CENTRAL BANK OF BELIZE

2014

ANNUAL REPORT
& Statement of Accounts

CENTRAL BANK of BELIZE

Submitted to the Minister of Finance and Economic Development in accordance with Section 58 of the Central Bank of Belize Act, Chapter 262, Revised Edition 2000.

Central Bank of Belize

Thirty-Third Annual Report

and

Statement of Accounts

For the Year Ending 31 December 2014

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Central Bank of Belize
P.O. Box 852, Gabourel Lane
Belize City, Belize, Central America
Telephone: 501.223.6194 Fax: 501.223.6219
Email: research@centralbank.org.bz
Internet: www.centralbank.org.bz

Mission

To advance the well-being of Belize by facilitating sustained economic growth, protecting the value of the Belize dollar and assuring a safe, sound and efficient financial system.

Vision

An organization defined by a culture of excellence, leading financial transformation and enabling national development.

Core Values

R Respect

A Accountability

I Integrity

T Teamwork

E Enthusiasm

D Dependability

List of Acronyms and Abbreviations

Acronyms:

ACP	African, Caribbean and Pacific Group of States
AEIR	Average Effective Interest Rates
AML	Anti-money Laundering
AML/CFT	Anti-money Laundering and Combating the Financing of Terrorism
BGA	Banana Growers Association
BRIC	Brazil, Russia, India , China
BSI	Belize Sugar Industries Limited
BSCFA	Belize Sugarcane Farmers Association
BSSB	Belize Social Security Board
BTB	Belize Tourism Board
CAR	Capital Adequacy Ratio
CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CFATF	Caribbean Financial Action Task Force
CFZ	Commercial Free Zone
CIF	Cost, Insurance and Freight
CPBL	Citrus Products of Belize Limited
CPI	Consumer Price Index
CSCPA	Corozal Sugarcane Producers Association
DBFIA	Domestic Banks and Financial Institutions Act, 2012
DFC	Development Finance Corporation
EBS	Enterprise Business System
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECLAC	Economic Commission for Latin America and the Caribbean
EU	European Union
FOB	Free on Board
FY	Fiscal Year
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development/World Bank
ICRG	International Cooperation Review Group
IDB	Inter-American Development Bank
IMF	International Monetary Fund
IT	Information Technology
MOF	Ministry of Finance
NPLs	Non-performing Loans
NPL Ratio	Non-performing Loans (net of specific provisions)/Total Loans
NPS	National Payments System
NSV	Net Stripped Value
PSCPA	Progressive Sugarcane Producers Association
ROA	Return on Assets
ROC/Taiwan	Republic of China/Taiwan
ROE	Return on Equity
SDR	Special Drawing Rights
SIB	Statistical Institute of Belize
UHS	Universal Health Services
UK	United Kingdom
US	United States
VPCA	Venezuela Petrocaribe Agreement

Abbreviations and Conventions:

$	refers to the Belize dollar unless otherwise stated
bn	denotes billion
mn	denotes million
n.a.	not available
n.i.e.	not included elsewhere
ps	Pound Solid

Abbreviations and Conventions:

1. Since May 1976, the Belize dollar has been fixed to the US dollar at the rate of US$1.00 = BZ$2.00
2. The 2014 figures in this report are provisional and the figures for 2013 have been revised.
3. Unless otherwise indicated, the Central Bank of Belize is the source of all tables and charts.

