Central Bank of Belize

Financial Statements for the Years Ended December 31, 2011 and 2010 and Independent Auditors' Report

CENTRAL BANK OF BELIZE

TABLE OF CONTENTS

Castillo Sanchez & Burrell, LLP
40 A Central American Blvd
P.O. Box 1235
Belize City
Belize

Tel: +501 227 3020/5666
Fax: +501 227 5792
www.CSB-LLP.com
info@CSB-LLP.com

Partners:
Giacomo Sanchez, CPA
Claude Burrell, CPA CISA
Consultant:
Julian Castillo, CA

Audit & Risk Advisory
Business Solutions
Outsourcing
Real Estate
Corporate
Paralegal

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2011 and 2010, the statements of income, statements of other comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as of December 31, 2011 and 2010, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the Central Bank of Belize Act.

Castillo Sanchez Burrell, LLP

Chartered Accountants
February 24, 2012

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

ASSETS	Notes	2011	2010
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted		**$ 5,766,431**	$ 8,275,505
Bank balances with foreign bankers – restricted	4	**20,000,000**	10,000,000
Reserve Tranche and balances with the International Monetary Fund	5	**74,606,409**	74,972,141
Other foreign credits instruments	6	**333,903,945**	292,396,042
Accrued interest and cash-in-transit	7	**1,623,878**	11,884,149
Marketable securities issued or guaranteed by foreign governments and international financial institutions	8	**47,221,429**	34,100,000
		483,122,092	431,627,837
BELIZE GOVERNMENT SECURITIES	9	**114,559,241**	119,005,134
BELIZE GOVERNMENT CURRENT ACCOUNT	10	**45,120,655**	33,045,643
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**166,923**	217,018
OTHER ASSETS	11	**12,784,335**	11,975,274
POST EMPLOYMENT OBLIGATIONS	27	**4,048,955**	4,048,955
INVESTMENT	12	**20,000,000**	-
PROPERTY AND EQUIPMENT	13	**28,099,915**	28,474,976
INTANGIBLE ASSETS	14	**523,583**	-
TOTAL ASSETS		**$708,425,699**	$628,394,837

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2011	2010
DEMAND LIABILITIES:			
Notes and coins in circulation		**$210,578,509**	$191,602,557
Deposits by licensed financial institutions	15	**264,700,936**	223,568,961
Deposits by and balances due to Government and Public sector entities in Belize		**120,293,819**	97,573,516
Deposits by international agencies	16	**1,274,195**	2,000,145
		596,847,459	514,745,179
BALANCES DUE TO CARICOM CENTRAL BANKS		**425,195**	1,080,127
OTHER LIABILITIES	17	**5,338,635**	6,944,982
LOANS FROM FOREIGN INSTITUTIONS	18	**14,460,221**	14,509,390
IMF SDR ALLOCATIONS	19	**54,961,890**	55,148,814
COMMERCIAL BANKS' DISCOUNT FUND	20	**111,548**	15,916
TOTAL LIABILITIES		**672,144,948**	592,444,408
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	21	**3,548,001**	3,552,091
ASSET REVALUATION RESERVE	26	**102,235**	102,235
POST EMPLOYMENT OBLIGATION RESERVE	27	**4,048,955**	4,048,955
GENERAL RESERVE	22	**18,581,560**	18,247,148
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$708,425,699**	$628,394,837

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on April 13, 2012 and are signed on its behalf by:

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

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

	Notes	2011	2010
CONTINUING OPERATIONS			
INTEREST INCOME:			
Approved external assets	23	**$ 3,600,514**	$ 3,583,440
Advances to Government		**4,801,665**	6,071,864
Local securities		**7,309,311**	4,634,162
		15,711,490	14,289,466
Discount on local securities		**549,173**	407,977
Commissions and other income		**2,454,472**	1,763,722
Total income		**18,715,135**	16,461,165
LESS: Interest expense		**(483,880)**	(1,559,643)
Income from operations		**18,231,255**	14,901,522
EXPENDITURE:			
Printing of notes and minting of coins		**(2,041,854)**	(2,072,944)
Salaries and wages, including superannuation contribution and gratuities	24	**(8,447,745)**	(7,615,973)
Depreciation and amortization	13,14	**(792,664)**	(766,176)
Administrative and general expenses	25	**(3,604,869)**	(3,335,273)
Total expenditure		**(14,887,132)**	(13,790,366)
Profit for the year from continuing operations		**$ 3,344,123**	$ 1,111,156
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**$ 3,344,123**	$ 1,111,156
Transfer to general reserve fund in accordance with Section 9(1) of the Act	22	**(334,412)**	(111,116)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 3,009,711**	$ 1,000,040
Profit for the year attributable to:			
Owner of the Bank		**$ 3,344,123**	$ 1,111,156
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		**$ 3,344,123**	$ 1,111,156

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

		2011	2010
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**$ 3,344,123**	$ 1,111,156
Other comprehensive income:			
Revaluation of financial assets	21	**(4,090)**	(123,445)
Actuarial gain on post-employment obligations	27	**-**	1,995,955
Other comprehensive income for the year		**(4,090)**	1,872,510
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 3,340,033**	$ 2,983,666
Total comprehensive income attributable to:			
Owner of the Bank		**$ 3,340,033**	$ 2,983,666

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

	Paid-up capital	Revaluation account	Asset revaluation reserve	Post-employment obligation	General reserve	Accumulated profits
January 1, 2010	$10,000,000	$3,675,536	$102,235	$2,053,000	$18,136,032	$ -
Profit for the year from continuing operations	-	-	-	-	-	1,111,156
Other comprehensive(loss) income	-	(123,445)	-	1,995,955	-	-
Transfer to Government of Belize	-	-	-	-	-	(1,000,040)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	111,116	(111,116)
December 31, 2010	10,000,000	3,552,091	102,235	4,048,955	18,247,148	-
Profit for the year from continuing operations	-	-	-	-	-	3,344,123
Other comprehensive loss	-	(4,090)	-	-	-	-
Transfer to Government of Belize	-	-	-	-	-	(3,009,711)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	334,412	(334,412)
December 31, 2011	**$10,000,000**	**$3,548,001**	**$102,235**	**$4,048,955**	**$18,581,560**	**$ -**

