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Central Bank of Belize

*Financial Statements for the Years
Ended December 31, 2015 and 2014 and
Independent Auditors' Report*

CENTRAL BANK OF BELIZE

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014:	
Statements of Financial Position	3 – 4
Statements of Profit	5
Statements of Other Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Cash Flows	8 – 9
Notes to Financial Statements	10 – 44



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Central Bank of Belize:

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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, 2015 and 2014, the statements of profit, 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 financial reporting provisions of 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.



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Independent Auditors' Report

Page 2

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, 2015 and 2014, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the financial reporting provisions of the Central Bank of Belize Act.

Chartered Accountants

Belize City, Belize

March 11, 2016

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

ASSETS	<u>Notes</u>	<u>2015</u>	<u>Restated</u> [*] <u>2014</u>
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted		\$ 7,464,307	\$ 5,451,036
Bank balances with foreign bankers – restricted	5	-	20,000,000
Reserve Tranche and balances with the International Monetary Fund	6	67,181,865	70,233,586
Other foreign credits instruments	7	645,725,851	672,234,366
Accrued interest and cash-in-transit	8	3,448,767	5,630,123
Marketable securities issued or guaranteed by foreign governments and international financial institutions	9	<u>140,571,429</u>	<u>191,714,286</u>
Total approved external assets		864,392,219	965,263,397
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		197,666	391,645
BELIZE GOVERNMENT SECURITIES	10	182,022,473	96,645,000
BELIZE GOVERNMENT CURRENT ACCOUNT	11	55,881,774	40,409,889
OTHER ASSETS	12	15,265,535	10,185,349
POST EMPLOYMENT OBLIGATIONS	27	3,341,174	3,341,174
INVESTMENT SECURITIES	13	20,000,000	20,000,000
PROPERTY AND EQUIPMENT	14	28,900,735	27,923,590*
INTANGIBLE ASSETS	15	<u>1,269,439</u>	<u>1,056,352*</u>
TOTAL ASSETS		<u>\$1,171,271,015</u>	<u>\$1,165,216,396</u>

* Balances are restated. See Note 28.

The notes on pages 10 to 44 are an integral part of these financial statements.

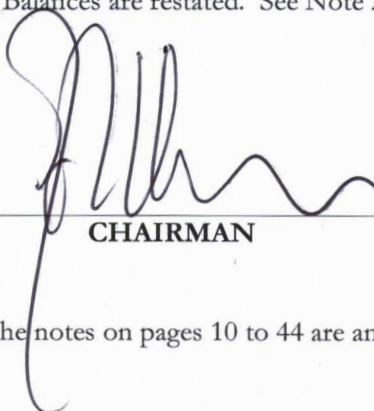


CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED) DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2015	Restated* 2014
DEMAND LIABILITIES:			
Notes and coins in circulation		\$ 345,080,494	\$ 286,034,882
Deposits by licensed financial institutions	16	662,481,324	529,789,810
Deposits by and balances due to Government and Public sector entities in Belize		47,897,458	249,778,378
Deposits by international agencies	17	<u>1,475,227</u>	<u>1,226,182</u>
Total demand liabilities		<u>1,056,934,503</u>	1,066,829,252
BALANCES DUE TO CARICOM CENTRAL BANKS		426,188	47,310
OTHER LIABILITIES	18	27,164,438	9,534,124
IMF SDR ALLOCATIONS	19	49,597,346	51,855,126
COMMERCIAL BANKS' DISCOUNT FUND	20	<u>761,016</u>	<u>598,649</u>
TOTAL LIABILITIES		<u>1,134,883,491</u>	<u>1,128,864,461</u>
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital \$10,000,000)		10,000,000	10,000,000
REVALUATION ACCOUNT	21, 30	1,738,817	2,578,468
ASSET REVALUATION RESERVE	26	103,431	103,431
POST EMPLOYMENT OBLIGATION RESERVE	27	3,341,174	3,341,174
GENERAL RESERVE	22	<u>21,204,102</u>	<u>20,328,862</u>
TOTAL LIABILITIES, CAPITAL AND RESERVES		<u>\$1,171,271,015</u>	<u>\$1,165,216,396</u>

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on April 15, 2016 and are signed on its behalf by:

* Balances are restated. See Note 28.

 <hr style="width: 100%;"/> CHAIRMAN	 <hr style="width: 100%;"/> GOVERNOR	 <hr style="width: 100%;"/> DEPUTY GOVERNOR OPERATIONS
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The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
<u>CONTINUING OPERATIONS</u>			
INTEREST INCOME:			
Approved external assets	23	\$ 7,341,065	\$ 6,659,465
Advances to Government of Belize		4,382,808	5,365,334
Local securities		<u>8,466,887</u>	<u>6,867,428</u>
		20,190,760	18,892,227
Other income:			
Discount on local securities		3,159	2,892
Dividends received from investment securities	13	2,860,000	-
Commissions and other income		3,314,797	3,312,250
Capital gain on securities investment		<u>844,992</u>	<u>2,820,943</u>
Total income		27,213,708	25,028,312
LESS: Interest expense		<u>(16,649)</u>	<u>(70,408)</u>
Income from operations		<u>27,197,059</u>	<u>24,957,904</u>
EXPENDITURE:			
Printing of notes and minting of coins		(2,801,613)	(2,239,992)
Salaries and wages, including superannuation contribution and gratuities	24	(10,528,763)	(9,512,541)
Depreciation and amortization		(1,116,901)	(950,795)
Administrative and general expenses	25	<u>(3,997,384)</u>	<u>(4,260,262)</u>
Total expenditure		<u>(18,444,661)</u>	<u>(16,963,590)</u>
Profit for the year from continuing operations		<u>\$ 8,752,398</u>	<u>\$ 7,994,314</u>
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND			
		\$ 8,752,398	\$ 7,994,314
Transfer to general reserve fund in accordance with Section 9(1) of the Act	22	<u>(875,240)</u>	<u>(799,431)</u>
Balance credited to the Accountant General for the consolidated revenue fund		<u>\$ 7,877,158</u>	<u>\$ 7,194,883</u>
Profit for the year attributable to:		<u>\$ 8,752,398</u>	<u>\$ 7,994,314</u>
Owner of the Bank			
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		<u>\$ 8,752,398</u>	<u>\$ 7,994,314</u>

