

# ***Central Bank of Belize***

***Financial Statements for the Years  
Ended December 31, 2019 and 2018  
and Independent Auditors' Report***

# CENTRAL BANK OF BELIZE

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of:  
Central Bank of Belize:

### Opinion

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of profit, statements of comprehensive income, statements of changes in capital and reserves and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2019 and 2018, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Central Bank of Belize in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to the Statements of Other Comprehensive Income and Note 18 to the financial statements, which show the effects of Section 50 of the Central Bank of Belize Act Revised Edition 2011 which requires the profits or losses from any revaluation of the Bank's net assets or foreign securities to be excluded from the computation of the annual profits and losses of the Bank. International Financial Reporting Standards requires any foreign exchange gains and losses on monetary assets and liabilities to be recognized in profit or loss contrary to Section 50 of the Central Bank of Belize Act. Considering the immaterial effects on the financial statements, our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

### h**lb**.bz

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identified during the audit.

A handwritten signature in blue ink that reads 'HLB Belize LLP'.

Chartered Accountants  
Belize City, Belize  
April 20, 2020

**CENTRAL BANK OF BELIZE****STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>APPROVED EXTERNAL ASSETS:</b>			
Bank balances and deposits with foreign bankers	2h, 2i, 3	\$ 18,862,319	\$ 19,086,062
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	72,999,604	73,200,648
Other foreign credit instruments	2h, 2k, 5	430,270,961	463,998,441
Accrued interest and cash-in-transit	2h, 2L, 6	5,199,732	6,269,035
Marketable securities issued or guaranteed by foreign governments and international financial	2h, 2m, 7	13,408,059	13,583,732
Total approved external assets		<u>540,740,675</u>	<u>576,137,918</u>
<b>BALANCES WITH LOCAL BANKERS AND CASH ON HAND</b>			
	2h, 2n	464,667	297,950
<b>GOVERNMENT OF BELIZE SECURITIES</b>	2h, 2o, 8	383,395,697	312,533,594
<b>CONSOLIDATED REVENUE FUND</b>	2h, 2p	53,249,362	47,776,492
<b>OTHER ASSETS</b>	2h, 2q, 9	90,756,988	19,918,218
<b>EQUITY INSTRUMENTS</b>	2h, 2r, 10	20,000,000	20,000,000
<b>PROPERTY AND EQUIPMENT - NET</b>	2s, 11	29,397,674	30,124,528
<b>INTANGIBLE ASSETS - NET</b>	2t, 12	3,568,718	3,711,754
<b>TOTAL ASSETS</b>		<u>\$1,121,573,781</u>	<u>\$1,010,500,454</u>

Continued on page 4

The notes on pages 10 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

<u>LIABILITIES, CAPITAL AND RESERVES</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>DEMAND LIABILITIES:</b>			
Notes and coins in circulation		\$ 432,574,291	\$ 397,336,526
Deposits by licensed financial institutions	2h, 2u	422,202,858	399,224,059
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u	80,681,569	88,934,100
Deposits by international agencies	2h, 2u, 13	1,427,484	2,270,516
Total demand liabilities		<u>936,886,202</u>	<u>887,765,201</u>
<b>BALANCES DUE TO CARICOM CENTRAL BANKS</b>			
	2h	61,551	315,238
OTHER LIABILITIES	2h, 14	87,362,987	25,165,525
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	877,855	877,855
IMF SDR ALLOCATIONS	2h, 15	49,553,375	49,863,432
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	1,410,484	1,248,117
<b>TOTAL LIABILITIES</b>		<u>1,076,152,454</u>	<u>965,235,368</u>
<b>CAPITAL ACCOUNT:</b>			
Paid - up capital			
(Authorized capital \$20,000,000)	2x, 17	20,000,000	20,000,000
REVALUATION ACCOUNT	2y, 18	1,609,625	1,777,435
ASSET REVALUATION RESERVE	19	165,083	164,531
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	(37,327)	(37,327)
GENERAL RESERVE FUND	2z, 20	23,683,946	23,360,447
<b>TOTAL LIABILITIES, CAPITAL AND RESERVES</b>		<u>\$1,121,573,781</u>	<u>\$1,010,500,454</u>

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on March 25, 2020 and are signed on its behalf by:

  
CHAIRMAN

  
GOVERNOR

  
SENIOR MANAGER  
CORPORATE SERVICES

The notes on pages 10 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF PROFIT

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

<u>CONTINUING OPERATIONS</u>	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>INTEREST INCOME:</b>	2aa		
Approved external assets	21	\$ 11,902,189	\$ 10,838,440
Advances to Government of Belize		5,416,673	3,872,315
Local securities		10,342,088	9,559,641
		<u>27,660,950</u>	<u>24,270,396</u>
<b>Other income:</b>			
Discount on local securities		711,631	861,814
Dividends on equity instruments	10	820,000	820,000
Commissions and other income	22	3,131,636	2,378,347
Gain on disposal of securities		-	5,096
<b>Total income</b>		<u>32,324,217</u>	<u>28,335,653</u>
LESS: Interest expense		(538,708)	(509,956)
<b>Total income</b>		<u>31,785,509</u>	<u>27,825,697</u>
<b>EXPENDITURE:</b>			
Printing of notes and minting of coins	23	(1,981,173)	(1,952,622)
Salaries and wages, including superannuation contribution and gratuities	2w, 24	(14,141,899)	(12,407,188)
Depreciation and amortization expenses	2s,2t, 11, 12	(2,094,601)	(1,990,306)
Administrative and general expenses	2y, 25	(10,332,850)	(6,711,869)
<b>Total expenditure</b>		<u>(28,550,523)</u>	<u>(23,061,985)</u>
<b>PROFIT FOR THE YEAR</b>		<u>\$ 3,234,986</u>	<u>\$ 4,763,712</u>
<b>Transfers:</b>			
General Reserve Fund	2z,2p, 20	323,499	476,371
Capital Account	2z	-	-
Consolidated Revenue Fund	2z	2,911,487	4,287,341
		<u>\$ 3,234,986</u>	<u>\$ 4,763,712</u>

The notes on pages 10 to 45 are an integral part of these financial statements.