The notes on pages 10 to 52 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year from continuing operations	**$ 3,344,123**	$ 1,111,156
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization of museum endowment fund(Note 11)	**57,815**	57,815
- Depreciation of property and equipment (Note 13)	**758,094**	766,176
- Amortization of intangible asset (Note 14)	**34,570**	-
- Loss on disposal of property and equipment	**1,496**	4,436
Cash provided by operating activities before operating assets and liabilities	**4,196,098**	1,939,583
Changes in operating assets and liabilities:		
Belize Government current account	**(12,075,012)**	85,388,421
Treasury notes – net	**(11,297,000)**	(31,860,000)
Securities	**(13,121,429)**	(4,100,000)
Reserve tranche in the International Monetary Fund	**40,151**	233,318
Other assets	**(866,876)**	(2,013,063)
Other liabilities	**(1,606,347)**	1,959,522
Revaluation account	**(4,090)**	(123,445)
Net cash (used in) provided by operating activities	**(34,734,505)**	51,424,336
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment	**(20,000,000)**	-
Acquisition of property and equipment	**(384,529)**	(392,433)
Acquisition of intangible assets	**(558,153)**	-
Net cash used in investing activities	**(20,942,682)**	(392,433)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**18,975,952**	(370,629)
Transfer to Consolidated Reserve Fund	**(3,009,711)**	(1,000,040)
Deposits by licensed financial institutions	**41,131,975**	(11,960,647)
Deposits by and balances due to Government and Public Sector Entities	**22,720,303**	12,575,975
Deposits by international agencies	**(725,950)**	1,113,084
Balances due to Caricom Central Banks	**(654,932)**	907,740
Commercial Bank Discount Fund	**95,632**	(963,002)
IMF SDR allocations	**(186,924)**	(979,601)
IMF Enda facility	**(49,169)**	(258,185)
Net cash provided by (used in) financing activities	**$78,297,176**	$ (935,305)

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2011 AND 2010 (IN BELIZE DOLLARS)

	2011	2010
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$439,884,528**	$389,787,930
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22,619,989**	50,096,598
CASH AND CASH EQUIVALENTS, END OF YEAR	**$462,504,517**	$439,884,528
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 5,766,431**	$ 8,275,505
Restricted bank balances	**20,000,000**	10,000,000
Other foreign credit instruments	**333,903,945**	292,396,042
Accrued interest	**1,164,234**	1,218,154
Cash-in-transit	**459,644**	10,665,995
Balance with the International Monetary Fund	**61,656,099**	61,981,680
	422,950,353	384,537,376
LOCAL ASSETS:		
Cash and bank balances	**166,923**	217,018
Government of Belize Treasury Bills	**22,331,241**	21,014,134
Current portion of Treasury Notes	**17,056,000**	34,116,000
	39,554,164	55,347,152
	$462,504,517	$439,884,528

The notes on pages 10 to 52 are an integral part of these financial statements.

1. GENERAL INFORMATION

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

The principal objectives of the Bank are to foster monetary stability especially in regards to the exchange rate, and to promote banking, credit and exchange conditions conducive to the growth of the economy of Belize. The address of the Bank's registered office is Gabourel Lane, Belize City, Belize.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Form of presentation of the financial statements –Adopted IFRS and the Central Bank of Belize Act 1982 have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.

b. Change in accounting policies – The Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, give rise to additional disclosures or changes to the presentation of the financial statements.

New standards, interpretations and amendments thereof, adopted by the Bank

The accounting policies adopted in the preparation of these financial statements are consistent with those followed for the year ended December 31, 2010, except for the adoption of new standards and interpretations as noted below:

- The Bank has early adopted IFRS 9 Financial Instruments issued in October 2010 with a date of initial application of December 31, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The requirements of IFRS 9 represent a significant change from the classification and measurement requirements in IAS 39 Financial Instruments: Recognition and Measurement in respect of financial assets. IFRS 9 contains two primary measurement categories for financial assets: amortised cost and fair value. Unless it is designated as measured at fair value, a financial asset is measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis except as described below from January 1, 2011 without restatement of prior periods.

- Changes resulting from assessments made on the basis of facts and circumstances that existed at the date of initial application (December 31, 2011). The changes are measured as at the first date of the current reporting period (January 1, 2011).
- The assessment of whether a financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The designation of certain investments in equity instruments that are not held for trading as at fair value through other comprehensive income.
- The determination of whether the existing designations of liabilities as at fair value through profit or loss would create or enlarge an accounting mismatch in profit or loss. As a result of this analysis no adjustments were required to be made.

Change resulting from assessments made at the date of initial application (December 31, 2011) and measured at the date of initial application – investments in unquoted equity instruments, which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. Differences between the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in opening retained earnings for the year ended December 31, 2011, i.e. as at January 1, 2011.

The provisions of IFRS 9 have not been applied to financial assets and financial liabilities derecognised before December 31, 2011.

The change in accounting policy had no impact on basic and diluted earnings per share for the period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 5 *Non-current Assets Held-for-sale and Discontinued Operations*
  The amendment to IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosures in other IFRSs do not apply to such assets (or disposal groups) unless those IFRS require specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations; or disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and such disclosures are not already provided in the other notes to the financial statements. Effective January 1, 2011.

  The amendment has had no effect on the financial position or performance of the Bank.

- IAS 24 *Related Party Transactions* (Amendment)
  The IASB has issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships as well as clarifying in which circumstances persons and key management personnel affect related party relationships of an entity.

  Effective January 1, 2011.

  The adoption of the amendment did not have any impact on the financial position or performance of the Bank.

- IAS 32 Financial *Instruments: Presentation* (Amendment)
  The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. Effective February 1, 2010.

  The amendment has had no effect on the financial position or performance of the Bank.

- IFRIC 19 Extinguishing *financial liabilities with equity instruments*

  IFRIC 19 provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments. The interpretation clarifies the requirement of IFRS when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. (Effective July 1, 2010). The interpretation does not have a financial impact on the Bank's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- IFRS 7 *Financial Instruments — Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. Effective date of January 1, 2011.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. Effective date of January 1, 2011.

