: Statistical Appendix

Table A.1: Factors Responsible for Money Supply Movements

$mn

	Position as at			Changes During
	Dec 2008	Dec 2009	Dec 2010	2010
Net Foreign Assets	**425.4**	**564.3**	**627.7**	**63.3**
Central Bank	330.0	434.6	445.6	11.0
Commercial Bank	95.4	129.7	182.1	52.3
Net Domestic Credit	**1,931.9**	**2,002.3**	**1,950.7**	**-51.5**
Central Government (Net)	190.5	192.5	187.0	-8.6
Other Public Sector	12.9	10.2	6.1	-0.9
Private Sector	1,728.5	1,799.6	1,757.6	-42.0
Central Bank Foreign Liabilities (Long-term)	**0.0**	**70.8**	**69.6**	**-1.2**
Other Items (net)	**390.7**	**402.6**	**418.0**	**15.5**
Money Supply M2	**1,966.6**	**2,093.2**	**2,090.8**	**-2.5**

Table A.2: Money Supply

$mn

	Position as at			Changes During
	Dec 2008	Dec 2009	Dec 2010	2010
Money Supply (M2)	**1,966.6**	**2,093.2**	**2,090.8**	**-2.5**
Money Supply (M1)	**706.2**	**713.3**	**707.9**	**-5.5**
Currency with the Public	153.9	154.5	157.8	3.2
Demand Deposits	368.0	376.7	355.6	-21.1
Savings/Cheque Deposits	184.3	182.1	194.5	12.4
Quasi-Money	**1,260.4**	**1,379.9**	**1,382.9**	**3.0**
Savings Deposits	165.4	181.5	208.8	27.3
Time Deposits	1,095.0	1,198.4	1,174.1	-24.3

Table A.3: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During
	Dec 2008	Dec 2009	Dec 2010	2010
Net Foreign Assets	**425.4**	**564.3**	**627.7**	**63.3**
Central Bank	**330.0**	**434.6**	**445.6**	**11.0**
Foreign Assets	333.2	435.7	448.7	13.0
Foreign Liabilities(Demand)	3.2	1.1	3.1	2.0
Commercial Banks	**95.4**	**129.7**	**182.1**	**52.3**
Foreign Assets	235.5	203.9	226.5	22.5
Foreign Liab. (Short-Term)	140.1	74.2	44.4	-29.8

Table A.4: Net Domestic Credit

$mn

	Position as at			Changes During
	Dec 2008	Dec 2009	Dec 2010	2010
Total Credit to Central Government	**307.2**	**281.6**	**318.2**	**36.8**
From Central Bank	212.3	170.1	153.0	-16.9
From Commercial Banks	94.9	111.5	165.2	53.7
Less Central Government Deposits	116.7	85.9	131.2	45.4
Net Credit to Central Government	**190.5**	**195.7**	**187.0**	**-8.6**
Plus Credit to Other Public Sector	**12.9**	**7.0**	**6.1**	**-0.9**
Plus Credit to the Private Sector	**1,728.5**	**1,799.6**	**1,757.6**	**-42.0**
Net Domestic Credit of the Banking System	**1,931.9**	**2,002.3**	**1,950.7**	**-51.5**

Table A.5: Sectoral Composition of Commercial Bank's Loans and Advances

$mn

	Position as at			Changes Dec 2009 to
	Dec 2008	Dec 2009	Dec 2010	Dec 2010
PRIMARY SECTOR	**197.9**	**193.2**	**194.5**	**1.3**
Agriculture	135.8	134.1	132.4	-1.7
Sugar	17.6	17.8	13.0	-4.8
Citrus	18.7	16.9	18.9	2.0
Bananas	79.0	77.0	78.4	1.4
Other	20.5	22.4	22.1	-0.3
Marine Products	28.1	33.7	37.5	3.8
Forestry	2.3	2.4	1.6	-0.8
Mining & Exploration	31.7	23.0	23.0	0.0
SECONDARY SECTOR	**468.7**	**550.3**	**521.2**	**-29.1**
Manufacturing	41.3	49.6	47.2	-2.4
Building & Construction	411.6	477.4	447.9	-29.5
Utilities	15.8	23.3	26.1	2.8
TERTIARY SECTOR	**695.1**	**687.5**	**661.4**	**-26.1**
Transport	75.9	75.9	57.9	-18.0
Tourism	132.8	129.8	137.8	8.0
Distribution	227.8	222.6	217.7	-4.9
Other(1)	258.6	259.2	248.0	-11.2
Personal Loans	**380.7**	**374.4**	**384.9**	**10.5**
TOTAL	**1,742.4**	**1,805.4**	**1,762.0**	**-43.4**

(1) Includes government services, real estate, financial institutions, professional services, and entertainment.

Table A.6: Commercial Banks' Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During
	Dec 2008	Dec 2009	Dec 2010	2010
Holdings of Approved Liquid Assets	**491.3**	**551.3**	**608.2**	**56.9**
Notes and Coins	47.0	50.6	64.6	14.0
Balances with Central Bank	194.3	230.3	225.6	-4.7
Money at Call and Foreign Balances (due 90 days)	149.3	134.7	135.2	0.5
Treasury Bills maturing in not more than 90 days	79.4	98.0	150.9	52.9
Other Approved assets	21.3	37.7	31.9	-5.8
Required Liquid Assets	**407.3**	**446.3**	**448.1**	**1.7**
Excess/(Deficiency) Liquid Assets	**84.0**	**105.0**	**160.1**	**55.2**
Daily Average holdings of Cash Reserves	192.2	234.1	226.1	-8.0
Required Cash Reserves	177.1	194.1	165.6	-28.5
Excess/(Deficiency) Cash Reserves	**15.1**	**40.0**	**60.5**	**20.5**
Actual Securities Balances	0.0	0.0	153.0	**153.0**
Required Securities Balances	0.0	0.0	128.3	**128.3**
Excess/(Deficiency) Securities Reserves	**0.0**	**0.0**	**24.7**	**24.7**

Table A.7: Commercial Banks' Weighted Average Interest Rates

Percentages

	Position as at			Changes Dec 2009 to
	Dec 2008	Dec 2009	Dec 2010	Dec 2010
Weighted Lending Rates				
Personal Loans	15.94	15.28	15.49	0.21
Commercial Loans	13.55	13.52	13.39	-0.13
Residential Construction	12.78	13.26	13.18	-0.08
Other	13.45	11.29	1.31	1.02
Weighted Average	**14.10**	**13.98**	**13.78**	**-0.20**
Weighted Deposit Rates				
Demand	1.10	0.72	0.48	-0.24
Savings/ Cheque	5.09	5.00	5.00	0.00
Savings	5.28	5.24	4.97	-0.27
Time	8.51	8.17	7.42	-0.75
Weighted Average	**6.35**	**6.12**	**5.61**	**-0.51**
Weighted Average Spread	**7.75**	**7.86**	**8.17**	**0.31**

Table A.8 : List of Banks and Financial Institutions

Domestic Banks	International Banks	Financial Institutions
Atlantic Bank Limited	Atlantic International Bank Ltd.	MicRoe Finance Company Ltd.
Belize Bank Limited	British Caribbean Bank International Ltd.	Unit Trust Corp. (Belize) Ltd.
First Caribbean Int'l Bank (Barbados) Ltd.	Caye International Bank Ltd.	
Heritage Bank Ltd. *(formerly Alliance Bank of Belize Ltd.)*	Choice Bank Ltd.	
Scotiabank (Belize) Ltd.	Handels Bank & Trust Company Ltd.	
	Market Street Bank Ltd.	
	Heritage International Bank & Trust Ltd. *(formerly Provident Bank & Trust of Belize Ltd.)*	

Table A.9: List of Credit Unions

Belize Credit Union League	Holy Redeemer Credit Union Ltd.(1)	St. John's Credit Union Ltd.(1)
Blue Creek Credit Union Ltd.(1)	La Inmaculada Credit Union Ltd.(1)	St. Martin's Credit Union Ltd.
Citrus Growers & Workers Credit Union Ltd.	Mount Carmel Credit Union Ltd.(2)	Toledo Teachers Credit Union Ltd.
Civil Service Credit Union Ltd.	Police Credit Union Ltd.(2)	Wesley Credit Union Ltd.
Evangel Credit Union Ltd.	St. Francis Xavier Credit Union Ltd.(1)	

(1) These credit unions represent the five largest credit unions in the industry.

(2) Registered active credit unions remained at fourteen, although Mount Carmel Credit Union Ltd. and Police Credit Union Ltd. are under administration.

Table A.10: Changes to License Fees for Domestic and International Banking Business

Type of Institution	Initial License Fees	Annual License Fees	Non-Refundable Application Fees
Banks licensed under the BFIA	BZ$25,000	0.015% of total assets as per previous financial year's audited financial statements or BZ$25,000, whichever is the greater;	BZ$5,000
Financial Institutions licensed under the BFIA	BZ$10,000	BZ$10,000	BZ$5,000
Unrestricted "A" Class International Banks licensed under the IBA	US$20,000	US$20,000 where total assets reported in the previous financial year's audited financial statements ≤ US$30.0 million US$25,000 where total assets reported in the previous financial year's audited financial statements > US$30.0 million - US$40,000 where total assets reported in the previous financial year's audited financial statements > US$100.0 million.	US$2,500
Restricted "B" Class International Banks	US$15,000	US$20,000	US$2,500

Table A.11: GDP by Acitivity at Current and Constant 2000 Prices

$mn

	2006	2007	2008	2009	2010
GDP at current market prices	**2,426.2**	**2,553.5**	**2,727.0**	**2,698.0**	**2,802.0**
GDP at constant 2000 market prices	**2,267.5**	**2,294.1**	**2,376.4**	**2,377.6**	**2,446.5**
Primary Industries	**358.1**	**283.9**	**284.1**	**277.8**	**279.4**
Agriculture, Hunting & Forestry	233.7	230.4	232.1	220.9	222.7
Fishing	124.4	53.5	52.0	56.9	56.7
Secondary Industries	**406.2**	**415.2**	**456.5**	**507.7**	**510.0**
Manufacturing (incl. mining and quarrying)	245.3	254.2	268.2	285.5	272.1
Electricity & Water	90.4	92.5	95.4	111.7	133.7
Construction	70.6	68.5	93.0	110.5	104.2
Tertiary Industries	**1,194.4**	**1,254.9**	**1,292.9**	**1,275.8**	**1,322.6**
Wholesale & Retail Trade	326.6	332.9	347.7	325.0	345.0
Hotels & Restaurants	87.5	91.4	85.9	81.8	86.3
Transport & Communications	226.4	258.2	262.5	255.4	262.8
Other Private Services excl. FISIM	364.3	376.6	392.0	400.8	401.8
Producers of Government Services	189.2	195.9	204.8	212.8	226.7
All Industries at basic prices	**1,958.7**	**1,954.1**	**2,033.5**	**2,061.4**	**2,112.0**
Taxes less subsidies on products	308.3	340.0	342.9	316.2	334.5