**CENTRAL BANK OF BELIZE****STATEMENTS OF OTHER COMPREHENSIVE INCOME  
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

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	<u>Notes</u>	<u>2019</u>	<u>2018</u>
<b>PROFIT FOR THE YEAR</b>		<b>\$ 3,234,986</b>	<b>\$ 4,763,712</b>
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss appraisal of artwork		<b>552</b>	-
Items that will be reclassified subsequently to profit or loss revaluation of financial assets	18	<b>(167,810)</b>	(609,593)
<b>OTHER COMPREHENSIVE LOSS FOR THE YEAR</b>		<u><b>(167,258)</b></u>	<u>(609,593)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>\$ 3,067,728</b></u>	<u><b>\$ 4,154,119</b></u>

The notes on pages 10 to 45 are an integral part of these financial statements.



CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN CAPITAL AND RESERVES  
YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	Capital Account	Revaluation Account	Asset revaluation reserve	Post- employment obligation reserve	General Reserve	Total
<b>January 1, 2018</b>	\$ 20,000,000	\$ 2,387,028	\$ 164,531	\$ (37,327)	\$ 23,005,362	\$ 45,519,594
<b>Adjustment from adoption of IFRS 9 Comprehensive Income:</b>	-	-	-	-	(121,286)	(121,286)
Profit for the year	-	-	-	-	4,763,712	4,763,712
Other comprehensive loss	-	(609,593)	-	-	-	(609,593)
<b>Total comprehensive income</b>	-	(609,593)	-	-	4,763,712	4,154,119
<b>Transactions with owners of the Bank recognized directly in equity:</b>						
Transfer to Capital Account	-	-	-	-	-	-
Transfer to Consolidated Revenue Fund	-	-	-	-	(4,287,341)	(4,287,341)
<b>Transactions with owner of the Bank December 31, 2018</b>	<b>\$ 20,000,000</b>	<b>\$ 1,777,435</b>	<b>\$ 164,531</b>	<b>\$ (37,327)</b>	<b>\$ 23,360,447</b>	<b>\$ 45,265,086</b>
<b>January 1, 2019</b>	\$ 20,000,000	\$ 1,777,435	\$ 164,531	\$ (37,327)	\$ 23,360,447	\$ 45,265,086
<b>Comprehensive Income:</b>						
Profit for the year	-	-	-	-	3,234,986	3,234,986
Other comprehensive loss	-	(167,810)	552	-	-	(167,258)
<b>Total comprehensive income</b>	-	(167,810)	552	-	3,234,986	3,067,728
<b>Transactions with owners of the Bank recognized directly in equity:</b>						
Transfer to Capital Account	-	-	-	-	-	-
Transfer to Consolidated Revenue Fund	-	-	-	-	(2,911,487)	(2,911,487)
<b>Transactions with owner of the Bank December 31, 2019</b>	<b>\$ 20,000,000</b>	<b>\$ 1,609,625</b>	<b>\$ 165,083</b>	<b>\$ (37,327)</b>	<b>\$ 23,683,946</b>	<b>\$ 45,421,327</b>

The notes on pages 10 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit for the year	\$ 3,234,986	\$ 4,763,712
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization and impairment of intangible assets	588,029	555,327
- Depreciation of property and equipment	1,506,572	1,434,979
- Loss on disposal of equipment	1,896	222
Cash provided by operating activities before operating assets and liabilities	<u>5,331,483</u>	6,754,240
Changes in:		
Consolidated revenue fund	(5,472,870)	(6,752,335)
Government of Belize securities	(8,893,000)	25,296,000
Securities	175,673	580,696
Reserve tranche in the International Monetary Fund	98,667	412,947
Other assets	(70,838,218)	(1,545,866)
Other liabilities	62,197,462	10,781,012
Revaluation account	(167,810)	(609,593)
Net cash (used in) provided by operating activities	<u>(17,568,613)</u>	<u>34,917,101</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of intangible assets	(444,993)	(153,374)
Acquisition of property and equipment	(781,614)	(1,479,563)
Proceeds from sale of assets	-	4,154
Net cash used in investing activities	<u>(1,226,607)</u>	<u>(1,628,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Balances due to Caricom Central Banks	(253,687)	(246,291)
Commercial Bank Discount Fund	162,367	162,367
Deposits by and balances due to Government and Public sector entities in Belize	(11,164,018)	5,267,005
Deposits by international agencies	(843,032)	1,060,222
Deposits by licensed financial institutions	22,978,799	(89,933,579)
IMF SDR allocations	(310,057)	(1,164,967)
Notes and coins in circulation	35,237,765	13,943,988
Net cash provided by (used in) financing activities	<u>\$ 45,808,137</u>	<u>\$ (70,911,255)</u>

Continued on page 9

The notes on pages 10 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## STATEMENTS OF CASH FLOWS

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

	<u>2019</u>	<u>2018</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 716,655,493	\$ 754,278,430
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>27,012,917</u>	<u>(37,622,937)</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 743,668,410</u></u>	<u><u>\$ 716,655,493</u></u>
<b>CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:</b>		
<b>EXTERNAL ASSETS:</b>		
Balances and deposits with foreign bankers	\$ 18,862,319	\$ 19,086,062
Other foreign credit instruments	430,270,961	463,998,441
Accrued interest	5,013,652	5,883,657
Cash-in-transit	186,080	385,378
Balance with the International Monetary Fund	<u>55,873,034</u>	<u>55,975,411</u>
	<u><u>510,206,046</u></u>	<u><u>545,328,949</u></u>
<b>LOCAL ASSETS:</b>		
Cash and bank balances	464,667	297,950
Current portion of Government of Belize securities	<u>232,997,697</u>	<u>171,028,594</u>
	<u><u>233,462,364</u></u>	<u><u>171,326,544</u></u>
	<u><u>\$ 743,668,410</u></u>	<u><u>\$ 716,655,493</u></u>

The notes on pages 10 to 45 are an integral part of these financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act (the Act), Chapter 262 of the Substantive Laws of Belize in 1982. Legislation covering its operations includes the Central Bank of Belize Act and its related amendments, the Domestic Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circulars and Guidance Notes, the Exchange Control Act and the National Payment Systems 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. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance –

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB) and the financial reporting provisions of the Central Bank of Belize Act. These and any amendments thereto have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.

