



# CENTRAL BANK OF BELIZE

Financial Statements

For the years ended 31 December 2021 and 2020  
and Independent Auditor's Report



## CENTRAL BANK OF BELIZE

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## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE BOARD OF DIRECTORS OF THE CENTRAL BANK OF BELIZE**

#### **Report on the Audit of the Financial Statements**

##### **Opinion on International Financial Reporting Standards**

We have audited the accompanying financial statements of **Central Bank of Belize (the Bank)**, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in capital and reserves, the statement of cash flows for the year then ended and explanatory notes to the financial statements, comprising a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

##### **Basis for Opinion**

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



**Emphasis of Matter**

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

*Moore Belize LLP.*

**Chartered Accountants  
Belize City, Belize, C.A.  
25 April 2022**



## Central Bank of Belize

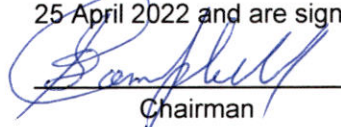
Statements of financial position as at 31 December 2021 and 2020

(in Belize dollars)

	Notes	2021	2020
<b>Assets</b>			
<b>Approved external assets</b>			
Balances and deposits with foreign banks	2h,2i,3	7,161,082	5,758,609
Reserve Tranche and balances with the International Monetary Fund	2h,2j,4	145,959,387	76,100,409
Other foreign credit instruments	2h,2k,5	437,542,124	585,922,676
Accrued interest and cash-in-transit	2h,2k,6	1,268,509	1,981,480
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h,2m,7	237,530,547	11,839,047
<b>Total approved external assets</b>		<b>829,461,649</b>	<b>681,602,221</b>
<b>Domestic assets</b>			
Balances with local banks and cash on hand	2h,2n,8	938,617	749,946
Government of Belize securities	2h,2o,9	611,245,303	501,057,960
Advances to Government of Belize	2h,2p	-	58,419,371
Other assets	2h,2q,2u,10	30,841,645	32,653,225
Equity instruments	2h,2r,11	20,000,000	20,000,000
Property and equipment	2s,2u,12	35,430,056	34,939,503
Intangible assets	2t,2u,13	3,101,910	3,523,534
<b>Total assets</b>		<b>1,531,019,180</b>	<b>1,332,945,760</b>
<b>Liabilities</b>			
<b>Demand liabilities</b>			
Notes and coins in circulation	14	527,779,890	503,341,971
Deposits by licensed financial institutions	2h,2v,15	630,854,923	548,304,073
Deposits by and balances due to Government and Public sector entities in Belize	2h,2v,16	168,434,145	141,053,734
Deposits by international agencies	2h,2v,17	2,324,565	2,408,017
<b>Total demand liabilities</b>		<b>1,329,393,523</b>	<b>1,195,107,795</b>
Balances due to CARICOM central banks	2h,18	517,090	568,266
Other liabilities	2h,2u,19	31,405,633	36,573,694
Defined benefit plan net obligation	2w,20	877,855	877,855
International Monetary Fund' SDR Allocations	2h,21	121,733,841	51,553,984
Commercial banks' discount fund	2h,22	1,654,033	1,572,850
<b>Total liabilities</b>		<b>1,485,581,975</b>	<b>1,286,254,444</b>
<b>Capital and reserves</b>			
Capital account	2y,23	20,000,000	20,000,000
Revaluation account	2z,24	1,229,993	2,522,843
Assets revaluation reserve	25	162,349	164,333
Post employment obligation reserve	2w,20	(37,327)	(37,327)
General reserve fund	2aa,26	24,082,191	24,041,467
<b>Total capital and reserves</b>		<b>45,437,205</b>	<b>46,691,316</b>
<b>Total liabilities, capital and reserves</b>		<b>1,531,019,180</b>	<b>1,332,945,760</b>

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

The financial statements on pages 8 to 65 were approved and authorised for issue by the Board of Directors on 25 April 2022 and are signed on its behalf by:

  
Chairman

  
Governor

  
Deputy Governor,  
Financial Services

**Central Bank of Belize**

## Statements of comprehensive income for the years ended 31 December 2021 and 2020

(in Belize dollars)

	Notes	2021	2020
<b>Interest income</b>	<b>2ab</b>		
Approved external assets	27	1,991,346	5,427,141
Advances to Government of Belize	2p,16	2,011,583	5,411,941
Government of Belize securities	28	16,735,547	13,535,571
		<b>20,738,476</b>	<b>24,374,653</b>
<b>Interest expense</b>	<b>2ab,29</b>	<b>(42,706)</b>	<b>(106,241)</b>
<b>Net interest income</b>		<b>20,695,770</b>	<b>24,268,412</b>
<b>Other income</b>			
Discount on Government of Belize securities		367,431	521,566
Commissions and other income	30	4,874,245	3,400,619
Dividends on equity instruments	11	269,600	-
<b>Total other income</b>		<b>5,511,276</b>	<b>3,922,185</b>
<b>Other expenses</b>			
Printing of notes and minting of coins	31	(1,756,905)	(1,568,397)
Salaries and wages, including superannuation contribution and gratuities	32	(15,154,188)	(14,055,289)
Depreciation and amortisation	2s,2t,12,13	(2,768,498)	(2,436,250)
Administrative and general expenses	2ac,33	(6,120,207)	(6,325,945)
<b>Total other expenses</b>		<b>(25,799,798)</b>	<b>(24,385,881)</b>
<b>Profit for the year</b>		<b>407,248</b>	<b>3,804,716</b>
<b>Transfers:</b>			
General reserve fund	2aa,26	40,725	380,472
Consolidated revenue fund	2aa	366,523	3,424,244
		<b>407,248</b>	<b>3,804,716</b>
<b>Other comprehensive (loss) income</b>			
Items that will not be reclassified subsequently to profit or loss			
Revaluation	24, 37(ii)	(1,292,850)	913,218
Artwork	25	(1,984)	(750)
<b>Other comprehensive (loss) income for the year</b>		<b>(1,294,835)</b>	<b>912,468</b>
<b>Total comprehensive (loss) income for the year</b>		<b>(887,587)</b>	<b>4,717,184</b>

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

**Central Bank of Belize**

Statements of changes in capital and reserves for the years ended 31 December 2021 and 2020

(in Belize dollars)

	Capital account	Revaluation account	Asset revaluation reserve	Post employment obligation reserve	General reserve	Total
<b>Balance as at 01 January 2021</b>	<b>20,000,000</b>	<b>2,522,843</b>	<b>164,333</b>	<b>(37,327)</b>	<b>24,041,467</b>	<b>46,691,316</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	407,248	407,248
Other comprehensive (loss) income	-	(1,292,850)	(1,984)	-	-	(1,294,835)
<b>Total comprehensive income</b>	<b>-</b>	<b>(1,292,850)</b>	<b>(1,984)</b>	<b>-</b>	<b>407,248</b>	<b>(887,587)</b>
Transfer to consolidated revenue fund	-	-	-	-	(366,523)	(366,523)
<b>Balance as at 31 December 2021</b>	<b>20,000,000</b>	<b>1,229,993</b>	<b>162,349</b>	<b>(37,327)</b>	<b>24,082,192</b>	<b>45,437,205</b>
<b>Balance as at 01 January 2020</b>	<b>20,000,000</b>	<b>1,609,625</b>	<b>165,083</b>	<b>(37,327)</b>	<b>23,683,946</b>	<b>45,421,327</b>
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	3,804,716	3,804,716
Other comprehensive income (loss)	-	913,218	(750)	-	(22,951)	889,517
<b>Total comprehensive income</b>	<b>-</b>	<b>913,218</b>	<b>(750)</b>	<b>-</b>	<b>3,781,765</b>	<b>4,694,233</b>
Transfer to consolidated revenue fund	-	-	-	-	(3,424,244)	(3,424,244)
<b>Balance as at 31 December 2020</b>	<b>20,000,000</b>	<b>2,522,843</b>	<b>164,333</b>	<b>(37,327)</b>	<b>24,041,467</b>	<b>46,691,316</b>

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



**Central Bank of Belize**

**Statements of cash flows for the years ended 31 December 2021 and 2020**

(in Belize dollars)