Source: Statistical Institute of Belize

Table A.12: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percentage

	2006	2007	2008	2009	2010
GDP at current market prices	**8.8%**	**5.2%**	**6.8%**	**-1.1%**	**3.9%**
GDP at constant 2000 market prices	**4.8%**	**1.3%**	**3.6%**	**0.0%**	**2.9%**
Primary Industries	**-6.4%**	**-20.7%**	**0.1%**	**-2.2%**	**0.6%**
Agriculture, Hunting & Forestry	-0.8%	-1.4%	0.7%	-4.8%	0.8%
Fishing	-15.5%	-57.0%	-2.9%	9.4%	-0.3%
Secondary Industries	**24.7%**	**2.2%**	**9.9%**	**11.2%**	**0.5%**
Manufacturing (incl. mining and quarrying)	29.2%	3.6%	5.5%	6.5%	-4.7%
Electricity & Water	41.3%	2.4%	3.1%	17.1%	19.7%
Construction	-2.0%	-3.0%	35.7%	18.8%	-5.7%
Tertiary Industries	**2.0%**	**5.1%**	**3.0%**	**-1.3%**	**3.7%**
Wholesale & Retail trade	1.3%	1.8%	4.5%	-6.5%	6.2%
Hotels & Restaurants	-0.8%	4.5%	-6.0%	-4.8%	5.5%
Transport & Communications	3.5%	14.0%	1.7%	-2.7%	2.9%
Other Private Services excl. FISIM	6.1%	3.4%	4.1%	2.2%	0.3%
Producers of Government Services	-4.4%	3.5%	4.6%	3.9%	6.5%
All Industries at basic prices	**4.2%**	**-0.2%**	**4.1%**	**1.4%**	**2.5%**
Taxes less subsidies on products	8.4%	10.1%	0.9%	-7.8%	5.8%

Source: Statistical Institute of Belize

Table A.13: Bona Fide Tourist Arrivals & Expenditure

	2008	2009	2010
Stayover Arrivals			
Air	179,032	169,212	173,398
Land	46,135	42,560	43,452
Sea	9,540	9,883	9,782
Total stayovers	**234,706**	**221,654**	**226,632**
Cruise Ship Arrivals(1)	**537,632**	**634,697**	**688,165**
Tourist Expenditure ($mn)	*545.1*	*501.9*	*518.5*

Sources: Immigration Department, Belize Tourism Board and Central Bank of Belize

(1) Arrivals measure tourists disembarking from the cruise ships.

Table A.14: Quarterly Percentage Change in CPI Components by Major Commodity Group

Major Commodity	Weights	Feb-10	May-10	Aug-10	Nov-10	Inflation Rate
Food, Beverage and Tobacco	346.6	-4.9	-2.5	-2.4	-2.1	-3.0
Clothing and Footwear	92.0	0.5	0.2	0.3	0.7	0.4
Rent, Water, Fuel and Power	167.6	4.1	4.6	2.0	1.4	3.0
Household goods & Maintenance	85.3	0.2	-0.4	-1.5	-2.7	-1.1
Medical Care	20.1	0.3	0.6	0.6	0.3	0.5
Transport and Communication	170.1	15.2	10.1	5.4	3.2	8.2
Recreation , Education, Culture	80.4	0.4	0.5	1.0	1.2	0.8
Personal Care	37.9	0.5	1.2	0.7	0.1	0.6
All items	**1000**	**1.4**	**1.8**	**0.5**	**0.0**	**0.9**

Source: Statistical Institute of Belize

Table A.15: Balance of Payments - Merchandise Trade

$mn

	2008	2009	2010	Change
Goods Exports, f.o.b.	**960.2**	**767.3**	**951.5**	**23.9%**
of which: Domestic Exports	588.5	492.7	569.3	15.4%
CFZ sales	330.3	255.5	350.8	37.3%
Other Re-exports	41.3	19.1	31.4	64.5%
Goods Imports, f.o.b.	**1,576.5**	**1,241.0**	**1,299.6**	**4.7%**
of which: Domestic Economy	1292.8	1,098.7	1,059.7	-3.5%
CFZ(1)	283.7	142.4	239.9	68.5%
Merchandise Trade Balance	**-616.3**	**-473.7**	**-348.1**	**-26.4%**

(1) This CFZ item excludes fuel and goods obtained from the free circulation area.

Table A.16: Domestic Exports

$mn

	2008	2009	2010
Traditional Exports	**323.8**	**319.6**	**315.9**
Sugar	71.4	89.1	58.7
Citrus Juices(1)	89.7	73.9	93.7
Citrus Concentrate	*89.7*	*73.9*	*93.7*
Not-from-Concentrate	*0.0*	*0.1*	*0.0*
Molasses(1)	3.6	3.9	4.3
Bananas	66.9	66.9	71.6
Marine(1)	69.6	64.1	61.7
Garments	0.3	0.0	0.0
Papayas	22.4	21.8	25.9
Petroleum(2)	**230.9**	**120.6**	**206.2**
Non-traditional Exports	**33.9**	**52.4**	**47.2**
Total Exports	**588.5**	**492.7**	**569.3**

Sources: BSI, CBB, CPBL and SIB

(1) Reflect actual sales and not export shipments as reported by SIB.

(2) Estimated f.o.b. value of petroleum shipment.

Table A.17: Exports of Sugar and Molasses

	2008		2009		2010	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar(1)	**66,276**	**71,384**	**77,476**	**89,062**	**72,363**	**58,721**
E.U.	65,625	70,824	77,378	88,963	72,243	58,607
USA	0	0	0	0	0	0
CARICOM	532	446	0	0	0	0
Other	120	114	98	99	120	114
Molasses(2)	**32,843**	**3,559**	**18,500**	**3,868**	**42,303**	**4,260**

Sources: BSI and SIB

(1) Reflects value of export shipments.

(2) Relect actual sales as reported by the processor.

Table A.18: Export Sales of Citrus Juices and Pulp(1)

	2008	2009	2010
Concentrate ('000 ps)	**37,115**	**36,694**	**36,875**
Orange	31,012	31,999	30,783
Grapefruit	6,103	4,695	6,092
Concentrate value ($mn)	**89.7**	**73.9**	**93.7**
Orange	76.6	63.2	77.3
Grapefruit	13.1	10.7	16.4
Not-from-concentrate Exports ('000 ps)	**1.5**	**31.6**	**0.4**
Orange	1.5	26.6	0.0
Grapefruit	0.0	5.0	0.4
Not-from-concentrate Value ($mn)	**0.0**	**0.1**	**0.0**
Orange	0.01	0.1	0.0
Grapefruit	0.0	0.0	0.0
Pulp Export ('000 pounds)	**1,726**	**2,928**	**1,654**
Pulp Value ($mn)	**1.3**	**2.1**	**1.2**

Source: CPBL

(1) Reflects actual sales as reported by the processor and not the value of export shipments as reported by SIB. Export shipments go to inventory for sale at a later point in time.

Table A.19: Export of Bananas

	2008 (1)	2009	2010
Volume (metric tons)	**81,267**	**80,424**	**77,826**
Value ($mn)	**66.9**	**66.9**	**71.6**

Source: BGA

(1) Adjusted for the US $0.24 per 40 pound box to cover out of quota tariff costs for the 2007 shipments.

Table A.20: Export of Marine Products

	2008		2009		2010	
	Volume (‘000 lbs)	Value ($’000)	Volume (‘000 lbs)	Value ($’000)	Volume (‘000 lbs)	Value ($’000)
Lobster Tail	429.9	14,665	519.8	13,011	441.4	12,415
Lobster Head	19.2	144	0.0	0	158.7	1,899
Shrimp(1)	10,467.5	43,790	12,464.3	41,664	11,637.8	38,404
Conch	648.5	6,640	665.5	7,282	704.8	7,645
Whole/Fillet Fish	2,672.9	4,325	1,599.5	2,116	1,277.7	1,321
Other	0.0	0	0.0	0	0	0
Total	**14,238.0**	**69,564**	**15,249.1**	**64,073**	**14,220.4**	**61,683**

Sources: CBB and SIB

(1) Data reflect actual sales and not export shipments as reported by SIB.

Table A.21: Other Major Exports

	2008	2009	2010
Garments			
Volume (mn lbs)	0.03	0.00	0.00
Value ($mn)	0.3	0.0	0.0
Papayas			
Volume ('000 lbs)	63,716	54,705	66,727
Value ($mn)	22.4	21.8	25.9
Petroleum(1)			
Volume (barrels)	1,024,269	1,264,358	1,432,400
Value ($mn)	230.9	120.6	206.2

Source: Statistical Institute of Belize

(1) Quality differentials and international transportation costs were taken out of the c.i.f. value as reported by SIB to derive a f.o.b.value.