##### b. Basis of preparation –

The financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of properties, investments, and derivatives. Monetary amounts are expressed in Belize Dollars (BZD).

##### c. Functional and presentation currency –

The financial statements are presented in Belize dollars, which is the Bank's functional currency.

##### d. Foreign currency transactions and translations –

Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the Statement of Other Comprehensive Income.

Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates when fair value was determined.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- e) Foreign investment policy – Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation. As at December 31 2019, the value of total assets was \$1,121,573,781(2018: \$1,010,500,454) while the value of notes and coins in circulation was \$432,574,291 (2018: \$397,336,526).

Section 25(2) of the Act requires that the Bank maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sights and time deposits. At December 31, 2019 and 2018 total approved external assets approximated 58.0 percent and 65.0 percent of such liabilities respectively.

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

- Gold in any form and at such a valuation as may be determined by the Bank,
- Foreign exchange in the form of demand or time deposits with foreign central banks, agents and correspondents, documents and instruments customarily used for making payments or transfers in international transactions,
- Notes and coins
- Securities of, or guaranteed by foreign governments or international financial institutions.
- Belize's drawing facility equivalent to its reserve position in the International Monetary Fund
- Belize's holdings of special drawing rights in the International Monetary Fund.

- f) Significant accounting judgments and estimates – The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

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

Defined benefit obligation (DBO)

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### f. Significant accounting judgments and estimates (continued)

##### Useful lives of depreciable assets

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

##### Fair value measurement

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

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

The following standards, amendments and interpretations are now effective and have been adopted.

#### **Prepayment Features with Negative Compensation (Amendments to IFRS 9)**

Effective for annual periods beginning on or after 1 January 2019

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The amendment was adopted, but has no current impact on the financial statements.

#### **Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)**

Effective for annual periods beginning on or after 1 January 2019

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The annual improvement was adopted, but has no current impact on the financial statements.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

##### **Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)**

Effective for annual periods beginning on or after 1 January 2019

The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The amendment was adopted, but has no current impact on the financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the financial statements are disclosed below:

##### **Definition of Material (Amendments to IAS 1 and IAS 8)**

Effective for annual reporting periods beginning on or after 1 January 2020

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

##### **Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)**

Effective for annual reporting periods beginning on or after 1 January 2022

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

#### h. Financial instruments –

Recognition and derecognition:

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h. Financial instruments (continued)

Classification and initial measurement of financial assets:

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

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

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

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

#### Subsequent measurement of financial assets:

Financial assets at amortised cost

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

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

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

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

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



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h. Financial instruments (continued)

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

#### Impairment of financial assets:

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

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

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

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

The Bank utilizes an expected credit loss model following the Probability of Default approach where  $ECL = EAD \times LGD \times PD$ . See also notes 5, 7,9 and 29.

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

#### Classification and measurement of financial liabilities

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### h. Financial instruments (continued)

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

#### Adoption of IFRS 9:

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

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Bank's financial assets. The Bank's financial assets are held to collect the associated cash flows. The bonds and securities previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9.
- Investments in unquoted equity instruments previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Bank did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income.
- The impairment of financial assets applying the expected credit loss model. This affects the financial assets measured at amortised cost. For regular receivables, the Bank applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- i. Bank balances and deposits with foreign bankers – Comprises of cash at overseas correspondent banks and demand deposits including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.
- j. Reserve Tranche and balances with the International Monetary Fund (IMF) – The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

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

- k. Other foreign credit instruments – Comprises of short-term financial assets including fixed deposits and overnight deposits held at overseas financial institutions with maturities of a year or less. The Bank's intention is to hold these until maturity. Other foreign credit instruments are measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, by reference to external credit ratings, the instrument is then measured at the present value of its estimated future cash flows.
- l. Accrued interest and cash in transit – Comprises of interest earned but not yet received on other foreign credit instruments and marketable securities issued or guaranteed by foreign governments and international financial institutions along with and cash on hand held for shipment and in transit.
- m. Marketable securities issued or guaranteed by foreign governments and international financial institutions – Comprises of short term financial assets including bonds and debentures with maturities beyond a year.
- n. Balances with local bankers and cash on hand – Comprises of cash on hand and deposits held at local financial institutions that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.
- o. Government of Belize securities – Comprises of locally held financial assets including treasury bills and treasury notes issued and guaranteed by the Government of Belize.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Government of Belize securities (continued)

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31 the Bank's aggregate holding of these Government of Belize Securities approximated 8.78 times (2018: 7.21), respectively, the amount of paid up capital and general reserves of the Bank.

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

q. Other assets –

Loans and other receivables

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

Inventory of notes and coins

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

Supplies

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

Collectible coins inventory

Collectible coins, which are minted or packaged as collector items, are legal tender. However, no liability is recorded in respect of these coins since they are not expected to be placed in circulation as currency. Minting cost is charged against income in the year incurred. Income is recognized when sales are made. As of January 1, 2011, new purchases of special coins are held as inventory and are charged against income when they are sold.

r. Equity instruments – Equity instruments are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### s. Property & equipment

##### Land

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

##### Property (Buildings), Equipment, Vehicles

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

Property	1% – 5%
Furniture	10%
Equipment	10% – 25%
Motor vehicles	20%

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

#### t. Intangible assets –

##### Application software and licenses

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### t. Intangible assets (Continued) –

Initial recognition of other intangible assets

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

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

Subsequent measurement

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

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

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

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

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

- ##### v. Defined benefit plan -

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### v. Defined benefit plan (Continued)

The liability recognised in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO every 3 years with the assistance of independent actuaries. This is based on standard rates of inflation, salary growth rate and mortality.