The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

	<u>Note</u>	<u>2015</u>	<u>2014</u>
PROFIT FOR THE YEAR		\$ 8,752,398	\$ 7,994,314
Other comprehensive income (loss):			
Revaluation of financial assets	21	<u>(839,651)</u>	<u>(1,231,938)</u>
Other comprehensive income (loss) for the year		<u>(839,651)</u>	<u>(1,231,938)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 7,912,747</u>	<u>\$ 6,762,376</u>
Total comprehensive income attributable to:			
Owner of the Bank		<u>\$ 7,912,747</u>	<u>\$ 6,762,376</u>

The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

	Paid-up capital	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Accumulated profits
January 1, 2014	\$10,000,000	\$3,810,406	\$103,431	\$3,341,174	\$19,529,431	\$ -
<i>Comprehensive Income:</i>						
Profit for the year	-	-	-	-	-	7,994,314
Other comprehensive income	-	(1,231,938)	-	-	-	-
Total comprehensive income	-	(1,231,938)	-	-	-	7,994,314
<i>Transactions with owners of the Bank recognized directly in equity:</i>						
Transfer to General Reserve Fund	-	-	-	-	799,431	(799,431)
Balance credited to the Accountant General for the Consolidated Revenue Fund	-	-	-	-	-	(7,194,883)
Transactions with owner of the Bank	-	-	-	-	799,431	(7,994,314)
December 31, 2014	10,000,000	2,578,468	103,431	3,341,174	20,328,862	-
January 1, 2015	10,000,000	2,578,468	103,431	3,341,174	20,328,862	-
<i>Comprehensive Income:</i>						
Profit for the year	-	-	-	-	-	8,752,398
Other comprehensive loss	-	(839,651)	-	-	-	-
Total comprehensive income	-	(839,651)	-	-	-	8,752,398
<i>Transactions with owner of the Bank recognized directly in equity:</i>						
Transfer to General Reserve Fund	-	-	-	-	875,240	(875,240)
Balance credited to the Accountant General for the Consolidated Revenue Fund	-	-	-	-	-	(7,877,158)
Transactions with owner of the Bank	-	-	-	-	875,240	(8,752,398)
December 31, 2015	\$10,000,000	\$1,738,817	\$103,431	\$3,341,174	\$21,204,102	\$ -

The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	\$ 8,752,398	\$ 7,994,314
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization and impairment of other assets (Note 12)	3,399	9,715
- Amortization and impairment of intangible assets (Note 15)	252,625	763,982
- Depreciation of property and equipment (Note 14)	864,276	186,814
- (Gain) loss on disposal of property and equipment	<u>(1,607)</u>	<u>493</u>
Cash provided by operating activities before operating assets and liabilities	9,871,091	8,955,318
Changes in operating assets and liabilities:		
Belize Government current account	(15,471,885)	8,649,541
Treasury notes – net	(117,173,150)	36,408,000
Securities	51,142,857	72,021,428
Reserve tranche in the International Monetary Fund	532,092	769,206
Other assets	(5,083,585)	1,362,319
Other liabilities	17,632,854	156,165
Revaluation account	<u>(839,651)</u>	<u>(1,231,938)</u>
Net cash (used in) provided by operating activities	<u>(59,389,377)</u>	<u>127,090,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,875,768)	(360,750)
Proceeds from sale of assets	35,954	-
Acquisition of intangible assets	<u>(465,712)</u>	<u>(835,998)</u>
Net cash used in investing activities	<u>(2,305,526)</u>	<u>(1,196,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	59,045,612	23,567,727
Transfer to Consolidated Reserve Fund	(7,879,698)	(7,194,883)
Deposits by licensed financial institutions	132,691,514	141,916,225
Deposits by and balances due to Government and Public sector entities in Belize	(201,880,920)	(10,465,461)
Deposits by international agencies	249,045	122,206
Balances due to Caricom Central Banks	378,878	(172,854)
Commercial Bank Discount Fund	162,367	162,367
IMF SDR allocations	(2,257,780)	(3,268,735)
IMF Enda facility	-	<u>(1,813,868)</u>
Net cash (used in) provided by financing activities	<u>\$ (19,490,982)</u>	<u>\$142,852,724</u>

Continued on page 9.

The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

	<u>2015</u>	<u>2014</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$818,511,754	\$549,765,739
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(81,185,885)</u>	<u>268,746,015</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$737,325,869</u>	<u>\$818,511,754</u>
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	\$ 7,464,307	\$ 5,451,036
Restricted bank balances	-	20,000,000
Other foreign credit instruments	645,725,851	672,234,366
Accrued interest	2,896,163	2,207,846
Cash-in-transit	552,604	3,422,277
Balance with the International Monetary Fund	<u>55,492,955</u>	<u>58,012,584</u>
	<u>712,131,880</u>	<u>761,328,109</u>
LOCAL ASSETS:		
Cash and bank balances	197,666	391,645
Current portion of Treasury Notes	<u>24,996,323</u>	<u>56,792,000</u>
	<u>25,193,989</u>	<u>57,183,645</u>
	<u>\$737,325,869</u>	<u>\$818,511,754</u>

The notes on pages 10 to 44 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act, Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act, the Domestic Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circulars and Guidance Notes 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

- a. Statement of compliance – The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by IASB and the financial reporting provisions of the Central Bank of Belize Act. These and any amendments thereto have been used as a model for the presentation and disclosure framework to provide additional information and analysis of key items in the financial statements.
- b. Basis of 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.
- c. Change in accounting policies – The accounting policies adopted are consistent with those used in the previous financial year except that the Bank has adopted the following standards, amendments and interpretations which did not have a significant effect on the financial performance or position of the Bank. Some, however, may give rise to additional disclosures or changes to the presentation of the financial statements in future periods.