- IAS 34 *Interim Financial Statements*: The amendment requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed financial statements. Effective date of January 1, 2011. The Bank does not produce interim financial statements; however, if it so chooses in the future, this amendment will apply.

- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)**—**The amendment removes an unintended consequence when an entity is subject to minimum funding requirements (MFR) and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as pension asset. Effective for annual periods beginning January 1, 2011, with earlier application permitted.

  Pension plans are not subject to minimum funding requirements in Belize. The amendment to the interpretation therefore had no effect on the financial position or performance of the Bank. However, if the pension plans change in the future, the amendment will be applicable.

Standards, interpretations and amendments, which might be relevant to the Bank and issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. They will be adopted when required.

The Bank has not early adopted any of the following standards, interpretations and amendments that have been issued but are not yet effective:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) — Severe hyperinflation and Removal of Fixed Dates for First-time Adopters*
  Effective for annual periods beginning on or after 1 July 2011. The amendment may be applied earlier than the effective date and this must be disclosed.

- *IFRS 7 Financial Instruments: Disclosures (Amendment)*
  Effective for annual periods beginning on or after 1 July 2011. The amendment may be applied earlier than the effective date and this must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *IFRS 7 Offsetting of financial assets and financial liabilities (Amendment)*
  Effective January 1, 2012.

- *IFRS 7 Disclosures on transition to IFRS 9 (Amendment)*
  Effective January 1, 2012.

- *IFRS 10 Consolidated Financial Statements/ IAS 27 Separate Financial Statements*
  Effective for annual periods beginning on or after January 1, 2013.

  The new standard is applied retrospectively in accordance with the requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy, with some modifications. An example of such modification is where an investor controls an investee that was not previously not consolidated, the investor applies acquisition accounting as of the date on which it obtained control. However, the standard provides relief when it is not practicable to apply IFRS 10 on a retrospective basis. In such cases, consolidation of the controlled investee (and acquisition accounting) is required from the earliest date practicable.

  Earlier application is permitted if the entity also applies the requirements of IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interests in Other Entities*, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.

- *IFRS 11 Joint Arrangements/ IAS 28 Investments in Associates and Joint Ventures*
  Effective for annual periods beginning on or after January 1, 2013. IFRS 11 will be applied using a modified retrospective approach. For example, jointly controlled entities under current IAS 31 that will be classified as joint ventures under IFRS 11, will transition from proportionate consolidation to the equity method by aggregating the carrying values previously recorded, testing that amount for impairment and then using that amount as the deemed cost for applying the equity method going forward.

  Early application of IFRS 11 is permitted, provided that an entity also applies the requirements of IFRS 10, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011) at the same time.

- IFRS 12 disclosure of interests in other entities, effective January 1, 2013
  The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate:

  - the nature of, and risks associated with, its interests in other entities

  - the effects of those interests on its financial position, financial performance and cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

IFRS 12 is required to be applied by an entity that has an interest in any of the following:

- subsidiaries
- joint arrangements (joint operations or joint ventures)
- associates
- unconsolidated structured entities

- IFRS 13 fair value measurement, effective January 1, 2013

  IFRS 13

  - defines fair value
  - sets out in a single IFRS a framework for measuring fair value
  - requires disclosures about fair value measurements.

  IFRS 13 seeks to increase consistency and comparability in fair value measurements and related disclosures through a 'fair value hierarchy'. The hierarchy categorises the inputs used in valuation techniques into three levels. The hierarchy gives the highest priority to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- *IAS 1 Presentation of Items of Other Comprehensive Income — Amendments to IAS 1* Effective for annual periods beginning on or after July 1, 2012. These amendments are applied retrospectively in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy. Earlier application is permitted and must be disclosed.

- *IAS 12 Income Taxes (Amendment) — Deferred Taxes: Recovery of Underlying Assets* Effective for annual periods beginning on or after January 1, 2012. This amendment is applied retrospectively, in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy. Earlier application is permitted and must be disclosed.

- *IAS 19 Employee Benefits (Revised)* Effective for annual periods beginning on or after January 1, 2013. The revised standard is applied retrospectively in accordance with requirements of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* for changes in accounting policy.

- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* Effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted and would need to be disclosed. This Interpretation is applied to production stripping costs incurred on or after the beginning of the earliest period presented. The Interpretation would not require full retrospective application. Instead it would provide a practical expedient for any stripping costs incurred and capitalised prior to that date.

Apart from some additional disclosures in certain cases, adoption of the above standards, interpretations and amendments are not expected to have any material effect on the financial performance or position of the Bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. Other accounting developments – Disclosures pertaining to fair values and liquidity risks for financial instruments: The Bank has applied *Improving Disclosures about Financial Instruments* (Amendments to IFRS 7) issued March 2009, that require enhanced disclosures about fair value measurements and liquidity risk in respect of financial instruments.

The amendments require that fair value measurement disclosures use a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial instruments. Specific disclosures are required when fair value measurements are categorised as Level 3 (significant unobservable inputs) in the fair value hierarchy. The amendments require that any significant transfers between Level 1 and Level 2 of the fair value hierarchy be disclosed separately, distinguishing between transfers into and out of each level. Furthermore, changes in valuation techniques from one period to another, including reasons therefore, are required to be disclosed for each class of financial instruments. Revised disclosures are included in note 30.

Further, the definition of liquidity risk has been amended and is now defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The amendments require disclosure of a maturity analysis for non-derivative and derivative financial liabilities, but contractual maturities are required to be disclosed for derivative financials only when contractual maturities are essential for an understanding of the timing of cash flows. For issued financial guarantee contract, the amendments require the maximum amount of the guarantee to be disclosed in the earliest period in which the guarantee could be called.

Revised disclosures in respect of liquidity risk are included in note 29.

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available-for-sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as ’Other operating income’. However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement

i. *Date of recognition*

The Bank initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii. Classification

Financial assets – Policy applicable from January 1, 2011

At inception a financial asset is classified as measured at amortised cost or fair value. A financial asset qualifies for amortised cost measurement only if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- 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.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Bank makes an assessment of a business model at a portfolio level as this reflects best the way the business is managed and information is provided to management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Bank considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Bank has designated certain financial assets at fair value through profit or loss because the designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise. Note 30 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

Note 30 also sets out reconciliation between financial asset classes and measurement categories.