	Notes	2021	2020
<b>Cash flows from operating activities</b>			
Profit for the year		407,248	3,804,716
Adjustments to reconcile profit to net cash provided by operating activities:			
Depreciation of property and equipment	12	2,087,390	1,756,834
Amortisation of intangible assets	13	681,108	679,416
Loss (gain) on disposal of property and equipment		1,378	(5,068)
Revaluation account	*	(1,292,850)	912,467
Loss from change in fair value of marketable securities	7	638,121	-
<b>Cash provided by operating activities before operating assets and liabilities</b>		<b>2,522,395</b>	<b>6,235,898</b>
Changes in:			
Advances to Government of Belize		127,442,050	(5,170,016)
Government of Belize securities		(56,225,158)	21,852,000
Marketable securities issued or guaranteed by foreign governments and international financial institutions		(226,329,621)	1,569,012
Reserve tranche in the International Monetary Fund		503,761	(711,443)
Other assets		1,811,580	58,103,763
Other liabilities		(5,170,046)	(50,789,293)
<b>Net cash (used in) provided by operating activities</b>		<b>(155,445,038)</b>	<b>32,002,388</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	12	(2,617,070)	(7,337,204)
Acquisition of intangible assets	13	(259,484)	(634,232)
Proceeds from sale of assets		37,749	24,920
<b>Net cash used in investing activities</b>		<b>(2,838,805)</b>	<b>(7,946,516)</b>
<b>Cash flows from financing activities</b>			
Net deposits (disbursements) made by CARICOM central banks		(51,176)	506,715
Proceeds from Development Finance Corporation in regards to Commercial Bank Discount Fund		81,183	162,367
Net deposits (disbursements) made by Government and Public sector entities in Belize		(42,008,792)	56,947,922
Net deposits (disbursements) made by international agencies		(83,453)	980,533
Net deposits (disbursements) made by licensed financial institutions		82,550,850	126,101,215
Net change in International Monetary Fund' SDR Allocations		70,179,857	2,000,608
Net change in notes and coins in circularisation		24,437,919	70,767,680
<b>Net cash provided by financing activities</b>		<b>135,106,389</b>	<b>257,467,040</b>
Cash and cash equivalents at the beginning of the year		1,025,191,322	743,668,410
Net (decrease) increase in cash and cash equivalents		(23,177,454)	281,522,912
<b>Cash and cash equivalents at the end of the year</b>		<b>1,002,013,868</b>	<b>1,025,191,322</b>
<b>Cash and cash equivalents comprise of the following:</b>			
<b>External assets</b>			
Balances and deposits with foreign banks	3	7,161,082	5,758,609
Other foreign credit institutions	5	437,542,124	585,922,676
Accrued interest	6	876,581	1,820,267
Cash-in-transit	6	391,929	161,214
SDR Holdings	4	128,625,135	58,262,395
		<b>574,596,851</b>	<b>651,925,161</b>
<b>Domestic assets</b>			
Balances with local banks and cash on hand	8	938,617	749,946
Current portion of Government of Belize securities		426,478,400	372,516,215
		<b>427,417,017</b>	<b>373,266,161</b>
		<b>1,002,013,868</b>	<b>1,025,191,322</b>

\* Revaluation account was reclassified to adjustments to reconcile profit to net cash provided by operating activities.

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

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 1. General information

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

### 2. Summary of significant accounting policies

#### a. Statement of compliance

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

#### b. Basis of preparation

The financial statements have been prepared on an accrual basis and under the historical cost convention except for the revaluation of investments and derivatives. All amounts are rounded to the nearest dollar unless otherwise indicated.

#### c. Functional and presentation currency

The financial statements are presented in Belize dollars, which is the Bank's functional currency and is being represented throughout these financial statements with the symbol \$.

#### d. Foreign currency transactions and translations

Transactions in foreign currencies are translated into Belize dollars at exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in the statement of other comprehensive income. Non-monetary items are not retranslated at year-end and are measured at historical cost, except for non-monetary items measured at fair value which are translated using the exchange rates when fair value was determined.

#### e. Foreign investment policy

Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover the value of the total amount of its notes and coins fully for the time being in circulation. As at 31 December 2021, the value of total assets was \$1,531,019,182 (2020: \$1,332,945,760) while the value of notes and coins in circulation was \$527,779,890 (2020: \$503,341,971).

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### e. Foreign investment policy (continued)

Section 25(2) of the Act requires that the Bank maintains at all times a reserve of external assets of not less than 40.0% of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect of its sights and time deposits. As at 31 December 2021, total approved external assets approximated 71.6% of such liabilities (2020: 64.8%).

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.

#### 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.



## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### g. Changes 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 amendments to IFRSs have become effective for the annual periods commencing on or after 01 January 2021 and have been adopted:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2;
- Amendments to IFRS 16 - Covid-19-Related Rent Concessions.

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

The following standard and amendments will become effective for the annual periods beginning on or after 01 January 2022:

- Amendments to IFRS 16 - Covid-19-Related Rent Concessions;
- IFRS 17 - Insurance Contracts;
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current;
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use;
- Amendments to IFRS 3 - Reference to the Conceptual Framework;
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract;
- Annual Improvements to IFRS Standards 2018–2020;
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture;
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies;
- Amendments to IAS 8 - Disclosure of Accounting Policies and Definition of Accounting Estimates;
- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

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

#### h. Financial instruments

##### Recognition and derecognition of financial assets:

Financial assets 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.

##### 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).

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(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 (continued):

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

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

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 (AC)

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. Fair value of assets stated at amortised cost is close to their carrying value as at the reporting date.

###### Financial assets at fair value through other comprehensive income (FVTOCI)

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

###### 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.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### h. Financial instruments (continued)

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

##### Impairment of financial assets:

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.

The Bank uses forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. The Bank considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward-looking approach, a distinction is made between:

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

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

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

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

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

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

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

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

The Bank recognises loss allowances for ECL on the following financial instruments that are not measure at the fair value through profit or loss:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.



## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### h. Financial instruments (continued)

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

#### Impairment of financial assets (continued):

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.

#### *Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally as a provision;
- debt instruments measured at fair value through other comprehensive income: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

#### Recognition and derecognition of financial liabilities:

Financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the financial instrument. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### Classification and measurement of financial liabilities:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities, which are measured at amortised cost.

Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised in the statement of comprehensive income.

A financial liability is classified as held for trading if (a) it has been acquired principally for the purposes of subsequent short-term repurchase; (b) on initial recognition it is part of a portfolio of identified financial instruments which have a pattern of short-term profit taking; or (c) it is a derivative financial instrument that is not designated and effective as a hedging instrument.

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using effective interest method, with interest expense recognised on an effective yield basis in the statement of comprehensive income.

#### Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(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, debentures and US Treasury notes 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 the financial statements for the years ended 31 December 2021 and 2020

(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 amended Section 35(2) of the principal Act on 31 March 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid-up capital and general reserves of the Bank. As at 31 December 2021 the Bank's aggregate holding of these Government of Belize securities approximated 13.87 times (2020: 11.38 times), respectively, the amount of paid-up capital and general reserves of the Bank.

#### p. Advances to Government of Belize

Comprises of advances made to the Government of Belize as governed by section 33 and 34 of the Act. In June 2021 the GOB's current account was transformed from an overdraft to a deposit account, and continues to operate as a deposit account. All amounts were short-term and their net carrying value is considered a reasonable approximation of fair value as these financial assets are callable.

#### q. Other assets

##### Loans and other receivables

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

##### Inventory of notes and coins

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

##### Supplies

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

##### Collectible coins inventory

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

#### r. Equity instruments

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



## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020  
(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### s. Property and equipment

##### Land

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

##### Property (buildings), equipment, vehicles

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

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

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

#### t. Intangible assets

##### Application software and licenses

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

##### Initial recognition of other intangible assets

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

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### t. Intangible assets (continued)

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

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. Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those non-financial assets have suffered an impairment loss. If any such indication exists, the recoverable of the non-financial asset is estimated in order to determine the extent of the impairment loss if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increase carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant non-financial asset is carried at a revalued amount, in which case the reversal of the impairment loss will be treated as an increase in the revaluation.

#### v. 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.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### w. 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.

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.

#### x. Short-term employee benefits

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

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

Severance benefits payable – severance obligations are recognised at the point of not being able to withdraw from 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.

#### y. Capital account

The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on 12 October 2016 to increase the authorised capital of the Bank to \$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 to the Accountant General for the Consolidated Revenue Fund until such time as the increase in capital is fully paid up. As at 31 December 2021, the authorised capital of the Bank was \$20,000,000 (2020: \$20,000,000). Subsequently paid-up capital was increased up to \$40,000,000 (Note 39).

#### z. 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 (Note 39).

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 2. Summary of significant accounting policies (continued)

#### aa. General reserve fund

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

As at 31 December 2021, the Bank's General Reserve Fund was at \$24,082,191 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. Subsequently, General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund (Note 39).