##### w. Short term employee benefits –

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

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

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

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

##### x. Capital account – The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to increase the authorized capital of the Bank to \$20,000,000 and that the increase shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. As at December 31, 2019, the paid up capital of the Bank is \$20,000,000.

##### y. Revaluation account – Section 50 of the Act permits the Bank to exclude profits or losses from any revaluation of the Bank's net assets or liabilities from the computation of the annual profits and losses of the Bank. All such profits or losses are carried in a special account called the Revaluation Account.

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### **YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

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

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

As at December 31, 2019, the Bank's General Reserve Fund was at \$23,683,945 which exceeded the paid up capital of \$20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

- aa. Interest income and expense –

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

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

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

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



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 3. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS

	<u>2019</u>	<u>2018</u>
Balances with other central banks and foreign banks	\$ 18,615,881	\$ 18,635,604
Foreign currency notes	246,438	450,458
	<u>\$ 18,862,319</u>	<u>\$ 19,086,062</u>

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

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

	<u>2019</u>	<u>2018</u>
SDR Holdings	\$ 55,873,034	\$ 55,975,411
Reserve Tranche	17,126,570	17,225,237
	<u>\$ 72,999,604</u>	<u>\$ 73,200,648</u>

SDRs are converted at an exchange rate of BZ\$2.76565 to SDR 1.0 at 31 December 2019 (2018: BZ\$2.78158 to SDR 1.0).

#### 5. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2019</u>	<u>2018</u>
Fixed deposits	\$ 339,910,953	\$ 393,263,401
Overnight deposits	90,408,135	70,782,846
Expected credit losses	(48,127)	(47,806)
	<u>\$ 430,270,961</u>	<u>\$ 463,998,441</u>

#### 6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	<u>2019</u>	<u>2018</u>
Accrued interest	\$ 5,013,652	\$ 5,883,657
Cash-in-transit	186,080	385,378
	<u>\$ 5,199,732</u>	<u>\$ 6,269,035</u>

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

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

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

	<u>2019</u>	<u>2018</u>
Debentures	\$ 2,000,000	\$ 2,000,000
Bonds	11,409,510	11,714,286
Expected credit losses	(1,451)	(130,554)
	<u>\$ 13,408,059</u>	<u>\$ 13,583,732</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 8. GOVERNMENT OF BELIZE SECURITIES

	<u>2019</u>	<u>2018</u>
Treasury Bills	\$ 56,506,697	\$ 51,069,594
Treasury Notes	326,889,000	261,464,000
	<u>\$ 383,395,697</u>	<u>\$ 312,533,594</u>

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

	<u>2019</u>	<u>2018</u>
Due within 1 year	\$ 232,997,697	\$ 171,028,594
Due within 2 years through 5 years	106,850,000	97,772,000
Due beyond 6 years	43,548,000	43,733,000
	<u>\$ 383,395,697</u>	<u>\$ 312,533,594</u>

#### 9. OTHER ASSETS

	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ 345,643	\$ 192,778
Staff loans receivable	4,402,242	4,367,112
	<u>4,747,885</u>	<u>4,559,890</u>
Less expected credit losses:		
	<u>(3,941)</u>	<u>(16,650)</u>
	<u>4,743,944</u>	<u>4,543,240</u>
Accrued interest on local securities	4,080,187	3,832,813
Dividends receivable	820,000	820,000
Inventory of circulation notes and coins	4,523,406	6,471,310
Other	69,539,210	527,010
Prepayments	5,963,372	2,626,875
Collectible coins inventory	1,086,869	1,096,970
	<u>\$ 90,756,988</u>	<u>\$ 19,918,218</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 9. OTHER ASSETS (Continued)

Expected credit losses:	<u>2019</u>	<u>2018</u>
Beginning balance, January 1	\$ 16,650	\$ 16,102
Additional impairment and amortization	(1,200)	5,141
Write-offs	<u>(11,509)</u>	<u>(4,593)</u>
Ending balance, December 31	<u>\$ 3,941</u>	<u>\$ 16,650</u>

#### 10. EQUITY INSTRUMENTS

The equity instruments represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a par value of \$5.00 per share totaling \$20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each at par value of \$1.00 per share have been received by the Bank. The Bank is committed not to dispose of the shares for at least four years after the date of purchase under a "Share Purchase" agreement. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares. These instruments are secured by the Government of Belize with no valuation exposure to the Bank. As at December 31, 2019, the Bank has not decided on any disposition of shares. Belize Telemedia Limited declared dividends of \$0.205 (2018 - \$0.205) per share to share holders on record on November 21, 2019.

# CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

## 11. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Motor Vehicle	Work in Progress	Total
Brought forward, January 1, 2019	\$31,610,078	\$ 1,837,102	\$ 11,311,832	\$ 672,698	\$ 152,555	\$45,584,265
Additions	-	95,101	603,446	6,862	76,205	781,614
Disposals	-	(21,476)	(218,786)	-	-	(240,262)
Transfer	(4,799)	-	79,217	78,137	(152,555)	-
Carried forward, December 31, 2019	<b>31,605,279</b>	<b>1,910,727</b>	<b>11,775,709</b>	<b>757,697</b>	<b>76,205</b>	<b>46,125,617</b>
<b>Accumulated Depreciation</b>						
Brought forward, January 1, 2019	5,634,951	1,368,298	8,087,486	369,002	-	15,459,737
Additions	618,620	72,605	707,929	107,418	-	1,506,572
Disposals	-	(20,521)	(217,845)	-	-	(238,366)
Carried forward, December 31, 2019	<b>6,253,571</b>	<b>1,420,382</b>	<b>8,577,570</b>	<b>476,420</b>	<b>-</b>	<b>16,727,943</b>
<b>Net Book Value</b>						
<b>December 31, 2019</b>	<b>\$25,351,708</b>	<b>\$ 490,345</b>	<b>\$ 3,198,139</b>	<b>\$ 281,277</b>	<b>\$ 76,205</b>	<b>\$29,397,674</b>