Financial assets are not reclassified subsequent to their initial recognition, except when the Bank changes its business model for managing financial assets.

Financial assets – Policy applicable prior to January 1, 2011
At inception a financial asset was classified in one of the following categories:

- loans and receivables;
- held to maturity;
- available-for-sale; or
- at fair value through profit or loss and within the category as:
  - held for trading; or
  - designated at fair value through profit or loss.

The Bank designated financial assets at fair value through profit or loss in the following circumstances:

- the assets were managed, evaluated and reported internally on a fair value basis;
- the designation eliminated or significantly reduced an accounting mismatch, which would otherwise have arisen; or
- the asset contained an embedded derivative that significantly modified the cash flows that would otherwise have been required under the contract.

Note 30 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset class.

Financial liabilities
The Bank classifies its financial liabilities as measured at amortized cost or fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The Bank has designated financial liabilities at fair value through profit or loss when liabilities contain embedded derivatives that significantly modify the cash flows that would otherwise be required under the contract. Note 30 sets out the amount of each class of financial liabilities that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant liability class.

Financial guarantees and commitments to provide a loan at a below-market interest rate are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18 Revenue.

Note 30 also sets out reconciliation between financial liability classes and measurement categories.

International Monetary Fund balances

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

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

Foreign Marketable Securities

These consist of debentures issued by the Governments of Dominica and bonds issued by Barbados and Caribbean Development Bank.

Belize Government Securities

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

Loans to Government

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

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

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

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

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

iii. Derecognition

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. In addition, prior to January 1, 2011 any cumulative gain or loss that had been recognised in other comprehensive income was also recognised in profit or loss.
The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

iv. Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank’s trading activity.

v. Amortized cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

vi. Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction on the measurement date.

The fair value of an instrument is measured using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

If a market for a financial instrument is not active, then the Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Bank calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Any difference between the fair value at initial recognition and the amount that would be determined at that date using a valuation technique in a situation in which the valuation is dependent on unobservable parameters is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

vii. Identification and measurement of impairment

At each reporting date the Bank assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

The Bank considers evidence of impairment for loans and advances and investment securities measured at amortised costs at both a specific asset and collective level. All individually significant loans and advances and investment securities measured at amortised cost are assessed for specific impairment. All individually significant loans and advances and investment securities measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and investment securities measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances and investment securities measured at amortised cost with similar risk characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

The Bank writes off loans and advances and investment securities when they are determined to be uncollectible.

Impairment of financial assets - Policy applicable prior to January 1, 2011

The Bank assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

i. Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new effective interest rate determined at the reclassification date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Financial instruments: initial recognition and subsequent measurement (Continued)

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

ii. Available-for-sale financial investments

For available-for-sale financial investments, the Bank assess at each statement of financial position date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of ‘Interest income’.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

In the case of equity investments classified as available-for-sale, objective evidence would also include a ‘significant’ or ‘prolonged’ decline in the fair value of the investment below its cost. The Bank treats ‘significant’ generally as 20% and ‘prolonged’ as greater than 6 months. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing items and restoring the site on which they are located. The cost of software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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 and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of income.

Maintenance, repairs and renewals are charged against revenue in the year the expenditure is incurred; major renewals and improvements are capitalized.

When property, plant and equipment are disposed of by sale or scrapping, the cost and related accumulated depreciation are removed from the accounting records and any resulting gain or loss is included in the statement of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Intangible asset and amortization – Management has made certain judgments and assumptions when capitalizing intangible assets. Projects are assessed to determine compliance with established criteria in accordance with IFRS.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized. Intangible assets for the bank comprise of a purchased website, software and related software licenses. A summary of the policies applied to the bank's intangible asset is as follows:

Useful life: Finite

Amortization: Amortized over the useful economic life of 5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. Impairment of non-financial assets -

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

The recoverable amount of the non-life insurance cash generating unit is determined based on a value–in-use calculation. The calculation requires the Bank to make an estimate of the expected future cash flows and discount these amounts using a suitable rate which reflects the risk of those cash flows in order to calculate the present value of those cash flows.

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

l. Employee benefits

<u>Pension</u>

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

<u>Gratuity</u>

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The gratuity liability is neither funded nor actuarially valued. This item is grouped under "Other liabilities" in the Statements of Financial Position.

Severance
With effect January 1, 2005, an employee with a minimum of ten years of continuous service who resigns his employment is eligible to one week severance pay for each year of service (amended to two weeks severance after ten years by the Labour (Amendment) Act on May 5, 2011) in addition to retirement benefits in accordance with the Central Bank of Belize Pension Scheme Trust Deed and Rules.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

q. 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.

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

3. CENTRAL BANK OF BELIZE ACT SECTION 25 COMPLIANCE

Section 25 of the Act stipulates that:

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

   Management has developed internal controls to ensure compliance with the law. As at December 31, 2011, the Bank was in compliance as the value of total assets was $708,425,699 (2010: $628,394,837) while the value of notes and coins in circulation was $210,578,509 (2010: $191,602,557).

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

   Management has developed internal controls to ensure compliance with the law. At December 31, 2011 and 2010, total approved external assets approximated 81percent and 84 percent of such liabilities respectively.

4. BANK BALANCE WITH FOREIGN BANKER – RESTRICTED

The Bank has an irrevocable standby letter of credit No. 23626469 in favour of Comision Federal De Electricidad, Subdireccion Del Centro Nacional De Control De Energia for an amount not to exceed in aggregate USD $10,000,000 (2010 - USD $5,000,000). Funds under this letter of credit are available to the beneficiary by sight payment with Citibank N.A. C/O at Citicorp North America. Currently the letter of credit is secured by a restricted USD $10,000,000 (2010 - USD $5,000,000) deposit at Citibank N.A.

5. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

Belize became a member of the International Monetary Fund in 1982 with a subscription of SDR 7,200,000 of which SDR 1,320,600 was paid in foreign currency (Reserve Tranche) and the remainder in Belize dollars made up of currency and non-interest bearing promissory notes. In 1982, this Reserve Tranche was purchased by the Bank from the Government of Belize. At December 31, 2011, Belize's subscriptions to the International Monetary Fund amounted to SDR 18,800,000. The Reserve Tranche amounted to SDR 4,238,690 and the IMF's currency holdings amounted to SDR 20,079,888 respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$3.070540 SDR 1.0 at December 31, 2011 (2010 - BZ$3.080060 to SDR 1.0).

6. OTHER FOREIGN CREDIT INSTRUMENTS

	2011	2010
At December 31, these instruments comprised:		
Bank of America (Fixed Deposits)	**$ 20,006,250**	$118,407,700
Commerzbank (Fixed Deposit)	**28,200,000**	-
Crown Agents Financial Services (Fixed Deposits)	**103,077,487**	102,788,342
Barclays Bank PLC (Fixed Deposits)	**90,380,208**	50,000,000
Federal Reserve Bank of New York (Overnight Deposit)	**91,000,000**	19,200,000
Bank of America (Overnight Deposit)	**1,040,000**	800,000
Citibank N.A. New York (Overnight Deposit)	**200,000**	1,200,000
	$333,903,945	$292,396,042

7. ACCRUED INTEREST AND CASH-IN-TRANSIT

Accrued interest and cash-in-transit consist of:

	2011	2010
Accrued interest	**$1,164,234**	$ 1,218,154
Cash-in-transit	**459,644**	10,665,995
	$1,623,878	$11,884,149

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

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

	Face Value	Maturity Date
3.50% Government of Dominica Debenture	**$ 2,000,000**	2034
1.12% Caribbean Development Bank Bond	**20,000,000**	2012
7.8% Government of Barbados	**8,000,000**	2019
6.75% Government of Barbados	**3,221,429**	2014
2.125% International Bank for Reconstruction and Development Bonds	**4,000,000**	2016
1.375% International Bank for Reconstruction and Development Bonds	**10,000,000**	2014
	$47,221,429	

9. BELIZE GOVERNMENT SECURITIES

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

	2011	2010
Treasury Bills	**$ 22,331,241**	$ 21,014,134
Treasury Notes	**82,228,000**	87,991,000
Belize Defence Bonds	**10,000,000**	10,000,000
	$114,559,241	$119,005,134

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

	2011	2010
Due within 1 year	**$ 39,387,241**	$ 55,130,134
Due within 1 year through 5 years	**45,578,000**	33,875,000
Due within 5 years through 10 years	**29,594,000**	30,000,000
	$114,559,241	$119,005,134

Section 35(2) of the Central Bank Act stipulates that the Bank shall not at any time hold Belize Government securities in an aggregate amount exceeding ten times the aggregate amount at that time of the paid up capital and general reserves of the Bank. Management has developed internal controls to ensure compliance with the law. At December 31, 2011 and 2010 the Bank's aggregate holding of Belize Government securities approximated 4.01 and 4.21 times respectively, the amount of paid up capital and general reserves of the Bank. Government securities are held at fair value.

10. BELIZE GOVERNMENT CURRENT ACCOUNT

The Central Bank of Belize (Amendment) Act 2010 section 4 specifies that such advances shall not exceed eight and one half percent of the current revenues of the Government collected during the preceding financial year. At December 31, 2011, the Bank was in compliance since advances to the Government of Belize totaled $45,120,655, 69% of $65,123,381 which represent eight and one half percent of the Government's revenues collected during fiscal year April 1, 2010 to March 31, 2011. (2010 - $33,045,643 being 58% of $57,341,000)

11. OTHER ASSETS

	2011	2010
Other assets consist of:		
Inventory of circulation notes and coins	**$ 3,055,092**	$ 5,066,563
Special coins inventory	**1,192,878**	-
Prepayments and accrued interest	**3,742,432**	2,737,906
Accounts receivable	**95,799**	115,552
Staff loans receivable	**3,860,847**	3,194,777
Museum endowment fund	**578,150**	578,150
Bond premium	**107,222**	148,505
Education bond receivable	**182,741**	111,592
Other	**800,744**	795,984
	13,615,905	12,749,029
Less accumulated amortization:	**(831,570)**	(773,755)
	$12,784,335	$11,975,274

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

Included in other assets: other, is an amount of $216,912 due from Guyana under the Caricom Multilateral Clearing Facility (CMCF). Interest is not being recognized on this amount. The balance is expected to be received from CMCF and the HIPC Trust Fund; however, there is no set repayment date.

12. INVESTMENT

Investment represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a price of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each at par value of $1.00 per share have been received by the Bank. The Bank is committed by a "Share Purchase" agreement to not dispose of the shares for at least four years after the date of purchase. Thereafter the Bank can dispose of the shares at the rate of one million shares per annum. If the Bank chooses to sell the shares, it shall offer the Government of Belize the right of the first refusal and the right to object to any buyer before concluding the sale of any of the shares.

13. PROPERTY AND EQUIPMENT

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Total**
Balance at, January 1, 2011	$30,441,554	$1,287,756	$6,359,917	$396,031	$38,485,258
Additions	9,270	34,104	196,587	144,568	384,529
Disposals	-	(10,986)	(108,031)	-	(119,017)
Balance at, December 31, 2011	30,450,824	1,310,874	6,448,473	540,599	38,750,770
Accumulated depreciation					
Balance at January 1, 2011	3,391,001	1,058,355	5,259,153	301,773	10,010,282
Depreciation charge for the year	280,709	39,992	368,224	69,169	758,094
Disposal	-	(10,843)	(106,678)	-	(117,521)
Balance at, December 31, 2011	3,671,710	1,087,504	5,520,699	370,942	10,650,855
Net book value					
December 31, 2011	**$26,779,114**	**$ 223,370**	**$ 927,774**	**$169,657**	**$28,099,915**
December 31, 2010	$27,050,553	$ 229,401	$1,100,764	$ 94,258	$28,474,976

14. INTANGIBLE ASSETS

	2011
Cost	
Balance at, January 1	$ -
Additions	558,153
Disposals	-
Balance at, December 31	558,153
Accumulated Amortization	
Balance at January 1	-
Amortization charge for the year	34,570
Disposals	-
Balance at, December 31	34,570
Net Book Value	
December 31, 2011	**$523,583**

Intangible assets primarily comprise computer software and related cost.

15. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

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

16. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2011	2010
Caribbean Development Bank	**$ 58,565**	$ 479,355
International Monetary Fund	**147,177**	147,634
Inter-American Development Bank	**897,175**	1,197,175
Int'l Bank Reconstruction & Development	**29,740**	29,740
EU Banana Support Escrow	**141,538**	146,241
	$1,274,195	$2,000,145

17. OTHER LIABILITIES

	2011	2010
Severance and gratuities	**$1,148,099**	$1,098,379
Other staff costs payable	**506,411**	469,674
Abandoned property	**1,115,632**	2,933,200
License international financial institutions	**1,600,000**	1,800,000
Income deferred on license fees	**545,562**	474,572
Accounts payable	**381,352**	169,157
Bond discount	**41,579**	-
	$5,338,635	$6,944,982

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

18. LOANS FROM FOREIGN INSTITUTIONS

Effective February 18, 2009, the Executive Board of the International Monetary Fund (IMF) approved SDR 4.7 million (about US$6.9 million) in financing under emergency assistance for natural disasters to support the nation's recovery from the economic after effects of serious storm damage and flooding in 2008. Under the Financial Terms of IMF Credit, the loan is classified as emergency assistance with a basic rate of charge, no surcharge and 50 basis points service charge. The basic rate of charge fluctuates with the market rate for the SDR which is calculated on a weekly basis. Principal payments for the Facility start May 20, 2012 with final payment due on February 20, 2014. The loan was converted at rate SDR 2.950997 to the BZD on February 20, 2009. At December 31, 2011, the loan was revalued at SDR 3.07540 to BZD $1.00 (2010 - SDR 3.080060 to BZD $1.00).

19. IMF SDR ALLOCATIONS

A general allocation of Special Drawing Rights (SDRs) equivalent to approximately USD $250 billion became effective on August 28, 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the Fund's member countries' foreign exchange reserves. The general SDR allocation was made to IMF members that are participants in the Special Drawing Rights Department (currently all 186 members) in proportion to their existing quotas in the Fund, which are based broadly on their relative size in the global economy. The Quota for the country of Belize is SDR 18,800,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. At December 31, 2011, the SDR's were revalued at SDR 3.07540 to BZD $1.00 (2010 - 3.080060 to BZD $1.00).

20. COMMERCIAL BANKS' DISCOUNT FUND

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

The USAID loan has the following terms:

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

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

	2011	2010
Loans receivable from institution	**$(1,398,467)**	$(1,465,000)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest Received from institutions	**3,821,331**	3,792,232
	$ 111,548	$ 15,916

21. REVALUATION ACCOUNT

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

	2011	2010
Balance at beginning of year	**$3,552,091**	$3,675,536
Prior year exchange gains	**(1,407,840)**	(1,531,285)
Current year exchange gains	**(1,403,750)**	(1,407,840)
Loss from revaluation	**4,090**	123,445
Transfers in accordance with section 50 – current period	**-**	-
Balance at end of year	**$3,548,001**	$3,552,091

22. GENERAL RESERVE FUND

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

	2011	2010
Balance at beginning of year	**$18,247,148**	$18,136,032
Transfer from net profit	**334,412**	111,116
Balance at end of year	**$18,581,560**	$18,247,148

23. INTEREST ON APPROVED EXTERNAL ASSETS

	2011	2010
Interest earned on overnight deposits	**$ 37,180**	$ 118,930
Interest earned on marketable securities	**1,360,559**	1,272,516
Interest earned on balances and deposits with foreign bankers	**2,202,775**	2,191,994
	$3,600,514	$3,583,440

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2011	2010
Salaries and wages	**$7,973,490**	$7,165,843
Social security costs	**135,939**	133,965
Pensions - defined benefit plans	**338,316**	316,165
Employee benefits expense	**$8,447,745**	$7,615,973

25. ADMINISTRATIVE AND GENERAL EXPENSES

	2011	2010
Advertising	$ 52,050	$ 30,061
Audit fees	64,856	54,371
Amortization	57,815	57,815
Bank charges	34,287	27,698
Bank publications	36,298	28,171
Books and publication	38,826	29,051
Building repairs and maintenance	428,567	426,446
Cash shipment	6,507	4,349
Computer software license	166,630	103,662
Conference	73,892	-
Directors' fees	29,900	30,300
Donations	36,092	62,713
Entertainment	12,960	10,736
Equipment maintenance	25,063	26,784
Firearm license and ammunition	10,680	9,000
Freight charges	8,700	11,888
Hurricane preparedness	44,400	8,133
Insurance expense	127,527	121,856
Legal fees	325,868	255,961
Membership fees	76,731	84,219
Motor vehicle	55,626	57,975
Other miscellaneous expense	219,401	342,534
Overseas meeting and conferences	213,137	206,192
Professional services and technical support	339,610	191,751
Small equipment purchases	11,012	15,627
Supplies	235,577	248,956
Surveys	26,800	26,580
Travel (local)	10,922	11,388
Utilities expense	835,135	851,056
	$3,604,869	$3,335,273

26. REVALUATION – ASSET

Historical and contemporary pictures and painting were revaluated in 2009 by independent appraiser, Carlos Bardalez, of Belize City whose report is dated November 9, 2009.

27. POST EMPLOYMENT OBLIGATIONS

During the year under audit, the Bank contributed $338,316 (2010 - $316,165) to the scheme.

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

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

The last IAS 19 valuation done at December 31, 2009 reported the present value of plan assets and past service liabilities to be $11,410,075 and $7,484,000 respectively.

Significant actuarial assumptions used in the valuation were:

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

The Board's adoption of IAS 19 and IFRIC 14: IAS 19, effective January 1, 2009, herein referred to as the transition date, resulted in the continued recognition of a pension asset, based on a formal actuarial valuation that was carried out as at December 31, 2007. The next actuarial valuation for the year ended December 2010 will be completed in 2012.