Table A.22: Gross Imports (c.i.f.) by SITC Categories

$mn

SITC Category	2006	2007	2008	2009	2010
0 Food and Live Animals	118.2	135.6	160.4	156.5	155.5
1 Beverages and Tobacco	11.2	12.2	15.6	20.6	22.6
2 Crude Materials	10.9	12.9	12.7	14.1	11.8
3 Minerals, Fuels and Lubricants	246.5	266.0	337.5	249.6	267.7
Of which electricity	*33.2*	*46.4*	*66.3*	*40.1*	*37.0*
4 Animal and Vegetable Oils	3.9	4.0	5.8	5.4	6.8
5 Chemicals	93.6	102.0	118.1	125.2	125.0
6 Manufactured Goods	164.2	164.2	230.9	178.2	190.5
7 Machinery and Transport Equipment	219.1	251.2	351.6	266.9	232.6
8 Miscellaneous Manufactured Goods	102.4	101.8	100.0	94.8	94.4
9 Commodities - not classified elsewhere	0.0	0.0	1.6	0.5	0.6
Export Processing Zones	157.9	98.5	91.8	104.9	63.0
Personal Goods	3.4	3.3	3.3	3.4	2.8
Total	**1,131.4**	**1,151.8**	**1,429.1**	**1,220.0**	**1,136.2**
CFZ Direct Imports	222.6	263.3	311.7	156.4	262.5
Grand Total	**1,354.0**	**1,415.1**	**1,740.8**	**1,376.5**	**1,435.6**

Sources: SIB and CBB

Table A.23: Balance of Payments - Service, Income and Current Transfers

$mn

	2008			2009			2010		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
Services	**773.0**	**339.2**	**433.7**	**688.8**	**323.5**	**365.3**	**719.9**	**319.7**	**400.2**
Transportation	50.0	138.9	-88.8	33.7	110.0	-76.3	38.6	110.5	-71.8
Travel	557.0	81.6	475.4	512.5	81.4	431.1	528.8	73.0	455.8
Other Goods and Services	104.0	101.4	2.6	88.9	115.7	-26.8	95.4	118.6	-23.2
Govt. Goods and Services, N.I.E	62.0	17.4	44.6	53.8	16.4	37.3	57.0	17.6	39.4
Income	**11.9**	**342.2**	**-330.4**	**8.9**	**225.5**	**-216.5**	**9.2**	**326.1**	**-316.9**
Labour Income	4.7	12.5	-7.8	4.7	11.7	-7.0	4.7	11.2	-6.4
Investment Income(1)	7.1	329.7	-322.5	4.2	213.8	-209.5	4.5	315.0	-310.5
Current Transfers	**282.2**	**59.1**	**223.1**	**203.8**	**45.0**	**158.8**	**229.5**	**45.9**	**183.6**
Government	56.5	11.3	45.1	4.5	7.7	3.2	2.2	8.7	-6.5
Private	225.7	47.7	178.0	199.3	37.3	162.0	227.3	37.1	190.2

(1) Data include an estimate for profit remittances from the tourism industry.

Table A.24: Balance of Payments - Capital and Financial Accounts

$mn

	2008	2009	2010
	Net	Net	Net
CAPITAL ACCOUNT	**18.1**	**37.0**	**11.3**
General Government	20.8	34.2	13.4
Other Sectors	-2.7	2.8	-2.2
FINANCIAL ACCOUNT	**411.0**	**234.1**	**54.7**
Direct Investment Abroad	-5.5	-0.9	-2.2
Direct Investment in Belize	339.3	217.7	195.0
Portfolio Investment Assets	5.8	-9.0	-4.4
Portfolio Investment Liabilities	-5.5	-10.3	-11.2
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-27.6	27.0	-26.2
Monetary Authorities	0.1	0.1	0.1
General Government	-3.9	-4.9	-4.6
Banks	-32.2	31.6	-22.5
Other Sectors	8.3	0.3	0.9
Other Investment Liabilities	104.5	9.6	-96.2
Monetary Authorities	0.8	67.7	2.0
General Government	-15.9	50.5	-0.8
Banks	72.8	-66.0	-29.3
Other Sectors	46.8	-42.4	-68.1
CHANGES IN RESERVES (Minus = Increase)	**-115.8**	**-94.5**	**-8.6**

Table A.25: Official International Reserves

$mn

	Position as at			Changes during 2010
	Dec-08	Dec-09	Dec-10	
Gross Official International Reserves[1]	**332.9**	**427.3**	**436.0**	**8.6**
Central Bank of Belize	**311.4**	**411.4**	**419.2**	**7.8**
Holdings of SDRs	7.1	63.2	62.0	-1.3
IMF Reserve Tranche	13.0	13.3	13.0	-0.2
Other	291.2	334.9	344.2	9.3
Central Government	**21.5**	**15.9**	**16.7**	**0.8**
Foreign Liabilities	**3.2**	**1.1**	**3.1**	**2.0**
CARICOM	0.9	0.2	1.1	0.9
Other	2.2	0.9	2.0	1.1
Net Official International Reserves	**329.1**	**426.3**	**432.9**	**6.6**

(1) These numbers reflect only usable reserves as defined by BPM5.

Table A.26: Private Sector External Debt by Economic Sector[1]

BZ$'000

Economic Sectors	DOD as at 31/12/09	Transactions During 2010 Disbursements	Principal Payments	Interest Payments	DOD as at 31/12/10
Long Term:					
Agriculture	67,628	8,740	7,194	2,152	69,175
Arts, entertainment and recreation	2,460	372	1,101	0	1,731
Construction	60,307	0	259	7,392	60,048
Education	258	0	35	3	223
Electricity and Gas	120,027	0	11,347	2,582	108,680
Financial and insurance activities	148	0	37	2	111
Fishing	133,711	4,415	8,620	5,468	129,506
Information and communication[2]	0	0	0	0	0
Real estate activities	1,706	0	312	165	1,394
Toursim activities	45,434	936	2,755	2,067	43,615
Transportation	62,581	0	7,054	1,991	55,527
Wholesale and retail trade	1,908	0.0	215	95	1,693
Total	**496,168**	**14,463**	**38,929**	**21,917**	**471,703**

(1) The loans only cover that portion of the private sector debt that is reported to the Central Bank of Belize. At the time of reporting not all companies have submitted their balance sheets to the Central Bank of Belize.

(2) Belize Telemedia Ltd. (BTL) is no longer classified as a private sector entity. This was in accordance with Statutory Instrument No. 104 of 2009 dated August 29th, where the Government of Belize acquired BTL.

Table A.27: Balance of Payments Summary

$mn

	2008	2009	2010
CURRENT ACCOUNT	**-289.8**	**-166.2**	**-81.2**
Goods: Exports f.o.b.	960.2	767.3	951.5
Goods: Imports f.o.b.	-1576.5	-1,241.0	-1,299.6
Trade Balance	-616.3	-473.7	-348.1
Services: Credit	773.0	688.8	719.9
Transportation	50.0	33.7	38.6
Travel[1]	557.0	512.5	528.8
Other Goods & Services	104.0	88.9	95.4
Gov't Goods & Services	62.0	53.8	57.0
Services: Debit	-339.2	-323.5	-319.7
Transportation	-138.9	-110.0	-110.5
Travel	-81.6	-81.4	-73.0
Other Goods & Services	-101.3	-115.7	-118.6
Gov't Goods & Services	-17.4	-16.4	-17.6
Balance on Goods & Services	-182.5	-108.5	52.1
Income: Credit	11.9	8.9	9.2
Compensation of Employees	4.7	4.7	4.7
Investment Income	7.1	4.2	4.5
Income: Debit	-342.2	-225.5	-326.1
Compensation of Employees	-12.5	-11.7	-11.2
Investment Income[2]	-329.7	-213.8	-315.0
Balances on Goods, Services & Income	-512.9	-325.0	-264.8
Current Transfers: Credit	282.2	203.8	229.5
Government	56.5	4.5	2.2
Private	225.7	199.3	227.3
Current Transfers: Debit	-59.1	-45.0	-45.9
Government	-11.3	-7.7	-8.7
Private	-47.7	-37.3	-37.1
CAPITAL ACCOUNT, n.i.e.	**18.1**	**37.0**	**11.3**
Capital Account: Credit	20.8	37.6	13.4
Capital Account: Debit	-2.7	-0.6	-2.2
FINANCIAL ACCOUNT, n.i.e.	**411.0**	**234.1**	**54.7**
Direct Investment Abroad	-5.5	-0.9	-2.2
Direct Investment in Belize, n.i.e.	339.3	217.7	195.0
Portfolio Investment Assets	5.8	-9.0	-4.4
Portfolio Investment Liabilities, n.i.e.	-5.5	-10.3	-11.2
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	-27.6	27.0	-26.2
Other Investment Liabilities	104.5	9.6	-96.2
NET ERRORS & OMISSIONS	**-23.5**	**-10.4**	**-23.8**
OVERALL BALANCE	**115.8**	**94.5**	**8.6**
RESERVE ASSETS (Minus = increase)	**-115.8**	**-94.5**	**-8.6**

(1) Tourism earnings were based on Visitor Expenditure Surveys.

(2) Data include an estimate for profit remittances from the tourism industry.

Table A.28: Government of Belize - Revenue & Expenditure

$'000

	Fiscal Year 2009/2010	Estimated Budget 2010/2011	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2010
TOTAL REVENUE & GRANTS (1+2+3)	735,167	811,589	800,695	698,787	759,869
1).Current revenue	682,531	784,268	729,394	653,898	735,685
Tax revenue	601,127	703,493	616,573	576,883	641,414
Income and profits	213,356	247,549	200,077	202,726	238,512
Taxes on property	5,262	7,003	6,490	5,148	5,418
Taxes on goods and services	217,097	273,105	248,190	210,616	235,141
Int'l trade and transactions	165,411	175,836	161,816	158,393	162,344
Non-Tax Revenue	81,404	80,775	112,821	77,014	94,271
Property income	12,176	6,930	14,247	11,161	21,707
Licenses	11,357	11,780	14,516	12,460	11,914
Transfers from Gov Depts	23,950	26,138	23,474	25,485	28,684
Repayment of old loans	9,044	5,351	29,689	5,899	3,723
Rent & Royalties[(1)]	24,879	30,576	30,895	22,009	28,242
2). Capital revenue[(2)]	18,973	4,800	8,630	10,611	14,074
3). Grants	33,663	22,521	62,672	34,278	10,110
TOTAL EXPENDITURE (1+2)	777,647	877,102	759,464	775,087	802,838
1). Current Expenditure	669,019	721,602	617,861	661,756	676,700
Wages and Salaries	274,032	291,240	245,729	268,530	277,538
Pensions	48,124	50,416	47,788	46,696	46,069
Goods and Services	158,027	165,610	135,442	159,378	161,415
Interest Payments	95,790	118,225	105,245	97,028	95,801
Subsidies & current transfers	93,046	96,111	83,656	90,124	95,875
2). Capital Expenditure	108,628	155,499	141,604	113,331	126,138
Capital II (local sources)	53,577	65,994	69,107	67,939	73,057
Capital III (foreign sources)	40,657	83,046	64,756	40,998	38,191
Capital Transfer & Net Lending	4,394	6,459	7,741	4,394	14,890
Unclassified Expenditure	10,000				0
CURRENT BALANCE	**-7,859**	**62,666**	**111,534**	**-7,859**	**58,985**
OVERALL BALANCE	**-76,300**	**-65,512**	**41,231**	**-76,300**	**-42,968**
PRIMARY BALANCE	**20,728**	**52,712**	**146,476**	**20,728**	**52,833**
OVERALL BALANCE W/OUT Grants	**-110,578**	**-88,033**	**-21,441**	**-110,578**	**-53,078**
PRIMARY BALANCE W/OUT Grants	**-13,551**	**30,191**	**83,805**	**-13,555**	**42,723**
FINANCING	**76,300**		**-41,231**	**76,300**	**42,032**
Net Privatization Proceeds [(3)]					33,296
Domestic Financing	20,094		-23,342	20,094	4,115
Central Bank	-1,891		-70,922	-1,891	-50,060
Net Borrowing	-42,203		-17,300	-42,203	-16,972
Change in Deposits	40,312		-53,621	40,312	-33,088
Commercial Banks	7,160		40,974	7,160	41,435
Net Borrowing	16,602		30,177	16,602	53,700
Change in Deposits	-9,442		10,797	-9,442	-12,265
Other Domestic Financing	14,826		6,605	14,826	12,740
Financing Abroad	60,491		-3,253	60,491	4,940
Disbursements	129,951		85,226	129,951	59,103
Amortization	-69,460		-88,479	-69,460	-54,163
Other	-4,285		-14,636	-4,285	616

Sources: Ministry of Finance and CBB

(1) Rent and royalties included $16.0mn (2010), $10.6mn (2009) and $18.4mn (2008) in royalties from BNE.