#### ab. 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.

#### ac. Administrative and general expense

Administrative and general expense are recognised in the profit or loss upon utilisation of the service or as incurred.

#### ad. 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.

#### ae. 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 the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

### 3. Bank balances and deposits with foreign banks

	2021	2020
Balances with other central banks and foreign banks	6,947,458	5,531,607
Foreign currency notes	213,624	227,002
	<u>7,161,082</u>	<u>5,758,609</u>

### 4. Reserve tranche and balances with the International Monetary Fund

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

	2021	2020
SDR Holdings	128,625,135	58,262,396
Reserve Tranche	17,334,252	17,838,013
	<u>145,959,387</u>	<u>76,100,409</u>

SDRs are converted at an exchange rate of \$2.799188 to SDR 1.0 at 31 December 2021. (2020: \$2.880537 to SDR 1.0).

In 2021 quota for the country of Belize was increased with respective increase of the balance for the reporting period (Note 21).

### 5. Other foreign credit instruments

	2021	2020
Fixed deposits	389,100,020	390,122,247
Overnight deposits	48,490,795	195,849,473
Expected credit losses	(48,691)	(49,044)
	<u>437,542,124</u>	<u>585,922,676</u>

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

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

	2021	2020
At the beginning of the year	(49,044)	(48,127)
Release/(charge) during the year	353	(917)
At the end of the year	<u>(48,691)</u>	<u>(49,044)</u>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**6. Accrued interest and cash-in-transit**

	<u>2021</u>	<u>2020</u>
Accrued interest on marketable securities issued and guaranteed by foreign governments and foreign financial institutions	614,594	94,212
Cash-in-transit	391,929	161,214
Accrued interest on foreign credit instruments	248,844	1,713,256
Accrued interest on balances with the International Monetary Fund	13,142	12,798
	<u>1,268,509</u>	<u>1,981,480</u>

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

**7. Marketable securities issued or guaranteed by foreign governments and foreign financial institutions**

Amounts comprise debt securities at fair value through other comprehensive income:

	<u>2021</u>	<u>2020</u>
US Treasury notes	226,489,758	-
Loss from change in fair value of US Treasury notes (Note 24)	(638,121)	-
	<u>225,851,637</u>	<u>-</u>

Amounts comprise debt securities at amortised cost:

Bonds	10,000,000	10,000,000
Debenture	1,680,000	1,840,000
Expected credit losses	(1,090)	(953)
	<u>237,530,547</u>	<u>11,839,047</u>

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

	<u>2021</u>	<u>2020</u>
At the beginning of the year	(953)	(1,451)
(Charge)/release during the year	(138)	498
At the end of the year	<u>(1,091)</u>	<u>(953)</u>

Debenture represents a foreign government debenture that bears an interest of 3.5% and matures in 2034.

Bonds represent bonds of a foreign financial institution that bear an interest of 1.6% and mature in 2022.

US Treasury Notes represent securities issued by the government of the United States of America that bear a weighted average interest of 1.05% and mature through 2031.



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**8. Balances with local banks and cash on hand**

	2021	2020
Balances with local financial institutions	674,340	465,720
Cash on hand	264,277	284,226
	<b>938,617</b>	<b>749,946</b>

**9. Government of Belize securities**

Amounts comprise debt securities at amortised cost:

	2021	2020
Treasury notes	546,515,000	491,622,000
Treasury bills	64,730,303	9,435,960
	<b>611,245,303</b>	<b>501,057,960</b>

**10. Other assets**

	2021	2020
<u>Financial assets</u>		
Staff loans receivable	4,756,195	4,478,039
Accounts receivable	426,030	207,128
Expected credit losses	(476)	(5,043)
	<b>5,181,750</b>	<b>4,680,124</b>
Escrow accounts (Note 19) (i)	9,564,320	15,564,320
Accrued interest on Government of Belize treasury notes	5,080,043	4,661,310
Accrued discount on Government of Belize treasury bills	200,347	46,637
	<b>14,844,710</b>	<b>20,272,267</b>
<u>Non-financial assets</u>		
Inventory of circulation notes and coins	5,304,422	4,979,435
Prepayments	3,785,675	1,099,142
Collectible coins inventory	1,084,846	1,086,511
Supplies	247,400	210,329
Artwork	163,148	165,133
Other assets	229,694	160,284
	<b>10,815,186</b>	<b>7,700,834</b>
	<b>30,841,645</b>	<b>32,653,225</b>

(i) During 2021, funds held in escrow on behalf of Choice Bank Limited liquidation were paid to depositors.

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**10. Other assets (continued)**

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

	<u>2021</u>	<u>2020</u>
At the beginning of the year	(5,043)	(3,941)
Release/(charge) during the year	4,567	(1,102)
Other assets written off during the year as uncollectible	-	-
At the end of the year	<u>(476)</u>	<u>(5,043)</u>

**11. Equity instruments**

	<u>2021</u>	<u>2020</u>
Belize Telemedia Limited	<u>20,000,000</u>	<u>20,000,000</u>

The equity instruments represent the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a value of \$5.00 per share totaling \$20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated 17 June 2011 for 800,000 shares each 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 first refusal and the right to object to any buyer before concluding the sale of any of the shares.

These instruments are secured by the Government of Belize with no valuation exposure to the Bank. As at 31 December 2021, BTL has declared dividends for the fiscal year 2021 and 2020 for \$0.062 and \$0.0054 per share respectively at the total amount of \$269,600.

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**12. Property and equipment**

	Property	Furniture	Equipment	Vehicles	Work in progress	Total
<b>Cost</b>						
Balance at 01 January 2021	32,013,042	1,970,357	16,013,726	560,319	2,107,183	52,664,627
Additions	193,304	119,062	921,347	119,000	1,264,357	2,617,070
Disposals	-	(127,850)	(744,865)	(145,337)	-	(1,018,052)
Transfers	469,151	-	318,083	-	(787,234)	-
Balance as at 31 December 2021	32,675,497	1,961,569	16,508,291	533,982	2,584,306	54,263,645
<b>Accumulated depreciation</b>						
Balance at 01 January 2021	6,654,076	1,471,155	9,189,962	409,933	-	17,725,126
Charge for the year	484,718	89,139	1,437,764	75,769	-	2,087,390
Disposals	-	(106,528)	(727,063)	(145,336)	-	(978,927)
Balance as at 31 December 2021	7,138,794	1,453,766	9,900,663	340,366	-	18,833,589
<b>Net book value as at 31 December 2021</b>	<b>25,536,703</b>	<b>507,803</b>	<b>6,607,628</b>	<b>193,616</b>	<b>2,584,306</b>	<b>35,430,056</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**12. Property and equipment (continued)**

	<b>Property</b>	<b>Furniture</b>	<b>Equipment</b>	<b>Vehicles</b>	<b>Work in progress</b>	<b>Total</b>
<b>Cost</b>						
Balance at 01 January 2020	31,605,279	1,910,727	11,775,709	757,697	76,205	<b>46,125,617</b>
Additions	331,558	91,420	4,807,043	-	2,107,183	<b>7,337,204</b>
Disposals	-	(31,790)	(569,026)	(197,378)	-	<b>(798,194)</b>
Transfers	76,205	-	-	-	(76,205)	-
<b>Balance as at 31 December 2020</b>	<b>32,013,042</b>	<b>1,970,357</b>	<b>16,013,726</b>	<b>560,319</b>	<b>2,107,183</b>	<b>52,664,627</b>
<b>Accumulated depreciation</b>						
Balance at 01 January 2020	6,253,571	1,420,382	8,577,570	476,420	-	<b>16,727,943</b>
Depreciation Charge for the year	400,505	79,470	1,174,642	102,217	-	<b>1,756,834</b>
Disposal	-	(28,697)	(562,250)	(168,704)	-	<b>(759,651)</b>
<b>Balance as at 31 December 2020</b>	<b>6,654,076</b>	<b>1,471,155</b>	<b>9,189,962</b>	<b>409,933</b>	<b>-</b>	<b>17,725,126</b>
<b>Net book value as at 31 December 2020</b>	<b>25,358,966</b>	<b>499,202</b>	<b>6,823,764</b>	<b>150,386</b>	<b>2,107,183</b>	<b>34,939,503</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**13. Intangible assets**