<i>Annual Improvements 2010-2012 Cycle made amendment to the following standard for periods beginning on or after July 1, 2014.</i>	Response
IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).	Short-term receivables and payables are measured on an undiscounted basis. Revisions have been made to Note 2d and 30.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

Standards issued but not yet effective

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

Standard	Pronouncement	When Effective	Response
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation.	January 1, 2016	The amendment will not have an impact on the financial statements.
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) to address issues that have arisen in the context of applying the consolidation exception for investment entities.	January 1, 2016	The amendment will not have an impact on the financial statements.
IFRS 14 Regulatory Deferral Accounts	IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.	January 1, 2016	The amendment will not have an impact on the financial statements.
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.	January 1, 2016	The amendment will not have an impact on the financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

Standard	Pronouncement	When Effective	Response
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	Amends IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16 and to clarify that produce growing on bearer plants remains within the scope of IAS 41.	January 1, 2016	The amendment will not have an impact on the financial statements.
Disclosure Initiative (Amendments to IAS 1)	Amends IAS 1 Presentation of Financial Statements to address perceived impediments to preparers exercising their judgement in presenting their financial reports.	January 1, 2016	The amendment will be adopted when it becomes effective and its effect, if any, will be quantified at that time.
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Amends IAS 27 Separate Financial Statements to permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	January 1, 2016	The standard is not expected to have an impact on the financial statements.
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Amends IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) to clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment is applicable on a prospective basis to a sale or contribution of assets.	January 1, 2016	The standard is not expected to have an impact on the financial statements.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2017	The standard is not expected to have an impact on the financial statements.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

Standard	Pronouncement	When Effective	Response
IFRS 9	<p>IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015.</p> <p>The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before 1 February 2015.</p>	January 1, 2018	The standard will be adopted when it becomes effective. Its effects will be quantified at that time.

<i>Annual Improvements 2012-2014 Cycle makes amendments to the following standards for periods beginning on or after July 1, 2016.</i>	Response
IFRS 5 — Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued	Improvements will not have an impact on the financial statement.
IFRS 7 — Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements	Improvements will not have an impact on the financial statement.
IAS 19 — Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid	Improvements will not have an impact on the financial statement.
IAS 34 — Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference	Improvements will not have an impact on the financial statement.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments –

Initial recognition and measurement

The Bank initially recognizes financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) 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. Transaction cost directly attributable to acquisition of the financial assets or liabilities at fair value through profit or loss are recognized immediately in profit or loss.

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.

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.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (Continued)

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.

As allowed by IFRS 9 certain financial instruments can be designated as 'fair value through other comprehensive income' or have the changes in fair value presented in other comprehensive income.

Classification

Financial assets

After initial recognition a financial asset is measured at amortised cost or fair value.

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.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) or future cash payments through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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:

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (Continued)

- 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.

The Bank has designated certain financial assets at amortized cost. Note 30 sets out the amount of each class of financial asset that has been designated at amortized cost. Due to their short-term nature, some cash and receivable balances are held on an undiscounted basis.

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 the 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. Based on statutory requirements some financial assets are measured at fair value through other comprehensive income. See also note 2(m).

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. 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.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (Continued)

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 receivable balances when they are determined to be uncollectible (see note 12).

Derecognition of financial assets

The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and associated liability for amounts it may have to pay.

If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognize the financial asset and also recognizes a collateralized borrowing for proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in the other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of the transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognize under the continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount and the allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (Continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities at amortized cost'. The Bank classifies its financial liabilities as measured at amortised cost. Based on statutory requirements some financial liabilities are measured at fair value through other comprehensive income. See also note 2(m).

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and is payable is recognized in profit or loss.

Note 30 also sets out the reconciliation between financial liability classes and measurement categories. Due to their short-term nature, certain payable balances are held on an undiscounted basis.

Below are descriptions of some of the main financial assets and financial liabilities of the Bank.

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 .

Foreign Marketable Securities

These consist of debentures issued by the Governments of Dominica and bonds issued by the United States, Sweden, Barbados and IBRD.

Belize Government Securities

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

Advances to Government

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

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. There are currently no loans to any public sector entity.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Financial instruments (Continued)

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.

Other Financial Assets and Liabilities

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

- 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. Investment in securities – This investment is carried at cost. Cost is based on the fair value of the consideration given in exchange for the asset. Dividends earned are included in operations.
- h. Property and equipment, depreciation and amortization – Fixed assets are carried at cost, and are depreciated on a straight line basis over their estimated useful lives. Land is not depreciated. Depreciation is charged at the following rates:

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

Cost includes expenditures that are directly attributable to the acquisition of the asset.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Property and equipment, depreciation and amortization (Continued)

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.

An item is derecognized upon disposal, by sale or scrapping, or when no further future economic benefits are expected from its use. Upon derecognition, the cost and related accumulated depreciation are removed from the accounting records. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount, is included in the Statement of Income in the year the asset is derecognized.

- i. 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.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Intangible asset and amortization (Continued)

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 3 to 10 years.

j. 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 is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

k. Employee benefits –

Pension

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

Gratuity

The Bank is liable to pay gratuity for contract employees who are not eligible to participate in the pension scheme. In order to meet this liability, a provision is carried forward in the statements of financial position equivalent to an amount calculated on 20% of the annual salary for each completed year of service, commencing from the first year of service. The resulting difference between the brought forward provision at the beginning of a year and the carried forward provision at the end of a year is dealt within the statement of income. The gratuity liability is neither funded nor actuarially valued. This item is grouped under "Other liabilities" in the Statements of Financial Position.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Employee benefits (Continued) –

Severance

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 one week severance after five years and 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.