27. POST EMPLOYMENT OBLIGATIONS (Continued)

Surplus to be recognized in the Statement of Financial Position	**Asset**	**Post-retirement Medical Benefits**	**Total 2009**
Present value of the obligation	$ 5,544,000	$1,940,000	$ 7,484,000
Fair value of plan assets	(11,410,075)	-	(11,410,075)
Net surplus	(5,866,075)	1,940,000	(3,926,075)
Unrecognized actuarial (gains) losses	(5,173)	(117,707)	(122,880)
Unrecognized past service cost - non-vested benefits	-	-	-
Net Liability/(asset) recognized in statement of financial position	$ (5,871,248)	$1,822,293	$ (4,048,955)

Amounts to be recognized in Statement of Income			
Current service cost (Bank)	$ 324,589	$ 137,347	$ 461,936
Interest cost	406,785	152,771	559,556
Expected return on plan assets	(826,871)	-	(826,871)
Net Actuarial (gain) loss recognized in year	-	-	-
Past service costs - non-vested benefits	-	-	-
Past service costs - vested benefits	-	-	-
Losses/(gains) on curtailment/settlement	-	-	-
Total included in staff costs	$ (95,497)	$ 290,118	$ 194,621

Amounts to be recognized in Statement of Other Comprehensive Income			
Liability	$ -	$1,822,293	$ 1,822,293
Assets	(5,871,248)	-	(5,871,248)
Net Liability/(asset) recognized in statement of financial position	(5,871,248)	1,822,293	(4,048,955)
Previous Net Liability/(asset) recognized in statement of financial position			(2,053,000)
Surplus recognized in statement of other comprehensive income			$ (1,995,955)

27. POST EMPLOYMENT OBLIGATIONS (Continued)

Other post-employment benefits:

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

Liability to be recognized in the Statement of Financial Position:

	2009
Present value of the obligation	$1,940,000
Fair value of plan assets	-
Net surplus	1,940,000
Unrecognized actuarial (gains) losses	(117,707)
Unrecognized past service cost - non-vested benefits	-
Liability to be recognized in the Statement of Financial Position	$1,822,293

28. RELATED PARTY TRANSACTIONS

Transactions with Governmental Departments

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

Transactions entered into include:

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

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

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

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

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

Transactions with related party during the period were as follows:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	BTB/STP	SSB Deposit Account	GOB Current Acct.
Opening Balances	$(314)	$(4,953,480)	$(353,635)	$(1,009)	$(187,904)	$(257,000)	$(699,247)	$(473,141)	$ 33,045,643
Deposits	(1,186,712)	(8,605,507)	(1,273,387)	(2,404,690)	(902,007)	(8,067,755)	(2,083,086)	(1,284,977)	(1,517,821,995)
Disbursements	1,169,000	13,327,602	1,413,000	2,382,647	848,247	8,193,338	1,757,586	1,757,000	1,529,897,007
Closing Balances	$ (18,026)	$ (231,385)	$ (214,022)	$ (23,052)	$ (241,664)	$ (131,417)	$(1,024,747)	$ (1,118)	$ 45,120,655

Key management personnel

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governor and Deputy Governors, other members of the Board, and non-executive Directors. At December 31, 2011 and 2010, the number of key management personnel was 19 (2010 - 17).

28. RELATED PARTY TRANSACTIONS (Continued)

Compensations of key management personnel

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

	2011	2010
Short-term benefits	**$1,324,726**	$1,281,281
Post-employment benefits	**40,641**	38,669
Termination benefits	**201,044**	13,200
	$1,566,411	$1,333,150

Loans and advances to key management personnel

As at December 31, 2011 an amount of $374,534 (2010 - $402,370) was receivable from key managerial personnel as approved advances made by the Bank. No provisions have been recognized in respect of loans given to related parties.

The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

29. FINANCIAL RISK MANAGEMENT

Credit risk

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

In providing liquidity via the Bank’s operation of wholesale payment systems, credit risk is mitigated by dealing with counterparties that meet appropriate credit and functional criteria, and by ensuring that Cash Reserves and Liquid Asset Requirements for licensed financial institutions are met. In addition, credit risk on the securities held by the Bank is managed by holding only high-quality securities, issued chiefly by governments, government agencies and supranational organizations. The following tables break down the Bank’s main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2011. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

29. FINANCIAL RISK MANAGEMENT(CONTINUED)

Geographical concentration of assets:

Schedule A

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

Balance & Money at Call	USA	Canada	UK	Germany	Total
Depository Accounts & Money at Call	$ 1,726,494	$57,515	$ 3,755,209	$ 267,213	**$ 5,806,431**
Overnight Deposits	112,200,000	-	-	-	**112,200,000**
Fixed Deposits	110,386,458	-	103,077,487	28,200,000	**241,663,945**
Total Exposure	**$224,312,952**	**$57,515**	**$106,832,696**	$28,467,213	**$359,670,376**

Schedule B

Outline of other Local and Foreign Investments

Securities	Local	Foreign			
	GOB	**CDB**	**Barbados**	**Dominica**	**IBRD**
Treasury Notes	$ 82,228,000	$ -	$ -	$ -	$ -
Treasury Bills	22,331,241	-	-	-	-
Bonds	10,000,000	20,000,000	11,221,429	-	14,000,000
Debentures	-	-	-	2,000,000	-
Total Exposure	**$114,559,241**	**$20,000,000**	**$11,221,429**	**$2,000,000**	**$14,000,000**

Market and interest rate risk

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

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Foreign Assets :	**Average rate of return**	**Average rate of return**
	2011	**2010**
Depository Accounts & Money at Call	0.7788%	0.9550%
Overnight Deposits	0.0215%	0.0946%
Term Deposits	0.4950%	0.7600%
Bonds	3.8340%	5.6800%
Debentures	3.5000%	3.5000%

Currency risk

The Bank takes on exposure to fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Because of its conservative nature, the Bank's exposure is limited since a significant portion of its external assets are held in US funds and in SDR funds necessary to meet Belize's quota with the IMF, SDR Loan and Allocation obligations. Other external asset funds are kept at a minimum.