(2) In 2009 and 2010 GOB received $6.1mn and $10.2mn, respectively, in working interest from BNE.

(3) Proceeds from the sale of BTL shares.

Table A.29: Central Government's Domestic Debt

$'000

	Disbursed Outstanding Debt 12/31/2009	Transactions During 2010				Disbursed Outstanding Debt 12/31/2010
		Disbursement/ New Issues of Securities	Amortization/ Reduction in Securities	Interest Payment	Net Change in Overdraft/ Securities	
Overdraft	**124,769**	**0**	**0**	**6,072**	**-90,723**	**34,046**
Central Bank	124,769	0	0	6,072	-90,723	34,046
Treasury Bills	**100,000**	**93,992**	**18,992**	**4,174**	**0**	**175,000**
Central Bank	158	7,015	0	431	13,841	21,014
Commercial Banks	98,420	86,500	18,515	3,694	-13,883	152,522
Other	1,422	477	477	49	42	1,464
Treasury Notes	**70,800**	**65,000**	**0**	**5,967**	**1,000**	**136,800**
Central Bank	35,096	53,900	**0**	2,497	-1,005	87,991
Commercial Banks	10,000	0	0	870	0	10,000
Other	25,704	11,100	0	2,600	2,005	38,809
Defence Bonds	**10,000**	**0**	**0**	**800**	**0**	**10,000**
Central Bank	10,000	0	0	800	0	10,000
Commercial Banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
Loans	**14,626**	**266**	**2,932**	**1,168**	**0**	**11,960**
BSSB (2)	5,377	0	1,003	462	0	4,374
GOB/US Debt Swap	5,103	0	1,356	121	0	3,747
Heritage Bank Ltd	3,146	0	403	450	0	2,743
Fort Street Tourism Village	0	266	170	0	0	96
Guardian Life Bze	1,000	0	0	135	0	1,000
TOTAL	**320,194**	**159,258**	**21,924**	**18,182**	**-89,723**	**367,806**

(1) Transactions involving the Belize Bank UHS loan are not included due to ongoing litigation.
(2) GOB has outstanding loans with BSSB consisting of Hopeville Housing Project and loan used to pay-off the DFC debt.

Table A.30: Public Sector External Debt by Creditors(1)

$'000

	Disbursed Outstanding Debt 31/12/2009	Disbursements	Principal Payments	Interest & Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/2010
CENTRAL GOVERNMENT	**1,882,113**	**59,103**	**54,162**	**78,221**	**-1,145**	**1,885,909**
Banco Nacional de Comercio Exterior	5,844	0	1,080	356	0	4,764
Government of the United States	1,735	0	639	74	0	1,096
Government of Trinidad and Tobago	4	0	4	0	0	0
Government of Venezuela(2)	39,527	73	452	186	0	39,148
Kuwait Fund for Arab Economic Dev	18,293	0	1,650	469	287	16,930
Republic of China	281,148	20,000	20,264	7,829	0	280,884
Caribbean Development Bank	171,036	26,471	8,569	5,669	1	188,939
European Economic Community	16,917	0	760	104	-1,382	14,775
European Investment Bank	196	0	92	4	-13	91
Inter-American Development Bank	204,450	10,078	8,605	5,668	0	205,922
International Fund for Agric. Dev.	877	700	132	17	-37	1,408
Intl. Bank for Reconstruction & Dev.	30,446	0	7,651	420	0	22,795
Opec Fund for Int'l. Development	14,514	801	1,533	696	0	13,782
Central American Bank for Econ. Integ	0	980	0	61	0	980
Manufacturers & Traders Trust Co.	2,595	0	1,730	121	0	865
Provident Bank & Trust of Belize (TN)	1,000	0	1,000	45	0	0
Bear Stearns & C0. Inc.	5,916	0	0	0	0	5,916
Bank of New York (New Bond Issue)(3)	1,087,613	0	0	56,493	0	1,087,613
NON-FINANCIAL PUBLIC SECTOR	**33,182**	**970**	**3,428**	**1,149**	**69**	**30,793**
Kuwait Fund for Arab Economic Dev	5,228	0	694	187	69	4,603
Deutsche Bank	471	0	384	42	0	86
Caribbean Development Bank	27,483	970	2,350	920	0	26,104
FINANCIAL PUBLIC SECTOR	**115,933**	**0**	**13,063**	**2,951**	**-1,289**	**101,580**
Caribbean Development Bank	13,695	0	1,611	305	0	12,084
European Economic Community	501	0	38	4	-39	423
Paine Webber Real Estate Securities Inc.	900	0	200	9	0	700
Belize Mortgage Company (4)	29,995	0	11,214	2,299	0	18,781
International Monetary Fund(5)	70,842	0	0	333	-1,250	69,592
GRAND TOTAL	**2,031,228**	**60,074**	**70,653**	**82,321**	**-2,365**	**2,018,282**

(1) Excludes contingent liabilities of the Central Government.
(2) Disbursements of $17.0mn were for petroleum imported under the Petrocaribe Initiative. The last shipment shipment ocurring at the end of April 2009 when the initiative was put on hold.
(3) The new 'super bond' was exchanged for various commercial bonds and loans.
(4) BMC is the issuer of DFC/North American Securitization Loan through the Bank of New York.
(5) IMF SDR Allocations were included as part of the Financial Sector debt obligation.

Table A.31: Central Bank Dealings in Foreign Exchange

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	11.7	19.6	-7.9	0.00	0.69	-0.69
February	15.2	38.9	-23.7	0.00	0.16	-0.16
March	28.8	8.7	20.1	0.00	0.01	-0.01
April	22.1	13.7	8.4	0.00	0.13	-0.13
May	16.0	11.3	4.7	0.00	0.01	-0.01
June	29.3	9.6	19.7	0.00	0.05	-0.05
July	35.8	18.1	17.7	0.00	0.59	-0.59
August	20.5	46.3	-25.8	0.00	0.01	-0.01
September	5.3	8.2	-2.9	0.00	0.04	-0.04
October	13.6	17.7	-4.1	0.00	0.29	-0.29
November	14.1	11.1	3.0	0.00	0.02	-0.02
December	14.1	9.8	4.3	0.00	0.51	-0.51
Total	**226.5**	**213.0**	**13.5**	**0.00**	**2.51**	**-2.51**

Table A.32: External Asset Ratio

MONTH	Assets $mn	Liabilites $mn	External Asset Ratio (%)
January	411.00	509.47	80.67
February	395.30	489.74	80.72
March	405.70	505.61	80.24
April	413.80	453.02	91.34
May	416.50	438.13	95.06
June	436.50	462.50	94.38
July	456.30	495.13	92.16
August	429.90	468.80	91.70
September	429.20	483.05	88.85
October	425.80	484.42	87.90
November	426.60	498.65	85.55
December	431.60	515.82	83.67

Table A.33: Inter-bank Market Activity

$mn

Daily Average	Offered	Borrowed
January	14.0	0.0
February	0.0	0.0
March	12.5	0.0
April	0.0	0.0
May	0.0	0.0
June	15.0	5.0
July	15.0	15.0
August	5.0	5.0
September	10.0	0.0
October	7.0	0.0
November	10.0	0.0
December	14.0	0.0
Total	**102.5**	**25.0**

Table A.34: Central Bank Credit to Central Government

$mn

Month	Treasury Bills	Treasury Notes	Treasury Bonds	Overdraft Facility	A	B
January	0.1	35.1	10.0	129.49	1.60	18.86
February	0.0	36.1	10.0	134.43	1.64	19.58
March	0.0	36.1	10.0	125.61	1.64	18.30
April	13.1	31.1	10.0	52.65	1.93	7.80
May	13.2	27.1	10.0	36.28	1.79	5.38
June	14.0	27.1	10.0	44.05	1.82	6.53
July	24.0	60.1	10.0	15.30	3.34	2.27
August	18.0	60.1	10.0	20.75	3.13	3.08
September	27.6	60.1	10.0	28.39	3.47	4.21
October	23.6	60.1	10.0	39.36	3.33	5.39
November	22.1	60.1	10.0	48.65	3.28	7.21
December	21.1	87.0	10.0	34.05	4.20	5.05

A: Central Bank Holdings of Government Securities as a multiple of Central Bank's paid up Capital and Reserves

B: Advances to Government as a percentage of Government's estimated recurrent revenue fiscal year

Estimated for Fiscal 2009/2010 $686.4mn (January - March 2010)

Estimated for Fiscal 2010/2011 $674.6mn (April - December 2010)

Table A.35: Government of Belize Treasury Bills Issues

Issue Number	Issue Date	Maturity Date	Allotment $mn	Average Discount %	Average Yield %
1/10	01/04/10	04/05/10	45.4	3.23	3.25
2/10	01/20/10	04/21/10	13.2	3.13	3.16
3/10	02/03/10	05/05/10	5.8	2.98	3.12
4/10	03/03/10	06/02/10	35.6	2.89	3.00
5/10	04/06/10	07/06/10	45.4	2.89	2.91
6/10	04/21/10	07/21/10	75.0	2.86	2.88
7/10	05/05/10	08/04/10	19.0	2.85	2.88
08/10	06/02/10	09/01/10	35.6	2.83	2.85
09/10	07/06/10	10/05/10	45.4	2.85	2.87
10/10	07/21/10	10/20/10	75.0	2.68	2.70
11/10	08/04/10	11/03/10	19.0	2.69	2.71
12/10	09/01/10	12/01/10	35.6	2.67	2.69
13/10	10/05/10	01/04/11	45.4	2.67	2.69
14/10	10/20/10	01/19/11	75.0	2.67	2.69
15/10	11/03/10	02/02/11	19.0	2.65	2.67
16/10	12/01/10	03/02/11	35.6	2.64	2.66

FINANCIAL STATEMENTS

CENTRAL BANK OF BELIZE

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2010 and 2009, the statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Central Bank of Belize Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2010 and 2009, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the Central Bank of Belize Act.