- l. 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.
- m. 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.

Assets and liabilities

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

Income and expenses

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

Revaluation

Section 50 of the Central Bank of Belize Act 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 22) when the Revaluation Account shows a net loss, but is first credited to the Revaluation Account in an amount sufficient to cover the loss.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- n. Valuation of securities – Securities is 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.
- o. Accrued interest and cash in-transit – Accrued interest and cash in-transit in respect of foreign assets are shown as part of external assets.
- p. 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.
- q. Segment reporting – Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Bank has determined the Board of Directors as its chief operating decision maker. The Bank has one operating segment for financial reporting purposes.

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, the Bank was in compliance as the value of total assets was \$1,171,271,015 (2014: \$1,165,216,396) while the value of notes and coins in circulation was \$345,080,494 (2014: \$286,034,882).

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

Management has developed internal controls to ensure compliance with the law. At December 31 total approved external assets approximated 82%, (2014: 90%) of such liabilities respectively.

4. SIGNIFICANT NON-CASH TRANSACTIONS

During the year, the Bank experienced revaluation losses of \$839,651 (2014: \$1,231,938 loss) on its foreign currency balances and IMF funds.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

5. BANK BALANCES – RESTRICTED

The Bank had an irrevocable standby letter of credit No. 23626469 in favor 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. Funds under this letter of credit were available to the beneficiary by sight payment with Citibank N. A. C/O at Citicorp North America.

The letter of credit was secured by a restricted USD \$10,000,000 deposit at Citibank N. A. and expired on January 31, 2015.

6. 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, 2015, 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 20,023,004 (2014: 20,020,770) respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ\$2.77146 to SDR 1.0 at December 31 (2014: BZD\$2.897620 to SDR 1.0).

7. OTHER FOREIGN CREDIT INSTRUMENTS

	<u>2015</u>	<u>2014</u>
At December 31, these instruments comprised of:		
Bank of America (Fixed Deposit)	\$ 26,058,387	\$26,027,088
Bank of America (Overnight Deposit)	-	440,000
Barclays Bank PLC Miami (Fixed Deposit)	182,967,756	176,103,436
Citibank N.A., New York (Overnight Deposit)	-	400,000
Citibank N.A., New York (Fixed Deposit)	40,020,444	40,000,000
Commerzbank (Fixed Deposit)	100,602,439	58,605,919
Crown Agents Financial Services (Fixed Deposits)	89,972,026	149,926,813
Federal Reserve Bank of New York (Overnight Deposit)	126,000,000	59,600,000
ING Bank NV, Amsterdam (Fixed Deposit)	10,000,000	50,000,000
Morgan Stanley Smith Barney, LLC (Overnight Deposit)	-	111,131,110
Raymond James (Overnight Deposit)	<u>70,104,799</u>	<u>-</u>
	<u>\$645,725,851</u>	<u>\$672,234,366</u>

8. ACCRUED INTEREST AND CASH-IN-TRANSIT

	<u>2015</u>	<u>2014</u>
Accrued interest	\$2,896,163	\$2,207,846
Cash-in-transit	<u>552,604</u>	<u>3,422,277</u>
	<u>\$3,448,767</u>	<u>\$5,630,123</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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

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

	<u>Maturity Date</u>	<u>2015</u>	<u>2014</u>
2.125% International Bank for Reconstruction and Development Bonds	2016	\$ 4,000,000	\$ 4,000,000
0.875% US Treasury Notes	2017	30,000,000	40,000,000
1% US Treasury Notes	2017	-	20,000,000
7.8% Government of Barbados	2019	4,571,429	5,714,286
1.625% US Treasury Notes	2019	-	20,000,000
1.625% US Treasury Notes	2020	30,000,000	-
1.875% US Treasury Notes	2021	-	10,000,000
1.625% International Bank for Reconstruction and Development Bonds - Global	2022	10,000,000	-
2.250% International Bank for Reconstruction and Development Bonds	2024	-	20,000,000
2.250% US Treasury Notes	2024	-	10,000,000
2.83% International Bank for Reconstruction and Development Bonds	2028	30,000,000	30,000,000
2.95% Swedish Export Credit Corporation	2028	30,000,000	30,000,000
3.5% Government of Dominica Debenture	2034	2,000,000	2,000,000
		<u>\$140,571,429</u>	<u>\$191,714,286</u>

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

10. BELIZE GOVERNMENT SECURITIES

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

	<u>2015</u>	<u>2014</u>
Treasury Bills	\$ 24,996,323	\$ -
Treasury Notes	157,026,150	86,645,000
Belize Defence Bonds	-	10,000,000
	<u>\$182,022,473</u>	<u>\$96,645,000</u>

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

	<u>2015</u>	<u>2014</u>
Due within 1 year	\$ 70,758,323	\$47,017,000
Due within 1 year through 5 years	86,265,150	20,303,000
Due within 5 years through 10 years	24,999,000	29,325,000
	<u>\$182,022,473</u>	<u>\$96,645,000</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

10. BELIZE GOVERNMENT SECURITIES (Continued)

Section 35(2) of the Central Bank Act, as revised March 2010, 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 the Bank's aggregate holding of Belize Government securities approximated 6.00 times (2014: 3.19), respectively, the amount of paid up capital and general reserves of the Bank. Government securities are held at fair value.

11. BELIZE GOVERNMENT CURRENT ACCOUNT

The Central Bank of Belize (Amendment) Act 2010 section 4 specifies that such advances shall not exceed 8 ½% of the current revenues of the Government collected during the preceding financial year. Management has developed internal controls to ensure compliance with the law. At December 31, 2015, the Bank was in compliance since advances to the Government of Belize totaled \$55,881,774 which is 69% of \$81,274,006 which represents 8 ½% of the Government's revenues collected during April 1, 2014 and March 31, 2015. (2014 - \$40,409,889 being 54% of \$73,946,978).