Cost	Property	Furniture	Equipment	Motor Vehicle	Work in Progress	Total
Brought forward, January 1, 2018	\$31,072,609	\$1,637,542	\$11,201,190	\$669,712	\$118,500	\$44,699,553
Additions	537,469	227,074	486,979	75,486	152,555	1,479,563
Disposals	-	(36,880)	(485,471)	(72,500)	-	(594,851)
Transfer	-	9,366	109,134	-	(118,500)	-
Carried forward, December 31, 2018	<b>31,610,078</b>	<b>1,837,102</b>	<b>11,311,832</b>	<b>672,698</b>	<b>152,555</b>	<b>45,584,265</b>
<b>Accumulated Depreciation</b>						
Brought forward, January 1, 2018	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
Additions	278,050	62,636	1,015,005	79,288	-	1,434,979
Disposals	-	(36,767)	(481,208)	(72,500)	-	(590,475)
Carried forward, December 31, 2018	<b>5,634,951</b>	<b>1,368,298</b>	<b>8,087,486</b>	<b>369,002</b>	<b>-</b>	<b>15,459,737</b>
<b>Net Book Value</b>						
<b>December 31, 2018</b>	<b>\$25,975,127</b>	<b>\$ 468,804</b>	<b>\$ 3,224,346</b>	<b>\$ 303,696</b>	<b>\$ 152,555</b>	<b>\$30,124,528</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 12. INTANGIBLE ASSETS

Cost	Application Software and Licenses	Work in Progress	Total
January 1, 2019	\$ 5,813,784	\$ 71,465	\$ 5,885,249
Additions	174,903	270,090	444,993
Transfer	71,465	(71,465)	-
December 31, 2019	6,060,152	270,090	6,330,242
<b>Accumulated Depreciation</b>			
January 1, 2019	2,173,495	-	2,173,495
Amortization	588,029	-	588,029
December 31, 2019	2,761,524	-	2,761,524
<b>Net Book Value</b>			
December 31, 2019	<b>\$ 3,298,628</b>	<b>\$ 270,090</b>	<b>\$ 3,568,718</b>

Cost	Application Software and Licenses	Work in Progress	Total
January 1, 2018	\$ 5,702,869	\$ 29,006	\$ 5,731,875
Additions	81,909	71,465	153,374
Transfer	29,006	(29,006)	-
December 31, 2018	5,813,784	71,465	5,885,249
<b>Accumulated Depreciation</b>			
January 1, 2018	1,618,168	-	1,618,168
Amortization	555,327	-	555,327
December 31, 2018	2,173,495	-	2,173,495
<b>Net Book Value</b>			
December 31, 2018	<b>\$ 3,640,289</b>	<b>\$ 71,465</b>	<b>\$ 3,711,754</b>

#### 13. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2019	2018
Caribbean Development Bank	\$ 738,243	\$ 1,155,338
International Monetary Fund	187,185	188,263
Inter-American Development Bank	472,316	897,175
Int'l Bank for Reconstruction & Development	29,740	29,740
	<b>\$ 1,427,484</b>	<b>\$ 2,270,516</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 14. OTHER LIABILITIES

	<u>2019</u>	<u>2018</u>
Abandoned property	\$ 9,392,987	\$ 8,151,779
Accounts payable	558,604	1,294,445
Belize City Municipal Bonds – Sinking Fund	231,183	1,011,820
Bond discount	23,133	34,099
Corozal Freezone Municipal Bonds – Sinking Fund	176,470	178,933
Deferred income	496,516	635,976
Deposit Insurance- Contribution	1,000,000	-
License international offshore financial institutions*	71,522,257	10,742,942
Other staff costs payable	577,689	79,416
Severance and gratuities	3,338,059	2,990,026
Unclaimed balances of Belize Unit Trust	46,089	46,089
	<u>\$ 87,362,987</u>	<u>\$ 25,165,525</u>

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

#### 15. IMF SDR ALLOCATIONS

	<u>2019</u>	<u>2018</u>
A general allocation of Special Drawing Rights (SDRs) equivalent to approximately US\$250 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 26,700,000 million. Based on this quota, the Bank received allocations of SDR 17,894,255. SDRs are converted at an exchange rate of BZ\$2.76565 to SDR 1.0 at December 31, 2019 (2018: BZ\$2.78158 to SDR 1.0 ).	\$ 49,489,264	\$ 49,774,373
Interest payable on the facility	64,111	89,059
	<u>\$ 49,553,375</u>	<u>\$ 49,863,432</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 16. 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 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. In 1993, USAID and the Bank agreed that BZ\$2 million and BZ\$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize (the Foundation) and Development Finance Corporation (DFC), respectively.

The USAID loan has the following terms:

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

In October 2009, the Bank approved a new 10 year discount facility, amount of BZ\$1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	<u>2019</u>	<u>2018</u>
Loans receivable from institution	\$ (238,759)	\$ (394,018)
Interest paid to USAID	(2,311,316)	(2,311,316)
Interest received from institution	<u>3,960,559</u>	<u>3,953,451</u>
	<u>\$ 1,410,484</u>	<u>\$ 1,248,117</u>

#### 17. CAPITAL ACCOUNT

	<u>2019</u>	<u>2018</u>
<b>Authorized and paid up capital:</b>		
Authorized and paid up capital as as at December 31,	<u>\$ 20,000,000</u>	<u>\$ 20,000,000</u>

#### 18. REVALUATION ACCOUNT

	<u>2019</u>	<u>2018</u>
Balance beginning of year	\$ 1,777,435	\$ 2,387,028
Gain from revaluations during the year	<u>(167,810)</u>	<u>(609,593)</u>
Balance at end of year	<u>\$ 1,609,625</u>	<u>\$ 1,777,435</u>

See also note 29.