	Application software and licenses	Work in progress	Total
<b>Cost</b>			
Balance at 01 January 2021	6,832,649	131,825	6,964,474
Additions	7,032	252,452	259,484
Transfers	117,761	(117,761)	-
Balance as at 31 December 2021	6,957,442	266,516	7,223,958
<b>Accumulated amortisation</b>			
Balance at 01 January 2021	(3,440,940)	-	(3,440,940)
Charge for the year	(681,108)	-	(681,108)
Balance as at 31 December 2021	(4,122,048)	-	(4,122,048)
<b>Net book value as at 31 December 2021</b>	<b>2,835,394</b>	<b>266,516</b>	<b>3,101,910</b>
<b>Cost</b>			
Balance at 01 January 2020	6,060,152	270,090	6,330,242
Additions	502,407	131,825	634,232
Transfers	270,090	(270,090)	-
Balance as at 31 December 2020	6,832,649	131,825	6,964,474
<b>Accumulated amortisation</b>			
Balance at 01 January 2020	(2,761,524)	-	(2,761,524)
Charge for the year	(679,416)	-	(679,416)
Balance as at 31 December 2020	(3,440,940)	-	(3,440,940)
<b>Net book value as at 31 December 2020</b>	<b>3,391,709</b>	<b>131,825</b>	<b>3,523,534</b>

**14. Notes and coins in circulation**

	2021	2020
Notes in circulation	490,396,349	467,564,887
Coins in circulation	37,383,541	35,777,084
	<b>527,779,890</b>	<b>503,341,971</b>

**15. Deposits by licensed financial institutions**

At 31 December 2021 and 2020 deposits by local financial institutions comprised deposits of five licensed financial institutions located in Belize.

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020  
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**16. Deposits by and balances due to Government and Public sector entities of Belize**

	2021	2020
Government of Belize accounts	158,289,865	137,080,462
Public sector entities accounts	10,144,280	3,973,272
	<b>168,434,145</b>	<b>141,053,734</b>

**17. Deposits by international agencies**

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

	2021	2020
Caribbean Development Bank	1,633,054	1,711,000
Inter-American Development Bank	472,316	472,316
International Monetary Fund	189,455	194,961
International Bank for Reconstruction and Development	29,740	29,740
	<b>2,324,565</b>	<b>2,408,017</b>

**18. Balances due to CARICOM central banks**

	2021	2020
Bank of Jamaica	419,661	511,956
Central Bank of Barbados	86,999	53,160
Bank of Guyana	8,030	-
Central Bank of Trinidad and Tobago	2,400	3,150
	<b>517,090</b>	<b>568,266</b>

**19. Other liabilities**

	2021	2020
<u>Financial liabilities</u>		
Abandoned property	9,894,498	9,403,041
Escrow accounts (Note 10)	9,564,320	15,564,320
Deposits by licensed international offshore financial institutions (i)	3,942,993	4,112,993
Belize City Municipal Bonds – Sinking Fund	1,404,553	1,138,315
Contribution (deposit insurance) (ii)	1,000,000	1,000,000
Accounts payable	370,100	103,243
Corozal Freezone Municipals Bonds – Sinking Fund	120,520	119,533
Unclaimed balances of Belize Unit Trust	46,089	46,089
Bond discount	1,201	12,167
	<b>26,344,275</b>	<b>31,499,701</b>



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

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**19. Other liabilities (continued)**

	<u>2021</u>	<u>2020</u>
<u>Non-financial liabilities</u>		
Severance and gratuities	<b>3,766,314</b>	3,690,588
Other staff costs payable	<b>864,410</b>	851,375
Deferred income	<b>430,634</b>	532,030
	<b>5,061,358</b>	5,073,993
	<b>31,405,633</b>	36,573,694

(i) Under Section 21 A (1) of the International Banking Act, licensed international offshore financial institutions are required to maintain an account of a minimum balance of \$200,000 with the Bank. At 31 December 2021 total amount of such deposits included \$3,312,993 (2020: \$3,312,993) that relate to balances with international offshore financial institutions with active licenses and \$630,000 (2020: \$800,000) that relate to the Bank's liabilities in respect of minimal balances of such financial institutions, whose licenses have been revoked/surrendered by the Bank.

(ii) In accordance with Section 19 of the Deposit Insurance Act, 2020, the Central Bank is holding in escrow its contribution due on the commencement of the Deposit Insurance Corporation.

**20. Defined benefit plan net obligation**

The Bank operates a defined benefit pension scheme that receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of the final pensionable salary on attaining the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit. During the year under review, the Bank contributed \$591,920 (2020: \$578,924) 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 the year (pa)	5.0%	5.0%
II. Future salary increases (pa)	3.5%	3.5%
III. Future pension increases (pa)	0.0%	0.0%

The Bank has performed an actuarial valuation on its defined benefit pension scheme for the year ended 31 December 2016. The results of the valuation are captured as follows:

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**20. Defined benefit plan net obligation (continued)****Presentation of actuarial losses as at 31 December 2014**

Amounts to recognise in statement of financial position:

Non-current pension liability as at 31 December 2014 (1,428,354)

Amounts to recognise in statement of other comprehensive income:

Remeasurement losses (4,769,528)

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

Present value of the obligation at the start of the year 19,542,000

Interest cost 1,023,470

Current service cost 1,213,834

Benefits paid (572,872)

Remeasurement gain on obligation through other comprehensive income (1,339,432)

Present value of the obligation at the end of the year 19,867,000

Fair value of the plain assets at the start of the year 18,113,646

Interest income on plan assets 903,688

Contributions 493,088

Benefits paid (572,872)

Remeasurement gain on assets through other comprehensive income 51,595

Fair value of the plain assets at the end of the year 18,989,145**Net change in non-current pension liability for the year ended 31 December 2016** **877,855**

Non-current pension liability 01 January 2016 1,428,354

Net interest cost 119,782

Current service cost 1,101,762

Contributions to the pension as per actuarial report (381,016)

Remeasurement gain on obligation through other comprehensive income (1,339,432)

Remeasurement gain on assets through other comprehensive income (51,595)

**Non-current pension liability 31 December 2016** **877,855**

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 the 2022 fiscal year.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020  
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### 20. Defined benefit plan net obligation (continued)

#### Reconciliation of pension reserve:

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

### 21. International Monetary Fund' SDR Allocations

	2021	2020
IMF SDR Allocations	121,722,701	51,545,064
Interest payable	11,139	8,920
	<u>121,733,841</u>	<u>51,553,984</u>

A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD 250 billion became effective on 28 August 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. In 2021, the quota for the country of Belize was increased to SDR 45,952,185 (2020: SDR 26,700,000). Based on this quota, the Bank received allocations of SDR 43,485,004. At 31 December 2021, the SDR's were revalued at SDR 2.799188 to \$1.00 (2020: 2.88054 to \$1.00).

### 22. Commercial banks' discount fund

	2021	2020
Loan receivable from Development Finance Corporation	-	(80,380)
Interest paid to United States Agency for International Development	(2,311,316)	(2,311,316)
Interest received by the Bank	3,965,350	3,964,546
	<u>1,654,033</u>	<u>1,572,850</u>

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 USD 5 million in loan funds up to 30 June 1987 to finance this facility. The facility enabled commercial banks in Belize to discount with the Bank up to 100% of loans made to sub-borrowers for projects approved by the Bank and USAID. The Bank is expected to accumulate significant net interest earnings over the repayment term of the USAID loan to form a permanent fund. In 1993, USAID and the Bank agreed that \$2 million and \$1.5 million from the reflows to the Discount Fund could be used as a line of credit to National Development Foundation of Belize and Development Finance Corporation, respectively.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020  
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### 22. Commercial banks' discount fund (continued)

The USAID loan had the following terms:

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

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

### 23. Capital account

	2021	2020
Authorised and paid-up capital	<u>20,000,000</u>	<u>20,000,000</u>

Capital was authorised and fully paid up in accordance with Section 8 of the Central Bank Act (amended as of 12 October 2016). Subsequently paid-up capital was increased up to \$40,000,000 (Note 39).

### 24. Revaluation account

	2021	2020
At the beginning of the year	2,522,843	1,609,625
Loss from change in fair value of marketable securities (Note 7)	(638,121)	-
Revaluation of foreign funds	(654,729)	913,218
At the end of the year	<u>1,229,993</u>	<u>2,522,843</u>

### 25. Assets revaluation reserve

Historical and contemporary pictures and paintings were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated 09 November 2009. In 2021 and 2020, the value was adjusted to include disposed artwork.