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Directors and Principals

At 31 December 2014

BOARD OF DIRECTORS

John Mencias - Chairman

Nestor Vasquez - Vice Chairman

Vanessa Retreage - Member

Alan Slusher - Member

Glenford Ysaguirre - Governor, Ex officio Member

Joseph Waight - Financial Secretary, Ex officio Member

Christine Vellos - Deputy Governor, Ex officio Member

PRINCIPAL OFFICERS

Glenford Ysaguirre - Governor

Christine Vellos - Deputy Governor, Research

Marilyn Gardiner-Usher - Deputy Governor, Operations

Carol Hyde - Director, Human Resources

Angela Wagner - Director, Administration

Hollis Parham - Director, Finance

Neri Matus - Director, Financial Sector Supervision

Azucena Quan-Novelo - Director, Research

I. Rabey Cruz - Director, Information Technology

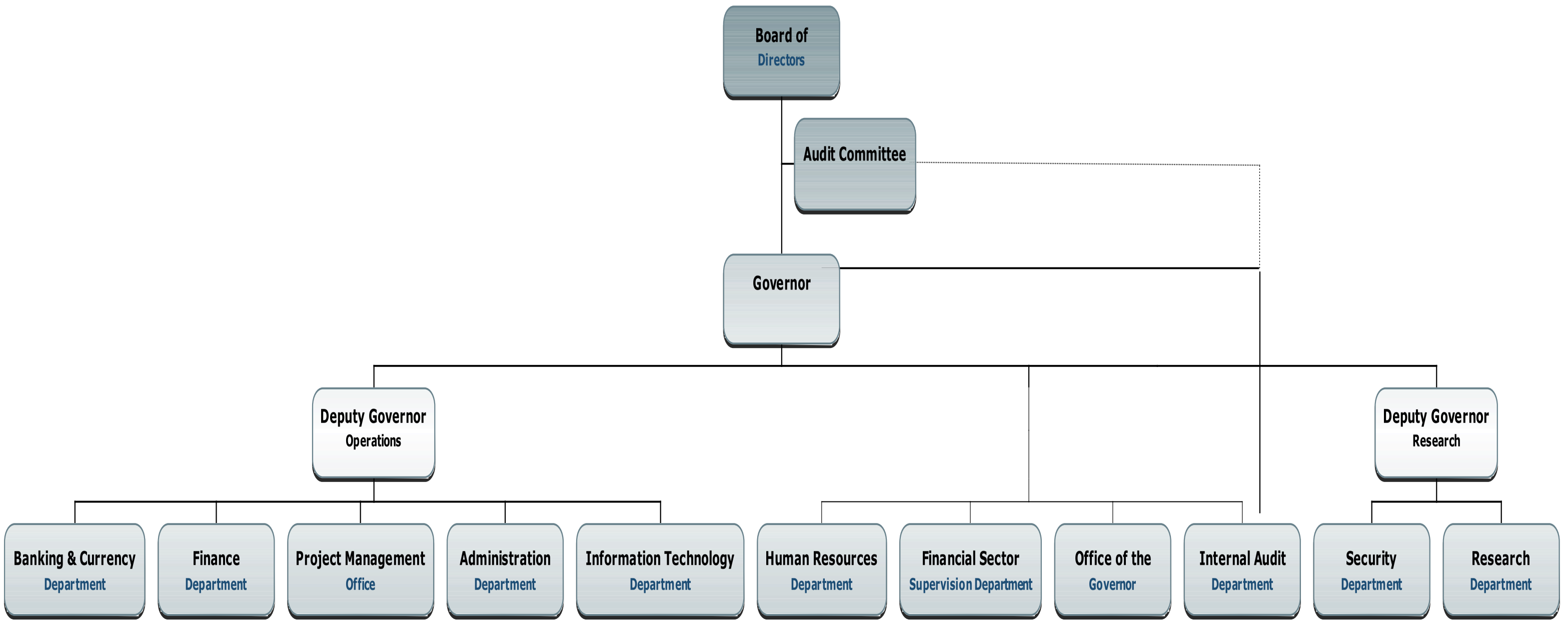
Effie Ferrera - Director, Internal Audit

Glen Reneau - Director, Security

Michelle Estell - Director, Banking & Currency

Sheree Smiling Craig - Director, Project Management

Functional Chart



Banking & Currency Department
Issuing of Notes and Coins
Banker to Government of Belize,
Public Sector Entities
Financial Institutions
Management of Foreign Reserves
Clearing-House Operations

Finance Department
Accounts and Budget
Securities Markets
Fiscal Agent

Project Management Office
Monitoring and Reviewing of Projects
Project Management Training, and Coaching

Administration Department
Records Management
General Services
Numismatics
Building Services
Reprographics

Information Technology Department
Network Infrastructure Management and Data Security
Systems Development, Implementation, and Maintenance

Human Resources Department
Compensation and Benefits Administration
Training and Development
Recruitment, Selection and Retention,
Staffing
Labour Relations
Policy Administration

Financial Sector Supervision Department
On-site
Examinations of Financial Institutions
Anti-Money Laundering
Compliance
Off-site
Surveillance/
Prudential Supervision
Financial Stability

Office of the Governor
Strategic Policy
Legal Advice
Corporate Secretariat

Internal Audit Department
Oversight of the Bank's Internal Audit Programme

Security Department
Security of the Bank's Staff, Premises and Lawful Visitors

Research Department
Monetary Policy
Economic Research
Macro Economic Statistics
Money and Banking Statistics
Public Finance
Balance of Payments
Foreign Exchange Control
Library
Financial Stablity

Central Bank Operations

Governance

The Board of the Central Bank of Belize is comprised of seven members, three of whom are ex officio (the Governor, a Deputy Governor, and the Financial Secretary) and four other members who are appointed by the Minister of Finance. In 2014, there was a change in its composition with the appointments of Mr. John Mencias and Mr. Nestor Vasquez on 18 January in replacement of Sir Manuel Esquival, the previous Chairman and Mr. Michael Singh, respectively. On 10 February, Ms. Vanessa Retreage was appointed to the Board in replacement of Mr. Ralph Feinstein.