Castillo Sanchez & Burrell, LLP

Chartered Accountants
February 11, 2011

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

ASSETS	Notes	2010	2009
APPROVED EXTERNAL ASSETS:			
Balances and deposits with foreign bankers	4	**$ 8,295,505**	$ 7,713,848
Reserve Tranche and balances with the International Monetary Fund	5	**74,972,141**	76,459,976
Other foreign credits instruments	6	**302,376,042**	304,062,057
Accrued interest and cash-in-transit	2n,7	**11,884,149**	1,355,798
Marketable securities issued or guaranteed by foreign government and international financial institutions	8	**34,100,000**	30,000,000
		431,627,837	419,591,679
BELIZE GOVERNMENT SECURITIES	9	**119,005,134**	45,253,945
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**33,045,643**	118,434,064
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**217,018**	181,085
OTHER ASSETS	11	**11,975,274**	10,020,026
POST EMPLOYMENT OBLIGATIONS	24	**4,048,955**	2,053,000
PROPERTY AND EQUIPMENT	2i,12	**28,474,976**	28,853,155
TOTAL ASSETS		**$628,394,837**	$624,386,954

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2010	2009
DEMAND LIABILITIES:			
Notes and coins in circulation		**$191,602,557**	$191,973,186
Deposits by licensed financial institutions	13	**223,568,961**	235,529,608*
Deposits by and balances due to Government and Public sector entities in Belize		**97,573,516**	84,997,541
Deposits by international agencies	14	**2,000,145**	887,061
		514,745,179	513,387,396
BALANCES DUE TO CARICOM CENTRAL BANKS		**1,080,127**	172,387
OTHER LIABILITIES	15	**6,944,982**	4,985,460
LOANS FROM FOREIGN INSTITUTIONS	16	**14,509,390**	14,767,575
IMF SDR ALLOCATIONS	17	**55,148,814**	56,128,415
COMMERCIAL BANKS' DISCOUNT FUND	18	**15,916**	978,918
TOTAL LIABILITIES		**592,444,408**	590,420,151
CAPITAL ACCOUNT			
Paid - up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	19	**3,552,091**	3,675,536
ASSET REVALUATION RESERVE		**102,235**	102,235
POST EMPLOYMENT OBLIGATION RESERVE	24	**4,048,955**	2,053,000
GENERAL RESERVE	20	**18,247,148**	18,136,032
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$628,394,837**	$624,386,954

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on February 21, 2011 and are signed on its behalf by:

) GOVERNOR
)
)
) DIRECTOR
)
)
) DEPUTY GOVERNOR,
OPERATIONS

* Reclassified for comparative purposes.
The notes on pages 10 to 37 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

	Notes	2010	2009
Continuing operations			
INTEREST INCOME:			
Approved external assets	21	**$ 3,583,440**	$ 3,343,608
Advances to Government		**6,071,864**	13,321,839
Local securities		**4,634,162**	3,940,232
		14,289,466	20,605,679
Discount on local securities		**407,977**	287,449
Commissions and other income		**1,763,722**	1,629,780
Total income		**16,461,165**	22,522,908
LESS: Interest expense		**(1,559,643)**	(2,080,404)
Income from operations		**14,901,522**	20,442,504
EXPENDITURE:			
Printing of notes and minting of coins		**(2,072,944)**	(1,971,322)
Salaries and wages, including superannuation contribution and gratuities	22	**(7,615,973)**	(7,579,935)
Depreciation		**(766,176)**	(736,171)
Administrative and general expenses	23	**(3,335,273)**	(3,116,716)
Total expenditure		**(13,790,366)**	(13,404,144)
Profit for the year from continuing operations		**$ 1,111,156**	$ 7,038,360
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**$ 1,111,156**	$ 7,038,360
Transfer to revaluation account in accordance with Section 50 of the Act	19	**-**	-
Transfer to general reserve fund in accordance with Section 9(1) of the Act	20	**(111,116)**	(703,836)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 1,000,040**	$ 6,334,524
Profit for the year attributable to:			
Owner of the Bank		**$ 1,111,156**	$ 7,038,360
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		**$ 1,111,156**	$ 7,038,360

The notes on pages 10 to 37 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

	2010	2009
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**$ 1,111,156**	$ 7,038,360
Other comprehensive income:		
Revaluation of financial assets (note 19)	**(123,445)**	(339,770)
Revaluation asset	**-**	102,235
Actuarial gain on post employment obligations (note 24)	**1,995,955**	2,053,000
Other comprehensive income for the year	**1,872,510**	1,815,465
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**$ 2,983,666**	$ 8,853,825
Total comprehensive income attributable to:		
Owner of the Bank	**$ 2,983,666**	$ 8,853,825

The notes on pages 10 to 37 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

	Paid-up capital	Revaluation account	Asset revaluation reserve	Post employment obligation	General reserve	Accumulated profits
January 1, 2009	$10,000,000	$4,015,306	$ -	$ -	$17,432,196	$ -
Profit for the year from continuing operations	-	-	-	-	-	7,038,360
Other comprehensive income	-	(339,770)	102,235	2,053,000	-	-
Transfer to general reserve fund in accordance with Section 9(1) of the Act	-	-	-	-	703,836	(703,836)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	-	(6,334,524)
December 31, 2009	10,000,000	3,675,536	102,235	2,053,000	18,136,032	-
Profit for the year from continuing operations	-	-	-	-	-	1,111,156
Other comprehensive (loss) income	-	(123,445)	-	1,995,955	-	-
Transfer to Government of Belize	-	-	-	-	-	(1,000,040)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	111,116	(111,116)
December 31, 2010	**$10,000,000**	**$3,552,091**	**$102,235**	**$4,048,955**	**$18,247,148**	$ -

The notes on pages 10 to 37 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year from continuing operations	**$ 1,111,156**	$ 7,038,360
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization	**57,815**	180,827
- Depreciation of property and equipment (Note 12)	**766,176**	736,171
- Loss on disposal of property and equipment	**4,436**	6,466
Cash provided by operating activities before operating assets and liabilities	**1,939,583**	7,961,824
Changes in operating assets and liabilities:		
Belize Government current account	**85,388,421**	4,513,136
Treasury notes – net	**(31,860,000)**	8,327,000
Securities	**(4,100,000)**	(8,000,000)
Reserve tranche in the International Monetary Fund	**233,318**	(231,293)
Other assets	**(2,013,063)**	(655,402)
Other liabilities	**1,959,522**	992,027
Revaluation account	**(123,445)**	(339,770)
Net cash provided by operating activities	**51,424,336**	12,567,522
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(392,433)**	(368,271)
Net cash used in investing activities	**(392,433)**	(368,271)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**(370,629)**	(1,222,652)
Transfer to Consolidated Reserve Fund	**(1,000,040)**	(6,334,524)
Balances due to and deposits by licensed financial institutions	**(11,960,647)**	48,100,766
Deposits by and balances due to Government and Public Sector Entities	**12,575,975**	(48,232,829)
Deposits by and balances due to international agencies	**1,113,084**	(1,331,718)
Deposits by and balances due to Caricom Central Banks	**907,740**	(775,929)
Commercial Bank Discount Fund	**(963,002)**	(950,828)
IMF SDR allocations	**(979,601)**	56,128,415
IMF Enda facility	**(258,185)**	14,767,575
Net cash (used in) provided by financing activities	**(935,305)**	60,148,276

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2010 AND 2009 (IN BELIZE DOLLARS)

	2010	2009
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$389,787,930**	$317,440,403
NET INCREASE IN CASH AND CASH EQUIVALENTS	**50,096,598**	72,347,527
CASH AND CASH EQUIVALENTS, END OF YEAR	**$439,884,528**	$389,787,930

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:

	2010	2009
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 8,295,505**	$ 7,713,848
Other foreign credit instruments	**302,376,042**	304,062,057
Accrued interest	**1,218,154**	1,097,172
Cash-in-transit	**10,665,995**	258,626
Balance with the International Monetary Fund	**61,981,680**	63,236,197
	384,537,376	376,367,900
LOCAL ASSETS:		
Cash and bank balances	**217,018**	181,085
Government of Belize Treasury Bills	**21,014,134**	157,945
Current portion of Treasury Notes	**34,116,000**	13,081,000
	$439,884,528	$389,787,930

The notes on pages 10 to 37 are an integral part of these financial statements.

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislation covering its operations includes the Central Bank of Belize Act, the Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated statutory instruments, Circulars and guidance notes and the Exchange Control Act.

The principal objectives of the Bank are to foster monetary stability especially in regards to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Following is a summary of the more significant accounting policies adopted by the Bank in preparing its financial statements in accordance with International Financial Reporting Standards (IFRS), the Central Bank of Belize Act and the Banks and Financial Institutions Act.

a. 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, give rise to additional disclosures or changes to the presentation of the financial statements.

Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2010:

The following new and revised IFRSs have been applied in the current period and have affected the amounts reported in these financial statements.

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (as part of Improvements to IFRSs issued in 2009) **–** The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

  The amendment affects presentation only and had no impact on the Bank’s financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent.

  This amendment has had no effect on the amounts reported in the current or prior years because the Bank has not issued instruments of this nature.

- Amendments to IAS 7 *Statement of Cash Flows* (as part of Improvements to IFRSs issued in 2009) – The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset. The adoption of this amendment has had no impact on the Bank's financial statements since we have not incurred any development costs.

- Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010) – The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Bank has elected not to early adopt the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011).