### 26. General reserve fund

	2021	2020
At the beginning of the year	24,041,467	23,683,946
Loss due to restructured Barbados Bonds	-	(22,951)
Transfer from net profit	40,725	380,472
At the end of the year	<u>24,082,191</u>	<u>24,041,467</u>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

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**26. General reserve fund (continued)**

Section 9 (1) of the Central Bank of Belize Act provides for the establishment of a General Reserve Fund into which is paid 20 percent of the net profit of the Bank in each financial year until the fund is equal to the amount of the Bank's paid up capital. Thereafter, 10 percent of the net profit of the Bank in each financial year is paid into the Fund. In 2021 and 2020 10 percent of the net profit of the Bank was transferred into the Fund in each year. Subsequently, General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund (Note 39).

**27. Interest on approved external assets**

	<u>2021</u>	<u>2020</u>
Fixed deposits with foreign financial institutions	<b>986,704</b>	4,625,669
Marketable securities issued or guaranteed by foreign government or foreign financial institutions	<b>921,225</b>	240,973
"International Monetary Fund' facilities"	<b>53,224</b>	142,090
Overnight deposits with foreign financial institutions	<b>29,968</b>	417,065
Other balances with foreign financial institutions	<b>225</b>	1,344
	<b><u>1,991,346</u></b>	<u>5,427,141</u>

**28. Interest on Government of Belize securities**

	<u>2021</u>	<u>2020</u>
Treasury notes	<b>16,735,547</b>	13,535,571

**29. Interest expense**

	<u>2021</u>	<u>2020</u>
International Monetary Fund' facilities	<b>42,129</b>	100,129
Other interest expense	<b>577</b>	6,112
	<b><u>42,706</u></b>	<u>106,241</u>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**30. Commissions and other income**

	<b>2021</b>	<b>2020</b>
Automated Payment and Securities Settlement System (APSSS) transaction fees	<b>1,192,182</b>	1,186,743
License and examination fees	<b>908,916</b>	746,188
Commissions	<b>841,497</b>	1,080,021
Miscellaneous income	<b>480,775</b>	51,772
Penalty fees	<b>480,000</b>	-
Cash shipment income	<b>477,156</b>	98,165
Gain on sale/purchase of financial instruments	<b>290,383</b>	25,418
Interest on staff loans	<b>199,366</b>	203,312
Sales of collectible coins	<b>3,971</b>	9,000
	<b>4,874,245</b>	3,400,619

**31. Printing of notes and minting of coins**

	<b>2021</b>	<b>2020</b>
Minting of circulation coins	<b>865,563</b>	706,895
Printing of currency notes	<b>864,680</b>	836,985
Currency publicity campaign expenses	<b>26,661</b>	24,517
	<b>1,756,905</b>	1,568,397

**32. Salaries and wages, including superannuation contribution and gratuities**

	<b>2021</b>	<b>2020</b>
Salaries and wages	<b>10,322,561</b>	9,640,099
Employee benefits expenses	<b>3,976,139</b>	3,574,851
Pension contributions	<b>591,920</b>	578,924
Social security costs	<b>263,568</b>	261,415
	<b>15,154,188</b>	14,055,289



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**33. Administrative and general expenses**

	<b>2021</b>	<b>2020</b>
Professional services and technical support	<b>1,401,626</b>	1,624,195
Computer software licenses	<b>1,032,046</b>	965,087
Utilities expenses	<b>973,099</b>	1,008,176
Repairs and maintenance	<b>679,243</b>	594,694
Legal fees	<b>506,094</b>	317,206
Supplies and small equipment	<b>443,703</b>	516,055
Other miscellaneous expense	<b>289,538</b>	231,588
Membership fees	<b>164,688</b>	200,991
Insurance expenses	<b>119,911</b>	109,612
Audit fees	<b>94,537</b>	88,875
Directors' fees	<b>86,665</b>	113,791
Subscriptions	<b>65,543</b>	96,440
Advertising	<b>54,379</b>	96,280
Freight charges	<b>53,836</b>	63,686
Bank charges	<b>47,532</b>	54,872
Books and publications	<b>45,153</b>	38,387
Firearm license and ammunition	<b>19,208</b>	16,212
Entertainment	<b>18,521</b>	10,887
Travel expenses	<b>11,174</b>	38,865
Donations	<b>8,067</b>	18,997
Business continuity	<b>5,506</b>	62,854
Expected credit losses on financial instruments	<b>138</b>	2,019
Meetings and conferences	-	29,731
Surveys	-	13,245
Assistance programme	-	13,200
	<b>6,120,207</b>	<b>6,325,945</b>

**34. Related party transactions**

The Bank considers a party to be related if control or significant influence over the Bank is exercised. The Bank's related parties include The Governor of the Central Bank, members of the Board of Directors, 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.

## Central Bank of Belize

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### 34. Related party transactions (continued)

#### 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.

	2021	2020
Short-term benefits	3,252,422	2,290,949
Termination benefits	332,195	268,294
Post-employment benefits	61,518	63,433
	<b>3,646,135</b>	<b>2,622,676</b>

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

Transactions with key management personnel includes short-term benefits.

	2021	2020
Short-term benefits	78,409	105,903
	<b>78,409</b>	<b>105,903</b>

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at 31 December 2021, an amount of \$481,043 (2020: \$294,544) was receivable from key management personnel as approved advances made by the Bank. No expected credit losses have been recognised in respect of loans given to related parties. The amount of collateral in respect of loans to related parties as at 31 December 2021 \$1,126,346 (2020: \$754,625). The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

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

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

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**34. Related party transactions (continued)****Transactions with the Government of Belize and public sector entities in Belize (continued)**

	01 January 2021	Disburse- ments	Deposits	31 December 2021
Social Security Board	(94,705)	166,092	(110,554)	(39,167)
Development Finance Corporation	(356,969)	6,848,059	(7,883,701)	(1,392,612)
DFC Mortgage Securitisation Proceeds	(447)	-	-	(447)
Financial Intelligence Unit	(112,415)	1,870,732	(1,810,003)	(51,686)
Belize Tourism Board	(57,606)	653,933	(1,526,732)	(930,405)
Belize Electricity Ltd.	(24,925)	1,182,007	(1,182,007)	(24,925)
Belize City Council Sinking Fund	(1,138,315)	7,712,453	(7,978,692)	(1,404,553)
Belize Water Services Limited Sinking Fund	-	3,986,566	(4,365,398)	(378,833)
International Financial Services Commission	(3,326,185)	-	-	(3,326,185)
Government of Belize (current account)	61,843,616	486,159,278	(617,025,572)	(69,022,678)
	<b>56,732,049</b>	<b>508,579,118</b>	<b>(641,882,658)</b>	<b>(76,571,491)</b>
	01 January 2020	Disburse- ments	Deposits	31 December 2020
Social Security Board	(89,177)	36,065,006	(36,070,534)	<b>(94,705)</b>
Development Finance Corporation	(990,417)	7,746,538	(7,113,090)	<b>(356,969)</b>
DFC Mortgage Securitisation Proceeds	(447)	-	-	<b>(447)</b>
Financial Intelligence Unit	(376,047)	2,023,631	(1,760,000)	<b>(112,415)</b>
Belize Tourism Board	(1,797,556)	8,449,316	(6,709,366)	<b>(57,606)</b>
Belize Electricity Ltd.	(24,925)	1,777,896	(1,777,896)	<b>(24,925)</b>
Belize City Council Sinking Fund	(231,182)	9,996,055	(10,903,187)	<b>(1,138,315)</b>
International Financial Services Commission	(3,657,362)	4,699,255	(4,368,079)	<b>(3,326,185)</b>
Government of Belize (current account)	56,160,843	591,820,030	(586,137,257)	<b>61,843,616</b>
	<b>48,993,730</b>	<b>662,577,727</b>	<b>(654,839,409)</b>	<b>56,732,049</b>

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

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

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**34. Related party transactions (continued)****Transactions with the Central Bank of Belize Pension Scheme (continued)**

	01 January 2021	Contributions paid by the Bank to the Scheme	Contributions due to the scheme	31 December 2021
Contributions to the scheme	-	591,920	(591,920)	-
	-	591,920	(591,920)	-

	01 January 2020	Contributions paid by the Bank to the Scheme	Contributions due to the scheme	31 December 2020
Contributions to the scheme	-	578,924	(578,924)	-
	-	578,924	(578,924)	-

**35. Analysis of financial assets and liabilities by measurement basis**

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020  
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**35. Analysis of financial assets and liabilities by measurement basis (continued)**