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 19. ASSET REVALUATION RESERVE

Historical and contemporary pictures and painting were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated November 9, 2009. In 2019, the value was adjusted to include additional artwork.

#### 20. GENERAL RESERVE FUND

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 23,360,447	\$ 23,005,362
Adjustment from adoption of IFRS 9	-	(121,286)
Transfer from net profit	323,499	476,371
Balance at end of year	<u>\$ 23,683,946</u>	<u>\$ 23,360,447</u>

#### 21. INTEREST ON APPROVED EXTERNAL ASSETS

	<u>2019</u>	<u>2018</u>
Interest earned on Overnight Deposits - USD	\$ 1,258,459	\$ 1,787,047
Interest earned on marketable securities	243,466	262,027
Interest earned on balances and deposits with foreign bankers	10,400,266	8,789,366
	<u>\$ 11,902,191</u>	<u>\$ 10,838,440</u>

#### 22. COMMISSIONS AND OTHER INCOME

	<u>2019</u>	<u>2018</u>
Commissions	\$ 1,073,571	\$ 1,021,207
Collectible coins sales	2,523	7,668
Interest on loans	197,352	194,893
License and examination fees	928,563	964,205
Cash shipment and other miscellaneous income	864,882	181,845
Gain (loss) on disposal of assets	1,117	(222)
Gains on financial instruments valuation	63,629	8,751
	<u>\$ 3,131,637</u>	<u>\$ 2,378,347</u>

#### 23. PRINTING OF NOTES AND MINTING OF COINS

	<u>2019</u>	<u>2018</u>
Currency notes	\$ 980,030	\$ 1,073,122
Circulation coins	969,129	843,589
Currency publicity campaign	32,014	35,911
	<u>\$ 1,981,173</u>	<u>\$ 1,952,622</u>



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

#### 24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	<u>2019</u>	<u>2018</u>
Pension contributions	\$ 540,710	\$ 494,699
Salaries and wages	9,360,230	8,146,782
Social security costs	204,440	165,867
Employee benefits expense	4,036,519	3,599,840
	<u>\$ 14,141,899</u>	<u>\$ 12,407,188</u>

#### 25. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2019</u>	<u>2018</u>
Advertising	\$ 134,476	\$ 84,460
Audit fees	68,235	73,457
Bank charges	78,780	56,319
Bank publications	11,990	30,855
Books and publication	21,150	55,524
Building repairs and maintenance	530,210	396,257
Cash shipment	27,915	4,145
Computer software license	962,116	745,307
Conference	77,611	-
Contribution (deposit insurance)	1,000,000	-
Credit losses on financial instruments	226,095	70,966
Directors' fees	130,576	120,198
Donations	61,025	25,168
Entertainment	18,851	27,901
Equipment maintenance	46,565	112,653
Firearm license and ammunition	17,455	15,903
Freight charges	53,715	44,203
Hurricane preparedness	17,571	17,888
Insurance expense	106,720	97,946
Legal fees	1,963,897	411,799
Membership fees	174,836	187,072
Motor vehicle	94,674	74,183
Other miscellaneous expense	288,247	261,340
Overseas meeting and conferences	359,693	492,554
Professional services and technical support	2,119,268	1,989,927
Small equipment purchases	15,126	22,700
Subscriptions	69,406	45,000
Supplies	510,843	386,084
Surveys	15,590	-
Travel (local)	52,503	65,925
Utilities expense	1,077,711	796,135
	<u>\$ 10,332,850</u>	<u>\$ 6,711,869</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 26. DEFINED BENEFIT PLAN NET OBLIGATION

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 postretirement medical benefit. During the year under review, the Bank contributed \$540,710 (2018: \$494,699) to the scheme.

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

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

#### **Reconciliation of actuarial losses as at December 31, 2014:**

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

#### **Presentation of Actuarial losses as at December 31, 2014:**

Amounts to recognize in Statement of Financial Position:	
Non current pension liability as at December 31, 2014	(1,428,354)
Amounts to recognize in Statement of of Other Comprehensive Income:	
Remeasurement losses	(4,769,528)

#### **Reconciliation of actuarial losses as at December 31, 2016:**

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

---

#### 26. DEFINED BENEFIT PLAN NET OBLIGATION (Continued)

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

#### **Net change in non current pension liability for year ended December 31, 2016**

**\$ 877,855**

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

Revaluation of the pension plan is done on a 3 year rotation. An IAS 19 evaluation was done during 2019 for the 2018 fiscal year which shows a defined benefit plan net obligation of the plan of \$173,707. Full revaluation of the plan will be done in 2020 fiscal

#### **Reconciliation of pension reserve:**

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

#### **Post-retirement Medical Benefit:**

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. The last actuarial valuation of this benefit was recognized as at December 31, 2012 which resulted in actuarial gains of \$117,707 and reduced the obligations as at that date as follows:

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

### YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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#### 26. DEFINED BENEFIT PLAN NET OBLIGATION (Continued)

Liability to be recognized in the Statement of Financial Position:	<u>2012</u>
Present value of the obligation	\$ 1,940,000
Fair value of the plan assets	-
Net obligation	<u>1,940,000</u>
Actuarial gains	<u>(117,707)</u>
Liability recognized in the statement of financial position for the pension	<u>\$ 1,822,293</u>

#### 27. RELATED PARTY TRANSACTIONS

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

##### Transactions with key management personnel:

Transactions with key management personnel includes short-term benefits, post employment benefits and termination benefits. The following is an analysis of these amounts:

	<u>2019</u>	<u>2018</u>
Short-term benefits	\$ 2,146,436	\$ 2,269,194
Post-employment benefits	65,288	62,433
Termination benefits	169,833	168,026
	<u>\$ 2,381,557</u>	<u>\$ 2,499,653</u>

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at December 31 an amount of \$343,882 (2018: \$540,335) was receivable from key management personnel as approved advances made by the Bank. No impairment has 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%.