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

In 2014, the Board met 13 times and considered 95 submissions (26 board decision papers and 69 information papers). All meetings were held at the Central Bank building in Belize City.

Attendance at Board Meetings in 2014:

Mr. John Mencias - Chairman	13
Mr. Nestor Vasquez - Vice Chairman	11
Ms. Vanessa Retreage - Member	12
Mr. Alan Slusher - Member	13
Glenford Ysaguirre - Governor (ex officio)	12
Joseph Waight - Financial Secretary (ex officio)	11
Christine Vellos - Deputy Governor (ex officio)	13
Marilyn Gardiner-Usher - Deputy Governor (alternate)	13

Conduct of Central Bank of Belize Board Members

On appointment to the Board, each member is required under Section 18(1) of the Central Bank of Belize Act to maintain confidentiality in relation to the affairs of the Board and the Bank. Further, members must meet and maintain general conditions of qualification of Directors as laid out in Section 15 of the Central Bank Act, adhere to the Code of Conduct for Board Members, and in the case of executive management on the Board, also subscribe to the Bank's Employee Code of Conduct. Over and above the legislated requirements, members recognise their responsibility for maintaining a reputation of integrity and propriety on the part of the Board and the Bank in all respects. Directors commit to:

- Discharge their duties with care and diligence;
- Act in good faith and in the best interest of the Bank;
- Not use their position to benefit themselves or any other person, or to cause detriment to the Bank or any person;
- Not use any information obtained by virtue of their position to benefit themselves or any other person, or to cause detriment to the Bank or any person; and
- Declare any material personal interest where a conflict arises with the interests of the Bank.

Audit Committee

The Audit Committee comprises two non executive board members, Mr. Alan Slusher (Chairman) and Ms. Vanessa Retreage, and Mrs. Marilyn Gardiner-Usher (Deputy Governor Operations). Mrs. Effie Ferrera (Chief Internal Auditor) is secretary to the Committee.

The Audit Committee assists the Board in its efforts to exercise oversight of and in giving strategic direction to the management of the Bank's operations by:

- Providing assurance that adequate arrangements are in place to track the Bank's exposure to material risk across its operations, and that there is regular and reasonable frequent reporting to management on risk exposure;
- Reviewing and discussing the Bank's audited financial statements and letter of recommendation with the Bank's external auditors; and
- Reviewing Internal Audit reports on internal controls.

Internal Audit

During the year, the Internal Audit Department enhanced its assurance service with the implementation of the Committee of Sponsoring Organization Enterprise Risk Management Integrated Framework to evaluate internal controls. Assurance audits were done for the Finance, Banking and Currency, Administration, Human Resources, Information Technology, Security and Financial Sector Supervision departments to assess internal control processes using the new approach. Assurance reports were shared with senior management and the Audit Committee of the Board.

The Audit Committee addressed matters pertaining to the Internal Audit function and reported back to the Board. The Committee also held meetings with key personnel of the Central Bank and the external auditors to review and discuss the audited financial statements and the external auditor's letters of recommendation, including the assessment on the audit of general computer controls.

To confirm compliance with international standards, the Board approved an external assessment of the Internal Audit function, which was conducted in the last quarter of the year. The results confirmed that the Internal Audit activities were performed in accordance with international standards.

Monetary and Financial Stability

After a progressive loosening of monetary policy in 2010 and 2011 aimed at stimulating growth in credit, no further interventions were made. In 2014, it was determined that the policy stance should remain unchanged as the total net foreign assets of the banking system continued to rise and the pace of credit growth was modest. The statutory and cash reserve requirements of the domestic banks thus remained at 23.0% and 8.5%, respectively, and the minimum interest rate on ordinary savings deposits was held at 2.5%.

The Bank maintained its surveillance with a view to safeguarding the stability of the financial system, and continued to participate in the IDB-sponsored Regional Financial System Stability Project. Its Financial Stability Unit made contributions to the inaugural Regional Financial Stability Report, and facilitated the domestic portion of the survey to map the interconnectivity of financial institutions in the region. Other efforts included input into the IMF's first Financial Sector Note on Belize, a part of the Article IV consultation report, and the production of a Quarterly Financial Stability Report. Work began on the development of a heat map index of financial system vulnerability and a composite vulnerability index for the macroeconomy.