As at 31 December 2021	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other compre- hensive income	Total
<u>Financial assets</u>				
Balances and deposits with foreign banks	-	7,161,082	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	145,959,387	145,959,387
Other foreign credit instruments	-	437,542,124	-	437,542,124
Accrued interest and cash-in-transit	-	745,464	523,045	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	11,678,910	225,851,638	237,530,548
Balances with local banks and cash on hand	-	938,617	-	938,617
Government of Belize securities	-	611,245,303	-	611,245,303
Other assets	-	20,026,459	-	20,026,459
Equity instruments	20,000,000	-	-	20,000,000
<b>Total financial assets</b>	<b>20,000,000</b>	<b>1,089,337,959</b>	<b>372,334,070</b>	<b>1,481,672,029</b>
<hr/>				
As at 31 December 2021	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total	
<u>Financial liabilities</u>				
Notes and coins in circulation	-	527,779,890	527,779,890	
Deposits by licensed financial institutions	-	630,854,923	630,854,923	
Deposits by and balances due to Government and Public sector entities in Belize	-	168,434,145	168,434,145	
Deposits by international agencies	-	2,324,565	2,324,565	
Balances due to CARICOM central banks	-	517,090	517,090	
Other liabilities	-	26,344,275	26,344,275	
International Monetary Fund' SDR Allocations	-	121,733,841	121,733,841	
Commercial banks' discount fund	-	1,654,033	1,654,033	
<b>Total financial liabilities</b>	<b>-</b>	<b>1,479,642,762</b>	<b>1,479,642,762</b>	

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**35. Analysis of financial assets and liabilities by measurement basis (continued)**

As at 31 December 2020	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Financial assets at fair value through other compre- hensive income	Total
<u>Financial assets</u>				
Bank balances and deposits with foreign banks	-	5,758,609	-	5,758,609
Reserve Tranche and balances with the International Monetary Fund	-	-	76,100,409	76,100,409
Other foreign credit instruments	-	585,922,676	-	585,922,676
Accrued interest and cash-in-transit	-	1,981,480	-	1,981,480
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	11,839,047	-	11,839,047
Balances with local banks and cash on hand	-	749,947	-	749,947
Government of Belize securities	-	501,057,960	-	501,057,960
Advances to Government of Belize	-	58,419,371	-	58,419,371
Other assets	-	24,952,391	-	24,952,391
Equity instruments	20,000,000	-	-	20,000,000
<b>Total financial assets</b>	<b>20,000,000</b>	<b>1,190,681,481</b>	<b>76,100,409</b>	<b>1,286,781,890</b>

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



## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

### 36. Fair value measurement

#### Determination of fair value and fair value hierarchy

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

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

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

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

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

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

<b>As at 31 December 2021</b>	<b>Notes</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>Financial assets at FVOCI</u>					
Reserve Tranche and balances with the International Monetary	4	145,959,387	-	-	145,959,387
Marketable securities issued or guaranteed by foreign governments and international financial institutions	7	225,851,638	-	-	225,851,638
Accrued interest and cash-in-transit	6	523,045	-	-	523,045
<u>Financial assets at FVTPL</u>					
Equity instruments	11	-	-	20,000,000	20,000,000
<b>Total financial assets measured at fair value</b>		<b>372,334,070</b>	<b>-</b>	<b>20,000,000</b>	<b>392,334,070</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**36. Fair value measurement (continued)**Determination of fair value and fair value hierarchy (continued)

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

Fair value of financial instruments carried at fair value

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

Financial assets and liabilities with carrying values that approximate fair value

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

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 37. Financial risk management

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

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

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

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

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

#### (i) Credit risk

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

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.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

### 37. Financial risk management (continued)

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

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

#### Security

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

<b>At 31 December 2021</b>	<b>Maximum exposure</b>	<b>Stamped value</b>	<b>Appraised value</b>
Mortgage loans	3,089,709	4,515,115	6,753,358
Consumer loans (bills of sale)	317,617	545,250	627,263
Consumer loans (regular)	1,348,868	150,000	150,000
	<b>4,756,195</b>	<b>5,210,365</b>	<b>7,530,621</b>
<b>At 31 December 2020</b>	<b>Maximum exposure</b>	<b>Stamped value</b>	<b>Appraised value</b>
Mortgage loans	2,679,845	4,047,241	6,198,689
Consumer loans (bills of sale)	347,634	568,547	645,345
Consumer loans (regular)	1,450,560	25,000	28,307
	<b>4,478,039</b>	<b>4,640,788</b>	<b>6,872,341</b>

#### Significant increase in credit risk

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Significant increase in credit risk (continued)

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

<b>As at 31 December 2021</b>	<b>Notes</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Other foreign credit instruments		437,590,815	-	-	437,590,815
Expected credit loss	5	(48,691)	-	-	(48,691)
		437,542,124	-	-	437,542,124
Marketable securities issued or guaranteed by foreign governments and foreign financial institutions		237,531,638	-	-	237,531,638
Expected credit loss	7	(1,090)	-	-	(1,090)
		237,530,548	-	-	237,530,548
Other assets		5,182,225	-	-	5,182,225
Expected credit loss	10	(476)	-	-	(476)
		5,181,749	-	-	5,181,749
<b>Total net amounts</b>		<b>680,254,421</b>	<b>-</b>	<b>-</b>	<b>680,254,421</b>
<b>ECL as a % of carrying amounts</b>		<b>0.01%</b>	<b>-</b>	<b>-</b>	<b>0.01%</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Significant increase in credit risk (continued)

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

Geographical concentration

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by geographical regions as of 31 December 2021 and 31 December 2020. The Bank has allocated exposure to regions based on the country of domicile of the counterparties.

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Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Geographical concentration (continued)**As at 31 December 2021**

<b>Financial assets</b>	<b>Belize</b>	<b>USA</b>	<b>Canada</b>	<b>UK</b>	<b>Europe</b>	<b>Dominica</b>	<b>Total</b>
Balances and deposits with foreign banks	213,624	2,138,089	60,158	2,599,593	2,149,618	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	145,959,387	-	-	-	-	145,959,387
Other foreign credit instruments	-	243,138,230	-	80,652,992	113,750,902	-	437,542,124
Accrued interest and cash-in-transit	-	1,034,515	-	135,543	70,489	27,962	1,268,509
Marketable securities issued or guaranteed by foreign Governments and international institutions	-	235,851,137	-	-	-	1,679,410	237,530,547
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	611,245,303	-	-	-	-	-	611,245,303
Other assets	20,026,459	-	-	-	-	-	20,026,459
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	<b>652,424,003</b>	<b>628,121,358</b>	<b>60,158</b>	<b>83,388,127</b>	<b>115,971,009</b>	<b>1,707,372</b>	<b>1,481,672,028</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Geographical concentration (continued)**As at 31 December 2021 (continued)**

<b>Financial liabilities</b>	<b>Belize</b>	<b>USA</b>	<b>Barbados</b>	<b>Jamaica</b>	<b>Guyana</b>	<b>Trinidad &amp; Tobago</b>	<b>Total</b>
Notes and coins in circulation	527,779,890	-	-	-	-	-	527,779,890
Deposits by licensed financial institutions	630,854,923	-	-	-	-	-	630,854,923
Deposits by and balances due to Government and Public sector entities in Belize	168,434,145	-	-	-	-	-	168,434,145
Deposits by international agencies	-	691,511	1,633,054	-	-	-	2,324,565
Balances due to CARICOM central banks	-	-	86,999	419,661	8,030	2,400	517,090
Other liabilities	26,344,275	-	-	-	-	-	26,344,275
International Monetary Fund' SDR Allocations	-	121,733,841	-	-	-	-	121,733,841
Commercial banks' discount fund	-	1,654,033	-	-	-	-	1,654,033
	<b>1,353,413,233</b>	<b>124,079,385</b>	<b>1,720,053</b>	<b>419,661</b>	<b>8,030</b>	<b>2,400</b>	<b>1,479,642,762</b>



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Geographical concentration (continued)**As at 31 December 2020**

<b>Financial assets</b>	<b>Belize</b>	<b>USA</b>	<b>Canada</b>	<b>UK</b>	<b>Europe</b>	<b>Dominica</b>	<b>Total</b>
Balances and deposits with foreign banks	227,003	2,297,292	131,532	1,059,774	2,043,008	-	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-	76,100,409	-	-	-	-	<b>76,100,409</b>
Other foreign credit instruments	-	415,331,915	-	93,451,579	77,139,182	-	<b>585,922,676</b>
Accrued interest and cash-in-transit	-	110,706	708,548	411,658	719,943	30,625	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	9,999,499	-	-	-	1,839,548	<b>11,839,047</b>
Balances with local banks and cash on hand	749,946	-	-	-	-	-	<b>749,946</b>
Government of Belize securities	501,057,960	-	-	-	-	-	<b>501,057,960</b>
Advances to Government of Belize	58,419,371	-	-	-	-	-	<b>58,419,371</b>
Other assets	24,952,391	-	-	-	-	-	<b>24,952,391</b>
Equity instruments	20,000,000	-	-	-	-	-	<b>20,000,000</b>
	<b>605,406,671</b>	<b>503,839,821</b>	<b>840,080</b>	<b>94,923,011</b>	<b>79,902,133</b>	<b>1,870,173</b>	<b>1,286,781,889</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(i) Credit risk (continued)**Geographical concentration (continued)**As at 31 December 2020 (continued)**