12. OTHER ASSETS

	<u>2015</u>	<u>2014</u>
Other assets consist of:		
Bond premium	\$ 1,548	\$ -
Education bond receivable	-	49,217
Inventory of circulation notes and coins	4,662,240	2,414,491
Prepayments and accrued interest	4,651,462	1,815,395
Special coins inventory	1,137,267	1,146,485
Staff loans receivable	4,343,121	4,497,979
Accounts receivable	156,475	43,852
Other	<u>336,763</u>	<u>237,872</u>
	15,288,876	10,205,291
Less impairment for doubtful receivables and amortization of museum endowment fund:	<u>(23,341)</u>	<u>(19,942)</u>
	<u>\$15,265,535</u>	<u>\$10,185,349</u>
Impairment for doubtful receivables and amortization:	<u>2015</u>	<u>2014</u>
Beginning balance, January 1	\$ 19,942	\$ 1,013,677
Additional impairment and amortization	3,399	9,715
Write-offs	-	(1,003,450)
Ending balance, December 31	<u>\$ 23,341</u>	<u>\$ 19,942</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

13. INVESTMENT SECURITIES

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

14. PROPERTY AND EQUIPMENT

Cost	Property	Furniture	Equipment	Vehicles	Work in Progress	Total
Balance at, January 1, 2015	\$30,438,215	\$1,468,753	\$7,074,044	\$519,428	\$570,363	\$40,070,803
Additions	488,343	58,727	1,328,698	-	-	1,875,768
Disposals	-	(15,593)	(267,730)	(144,568)	-	(427,891)
Transfers	-	-	566,148	-	(566,148)	-
Balance at, December 31, 2015	<u>30,926,558</u>	<u>1,511,887</u>	<u>8,701,160</u>	<u>374,860</u>	<u>4,215</u>	<u>41,518,680</u>
Accumulated depreciation						
Balance at January 1, 2015	4,538,299	1,217,926	5,977,035	413,953	-	12,147,213
Depreciation charge for the year	304,488	50,169	457,998	51,621	-	864,276
Disposal	-	(14,421)	(246,502)	(132,621)	-	(393,544)
Balance at, December 31, 2015	<u>4,842,787</u>	<u>1,253,674</u>	<u>6,188,531</u>	<u>332,953</u>	<u>-</u>	<u>12,617,945</u>
Net book value						
December 31, 2015	<u>\$26,083,771</u>	<u>\$ 258,213</u>	<u>\$2,512,629</u>	<u>\$ 41,907</u>	<u>\$ 4,215</u>	<u>\$28,900,735</u>
December 31, 2014, restated	<u>\$25,899,916</u>	<u>\$ 250,827</u>	<u>\$1,097,009</u>	<u>\$105,475</u>	<u>\$570,363</u>	<u>\$27,923,590</u>

15. INTANGIBLE ASSETS

Cost	Intangible Assets	Work in Progress	Total
Balance at, January 1	\$1,583,119	\$ -	\$1,583,119
Additions	233,348	232,364	465,712
Transfers	106,761	(106,761)	-
Balance at, December 31	<u>1,923,228</u>	<u>125,603</u>	<u>2,048,831</u>
Accumulated Depreciation			
Balance at, January 1	526,767	-	526,767
Amortization charge for the year	252,625	-	252,625
Balance at, December 31	<u>779,392</u>	<u>-</u>	<u>779,392</u>
Net Book Value			
December 31, 2015	<u>\$1,143,836</u>	<u>\$125,603</u>	<u>\$1,269,439</u>
December 31, 2014, restated	<u>\$1,056,352</u>	<u>\$ -</u>	<u>\$1,056,352</u>

Intangible assets primarily comprise of qualifying computer software and related costs.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

16. DEPOSITS BY LICENSED FINANCIAL INSTITUTIONS

Under the revised provisions of Section 39 of the Domestic Banks and Financial Institutions Act 2013, licensed financial institutions are required to keep deposits with the Bank, equivalent to at least 8.5% of their average deposit liabilities.

17. DEPOSITS BY INTERNATIONAL AGENCIES

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

	<u>2015</u>	<u>2014</u>
Caribbean Development Bank	\$ 415,470	\$ 160,378
International Monetary Fund	132,842	138,889
Inter-American Development Bank	897,175	897,175
Int'l Bank for Reconstruction & Development	<u>29,740</u>	<u>29,740</u>
	<u>\$1,475,227</u>	<u>\$1,226,182</u>

18. OTHER LIABILITIES

	<u>2015</u>	<u>2014</u>
Severance and gratuities	\$ 2,007,873	\$1,837,862
Other staff costs payable	1,181,468	680,895
Abandoned property	5,084,443	3,607,865
License international offshore financial institutions*	14,694,714	1,400,000
Deferred income	657,225	691,552
Accounts payable	1,678,419	184,181
Unclaimed balances of Belize Unit Trust	46,388	47,254
Bond discount	130,660	368,705
Belize City Municipal Bonds – Sinking Fund	<u>1,683,248</u>	<u>715,810</u>
	<u>\$27,164,438</u>	<u>\$9,534,124</u>

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

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

19. IMF SDR ALLOCATIONS

	<u>2015</u>	<u>2014</u>
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, 2015, the SDR's were revalued at SDR 2.77146 to BZD \$1.00 (2014: 2.897620 to BZD \$1.00).		
Interest payable on the facility	\$49,593,212	\$51,850,751
	<u>4,134</u>	<u>4,375</u>
	<u>\$49,597,346</u>	<u>\$51,855,126</u>

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 10 year discount facility, amount of \$1,465,000 at 2% interest per annum, to the Development Finance Corporation.

	<u>2015</u>	<u>2014</u>
Loans receivable from institution	\$ (841,680)	\$ (985,059)
Interest paid to USAID	<u>(2,311,316)</u>	<u>(2,311,316)</u>
Interest received from institution	<u>3,914,012</u>	<u>3,895,024</u>
	<u>\$ 761,016</u>	<u>\$ 598,649</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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 gains or losses are carried to a special account called Revaluation Account through other comprehensive income.