Strategic Initiatives

While 2014 represented the first full year in the implementation of the Central Bank's three-year strategic plan, the Bank's mainstreaming of the project management discipline across the full range of its operations and adoption of the Balanced Score Card Management System extends back to 2010 and 2011, respectively. These latter initiatives were motivated by a desire to realize maximum efficiency and effectiveness in service delivery and achievement of the Central Bank's mission, "To advance the wellbeing of Belize by facilitating sustained economic growth, protecting the value of the Belize dollar, and assuring a safe, sound and efficient financial system".

In executing its strategic plan in 2014, the Cenral Bank placed priority on the organizational themes of Modernization, Operational Excellence, and Sustainable Value Creation for Stakeholders with the following strategic objectives representing the four organizational perspectives being highlighted:

In executing its strategic plan in 2014, the Central Bank placed priority on the organizational themes of Modernization, Operational Excellence, and Sustainable Value Creation for Stakeholders.

a) Improve Financial Services Regulations and Infrastructure
b) Improve efficiency/effectiveness/timeliness of advice and banking services provided to the Government
c) Improve work output quality and quantity
d) Assure readiness of Human, Information and Organizational Capital for strategy execution

In moving forward, the Bank's management was cognizant of the need to build institutional capacity through recruitment and training, and also that there was significant scope for the upgrading of the fabric of its internal information technology (IT) and accounting systems to enable successful execution of major projects that are of high strategic importance. These initiatives called for a significant increase in work output drawing from a rather limited pool of resources. The Bank's staff responded to the challenge, and the heightened effort in this regard enabled several notable milestones to be achieved during the year.

One of the key initiatives involved the replacement of the Bank's legacy financial information system that was on the verge of obsolesence with a new enterprise business system (EBS). Implementation began in January with the installation of the financial, fixed asset and supply chain modules of the new system and synchronous with this was the commencement of staff training and sensitization of stakeholders. The procedures involved the setting up of the EBS infrastructure, the restructuring of the Bank's chart of accounts, and the mapping of accounts from the old system to the new chart of accounts to enable the transfer of balances into the new system. Security profiles, workflows and data entry formats were configured and fully tested, and after running the old and new systems in parallel for a short period, the new system became operational on 1 August 2014. The payroll and human resource modules are scheduled to be placed into operation in 2015. The modular integration of various functionalities into one system is intended to facilitate the alignment of the various facets of the Central Bank's operations, improve its capacity for monitoring through customized reports and dashboards and provide more ready access to information and analytics.

Another major initiative involved the launch of a time series database management project aimed at centralising the storage of the Central Bank's economic, monetary and financial statistics and improving the efficiency of its data management processes. Of the potential suppliers that responded to the Bank's request for information, three were shortlisted and invited to reply to the Bank's request for proposal and to do a demonstration of their respective software. After evaluation of the formal bids that were received, Sunguard FAME was chosen as the vendor and a supply contract was signed. The implementation of the database management system is slated to start in the second quarter of 2015, and the system is expected to be operational by the end of the year.

Signing of the Contract for the Time Series Database Management System

The Central Bank focused staff efforts on implementing the project to reform the national payments system (NPS), and additional forward strides were made in 2014. A draft of the NPS Bill was developed and presented to stakeholders with submission to parliament being scheduled for the first half of 2015 after the completion of further fine tuning. Substantial progress was also made in the drafting of ancillary regulations. Other accomplishments included the issuing of the request for proposal for the supply of an automated transfer system that will seamlessly connect domestic banks and other participants. The Central Bank implemented a

Review of the National Payment System Vendor Proposal two-stage bid process with vendors being invited to offer a business and technical solution prior to submitting their financial bids. The evaluation of vendors and final selection are expected to occur in the first quarter of 2015, after which mobilization should commence with a view to implementation in the latter part of 2015.

In 2014, the Central Bank also took preparatory steps to upgrade its information technology infrastructure environment so as to be able to support all of the new business/software systems and efficiently deliver the resulting improvements in functionality. In this regard, The Central Bank issued a project request for proposal to upgrade the information technology infrastructure. Four vendors submitted proposals, and following a rigorous selection process, the Central Bank chose a preferred vendor and signed an agreement in December. Due to its importance as a strategic precursor to the implementation of the information technology component of several other Bank projects, implementation is scheduled to begin in the first quarter of 2015, and completion is targeted for the third quarter of 2015.