- Amendments to IAS 1 *Presentation of Financial Statements* (as part of Improvements *to IFRSs* issued in 2010) – The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Bank has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments had been applied retrospectively.

- IFRS 3 (revised in 2008) *Business Combinations* – IFRS 3(2008) has been applied in the current year prospectively to business combinations for which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its adoption has affected the accounting for business combinations in the current year.

  The impact of the application of IFRS 3(2008) is as follows:

  - IFRS 3(2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree. The application of IFRS 3(2008) has no impact of the financial statements of the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 3(2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of the acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

- IFRS 3(2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- IFRS 3(2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

- As part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition (see above) is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.

- In addition, as part of *Improvements to IFRSs* issued in 2010, IFRS 3(2008) was amended to give more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (‘market-based measure’).

The application of IFRS 3(2008) has no impact of the financial statements of the Bank, since no business acquisitions were made during the year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IAS 27 (revised in 2008) *Consolidated and Separate Financial Statements and IFRS1 First-Time adoption of International Financial Reporting Standards with reference to cost of investments in subsidiaries, joint ventures and associates* – This amendment mainly addresses the issue that the cost of investments in subsidiaries, associates and joint ventures, in the standalone financial statements of an entity, is no longer affected by profit distribution formulated prior to the purchase date of these investments. This amendment has also led to changes in IAS 36: «Impairment of Assets», with the addition of indications on the impairment of investments based on the effect on equity due to dividend distribution of such companies to companies that have invested in them. As far as first-time adoption of IFRSs is concerned and in terms of simplifying the process of producing these financial statements, the amendment offers alternative ways for determining the cost of investments in subsidiaries, joint ventures and associates based on the fair value of these investments or their nominal value from previously effective accounting standards. The adoption has had no impact on the Bank's financial statements since the Bank does not have ownership interests in subsidiaries.

- IAS 28 (revised in 2008) *Investments in Associates* – The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

  As part of *Improvements to IFRSs* issued in 2010, IAS 28(2008) has been amended to clarify that the amendments to IAS 28 regarding transactions where the investor loses significant influence over an associate should be applied prospectively. The Bank's has elected not to early adopt the amendments to IAS 28(2008) as part of *Improvements to IFRSs* issued in 2010 in advance of their effective dates (annual periods beginning on or after 1 July 2010).

New and revised IFRSs applied with no material effect on the Bank's financial statements:

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* – The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRIC 17 *Distributions of Non-cash Assets to Owners* – The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

- IFRIC *18 Transfers of Assets from Customers* – The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.

New standards, amendments, and interpretations in issue in 2010 but not yet effective:

The Bank has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – Effective for annual periods beginning on or after 1 July 2010.

- Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* – Effective for annual periods beginning on or after 1 July 2011. The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- It is not anticipated that these amendments to IFRS 7 will have a significant effect on the Bank's disclosures regarding transfers of trade receivables. However, if the Bank enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

- IFRS 9 (as amended in 2010) *Financial Instruments* – Effective for annual periods beginning on or after 1 January 2013. IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

  It is anticipated that IFRS 9 that will be adopted in the Bank's financial statements for the annual period beginning 1 January. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

- IAS 24 (revised in 2009) *Related Party Disclosures* – Effective for annual periods beginning on or after 1 January 2011. IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

  The disclosure exemptions introduced in IAS 24 (as revised in 2009) affects the Bank because the Bank is a government-related entity.

- Amendments to IAS 32 *Classification of Rights Issues* – Effective for annual periods beginning on or after 1 February 2010. The amendments to IAS 32 address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Bank has not entered into any arrangements that would fall within the scope of the amendments. However, if the Bank does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement* – Effective for annual periods beginning on or after 1 January 2011.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – Effective for annual periods beginning on or after 1 July 2010. IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Bank has not entered into transactions of this nature. However, if the Bank does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

b. Form of presentation of the financial statements - Adopted IFRS and the Central Bank of Belize Act 1982 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.

c. Change in accounting policies – There were no changes in accounting policies during the year. All policies have been applied on a basis consistent with the prior year.

d. The financial statements are prepared on the historical cost basis, modified to include the revaluation of certain assets and liabilities as identified in specific accounting policies below.

e. All accounting estimates and assumptions that are used in preparing the financial statements are consistent with the Bank's latest approved budgeted forecast where applicable. Judgments are based on the information available at each statements of financial position date. Although these estimates are based on the best information available to management, actual results may ultimately differ from those estimates.

f. Revenue and expenses – Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the Bank and in maintaining property, plant and equipment in a state of efficiency has been charged to income, thereby arriving at the profit for the year.

   Miscellaneous income and expenses are recognized on an accrual basis.

g. Inventories – Inventories are carried at lower of cost or net realizable value. Cost is determined on a first-in-first-out basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments – Financial assets and financial liabilities are recognized on the Bank's statements of financial position when the Bank becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all of the risks and rewards of ownership.

Classification – financial assets
The Bank classifies its financial assets in the following categories: loans and advances; financial assets at fair value through profit or loss and financial assets that are available for sale. The Bank determines the classification of its investments at initial recognition.

Loans and advances
Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money or services directly to a counterparty, with no intention of trading the receivable. Loans and advances and investments are classified as held to maturity and are carried at amortised cost less a provision for impairment where necessary

Financial assets at fair value through profit or loss
A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management. Treasury bills are classified as held at fair value through profit and loss. Because these securities are traded in a non-formal market, fair value has been assumed to approximate to amortised cost. This basis is reasonable as there is no objective evidence of impairment of these securities. Gains and losses arising from changes in the fair value of assets classified as at fair value through profit or loss are included in the income statement in the period in which they arise.

Available for sale
Available for sale investments are debt securities intended to be held for an indefinite period of time, which may be sold as part of the Bank's official operations or otherwise. These are comprised of Treasury Notes and Belize Defence Bonds. Gains and losses arising from changes in the fair value of financial assets that are available for sale are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Any premium or discount paid on the purchase of those assets is amortised through the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

International Monetary Fund balances

As fiscal agent and depository, the Bank is authorized in its own right rather than as an agent for the Government of Belize, to carry out transactions with the International Monetary Fund (IMF) and to maintain the Fund's currency holdings. Accordingly, all transactions by the Bank with the IMF have been included in these financial statements.

Belize's Reserve Tranche position with the IMF is recorded by the Bank as a foreign asset. Exchange gains and losses arising on revaluation of IMF assets at the exchange rate applying at the statements of financial position date as published by the IMF are recognized in the Revaluation account in accordance with section 50 of the Central Bank of Belize Act 1982.

Foreign Marketable Securities

These consist of debentures issued by the Governments of Dominica and bonds issued by Barbados and Caribbean Development Bank that are classified as held-to-maturity based on the Bank's positive intent and ability to hold these securities to maturity.

Belize Government Securities

The Bank's investment portfolio includes treasury bills, treasury notes and Belize Defence Bonds issued by the Government of Belize.

Loans to Government

Loans to Government represent direct provisional advances to Government of Belize under Section 34 of the Central Bank of Belize Act 1982.

Loans to Public Sector

Loans to the public sector are carried at the original amount less an allowance for any uncollectible amounts. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount.

Other Financial Assets and Liabilities

Local and foreign currency cash, deposits and short term advances are recognized on settlement date.

i. Property and equipment, depreciation and amortization – Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated.

Depreciation is charged at the following rates:

Property	1% – 5%
Furniture	10%
Equipment	10% – 25%
Vehicles	20%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Employee benefits

Pension
The Bank operates a defined benefit pension scheme for employees. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement. The legal obligation for any benefits remains with the Bank, even if plan assets for funding the defined benefit plan have been set aside. Contributions are made by the Bank and employees to a separately administered fund. The cost of providing benefits under this plan is determined using an accrued benefit valuation method.

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. This item is grouped under "Other liabilities" in the Statements of Financial Position.

Severance
With effect January 1, 2005, an employee with a minimum of ten years of continuous service who resigns his employment is eligible to one week severance pay for each year of service in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

k. Sale of special coins – Special 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 recognized when sales are made.

l. Foreign currency translation and exchange gains and losses – The Bank's financial statements are presented in Belize dollars (BZD), which is the Bank's functional and presentational currency.

i. Assets and liabilities

Foreign currency balances at the statements of financial position date are translated at the rates of exchange ruling at that date.

ii. Income and expenses

Income and expenses in foreign currencies are translated at the rate of exchange ruling on the transaction date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

iii. Revaluation

Section 50 of the Central Bank of Belize Act 1982 stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank. All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 19) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

m. Valuation of securities – Securities are stated at the lower of cost or market value. Realized and unrealized gains and losses arising from changes in the market value of securities or the par value of the Belize dollar are transferred to the Revaluation Account.

n. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.

o. 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.

p. Cash and cash equivalents – The Bank classifies as cash equivalents financial instruments with an original maturity of three months or less, and other balances that are readily marketable or convertible. The Bank's cash management and investment policies are of a conservative nature and as a result, investments are made in high grade liquid securities. The carrying value of cash and cash equivalents approximates fair value.

3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE

Section 25 of the Act stipulates that:

1. The Bank shall, at all times, hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation.

Management has developed internal controls to ensure compliance with the law. As at December 31, 2010, the Bank was in compliance as the value of total assets was $628,394,837 (2009: $624,386,954) while the value of notes and coins in circulation was $191,602,557 (2009: $ $191,973,186).

3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE (CONTINUED)

2. The Bank shall maintain at all times a reserve of external assets of not less that 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits.

Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 total approved external assets approximated 84 percent and 82 percent of such liabilities respectively.

4. BALANCES AND DEPOSITS WITH FOREIGN BANKERS

There were no restricted foreign or domestic deposits for 2010 and 2009 respectively.

5. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes.

In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize.