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

**(ii) Currency risk**

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)**

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

**As at 31 December 2021**

<b>Financial assets</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Balances and deposits with foreign banks	-	5,498,800	-	1,484,589	60,158	117,535	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	145,959,387	-	-	-	145,959,387
Other foreign credit instruments	-	437,542,124	-	-	-	-	437,542,124
Accrued interest and cash-in-transit	-	1,139,333	13,142	25,939	85,052	5,043	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	237,530,548	-	-	-	-	237,530,548
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	611,245,303	-	-	-	-	-	611,245,303
Advances to Government of Belize	-	-	-	-	-	-	-
Other assets	12,831,392	7,195,068	-	-	-	-	20,026,460
Equity instruments	20,000,000	-	-	-	-	-	20,000,000
	<b>645,015,312</b>	<b>688,905,873</b>	<b>145,972,529</b>	<b>1,510,528</b>	<b>145,210</b>	<b>122,578</b>	<b>1,481,672,029</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(ii) Currency risk (continued)****As at 31 December 2021 (continued)**

<b>Financial liabilities</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Notes and coins in circulation	527,779,890	-	-	-	-	-	527,779,890
Deposits by licensed financial institutions	630,854,923	-	-	-	-	-	630,854,923
Deposits by and balances due to Government and Public sector entities in Belize	163,408,535	3,811,100	-	1,214,511	-	-	168,434,145
Deposits by international agencies	-	2,135,110	189,455	-	-	-	2,324,565
Balances due to CARICOM central banks	-	517,090	-	-	-	-	517,090
Other liabilities	19,149,208	7,195,068	-	-	-	-	26,344,276
International Monetary Fund' SDR Allocations	-	-	121,733,841	-	-	-	121,733,841
Commercial banks' discount fund	1,654,033	-	-	-	-	-	1,654,033
	<b>1,342,846,590</b>	<b>13,658,367</b>	<b>121,923,295</b>	<b>1,214,511</b>	<b>-</b>	<b>-</b>	<b>1,479,642,763</b>
<b>Net currency position</b>	<b>(697,831,278)</b>	<b>675,247,506</b>	<b>24,049,233</b>	<b>296,017</b>	<b>145,210</b>	<b>122,578</b>	<b>2,029,266</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)**

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

**As at 31 December 2020**

<b>Financial assets</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Balances and deposits with foreign banks	-	3,933,162	-	1,620,337	131,532	73,578	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-	-	76,100,409	-	-	-	<b>76,100,409</b>
Other foreign credit instruments	-	585,922,676	-	-	-	-	<b>585,922,676</b>
Accrued interest and cash-in-transit	-	1,857,886	12,798	23,330	75,123	12,343	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign Governments and international institutions	-	11,839,047	-	-	-	-	<b>11,839,047</b>
Balances with local banks and cash on hand	749,946	-	-	-	-	-	<b>749,946</b>
Government of Belize securities	501,057,960	-	-	-	-	-	<b>501,057,960</b>
Advances to Government of Belize	58,419,371	-	-	-	-	-	<b>58,419,371</b>
Other assets	17,757,323	7,195,068	-	-	-	-	<b>24,952,391</b>
Equity instruments	20,000,000	-	-	-	-	-	<b>20,000,000</b>
	<b>597,984,600</b>	<b>610,747,839</b>	<b>76,113,207</b>	<b>1,643,667</b>	<b>206,655</b>	<b>85,921</b>	<b>1,286,781,889</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(ii) Currency risk (continued)****As at 31 December 2020 (continued)**

<b>Financial liabilities</b>	<b>BZD</b>	<b>USD</b>	<b>SDR</b>	<b>EUR</b>	<b>CAD</b>	<b>GBP</b>	<b>Total</b>
Notes and coins in circulation	503,341,971	-	-	-	-	-	<b>503,341,971</b>
Deposits by licensed financial institutions	548,304,073	-	-	-	-	-	<b>548,304,073</b>
Deposits by and balances due to Government and public sector entities in Belize	91,856,263	44,598,333	-	4,599,138	-	-	<b>141,053,734</b>
Deposits by international agencies	-	2,213,056	194,961	-	-	-	<b>2,408,017</b>
Balances due to CARICOM central banks	-	568,266	-	-	-	-	<b>568,266</b>
Other liabilities	24,304,633	7,195,068	-	-	-	-	<b>31,499,701</b>
International Monetary Fund SDR allocations	-	-	51,553,984	-	-	-	<b>51,553,984</b>
Commercial banks' discount fund	1,572,850	-	-	-	-	-	<b>1,572,850</b>
	<b>1,169,379,790</b>	<b>54,574,723</b>	<b>51,748,945</b>	<b>4,599,138</b>	<b>-</b>	<b>-</b>	<b>1,280,302,596</b>
<b>Net currency position</b>	<b>(571,395,190)</b>	<b>556,173,116</b>	<b>24,364,262</b>	<b>(2,955,471)</b>	<b>206,655</b>	<b>85,921</b>	<b>6,479,293</b>

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Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(ii) Currency risk (continued)****Statement of revaluation as at 31 December 2021**

	<b>Foreign currency</b>	<b>Year-end rate</b>	<b>Belize dollar value</b>
Euro Dollar Fund	(666,782)	2.26540	(1,510,528)
Canadian Fund	(92,314)	1.57300	(145,210)
SDR Fund	(52,143,474)	2.79919	(145,959,387)
USD Fund	(341,199,353)	2.00000	(682,398,707)
Sterling Fund	(45,453)	2.69680	(122,578)
Belize Dollar Fund	829,481,680	1.00000	829,481,680
<b>Revaluation gain for the year</b>	-	-	<b>(654,729)</b>
<b>Revaluation balance as at 01 January 2021</b>	-	-	<b>2,522,843</b>
<b>Loss from change in fair marketable securities</b>	-	-	<b>(638,121)</b>
<b>Decrease in revaluation</b>	-	-	<b>(654,729)</b>
<b>Revaluation balance as at 31 December 2021</b>	-	-	<b>1,229,993</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(ii) Currency risk (continued)****Statement of revaluation as at 31 December 2020**

	<b>Foreign currency</b>	<b>Year-end rate</b>	<b>Belize dollar value</b>
Euro Dollar Fund	(669,300)	2.45580	<b>(1,643,667)</b>
Canadian Fund	(131,410)	1.57260	<b>(206,655)</b>
SDR Fund	(26,423,270)	2.88054	<b>(76,113,286)</b>
USD Fund	(301,801,383)	2.00000	<b>(603,602,766)</b>
Sterling Fund	(31,465)	2.73060	<b>(85,918)</b>
Belize Dollar Fund	682,565,510	1.00000	<b>682,565,510</b>
<b>Revaluation gain for the year</b>	-	-	<b>913,218</b>
<b>Revaluation balance as at 01 January 2020</b>	-	-	<b>1,609,625</b>
<b>Increase in revaluation</b>	-	-	<b>913,218</b>
<b>Revaluation balance as at 31 December 2020</b>	-	-	<b>2,522,843</b>

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

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



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(ii) Currency risk (continued)**

	2021		2020	
	Profit or loss Effect of 10% increase/(decrease)	Equity Effect of 10% increase/(decrease)	Profit or loss Effect of 10% increase/(decrease)	Equity Effect of 10% increase/(decrease)
<b>Financial assets</b>				
SDR	-	(85,955)	-	(97,148)
CAD	-	923	-	318
EUR	-	1,307	-	5,063
USD	-	-	-	-
GBP	-	455	-	446
	-	(83,270)	-	(91,321)

**(iii) Interest rate risk**

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(iii) Interest rate risk (continued)**