The Central Bank also addressed deficiencies in the mechanical/electrical systems of its headquarters in 2014, having laid the groundwork by conducting a Level 3 energy audit in 2013 to analyse its energy consumption. The latter was a prerequirement for determining the best and most cost effective way to upgrade core building services. In addition to phasing in improvements to its overall energy consumption, the Bank will be implementing a centralized building management system. A first step in this direction was an electromechanical design study that identified improvements to the heat ventilation and air-conditioning system. The latter included replacement of chillers and improvements to air flow and temperature control. For the first phase, the replacement of chillers, potential construction companies will be invited to bid for a turnkey solution for the installation of the two chiller units and ancillary equipment during the first quarter of 2015.

Human Resources

In seeking to achieve its strategic objective of assuring readiness of human, information and organizational capital for strategy execution, a key component of the Bank's strategy was to maintain its focus on fostering a highly engaged, motivated and satisfied workforce and to build its competency through specialized training.

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Training and Development

In June, the Central Bank contracted facilitators from the Balanced Scorecard Institute to provide on-site Balanced Scorecard Professional Boot Camp training for management and professional staff. The Central Bank's corporate strategy map was used as a case study, and a key training tool was the reconstruction of

Balanced Scorecard Boot Camp Training

a revised strategy map using the balanced scorecard concepts and techniques. Management, professional staff and current project managers also benefitted from more specialised training in project management. Employees in the supervisory and professional grades further strengthened their technical competencies through specialized trainings, seminars and workshops that included, but were not limited to, IMF/CARTAC Financial Stability Indicators, External Sector Statistics, CFARF Regional National Risk Assessment, SWIFT Trainings in Managing Public Key Infrastructure, Introduction to SWIFT in the Payments Market, Payments Clearing and Settlement, Internal Auditing for Fraud, Consolidated Supervision and Risk Integration, and Operational Risk Management.

Additionally, training access and coverage was broadened through on-line training programmes. Employees in the professional and supervisory grade benefitted from online training courses in Anti-Money Laundering, Off-site Supervision, Financial Programming and Debt Sustainability Analysis. Security Officers participated in online Security Safe-keeping exercises, and auxiliary staff completed online courses in Records Management and Procurement Management.

Staff of the IT Department participated in a number of workshops to build the necessary capacity for implementation and support of the Bank's strategic projects. These included training in network infrastructure development, an in-depth training and development forum with special concentration on Microsoft SQLServer database performance management, and a workshop on information security hosted by CEMLA in Mexico City, which provided new insights on security policies, risk management, ISO 27001 standard, digital certificates and security standards adopted by other central banks.

Staffing and Employee Relations

At year-end, the Central Bank's staff complement was 171, of which seven were on contracts of service, six were employed as temporary staff and two were part-time workers. During the year, ten persons joined the Bank, six persons separated and one person retired. There were eight promotions: two to the management grade, two within the professional grades, one to the para-professional grade, one to the supervisory grade and two to the senior auxiliary grade.

Employees, who reached notable milestones during the period 1 July 2013 to 30 June 2014, were recognized and rewarded. At the Annual Employee Recognition Ceremony, 19 employees received long service awards, including six for 10 years, four for 15 years, one for 20 years, three for 25 years, and five for 30 years. The Bank continued to promote and recognize effective teamwork across the organization with employees being given special mention for their participation in teams that worked on cross-functional projects.

The Bank continued to promote and recognize effective teamwork across the organization.

Intra-Regional Games

In April, thirty members of staff travelled to Trinidad and Tobago for the Tenth Caribbean Central Bank Intra-Regional Games. The games are held every two years and are hosted by regional Central Banks on a rotational basis to promote camaraderie among staff of the various central banks. The contingent from the Central Bank returned home with first and third place awards in dominoes and darts, respectively.

Corporate Relations/Community Service

A commitment to the continuous development of national education was demonstrated through the facilitation of tertiary level internship programmes. The Central Bank facilitated internships for seven students at the university and junior college levels to meet their core requirements for graduation. In addition, at the secondary level, five senior high school students completed their work study programmes at the Central Bank, while eight students at the tertiary and bachelor levels were hired under the Summer Employment Programme and benefitted from the opportunity to develop their practical skills and work experience.

The Central Bank and staff donated generously to the annual Salvation Army Christmas Appeal to assist the needy in the community. The Bank also donated to the Belize Cancer Society, and staff participated in the annual Cancer Walk to show solidarity with those affected by cancer.

Staff also participated in social events that included the Annual Family Day, Annual Staff Christmas Party and Easter Egg Hunt for children of staff. As part of the


Staff Volunteers for Earth Clean-up Day

Staff Club Cultural Outreach Programme, members of the Staff Club visited three schools in the Toledo District to donate school bags and basic school supplies. The Banker's Christian Fellowship continued to engage in monthly praise and worship services and community outreach activities during the year and has evolved into a source of support in helping to promote staff work-life balance.