At December 31, 2010, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings SDR 20,123,530 (2009:SDR 19,262,242) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.080060 to SDR 1.0 at December 31, 2010 (2009 - BZ$3.13538 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

	2010	2009
At December 31, these instruments comprised:		
Bank of America (Fixed Deposits)	**$118,407,700**	$ 48,000,000
Crown Agents Financial Services (Fixed Deposits)	**102,788,342**	112,582,057
Barclays Bank PLC (Fixed Deposits)	**50,000,000**	-
Federal Reserve Bank of New York (Overnight Deposit)	**19,200,000**	130,400,000
Bank of America (Overnight Deposit)	**800,000**	2,500,000
Citibank N.A. New York (Overnight Deposit)	**11,180,000**	10,580,000
	$302,376,042	$304,062,057

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2010	2009
Accrued interest	**$ 1,218,154**	$1,097,172
Cash-in-transit	**10,665,995**	258,626
	$11,884,149	$1,355,798

8. MARKETABLE SECURITIES ISSUED OR GUARANTEED BY FOREIGN GOVERNMENT AND FOREIGN FINANCIAL INSTITUTIONS

These securities, which are carried at cost, consist of the following:

	Face Value	Maturity Date
3.50% Government of Dominica Debenture	**$ 2,000,000**	2034
1.12% Caribbean Development Bank Bond	**20,000,000**	2012
7.8% Government of Barbados	**8,000,000**	2019
6.75% Government of Barbados	**4,100,000**	2014
	$34,100,000	

The Bank has the positive intent and ability to hold these securities to maturity.

9. BELIZE GOVERNMENT SECURITIES

As at December 31, holdings of Belize Government securities consisted of:

	2010	2009
Treasury Bills	**$ 21,014,134**	$ 157,945
Treasury Notes	**87,991,000**	35,096,000
Belize Defence Bonds	**10,000,000**	10,000,000
	$119,005,134	$45,253,945

The following table classifies the Bank's investments in Belize Government securities by the contractual maturity date of the security:

	2010	2009
Due within 1 year	**$ 55,130,134**	$13,238,945
Due within 1 year through 5 years	**33,875,000**	22,015,000
Due within 5 years through 10 years	**30,000,000**	10,000,000
	$119,005,134	$45,253,945

9. BELIZE GOVERNMENT SECURITIES (CONTINUED)

Section 35(2) of the Central Bank Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding five times the aggregate amount at that time of the paid up capital and general reserves of the Bank, subsequently amended to seven times in April 2006 and ten times in March 2010. Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 the Bank's aggregate holding of Belize Government securities approximated 4.21 times and 1.61 times, respectively, the amount of paid up capital and general reserves of the Bank. Government securities are classified as held-to-maturity based on the Bank's ability to hold the securities to maturity. As these securities are not publicly traded, fair values have been estimated based on present values of the expected cash flows.

10. BELIZE GOVERNMENT CURRENT ACCOUNT

In accordance with Section 34 of the Central Bank Act, the Bank may make direct advances to the Government provided that at any one time the total outstanding amount of direct advances shall not exceed twenty percent of the current revenues of the Government collected during the preceding financial year or the sum of fifty million dollars, whichever is greater.

Amendments made to the Act in March 2010 with an effective date of April 1, 2010 specifies that such advances to the Government shall not exceed eight and one half percent of the current revenues to the Government collected during the preceding financial year. The words "or the sum of fifty million dollars, whichever is greater" were deleted by this amendment.

Management has developed internal controls to ensure compliance with the law. At December 31, 2010 and 2009 advances to Government represent approximately 58 percent and 88 percent of the authorized limit respectively.

11. OTHER ASSETS

	2010	2009
Other assets consist of:		
Inventory of circulation notes and coins	**$ 5,066,563**	$ 4,998,158
Prepayments and accrued interest	**2,737,906**	1,234,389
Accounts receivable	**115,552**	95,841
Staff loans receivable	**3,194,777**	3,031,209
Museum endowment fund	**578,150**	578,150
Bond premium	**148,505**	-
Education bond receivable	**111,592**	-
Other	**795,984**	798,219
	12,749,029	10,735,966
Less amortization:	**(773,755)**	(715,940)
	$11,975,274	$10,020,026

Museum endowment fund is being amortized over 10 years commencing 2004.

11. OTHER ASSETS (CONTINUED)

Included in accounts receivable for 2009 was an amount of $585,945 due from Guyana under the Caricom Multilateral Clearing Facility (CMCF). Interest has not been recognized on the loan since October 2004. The decision was made by CMCF to write off a proportional share as agreed with the Highly Indebted Poor Countries (HIPC) initiative in three equal payments of $123,011. The write-off was completed by December 2009; the remaining balance is expected to be received from CMCF and the HIPC Trust Fund.

12. PROPERTY AND EQUIPMENT

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Total**
Balance at, January 1, 2010	$30,441,554	$1,280,637	$6,232,735	$396,031	$38,350,957
Additions	-	14,889	377,544	-	392,433
Disposals	-	(7,770)	(250,362)	-	(258,132)
Balance at, December 31, 2010	30,441,554	1,287,756	6,359,917	396,031	38,485,258
Accumulated depreciation					
Balance at January 1, 2010	3,110,375	1,026,155	5,107,008	254,264	9,497,802
Depreciation charge for the year	280,626	39,524	398,517	47,509	766,176
Disposal	-	(7,324)	(246,372)	-	(253,696)
Balance at, December 31, 2010	3,391,001	1,058,355	5,259,153	301,773	10,010,282
Net book value					
December 31, 2010	**$27,050,553**	**$ 229,401**	**$1,100,764**	**$ 94,258**	**$28,474,976**
December 31, 2009	$27,331,179	$ 254,482	$1,125,727	$141,767	$28,853,155

13. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 13 of the Banks and Financial Institutions Act 1995, licensed financial institutions are required to keep on deposits with the Bank, an amount equivalent to at least 8.5%, effective May 1, 2010, of their average deposit liabilities.

14. DEPOSITS BY INTERNATIONAL AGENCIES

The Bank acts as agent for and accepts deposits from international financial institutions. At December 31 deposits consisted of:

	2010	2009
Caribbean Development Bank	**$ 479,355**	$ -
International Monetary Fund	**147,634**	150,285
Inter-American Development Bank	**1,197,175**	547,175
Int'l Bank Reconstruction & Development	**29,740**	31,931
EU Banana Support Escrow	**146,241**	157,670
	$2,000,145	$887,061

15. OTHER LIABILITIES

	2010	2009
Severance and gratuities	**$1,098,379**	$1,017,789
Other staff costs payable	**469,674**	576,313
Abandoned property	**2,933,200**	1,028,482
License international	**1,800,000**	1,800,000
Income deferred on license fees	**474,572**	390,000
Accounts payable	**169,157**	172,876
	$6,944,982	$4,985,460

*Under Section 21 A (1) of the International Banking Act, licensed financial offshore institutions are required to maintain an account of a minimum balance of $200,000 with the Bank.

16. LOANS FROM FOREIGN INSTITUTIONS

Effective February 18, 2009, the Executive Board of the International Monetary Fund (IMF) approved SDR 4.7 million (about US$6.9 million) in financing under emergency assistance for natural disasters to support the nation's recovery from the economic after-effects of serious storm damage and flooding in 2008. Under the Financial Terms of IMF Credit, the loan is classified as emergency assistance with a basic rate of charge, no surcharge and 50 basis points service charge. The basic rate of charge fluctuates with the market rate for the SDR which is calculated on a monthly basis. Principal payments for the Facility start February 20, 2012 with final payment due on February 20, 2014. The loan was converted at rate SDR 2.950997 to the BZD on February 20, 2009. At December 31, 2010, the loan was revaluated at SDR 3.080060 (2009: SDR 3.13538) to the BZD.

17. IMF SDR ALLOCATIONS

A general and special allocation of Special Drawing Rights SDRs equivalent to approximately USD $284 billion became effective on August 28, 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 18,800,000 million.

Based on this quota, the Bank received allocations of SDR 13,936,624 and SDR 3,957,631 converted at SDR 3.127840 and 3.148260 to the BZD respectively. These SDRs can be converted to any liquid currency at anytime. At December 31, 2010, the allocations were revalued at SDR 3.080060 to BZD$1.00 (2009: SDR 3.13538) to the BZD.

18. COMMERCIAL BANKS' DISCOUNT FUND

Commercial Bank Discount Fund (Fund) is a facility which 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 US$5 million in loan funds up to June 30, 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.

The USAID loan has the following terms:

Interest rate is as 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. Final payment to USAID was made in 2009.

In October 2009, the Bank approved a new discount facility, amount of $1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	2010	2009
Interest paid to USAID	**$(2,311,316)**	$(2,311,316)
Interest received from institutions	**3,792,232**	3,778,234
Loan receivable from DFC	**(1,465,000)**	(488,000)
	$ 15,916	$ 978,918

19. REVALUATION ACCOUNT

The Revaluation Account has been set up in compliance with Section 50 of the Central Bank of Belize Act 1982, where all profits or losses are carried to a special account called Revaluation Account.

	2010	2009
Balance at beginning of year	**$3,675,536**	$4,015,306
Prior year exchange gains	**(1,531,285)**	(1,871,054)
Current year exchange gains	**(1,407,840)**	(1,531,284)
Loss from revaluation	**123,445**	339,770
Transfers in accordance with section 50 – current period	**-**	-
Balance at end of year	**$3,552,091**	$3,675,536

20. GENERAL RESERVE FUND

Section 9(1) of the 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 is paid into the Fund.

	2010	2009
Balance at beginning of year	**$18,136,032**	$17,432,196
Transfer from net profit	**111,116**	703,836
Balance at end of year	**$18,247,148**	$18,136,032

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2010	2009
Interest earned on overnight deposits	**$ 118,930**	$ 229,738
Interest earned on marketable securities	**1,272,516**	759,411
Interest earned on balances and deposits with foreign bankers	**2,191,994**	2,354,459
	$3,583,440	$3,343,608

22. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2010	2009
Wages and salaries	**$7,165,843**	$7,154,434
Social security costs	**133,965**	131,783
Pensions - defined benefit plans	**316,165**	293,718
Employee benefits expense	**$7,615,973**	$7,579,935

23. ADMINISTRATIVE AND GENERAL EXPENSES

	2010	2009
Advertising	**$ 30,061**	$ 30,384
Audit fees	**54,371**	45,540
Amortization	**57,815**	180,827
Bank charges	**27,698**	97,610
Bank publications	**28,171**	18,309
Books and publication	**29,051**	40,905
Building repairs and maintenance	**426,446**	389,716
Cash shipment	**4,349**	24,663
Computer software license	**103,662**	72,067
Conference	**-**	83,282
Directors' fees	**30,300**	30,600
Donations	**62,713**	40,113
Entertainment	**10,736**	9,056
Equipment maintenance	**26,784**	21,383
Security supplies	**9,000**	10,341
Freight charges	**11,888**	17,578
Hurricane preparedness	**8,133**	19,614
Insurance expense	**121,856**	120,950
Legal fees	**255,961**	39,308
Membership fees	**84,219**	83,300
Motor vehicle	**57,975**	43,126
Other miscellaneous expense	**342,534**	196,438
Overseas meeting and conferences	**206,192**	147,863
Professional services and technical support	**191,751**	226,079
Small equipment purchases	**15,627**	26,316
Supplies	**248,956**	250,870
Surveys	**26,580**	30,327
Travel (local)	**11,388**	11,473
Utilities expense	**851,056**	808,678
	$3,335,273	$3,116,716

24. POST EMPLOYMENT OBLIGATIONS

The Bank operates a defined benefit pension scheme which 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 final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit after retirement.