The table below indicates the different fund allocations as of December 31, 2011:

	FOREIGN CURRENCY	**YEAR-END RATE**	**BELIZE DOLLAR VALUE**
Euro Fund	$ (123,936)	2.58820	$ (320,771)
Canadian Fund	(29,318)	1.96180	(57,516)
SDR Fund	(1,656,382)	3.07054	(5,085,987)
USD Fund	(201,208,864)	2.00000	(402,417,728)
Sterling Fund	(562,861)	3.09620	(1,742,730)
BZ$ Fund	408,220,982	1.00000	408,220,982
Current Year Revaluation Gains			**(1,403,750)**
Revaluation balance, January 1			**3,552,091**
Prior Year Revaluation Gains			(1,407,840)
Current Year Revaluation Gains			(1,403,750)
Loss on revaluation			**4,090**
Revaluation balance, December 31			**$ 3,548,001**

29. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

Maturities of assets at December 31, 2011

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Depository Accounts & Money at Call	5,806,430	-	-	-	-	-
Fixed Deposits	-	56,257,948	20,006,250	165,399,748	-	-
Overnight Deposits	112,200,000	-	-	-	-	-
Treasury Bills	16,949,524	5,381,717	-	-	-	-
Treasury Notes	-	3,000,000	-	14,056,000	35,578,000	29,594,000
Bonds	-	-	20,000,000	-	27,221,429	8,000,000
Debentures	-	-	-	-	-	2,000,000
Investment in associate	-	-	-	-	-	20,000,000
	134,955,954	**64,639,665**	**40,006,250**	**179,455,748**	**62,799,429**	**59,594,000**

Operational risk

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

30. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on pages 18 to 26 describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognized. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

At December 31, 2011	Financial assets and liability at fair value through profit or loss	Financial assets and liability at amortized costs	Financial assets and liability at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers and Crown agents	$ -	$ -	$ 5,766,431	$ 5,766,431
Bank balance with foreign banker – restricted	-	-	20,000,000	20,000,000
Reserve Tranche and balances with the International Monetary Fund	-	-	74,606,409	74,606,409
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	166,923	-	-	166,923
Other foreign credit instruments – unrestricted	333,903,945	-	-	333,903,945
Marketable securities issued or guaranteed by foreign government and international institutions	-	47,221,429	-	47,221,429
INVESTMENT	20,000,000	-	-	20,000,000
BELIZE GOVERNMENT CURRENT ACCOUNT	45,120,655	-	-	45,120,655
PENSION ASSET	-	-	4,048,955	4,048,955
Accrued interest and cash transit	1,623,878	-	-	1,623,878
BELIZE GOVERNMENT SECURITIES	114,559,241	-	-	114,559,241
Total financial assets	515,374,642	47,221,429	104,421,795	667,017,866
Total non-financial assets	-	-	-	41,407,833
Total assets	$515,374,642	$47,221,429	$104,421,795	$708,425,699

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

At December 31, 2011	Financial assets and liability at fair value through profit or loss	Financial assets and liability at amortized costs	Financial assets and liability at fair value through other comprehensive income	Total
Liabilities:				
Notes and coins in circulation	$210,578,509	$ -	$ -	$210,578,509
Deposits by licensed financial institutions	264,700,936	-	-	264,700,936
Deposits by and balances due to Government and public sector entities in Belize	120,293,819	-	-	120,293,819
Deposits by international agencies	1,274,195	-	-	1,274,195
BALANCES DUE TO CARICOM CENTRAL BANKS	425,195	-	-	425,195
COMMERCIAL BANK DISCOUNT FUND	111,548	-	-	111,548
OTHER LIABILITIES	-	5,338,635	-	5,338,635
LOANS FROM FOREIGN INSTITUTIONS	-	-	14,460,221	14,460,221
IMF SDR ALLOCATIONS	-	-	54,961,890	54,961,890
Total financial liabilities	597,384,202	5,338,635	69,422,111	672,144,948
Total non-financial liabilities	-	-	-	-
Total liabilities	$597,384,202	$5,338,635	$69,422,111	$672,144,948

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

At December 31, 2010	Loans and receivables	Held to Maturity	Available for Sale	Total
Assets:				
Balances and deposits with foreign bankers and Crown agents	$ 8,275,505	$ -	$ -	$ 8,275,505
Bank balance with foreign banker – restricted	10,000,000	-	-	10,000,000
Reserve Tranche and balances with the International Monetary Fund	-	74,972,141	-	74,972,141
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	217,018	-	-	217,018
Other foreign credit instruments – unrestricted	-	292,396,042	-	292,396,042
Marketable securities issued or guaranteed by foreign government and international institutions	-	34,100,000	-	34,100,000
BELIZE GOVERNMENT CURRENT ACCOUNT	-	33,045,643	-	33,045,643
PENSION ASSET	-	4,048,955	-	4,048,955
Accrued interest and cash transit	11,884,149	-	-	11,884,149
BELIZE GOVERNMENT SECURITIES	-	-	119,005,134	119,005,134
Total financial assets	30,376,672	438,562,781	119,005,134	587,944,587
Total non-financial assets	-	-	-	40,450,250
Total assets	$30,376,672	$438,562,781	$119,005,134	$628,394,837

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

At December 31, 2010	Available for sale	Held to Maturity	Financial assets and liability at amortized costs	Total
Liabilities:				
Notes and coins in circulation	$191,602,557	$ -	$ -	$191,602,557
Deposits by licensed financial institutions	-	-	223,568,961	223,568,961
Deposits by and balances due to Government and public sector entities in Belize	-	-	97,573,516	97,573,516
Deposits by international agencies	-	-	2,000,145	2,000,145
BALANCES DUE TO CARICOM CENTRAL BANKS	-	-	1,080,127	1,080,127
COMMERCIAL BANK DISCOUNT FUND	-	-	15,916	15,916
OTHER LIABILITIES	-	-	6,944,982	6,944,982
LOANS FROM FOREIGN INSTITUTIONS	-	14,509,390	-	14,509,390
IMF SDR ALLOCATIONS	-	55,148,814	-	55,148,814
Total financial liabilities	191,602,557	69,658,204	331,183,647	592,444,408
Total non-financial liabilities	-	-	-	-
Total liabilities	$191,602,557	$69,658,204	$331,183,647	$592,444,408

* * * * * *