Oversight of the Financial System

The Central Bank made substantial progress in strengthening the balance sheets of regulated institutions in 2014. NPL ratios generally improved. In the case of the domestic banks, the improvement reflected loan write-offs and requisite provisions for non-performing loans, such that by the end of the year, all domestic banks were in conformity with the loan loss provisioning requirement that the Central Bank had instituted in 2011. As regards the credit unions, the Central Bank had issued standardised procedures for loan classification and loss provisioning in 2013, and each member of the group of five largest credit unions met these conditions in 2014, ending the year with an NPL ratio that was below the 5.0% international benchmark. The group NPL ratio of the international banks also declined during the year.

Assisted by CARTAC, the Central Bank began the process of developing a consolidated supervision framework aimed at improving its capacity to evaluate the risk profile of financial institutions that are members of a group (cross-border or otherwise). CARTAC also provided feedback on the practice direction that the Central Bank prepared on corporate governance that would set minimum standards of conduct for the board and management of banks and financial institutions. In order to protect small borrowers, the Central Bank issued a practice direction to domestic banks that required the full disclosure of their treatment of interest and other charges on consumer loans. The Central Bank also undertook work on a proposed credit reporting system in the first nine months of the year with the focus being on the preparation of draft legislation.

Significant progress was also made on the anti-money laundering (AML) front with the passage of legal amendments in 2013 and early in 2014 to address the deficiencies identified by the Caribbean Financial Action Task Force (CFATF). Following CFATF's recognition of Belize's progress in May 2014, an application was made to exit the heightened scrutiny of the International Cooperation Review Group (ICRG), which requires updates every six months. In late 2014, the CFATF plenary approved the exit request and also agreed that the country could request to be exempted from the May 2015 follow-up round. This will allow for attention to be fully centred on the requirements for the fourth round of mutual evaluations scheduled to commence in 2015. In other developments, the Central Bank signed a Memorandum of Understanding with the Financial Intelligence Unit in July 2014 to facilitate increased collaboration and information sharing. As part of its oversight responsibility to ensure compliance with anti-money laundering rules, the Bank conducted trainings for compliance officers of a domestic bank and the credit unions, and it also carried out three on-site examinations that zeroed in on AML compliance.

In fulfillment of its mission to assure the safety, soundness and efficiency of the financial system, the Central Bank conducted on-site examinations of two domestic banks, two international banks, one credit union and a financial institution during the year. The Central Bank also assessed institutions to evaluate the quality of their compliance with the AML/CFT regulatory framework, and their prudential performance in relation to risk management, liquidity, capital adequacy and solvency.

As required under section 57(2) of the Domestic Banks and Financial Institutions Act, 2012 (DBFIA), domestic banks solicited the Central Bank's approval for credit facilities that exceeded 25.0% of their paid-up and unimpaired capital and reserves. Of the thirteen applications, eleven facilities totalling $167.0mn were approved by the Central Bank compared to its approval of nine facilities for a total value of $110.5mn in the previous year. Approval was also granted to the international banks for three credit facilities under section 21:02(2) of the International Banking Act that summed to US$33.5mn.

Having begun the process a year earlier, and as provided for under Section 38(1) of the International Banking Act, Handels Bank & Trust Company Limited completed the voluntary winding-up of its international banking operations in February. In December, MicRoe Finance Company Limited voluntarily surrendered its financial institution license as a Class I Finance Company under the DBFIA.

Domestic Banks

At the end of the year, all domestic banks were in compliance with the loan loss provisioning standard instituted by the Central Bank three years earlier. Among these were two that achieved compliance twenty-four months earlier than the target date they had individually negotiated with the Central Bank. The initiatives to improve balance sheets included write-offs of some $22.0mn in non-performing loans and allocations of specific provisions that increased the banks' loan loss coverage ratio from 43.1% in 2013 to 50.8%. The average NPL ratio of the banks consequently improved from 8.8% in December 2013 to 7.0% at year-end, continuing its steady progress toward the 5.0% international benchmark. Meanwhile, for a fourth consecutive year, losses were recorded for the domestic banking system as a whole. Largely due to an extraordinary one-off expense that affected one bank, annual net losses of the system rose from $1.2mn to $8.8mn, and this resulted in declines in