##### Transactions with Government of Belize:

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

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 27. RELATED PARTY TRANSACTIONS (Continued)

	Opening Balance	Disbursements	Deposits	Closing Balance
Social Security Board	\$ (18,623)	\$ -	\$ (70,554)	\$ (89,177)
Development Finance Corporation	(9,306)	8,013,119	(8,994,230)	\$ (990,417)
DFC Mortgage Securitization Proceeds	(447)	-	-	\$ (447)
Financial Intelligence Unit	(209,504)	1,899,457	(2,066,000)	\$ (376,047)
Belize Tourism Board	(138,089)	5,018,991	(6,678,458)	\$ (1,797,556)
Belize Electricity Ltd.	(24,925)	1,652,851	(1,652,851)	\$ (24,925)
Belize City Council Sinking Fund Accounts	(1,011,819)	5,780,809	(5,000,172)	\$ (231,182)
International Financial Services Commission	(6,565,636)	2,908,274	-	\$ (3,657,362)
Consolidated Revenue Fund	47,776,492	605,708,612	(600,235,748)	\$ 53,249,356
	<u>\$ 39,798,143</u>	<u>\$ 630,982,113</u>	<u>\$ (624,698,013)</u>	<u>\$ 46,082,243</u>

#### Transactions with the Central Bank of Belize Pension Scheme:

The Bank accumulates the pension contributions for the Scheme's members and remits it to the Scheme on a monthly basis along with its own contributions. In addition, the Bank acts as an intermediary for payments of benefits to the Scheme's members and payment of professional fees. The Scheme periodically reimburses the Bank for such expenses. A summary of the transactions with the Bank for the year ended December 31, 2019 is included below:

December 31, 2019:	January 1, 2019	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2019
<b>Contributions to the scheme</b>	<u>\$ -</u>	<u>\$ 540,708</u>	<u>\$ (540,708)</u>	<u>\$ -</u>

# CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)**

## 28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

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

<b>At December 31, 2019</b>	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers (undiscounted)	\$ -	\$ 18,862,319	\$ -	\$ 18,862,319
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	72,999,604	72,999,604
Other foreign credit instruments (undiscounted)	-	430,270,961	-	430,270,961
Accrued interest and cash transit (undiscounted)	-	5,199,732	-	5,199,732
Marketable securities issued or guaranteed by foreign government and international institutions	-	13,408,059	-	13,408,059
Balances with local bankers and cash on hand (undiscounted)	-	464,667	-	464,667
Government of Belize securities	-	383,395,697	-	383,395,697
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	53,249,362	-	53,249,362
Other assets (undiscounted)	-	9,648,072	-	9,648,072
<b>Total financial assets</b>	<b>\$ 20,000,000</b>	<b>\$ 914,498,869</b>	<b>\$ 72,999,604</b>	<b>\$ 1,007,498,473</b>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

<b>At December 31, 2019</b>	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<b>Liabilities:</b>			
Notes and coins in circulation (undiscounted)	\$ 432,574,291	\$ -	\$ 432,574,291
Deposits by licensed financial institutions (undiscounted)	422,202,858	-	422,202,858
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	80,681,569	-	80,681,569
Deposits by international agencies (undiscounted)	1,427,484	-	1,427,484
Balances due to CARICOM central banks (undiscounted)	61,551	-	61,551
Other liabilities (undiscounted)	82,950,723	-	82,950,723
IMF SDR allocations (undiscounted)	-	49,553,375	49,553,375
Commercial bank discount fund (undiscounted)	1,410,484	-	1,410,484
<b>Total financial liabilities</b>	<b>\$ 1,021,308,960</b>	<b>\$ 49,553,375</b>	<b>\$ 1,070,862,335</b>

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

<b>At December 31, 2018</b>	Financial assets	Financial assets	Financial assets at	Total
<b>Assets:</b>				
Balances and deposits with foreign bankers	\$ -	\$ 19,086,062	\$ -	\$ 19,086,062
Reserve tranche and balances with the International	-	-	73,200,648	73,200,648
Other foreign credit instruments (undiscounted)	-	463,998,441	-	463,998,441
Accrued interest and cash transit (undiscounted)	-	6,269,035	-	6,269,035
Marketable securities issued or guaranteed by foreign	-	13,583,732	-	13,583,732

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS (Continued)

Balances with local bankers and cash on hand(undiscounted)	-	297,950	-	297,950
Government of Belize securities	-	312,533,594	-	312,533,594
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Consolidated revenue fund (undiscounted)	-	47,776,492	-	47,776,492
Other assets (undiscounted)	-	9,212,703	-	9,212,703
<b>Total financial assets</b>	<b>\$ 20,000,000</b>	<b>\$ 872,758,009</b>	<b>\$ 73,200,648</b>	<b>\$ 965,958,657</b>

<b>At December 31, 2018</b>	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	<b>Total</b>
<b>Liabilities:</b>			
Notes and coins in circulation (undiscounted)	\$ 397,336,526	\$ -	\$ 397,336,526
Deposits by licensed financial institutions (undiscounted)	\$ 399,224,059	-	399,224,059
Deposits by and balances due to Government and public	\$ 88,934,100	-	88,934,100
Deposits by international agencies (undiscounted)	\$ 2,270,516	-	2,270,516
Balances due to CARICOM central banks (undiscounted)	\$ 315,238	-	315,238
Other liabilities (undiscounted)	21,460,107	-	21,460,107
IMF SDR allocations (undiscounted)	-	49,863,432	49,863,432
Commercial bank discount fund (undiscounted)	1,248,117	-	1,248,117
<b>Total financial liabilities</b>	<b>\$ 910,788,663</b>	<b>\$ 49,863,432</b>	<b>\$ 960,652,095</b>



# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 29. 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 financial assets, for example in the investment of the Bank's own funds and in the course of the banking services it provides to its customers and employees.