24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)

During the year under review, the Bank contributed $316,165 (2009 - $293,718) to the scheme.

An asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries a minimum of once every three years using the projected unit cost method. Actuarial gains and losses are recognised in full in the year in which they occur within other comprehensive income.

The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of long-term government bonds that are denominated in the currency in which the benefits will be paid, and which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives, where these amounts represent an excess over the 10% corridor.

The last actuarial valuation done at December 31, 2009 reported the present value of plan assets and past service liabilities to be $11,410,075 and $7,484,000 respectively.

Significant actuarial assumptions used in the valuation were:

I. A valuation rate of interest of 8% p.a.
II. Discount rate at the end of the year 8%.
III. A rate of escalation of pensionable salaries of 4% p.a.
IV. Pension will not increase in the course of payments.

The Board's adoption of IAS 19 and IFRIC 14: IAS 19, effective January 1, 2009, herein referred to as the transition date, resulted in the continued recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2009. The next actuarial valuation will be completed for December 2010.

24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)

Surplus to be recognized in the Statement of Financial Position:

	2009	2008
Present value of the obligation	**$ 5,544,000**	$ 4,712,000
Fair value of plan assets	**(11,410,075)**	(10,183,968)
Net surplus	**(5,866,075)**	(5,471,968)
Unrecognised actuarial gains	**5,173**	-
Unrecognized past service cost – non-vested benefits	**-**	-
Asset to be recognized in the Statement of Financial Position	**$ (5,860,902)**	$ (5,471,968)

Amounts to be recognized in the Statement of Comprehensive Income:

	2009	2008
Current service cost (Bank)	**$324,589**	$ -
Interest cost	**406,785**	-
Expected return on plan assets	**(826,871)**	-
Net actuarial (gain) loss recognised in year	-	-
Past service costs – non-vested benefits	-	-
Past service costs – vested benefits	-	-
Losses (gain) on curtailment/settlement	-	-
Total included in “staff costs”	**$ (95,497)**	$ -
Actual return on plan assets	**$922,264**	$ -

Movement in the net liability recognized in the Statement of Financial Position are as follows:

	2009	2008
Net liability at the start of the year	**$(5,471,968)**	$ -
Net expense recognised in the Statement of Comprehensive Income	**(95,497)**	-
Contributions paid by the Bank	**(293,437)**	-
Net asset at the end of the year	**$(5,860,902)**	$(5,471,968)

24. POST EMPLOYMENT OBLIGATIONS (CONTINUED)

Other post employment benefits:

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by an independent qualified actuary.

Liability to be recognized in the Statement of Financial Position:

	2009	2008
Present value of the obligation	**$1,940,000**	$1,777,000
Fair value of plan assets	**-**	-
Net surplus	**1,940,000**	1,777,000
Unrecognised actuarial gains	**117,707**	-
Unrecognized past service cost – non-vested benefits	**-**	-
Liability to be recognized in the Statement of Financial Position	**$2,057,707**	$1,777,000

Amounts to be recognized in the Statement of Comprehensive Income:

	2009	2008
Current service cost (Bank)	**$137,347**	$ -
Interest on obligation	**152,771**	-
Net actuarial (gain) loss recognised in year	-	-
Past service costs	-	-
Total included in “staff costs”	**$290,118**	$ -

Movement in the net liability recognized in the Statement of Financial Position are as follows:

	2009	2008
Net liability at the start of the year	**$1,777,000**	$ -
Net expense recognised in the Statement of Comprehensive Income	**290,118**	-
Contributions paid by the Bank	**(9,411)**	-
Net liability at the end of the year	**$2,057,707**	$ -

25. RELATED PARTY TRANSACTIONS

Transactions with Governmental Departments

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government of Belize and various government departments and entities. All transactions are carried out with reference to market criteria.

Transactions entered into include:

a. Acting as the fiscal agent, banker and financial advisor to the government; the Bank is the depository of the government, its agents and institutions, and provide banking services to government and government departments.

b. Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.

c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.

d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.

e. As the agent of the government, the Bank manages public debt and foreign reserves.

Transactions with related party during the period were as follows:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	BTB/STP	SSB Deposit Account	GOB Current Acct.
Opening Balances	$ (702)	$ (50,916)	$ (987)	$ (1,009)	$(479,816)	$ (243,572)	$ -	$(25,684,927)	$ 118,434,064
Deposits	(1,186,711)	(7,755,551)	(1,412,648)	(3,206,266)	(600,000)	(9,320,748)	(1,489,882)	(3,316,751)	(1,356,291,977)
Disbursements	1,187,099	2,852,987	1,060,000	3,206,266	891,912	9,307,320	790,635	28,528,537	1,270,903,556
Closing Balances	$ (314)	$(4,953,480)	$ (353,635)	$ (1,009)	$(187,904)	$ (257,000)	$ (699,247)	$ (473,141)	$ 33,045,643

Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2010 and 2009, the number of key management personnel was 17.

25. RELATED PARTY TRANSACTIONS (Continued)

Compensations of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	2010	2009
Short-term benefits	**$1,281,281**	$1,261,932
Post-employment benefits	**38,669**	43,364
Termination benefits	**13,200**	24,005
	$1,333,150	$1,329,301

Loans and advances to key management personnel

As at December 31, 2010 an amount of $402,370 (2009 - $401,129) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognized in respect of loans given to related parties.

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%.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms-length transaction. When a financial instrument is traded in an organized and liquid market that is able to absorb a significant transaction without moving the price against the trader, quoted market values represent fair value.

Financial assets and liabilities
All financial assets and liabilities are valued at either quoted market prices or prices derived from market yield curves, as described in the Bank's accounting policies, except as detailed below:

Currency in circulation
The fair value of currency in circulation is considered to be its face value as reported in the financial statements.

Deposits
The carrying amounts of deposits are considered to approximate their fair value as they are payable on demand.

The carrying amounts of cash and cash equivalents, and other short-term instruments and obligations at the statements of financial position date estimate fair value because of the relative short-term maturities of these assets and liabilities. Long-term obligations have been contracted at market terms and their carrying amounts approximate fair value to the extent it is practicable to estimate.

27. FINANCIAL RISK MANAGEMENT

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 Statements of Financial Position, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers.

In providing liquidity via the Bank's operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations.

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of December 31, 2010. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A
Depository and Money at Call, Overnight Deposits and Fixed Deposits by location

Balance & Money at Call	USA	Canada	Europe	Total
Depository Accounts & Money at Call	$ 1,241,926	$75,801	$ 6,977,776	**$ 8,295,503**
Overnight Deposits	31,180,000	-	-	**31,180,000**
Fixed Deposits	168,407,700	-	102,788,342	**271,196,042**
Total Exposure	**$200,829,626**	**$75,801**	**$109,766,118**	**$310,671,545**

Schedule B
Outline of other Local and Foreign Investments

Securities	Local		Foreign	
	GOB	CDB	Barbados	Dominica
Treasury Notes	$ 87,991,000	$ -	$ -	$ -
Treasury Bills	21,014,134	-	-	-
Bonds	10,000,000	20,000,000	12,100,000	-
Debentures	-	-	-	2,000,000
Total Exposure	**$119,005,134**	**$20,000,000**	**$12,100,000**	**$2,000,000**

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market and interest rate risk

The Bank is exposed to market risk, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Limited exposure may also be incurred due to changes in exchange rates and to shifts in general market conditions, such as the liquidity of asset markets. The Bank manages this minimal exposure to market risk by projecting all liabilities without the dependence of interest earned on its assets. Also, the Bank's exposure to market risk as a result of changes in exchange rates is mitigated by having minimum required deposits in foreign currencies other than United States dollar.

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

Foreign Assets	**Average rate of return**	**Average rate of return**
	2010	**2009**
Depository Accounts & Money at Call	0.9550%	1.544%
Overnight Deposits	0.0946%	0.113%
Term Deposits	0.7600%	1.602%
Bonds	5.6800%	5.150%
Debentures	3.5000%	3.500%

Currency risk

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. The Bank has some managed exposure as a result of a recent (2009) SDR ENDA facility and SDR Allocations (2009) obligations. Other external asset funds are kept at a minimum.

27. FINANCIAL RISK MANAGEMENT (Continued)

Currency risk (Continued)

The table below indicates the different fund allocations as of December 31, 2010:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	(226,974)	2.67420	(606,974)
Canadian Fund	(43,363)	2.00200	(86,813)
SDR Fund	(1,707,142)	3.08006	(5,258,099)
USD Fund	(175,574,257)	2.00000	(351,148,514)
Sterling Fund	(140,423)	3.10560	(436,098)
BZ$ Fund	356,128,658	1.00000	356,128,658
Current Year Revaluation Gains			**(1,407,840)**
Revaluation balance, January 1			**$ 3,675,536**
Prior Year Revaluation Gains			(1,531,285)
Current Year Revaluation Gains			(1,407,840)
Loss on revaluation			123,445
Revaluation balance, December 31			**$ 3,552,091**

Liquidity risk

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. With regards to all Belize dollar liabilities, this requirement is not entirely 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.

27. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

Maturities of liquid assets at December 31, 2010

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Depository Accounts & Money at Call	8,295,503	-	-	-	-	-
Fixed Deposits	40,012,333	20,452,500	20,080,250	190,650,959	-	-
Overnight Deposits	31,180,000	-	-	-	-	-
Treasury Bills	-	21,014,134	-	-	-	-
Treasury Notes	-	3,000,000	-	31,116,000	23,875,000	30,000,000
Bonds	-	-	-	-	34,100,000	8,000,000
Debentures	-	-	-	-	-	2,000,000
	79,487,836	**44,466,634**	**20,080,250**	**221,766,959**	**57,975,000**	**40,000,000**

Operational risk

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.

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