Chart 1.1: Domestic Banks - Asset Quality

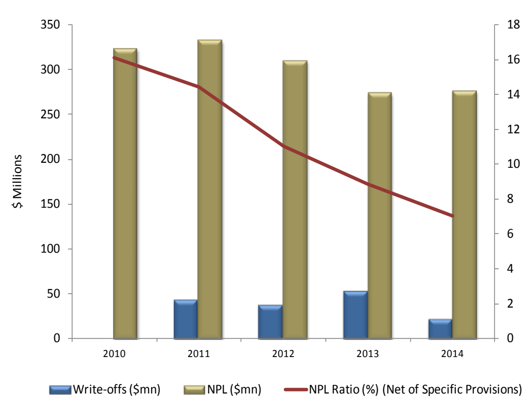
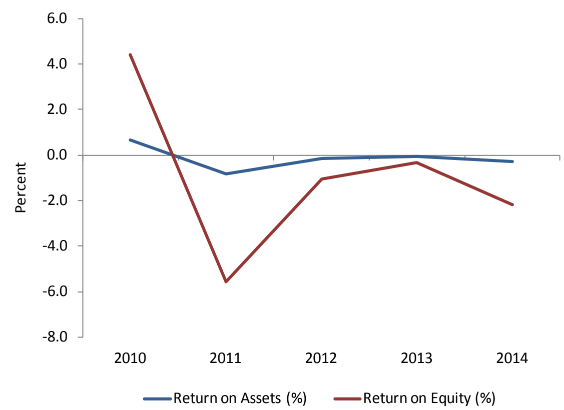


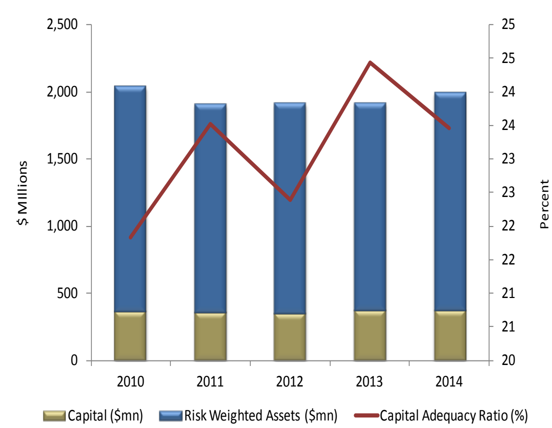
Chart 1.2: Domestic Banks - Profitability



the system's return on assets (ROA) from -0.04% to -0.30% and return on equity (ROE) from -0.31% to -2.18%. On a positive note, since the necessary adjustments have been made to provide for non-performing loans, the stage is now set for an improvement in bank profitability in 2015.

During the year, aggregate capital grew by 0.6% to $379.5mn, as injections by some banks were partly offset by losses incurred by others. A 4.8% increase was recorded in risk weighted assets due to the rise in lending, and this consequently resulted in a marginal decline in the capital adequacy ratio (CAR) from 24.5% to 23.5%. The

Chart 1.3: Domestic Banks - Capital Adequacy



latter masked a significant disparity among the banks, which had CARs that ranged from 11.1% to 158.2% relative to the regulatory minimum requirement of 9.0%.

Credit Unions

Growth in the assets of the five largest credit unions (the Group) slowed from 10.3% to 6.4% due to a deceleration in loan growth from 14.6% in the previous year to 7.6%. While growing at a more moderate pace, the expansion in loans helped to boost annual income by 7.0% and maintained the ROA at 5.7% for a second consecutive year, which was well above the 1.0% international benchmark. The Group's ROE also improved, rising from 29.9% to 32.6%, as income edged up and equity dipped as a result of the charge-off for loan loss provisions.

There was a significant improvement in the Group's NPL ratio, which ended the year at 3.4% with all members coming in below the 5.0% international threshold. This followed a one-off spike to 8.0% in the second half of 2013, which resulted from corrections in the method for classifying non-performing loans. The Group addressed this balance sheet weakness in the