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$2,578,468	\$3,810,406
Loss from revaluation	<u>(839,651)</u>	<u>(1,231,938)</u>
Balance at end of year	<u>\$1,738,817</u>	<u>\$2,578,468</u>

22. GENERAL RESERVE FUND

Section 9(1) of the Central Bank of Belize Act provides for the establishment of a General Reserve Fund into which is paid 20% 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% is paid into the Fund. At December 31, 2015, 10% was allocated (2014: 10%).

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$20,328,862	\$19,529,431
Transfer from net profit	<u>875,240</u>	<u>799,431</u>
Balance at end of year	<u>\$21,204,102</u>	<u>\$20,328,862</u>

23. INTEREST ON APPROVED EXTERNAL ASSETS

	<u>2015</u>	<u>2014</u>
Interest earned on overnight deposits	\$ 130,504	\$ 78,363
Interest earned on marketable securities	3,801,296	4,703,906
Interest earned on balances and deposits with foreign bankers	<u>3,409,265</u>	<u>1,877,196</u>
	<u>\$7,341,065</u>	<u>\$6,659,465</u>

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	<u>2015</u>	<u>2014</u>
Salaries and wages	\$ 9,668,749	\$9,002,785
Social security costs	142,996	138,156
Pensions - defined benefit plan	<u>717,016</u>	<u>371,600</u>
Employee benefits expense	<u>\$10,528,761</u>	<u>\$9,512,541</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

25. ADMINISTRATIVE AND GENERAL EXPENSES

	<u>2015</u>	<u>2014</u>
Advertising	\$ 76,691	\$ 55,774
Audit fees	65,250	65,428
Amortization and impairment of other assets	3,399	9,715
Bank charges	111,308	53,745
Bank publications	32,946	30,428
Books and publication	21,988	41,123
Building repairs and maintenance	443,772	513,777
Cash shipment	3,979	5,145
Computer software license	197,287	335,426
Directors' fees	91,774	56,100
Donations	57,407	44,544
Entertainment	9,485	9,691
Equipment maintenance	24,438	13,276
Firearm license and ammunition	9,914	5,025
Freight charges	37,095	22,409
Hurricane preparedness	22,358	192
Insurance expense	107,407	122,050
Legal fees	34,950	55,350
Membership fees	83,544	103,164
Motor vehicle	63,115	48,796
Other miscellaneous expense	254,238	358,352
Overseas meeting and conferences	283,405	276,147
Professional services and technical support	542,812	621,644
Small equipment purchases	28,397	8,920
Subscriptions	49,080	48,000
Supplies	212,113	297,259
Surveys	243,457	133,366
Travel (local)	38,024	14,736
Utilities expense	<u>847,751</u>	<u>910,680</u>
	<u>\$3,997,384</u>	<u>\$4,260,262</u>

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.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

27. POST EMPLOYMENT OBLIGATIONS

The Bank operates a defined benefit pension scheme which receives contributions from the Bank and its eligible employees. The scheme is financially separate from the Bank and is managed by a Board of Trustees. Under the plan, the employees are entitled to annual retirement benefits capped at a maximum of 66 percent of final pensionable salary on attainment of the retirement age of 60. In addition, the Bank provides an optional post-retirement medical benefit.

During the year under review, the Bank contributed \$717,016 (2014: \$371,600) 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 unrecognized remeasurements 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. Remeasurements are recognised in full in the year in which they occur within other comprehensive income. Last remeasurement was recorded at December 31, 2012.

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. Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Significant actuarial assumptions used in the valuation were:

- I. A valuation rate of interest of 6% p.a.
- II. Discount rate at end of year 6%.
- III. A rate of escalation of pensionable salaries of 4% p.a.
- IV. Pension will not increase in the course of payments.

The Bank has not performed any actuarial valuations on its defined benefit pension scheme during the year ended December 31, 2015. The next valuation is scheduled for 2016.

	PENSION (ASSET) LIABILITY		
	Pension Plan 2012	Post-retirement Medical Benefits	Total
Present value of the obligation	\$10,632,000	\$1,940,000	\$12,572,000
Unrecognized remeasurements	(3,341,174)	(117,707)	(3,458,881)
Fair value of plan assets	(13,923,770)	-	(13,923,770)
Net (asset) / liability recognized in statement of financial position	<u>\$ (6,632,944)</u>	<u>\$1,822,293</u>	<u>\$ (4,810,651)</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

27. POST EMPLOYMENT OBLIGATIONS (Continued)

An entity shall measure the resulting asset at the lower of (a) the amount determined under Section 54 and (b) any cumulative unrecognized net remeasurements and past service cost, and the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

	<u>2012</u>
a. Pension asset as per sections 54	\$(4,810,651)
b. Cumulative unrecognized net remeasurements and past service cost plus present value economic benefits	\$(3,341,174)

Final pension asset to be recognized on Statement of Financial Position at December 31, 2012	<u>\$(3,341,174)</u>
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Amounts to be recognized in Statement of Other Comprehensive Income at December 31, 2012

Pension asset as at December 31, 2011	\$(4,048,955)
Pension asset as at December 31, 2012	<u>(3,341,174)</u>
Loss on valuation of Pension asset	<u>\$ 707,781</u>

Post-retirement Medical Benefit:

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. 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. Last valuation was recognized at December 31, 2012.