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

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

#### **Security**

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

	Maximum exposure	Collateral	
		Stamped value	Appraised value
Mortgage loans	\$ 2,737,616	\$ 3,861,141	\$ 6,096,487
Consumer loans (Bill of Sale)	308,202	440,091	440,091
Consumer loans (Regular)	1,356,424	25,000	28,307
	<u>\$ 4,402,242</u>	<u>\$ 4,326,232</u>	<u>\$ 6,564,885</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### Changes in loss allowance:

Beginning balance	\$	137,388
Loss allowance recognized during the year 2018		70,966
Loss allowance unused and reversed during the year		(8,751)
Write-offs during the year		(4,593)
Loss allowance as at December 31, 2018	\$	<u>195,010</u>
Loss allowance recognized during the year 2019	\$	(63,629)
Loss allowance unused and reversed during the year		321
Write-offs during the year		(78,182)
Loss allowance as at December 31, 2019	\$	<u>53,520</u>

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2018. 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:

<b>Balance &amp; Money at Call</b>	<b>USA</b>	<b>Canada</b>	<b>UK</b>	<b>Europe</b>	<b>Total</b>
Depository Accounts & Money at	\$ 11,286,973	\$ 123,459	\$ 962,559	\$ 6,489,329	\$ 18,862,320
Overnight Deposits	90,408,135	-	-	-	\$ 90,408,135
Fixed Deposits	164,828,299	-	90,995,407	84,087,247	\$339,910,953
<b>Total Exposure</b>	<u>\$266,523,407</u>	<u>\$ 123,459</u>	<u>\$ 91,957,966</u>	<u>\$ 90,576,576</u>	<u>\$449,181,408</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### Schedule B

Outline of other Local and Foreign Investments:

<b>Securities</b>	<b>Local GOB</b>	<b>Dominica</b>	<b>Foreign IBRD/SEK</b>	<b>Barbados</b>
Treasury Bills	\$ 56,506,697	\$ -	\$ -	\$ -
Treasury Notes	326,889,000	-	-	-
Bonds	-	-	10,000,000	1,409,509.00
Debentures	-	2,000,000	-	-
<b>Total Exposure</b>	<b>\$383,395,697</b>	<b>\$ 2,000,000</b>	<b>\$ 10,000,000</b>	<b>\$ 1,409,509</b>

### 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.

<b>Foreign Assets:</b>	<b>Average rate of return</b>	<b>Average rate of return</b>
	<b><u>2019</u></b>	<b><u>2018</u></b>
Depository Accounts & Money at	2.17%	1.07%
Overnight Deposits	2.18%	1.84%
Fixed Deposits	2.32%	2.10%
Notes/Bonds	1.625%	4.71%
Debentures	3.50%	3.50%

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### 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, SDR Loan and Allocation obligations. Other external asset funds are kept at a minimum.

The table below indicates the different fund allocations as of December 31, 2019:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	\$ (417,645)	2.24740%	\$ (938,615)
Canadian Fund	(85,752)	1.53840%	\$ (131,921)
SDR Fund	(8,466,336)	2.76565%	\$ (23,414,931)
USD Fund	(224,664,184)	2.00000%	\$(449,328,368)
Sterling Fund	(227,122)	2.64240%	\$ (600,147)
BZ\$ Fund	474,246,172	1.00000%	\$ 474,246,172
<b>Current Year Revaluation Loss</b>			<u>\$ (167,810)</u>
			<b>BELIZE DOLLAR VALUE</b>
<b>Revaluation balance, January 1</b>			\$ 1,777,435
<b>Decrease in revaluation</b>			(167,810)
<b>Revaluation balance, December 31</b>			<u>\$ 1,609,625</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

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

<u>Asset Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
Balances with local bankers and cash on hand	\$ 464,668	\$ -	\$ -	\$ -	\$ -	\$ -
Depository Accounts & Money at Call	18,862,320	-	-	-	-	-
Overnight Deposits	90,408,135	-	-	-	-	-
Fixed Deposits	10,605,454	253,649,896	54,485,355	21,225,179	-	-
Treasury Bills	46,571,805	9,934,892	-	-	-	-
Treasury Notes	56,506,697	45,485,000	16,008,000	114,998,000	106,850,000	43,548,000
Bonds	-	-	-	-	10,000,000	-
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	<u>\$223,419,079</u>	<u>\$ 309,069,788</u>	<u>\$ 70,493,355</u>	<u>\$ 136,223,179</u>	<u>\$116,850,000</u>	<u>\$ 65,548,000</u>

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

### 29. FINANCIAL RISK MANAGEMENT (Continued)

Deposits by licensed financial institutions	\$ -	\$ -	\$ -	\$ 422,202,858	\$ -	\$ -
Deposits by and balances due to Government and public sector entities in Belize	-	80,681,568	-	-	-	-
Deposits by international agencies	-	1,427,483	-	-	-	-
Balances due to CARICOM	61,551	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,410,483
Other liabilities	-	87,362,987	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	49,553,376
	61,551	169,472,038	-	422,202,858	-	50,963,859
	\$223,357,528	\$ 139,597,750	\$ 70,493,355	\$(285,979,679)	\$116,850,000	\$ 14,584,141

# CENTRAL BANK OF BELIZE

## NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2019 AND 2018 (IN BELIZE DOLLARS)

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### 29. FINANCIAL RISK MANAGEMENT (Continued)

#### 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.

### 30. COMMITMENTS AND CONTINGENCIES

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

### 31. SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the December 31 reporting date and the date of authorisation.

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