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

As at 31 December 2021	On demand/less than 1 month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
<b>Rate sensitive assets</b>							
Fixed deposits	-	67.3	38.7	100.3	-	-	206.3
Treasury bills	-	-	-	-	-	-	-
Treasury notes	-	-	-	-	139.2	238.3	377.5
Bonds	-	8.0	-	-	-	-	8.0
Debenture	-	-	-	-	-	8.4	8.4
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	364.9	364.9
<b>Total rate sensitive assets</b>	-	75.3	38.7	100.3	139.2	611.6	965.1
<b>Rate sensitive liabilities</b>							
International Monetary Fund' SDR Allocations	-	-	-	-	-	304.3	304.3
<b>Total rate sensitive liabilities</b>	-	-	-	-	-	304.3	304.3
<b>Interest sensitivity surplus</b>	-	75.3	38.7	100.3	139.2	307.3	660.8

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)**

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

As at 31 December 2020	On demand/less than 1 month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 years	Total
<b>Rate sensitive assets</b>							
Fixed deposits	-	21.8	35.4	56.8	-	-	114.0
Treasury bills	-	-	-	-	-	-	-
Treasury notes	-	-	-	-	-	-	-
Bonds	-	-	-	-	12.0	-	12.0
Debenture	-	-	-	-	-	8.4	8.4
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	22.9	22.9
<b>Total rate sensitive assets</b>	-	21.8	35.4	56.8	12.0	31.3	157.3
<b>Rate sensitive liabilities</b>							
International Monetary Fund' SDR Allocations	-	-	-	-	-	15.5	15.5
<b>Total rate sensitive liabilities</b>	-	-	-	-	-	15.5	15.5
<b>Interest sensitivity surplus</b>	-	21.8	35.4	56.8	12.0	15.8	141.8

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

### 37. Financial risk management (continued)

#### (iii) Interest rate risk (continued)

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

	2021	2020
Balances and deposits with foreign banks	0.05%	0.29%
Other foreign credit instruments - fixed deposits	0.15%	0.54%
Other foreign credit instruments - overnight deposits	0.05%	0.29%
Marketable securities - US Treasury notes	0.98%	0.00%
Marketable securities - bonds	1.63%	1.63%
Marketable securities - debentures	3.50%	3.50%

#### (iv) Liquidity risk

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

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

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)**

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

**As 31 December 2021**

<b>Financial assets</b>	<b>On demand/less than 1 month</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>6-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
Balances and deposits with foreign banks	7,161,082	-	-	-	-	-	7,161,082
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	145,959,387	145,959,387
Other foreign credit instruments	169,443,779	103,480,898	64,637,822	100,453,698	-	-	438,016,198
Accrued interest and cash-in-transit	1,268,509	-	-	-	-	-	1,268,509
Marketable securities issued or guaranteed by foreign governments and international financial institutions	-	9,999,499	-	-	28,109,938	211,558,243	249,667,681
Balances with local banks and cash on hand	938,617	-	-	-	-	-	938,617
Government of Belize securities	48,990,200	139,739,200	66,008,000	171,741,000	171,389,000	13,622,000	611,489,400
Other assets	-	-	-	20,026,459	-	-	20,026,459
Equity instruments	-	-	-	-	-	20,000,000	20,000,000
<b>Total</b>	<b>227,802,187</b>	<b>253,219,597</b>	<b>130,645,822</b>	<b>292,221,157</b>	<b>199,498,938</b>	<b>391,139,630</b>	<b>1,494,527,332</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(iv) Liquidity risk (continued)****As 31 December 2021 (continued)**

<b>Financial liabilities</b>	<b>On demand/less than 1 month</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>6-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
Notes and coins in circulation	-	-	-	-	-	527,779,890	527,779,890
Deposits by licensed financial institutions	-	-	-	630,854,923	-	-	630,854,923
Deposits by and balances due to Government and public sector entities in Belize	-	168,434,145	-	-	-	-	168,434,145
Deposits by international agencies	-	2,324,565	-	-	-	-	2,324,565
Balances due to CARICOM central banks	517,090	-	-	-	-	-	517,090
Other liabilities	-	-	-	26,344,276	-	-	26,344,276
International Monetary Fund SDR allocations	-	-	-	-	-	121,733,841	121,733,841
Commercial banks' discount fund	-	-	-	-	-	1,654,033	1,654,033
<b>Total</b>	<b>517,090</b>	<b>170,758,710</b>	<b>-</b>	<b>657,199,199</b>	<b>-</b>	<b>651,167,765</b>	<b>1,479,642,763</b>
<b>Net liquidity position</b>	<b>227,285,097</b>	<b>82,460,888</b>	<b>130,645,822</b>	<b>(364,978,042)</b>	<b>199,498,938</b>	<b>(260,028,135)</b>	<b>14,884,569</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(iv) Liquidity risk (continued)****As 31 December 2020**

<b>Financial assets</b>	<b>On demand/less than 1 month</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>6-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
Balances and deposits with foreign banks	5,758,609	-	-	-	-	-	<b>5,758,609</b>
Reserve Tranche and balances with the International Monetary Fund	-	-	-	-	-	76,100,409	<b>76,100,409</b>
Other foreign credit instruments	226,621,471	146,418,444	118,308,299	94,574,462	-	-	<b>585,922,676</b>
Accrued interest and cash-in-transit	1,981,480	-	-	-	-	-	<b>1,981,480</b>
Marketable securities issued or guaranteed by foreign Governments and international institutions	-	-	-	-	9,999,499	1,839,548	<b>11,839,047</b>
Balances with local banks and cash on hand	749,946	-	-	-	-	-	<b>749,946</b>
Government of Belize securities	-	86,920,960	72,008,000	196,403,000	92,635,000	53,091,000	<b>501,057,960</b>
Advances to Government of Belize	-	58,419,371	-	-	-	-	<b>58,419,371</b>
Other assets	-	-	-	24,952,391	-	-	<b>24,952,391</b>
Equity instruments	-	-	-	-	-	20,000,000	<b>20,000,000</b>
<b>Total</b>	<b>235,111,506</b>	<b>291,758,775</b>	<b>190,316,299</b>	<b>315,929,853</b>	<b>102,634,499</b>	<b>151,030,957</b>	<b>1,286,781,889</b>

**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

**37. Financial risk management (continued)****(iv) Liquidity risk (continued)****As 31 December 2020 (continued)**

<b>Financial liabilities</b>	<b>On demand/less than 1 month</b>	<b>1-3 Months</b>	<b>4-6 Months</b>	<b>6-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 years</b>	<b>Total</b>
Notes and coins in circulation	-	-	-	-	-	503,341,971	<b>503,341,971</b>
Deposits by licensed financial institutions	-	-	-	548,304,073	-	-	<b>548,304,073</b>
Deposits by and balances due to Government and public sector entities in Belize	-	141,053,734	-	-	-	-	<b>141,053,734</b>
Deposits by international agencies	-	2,408,017	-	-	-	-	<b>2,408,017</b>
Balances due to CARICOM central banks	568,266	-	-	-	-	-	<b>568,266</b>
Other liabilities	-	-	-	31,499,701	-	-	<b>31,499,701</b>
International Monetary Fund SDR allocations	-	-	-	-	-	51,553,984	<b>51,553,984</b>
Commercial banks' discount fund	-	-	-	-	-	1,572,850	<b>1,572,850</b>
<b>Total</b>	<b>568,266</b>	<b>143,461,751</b>	<b>-</b>	<b>579,803,774</b>	<b>-</b>	<b>556,468,805</b>	<b>1,280,302,596</b>
<b>Net liquidity position</b>	<b>234,543,240</b>	<b>148,297,024</b>	<b>190,316,299</b>	<b>(263,873,921)</b>	<b>102,634,499</b>	<b>(405,437,848)</b>	<b>6,479,293</b>



**Central Bank of Belize**

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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**37. Financial risk management (continued)**

**(v) 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.

## Central Bank of Belize

Notes to the financial statements for the years ended 31 December 2021 and 2020

(in Belize dollars)

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### 38. Commitments and contingencies

#### (i) Claims and litigations

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

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

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

	2021	2020
Not later than one year	<u>2,822,324</u>	<u>3,722,059</u>

### 39. Subsequent events

Subsequent events have been evaluated through 25 April 2022. Several legislative amendments were made to the Central Bank of Belize Act, approved on 31 March 2022 and gazetted on 02 April 2022. These include sections 3,8,9,25 and 40. In section 8 on 'Capital of the Bank', the authorised capital was increased to \$50,000,000, and the paid-up capital was increased to \$40,000,000. In addition, section 9 on General Reserves Fund was amended to indicate that 30% of the Bank's profit will be paid into the General Reserves Fund and the remainder to the Accountant General for the Consolidated Revenue Fund.

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

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