Liability to be recognized in the Statement of Financial Position:

	<u>2012</u>
Present value of the obligation	\$1,940,000
Fair value of plan assets	<u>-</u>
Net obligation	1,940,000
Unrecognized actuarial (gains) losses	(117,707)
Unrecognized past service cost - non-vested benefits	<u>-</u>
Liability to be recognized in the Statement of Financial Position	<u>\$1,822,293</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

28. RESTATEMENT

The bank has restated its December 31, 2014 financial statements to reclassify work in progress property and equipment that were recognized as work in progress intangible assets. The effects of the restatement are shown below:

	<u>2014</u>
Effect on property and equipment	
Property and equipment as previously stated at December 31	\$27,357,442
Reclassification from work in progress intangible assets	<u>566,148</u>
Restated property and equipment as at December 31	27,923,590
Effect on intangible assets	
Intangible assets as previously stated at December 31	1,622,500
Reclassification to property and equipment	<u>(566,148)</u>
Restated intangible assets as at December 31	<u>\$ 1,056,352</u>

29. RELATED PARTY TRANSACTIONS

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 Departmental Directors. At December 31, the number of key management personnel was 18 (2014: 17).

Transactions with key management personnel:

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

Benefits

	<u>2015</u>	<u>2014</u>
Short-term benefits	\$2,091,247	\$1,957,983
Post-employment benefits	39,668	42,600
Termination benefits	<u>456,269</u>	<u>457,306</u>
	<u>\$2,587,184</u>	<u>\$2,457,889</u>

- b. Loans and advances to directors and key management:

Loans and advances

As at December 31 an amount of \$542,952 (2014: \$511,438) was receivable from key managerial personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 15 years with a variable interest rate initially set at 4.5%.

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

29. RELATED PARTY TRANSACTIONS (Continued)

Transactions with the Government include:

- 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.
- Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.
- 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.
- Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.
- As the agent of the government, the Bank manages public debt and foreign reserves.

Transactions with the Government during the year are quantified below:

	Social Security Board	Development Finance Corporation	SSB Mortgage Securitization Proceeds	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	SSB Deposit Account	GOB Current Acct.
Opening Balances	\$ (889)	\$ (321,613)	\$ (214,201)	\$ (5,447)	\$ (284,315)	\$ (59,174)	\$ (24,917)	\$ (928,606)	\$ (715,810)	\$ (1,118)	\$ 40,409,889
Disbursements	268,000	11,530,698	641,027	-	1,899,126	10,621,197	1,746,592	16,738,225	4,400,368	-	1,813,150,347
Deposits	(267,260)	(11,990,605)	(855,597)	-	(1,620,000)	(10,859,519)	(1,746,592)	(25,127,894)	(5,367,805)	-	(1797,678,771)
Closing Balances	\$ (149)	\$ (781,520)	\$ (428,771)	\$ (5,447)	\$ (5,189)	\$ (297,496)	\$ (24,917)	\$ (9,318,275)	\$ (1,683,247)	\$ (1,118)	\$ 55,881,774

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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 Note 2d 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, 2015	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers	\$ -	\$ -	\$ 7,464,307	\$ 7,464,307
Reserve Tranche and balances with the International Monetary Fund	-	-	67,181,865	67,181,865
BALANCES WITH LOCAL BANKERS AND CASH ON HAND (undiscounted)	-	197,666	-	197,666
Other foreign credit instruments – unrestricted	-	645,725,851	-	645,725,851
Marketable securities issued or guaranteed by foreign government and international institutions	-	140,571,429	-	140,571,429
INVESTMENT	20,000,000	-	-	20,000,000
BELIZE GOVERNMENT CURRENT ACCOUNT	-	55,881,774	-	55,881,774
PENSION ASSET	-	-	3,341,174	3,341,174
Accrued interest and cash transit (undiscounted)	-	3,448,767	-	3,448,767
BELIZE GOVERNMENT SECURITIES	-	<u>182,022,473</u>	-	<u>182,022,473</u>
Total financial assets	<u>\$20,000,000</u>	<u>\$1,027,847,960</u>	<u>\$77,987,346</u>	<u>\$1,125,835,306</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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

At December 31, 2015

	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<u>Liabilities:</u>			
Notes and coins in circulation (undiscounted)	\$ 345,080,494	\$ -	\$345,080,494
Deposits by licensed financial institutions	662,481,324	-	662,481,324
Deposits by and balances due to Government and public sector entities in Belize	47,897,458	-	47,897,458
Deposits by international agencies	1,475,227	-	1,475,227
BALANCES DUE TO CARICOM CENTRAL BANKS	426,188	-	426,188
COMMERCIAL BANK DISCOUNT FUND	761,016	-	761,016
OTHER LIABILITIES	27,166,978	-	27,166,978
LOANS FROM FOREIGN INSTITUTIONS	-	-	-
IMF SDR ALLOCATIONS	-	49,597,346	49,597,346
Total financial liabilities	<u>\$1,085,288,685</u>	<u>\$49,597,346</u>	<u>\$1,134,886,031</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2d 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, 2014

	Financial assets at fair value through profit or loss	Financial assets at amortized costs	Financial assets at fair value through other comprehensive income	Total
Assets:				
Balances and deposits with foreign bankers	\$ -	\$ -	\$ 5,451,036	\$ 5,451,036
Bank balance with foreign banker – restricted	-	-	20,000,000	20,000,000
Reserve Tranche and balances with the International Monetary Fund	-	-	70,233,586	70,233,586
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	-	391,645	-	391,645
Other foreign credit instruments – unrestricted	-	672,234,366	-	672,234,366
Marketable securities issued or guaranteed by foreign government and international institutions	-	191,714,286	-	191,714,286
INVESTMENT	20,000,000	-	-	20,000,000
BELIZE GOVERNMENT CURRENT ACCOUNT	-	40,409,889	-	40,409,889
PENSION ASSET	-	-	3,341,174	3,341,174
Accrued interest and cash transit	-	5,630,123	-	5,630,123
BELIZE GOVERNMENT SECURITIES	-	96,645,000	-	96,645,000
Total financial assets	\$20,000,000	\$1,007,025,309	\$99,025,796	\$1,126,051,105

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

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

At December 31, 2014

	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
<u>Liabilities:</u>			
Notes and coins in circulation	\$ 286,034,882	\$ -	\$ 286,034,882
Deposits by licensed financial institutions	529,789,810	-	529,789,810
Deposits by and balances due to Government and public sector entities in Belize	249,778,378	-	249,778,378
Deposits by international agencies	1,226,182	-	1,226,182
BALANCES DUE TO CARICOM CENTRAL BANKS	47,310	-	47,310
COMMERCIAL BANK DISCOUNT FUND	598,649	-	598,649
OTHER LIABILITIES	9,534,124	-	9,534,124
LOANS FROM FOREIGN INSTITUTIONS	-	-	-
IMF SDR ALLOCATIONS	-	<u>51,885,126</u>	<u>51,885,126</u>
Total financial liabilities	<u>\$1,077,009,335</u>	<u>\$51,885,126</u>	<u>\$1,128,894,461</u>

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

31. FINANCIAL RISK MANAGEMENT

Credit risk

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

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, 2015. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A

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

Balance & Money at Call	USA	UK	Canada	Germany	Total
Depository Accounts & Money at Call	\$ 3,030,484	\$ 1,494,240	\$122,247	\$ 2,817,336	\$ 7,464,307
Overnight Deposits	196,104,799	-	-	-	196,104,799
Fixed Deposits	249,046,587	99,972,026	-	100,602,439	449,621,052
Total Exposure	\$448,181,870	\$101,466,266	\$122,247	\$103,419,775	\$653,190,158

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

31. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B
Outline of other Local and Foreign Investments

Securities	Local		Foreign		
	GOB	Barbados	Dominica	IBRD/SEK	US
Treasury Bills	\$ 24,996,323	\$ -	\$ -	\$ -	\$ -
Treasury Notes	157,026,150	-	-	-	-
Bonds	-	4,571,429	-	74,000,000	60,000,000
Debentures	-	-	2,000,000	-	-
Total Exposure	\$182,022,473	\$4,571,429	\$2,000,000	\$74,000,000	\$60,000,000

IFRS 7 also requires the Bank to include additional disclosures for credit risk as it relates to the following:

- maximum amount of exposure (before deducting the value of collateral), description of collateral, information about credit quality of financial assets that are neither past due nor impaired, and information about credit quality of financial assets whose terms have been renegotiated, if any;
- information about collateral or other credit enhancements obtained or called; and
- for financial assets that are past due or impaired, analytical disclosures are required.

These disclosures have been reflected as follows for staff loans amounting to \$4,343,121.

Loan type	Principal outstanding	Collateral	
	December 31, 2015	Appraised value	Stamped value
Mortgage loans	\$3,130,930	\$6,304,185	\$4,010,950
Consumer loans	1,212,191	-	-
	\$4,343,121	\$6,304,185	\$4,010,950

The staff loan portfolio is not impaired due to the Bank's ability to collect while persons are employed by the Bank. Upon separation and in the rare case that an obligation remains, the balance is moved to accounts receivable. Upon any event indicating possible non-recovery of that accounts receivable the balance is impaired.

Market and interest rate risk

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

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

31. 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
	2015	2014
Depository Accounts & Money at Call	0.08%	0.02%
Overnight Deposits	0.07%	0.02%
Fixed Deposits	0.67%	0.51%
Notes/Bonds	2.06%	2.09%
Debentures	3.50%	3.50%

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, 2015:

	FOREIGN CURRENCY	YEAR-END RATE	BELIZE DOLLAR VALUE
Euro Fund	\$ (227,823)	\$2.17760	\$ (496,108)
Canadian Fund	(84,799)	1.44160	(122,247)
SDR Fund	(25,235,751)	2.77146	(69,939,873)
USD Fund	(393,729,624)	2.00000	(787,459,247)
Sterling Fund	(159,497)	2.96380	(472,717)
BZ\$ Fund	857,650,541	1.00000	857,650,541
Current Year Revaluation Loss			\$ (839,651)
			BELIZE DOLLAR VALUE
Revaluation balance, January 1			\$2,578,468
Decrease in revaluation			(839,651)
Revaluation balance, December 31			\$1,738,817

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

31. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

<u>Asset Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Balances with local bankers and cash on hand	197,666	-	-	-	-	-
Depository Accounts & Money at Call	7,464,307	-	-	-	-	-
Fixed Deposits	100,242,076	56,802,811	56,058,387	236,517,778	-	-
Overnight Deposits	196,104,799	-	-	-	-	-
Treasury Bills	-	24,996,323	-	-	-	-
Treasury Notes	-	3,000,000	-	42,762,000	86,265,150	24,999,000
Bonds	-	-	-	4,000,000	4,571,429	70,000,000
Debentures	-	-	-	-	-	2,000,000
Investment Securities	-	-	-	-	-	20,000,000
	304,008,848	84,799,134	56,058,387	283,279,778	90,836,579	116,999,000

CENTRAL BANK OF BELIZE

NOTES TO FINANCIAL STATEMENTS (CONTINUED) YEARS ENDED DECEMBER 31, 2015 AND 2014 (IN BELIZE DOLLARS)

31. FINANCIAL RISK MANAGEMENT (Continued)

<u>Liability Type</u>	<u>1 Month</u>	<u>1-3 Months</u>	<u>3-6 Months</u>	<u>6-12 Months</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
	\$	\$	\$	\$	\$	\$
Deposits by licensed financial institutions	-	-	-	662,481,324	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	47,897,458	-	-	-	-
Deposits by international agencies	-	1,475,227	-	-	-	-
BALANCES DUE TO CARICOM CENTRAL BANKS	426,188	-	-	-	-	-
COMMERCIAL BANK DISCOUNT FUND	-	-	-	-	-	761,016
OTHER LIABILITIES	-	27,164,438	-	-	-	-
IMF SDR ALLOCATIONS	-	-	-	-	-	49,597,346
	426,188	76,537,123	-	662,481,324	-	50,358,362
	303,582,660	8,262,011	56,058,387	(379,201,546)	90,836,579	66,640,638

Operational risk

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

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