Chart 1.4: Credit Unions - Profitability

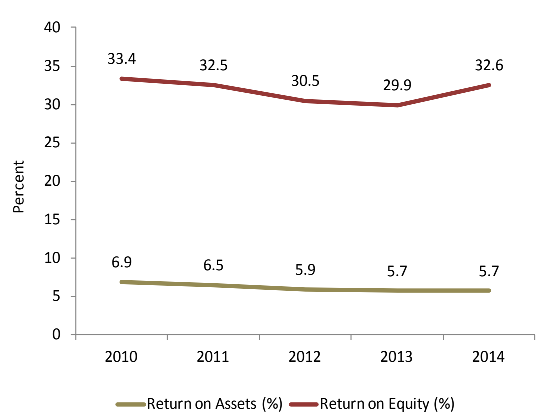
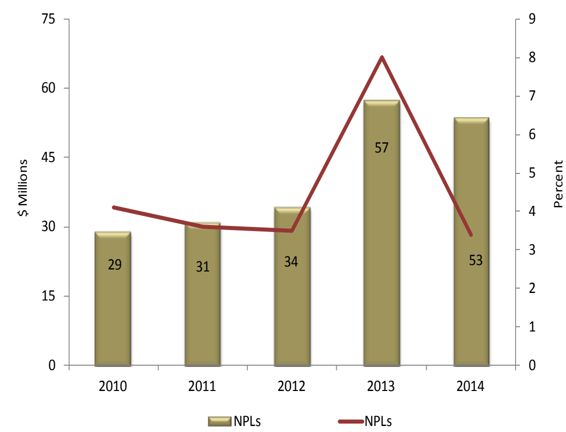


Chart 1.5: Credit Unions - Non-performing Loans



first quarter of 2014 with the requisite allocation of loan provisions. The resultant drawdown of capital reserves caused a 6.8% decline in aggregate institutional capital and the ratio of institutional capital to total assets consequently decreased from 11.8% to 10.3% during the year.

International Banks

The international banks also made notable progress in reducing their aggregate non-performing loans by 20.9%. Loan write-offs totalled US$6.4mn, specific loan loss provisions were bumped up by 7.0% and US$8.3mn in collateral

Chart 1.6: International Banks - Asset Quality

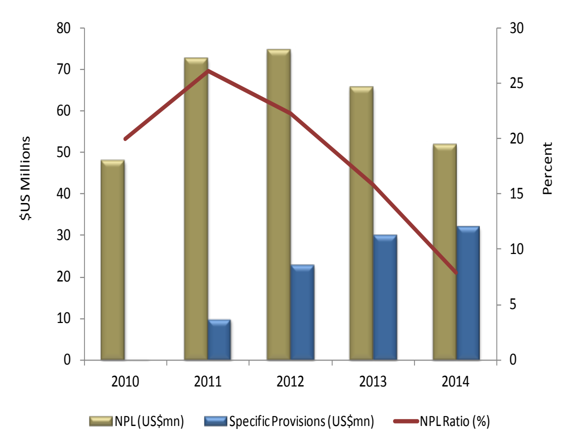
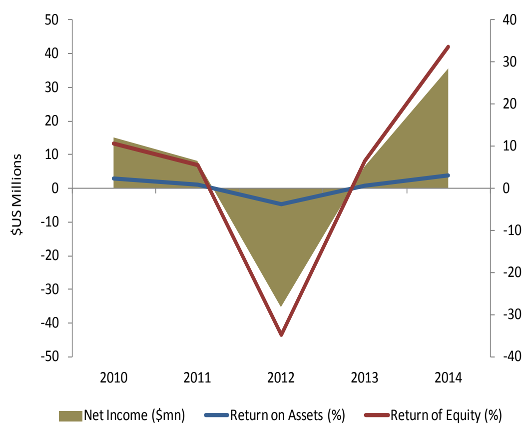


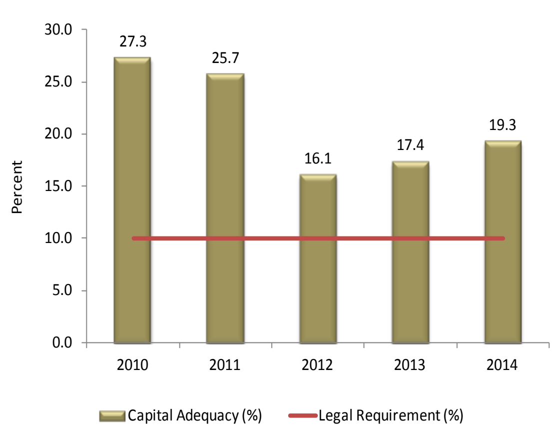
Chart 1.7: International Banks - Profitability



for non-performing loans was liquidated. As a result, the NPL ratio was halved, ending the year at 7.9%.

For the first time since 2011, the profitability of the international banking system exceeded the international benchmark of 1.0%. This was largely influenced by the sale of a sizeable distressed asset that boosted the system's net income from US$5.2mn to US$28.6mn. The ROA consequently improved from 0.8% to 3.8% at year-end, and ROE burgeoned from 8.2% to 42.0%.

Chart 1.8: International Banks - CAR



A capital injection and profit transfers to retained earnings boosted the consolidated regulatory capital of the international banks by 11.9% to US$62.6mn, and as a result, the aggregate CAR increased by 1.9% to 19.3%, compared to the 10.0% international benchmark.

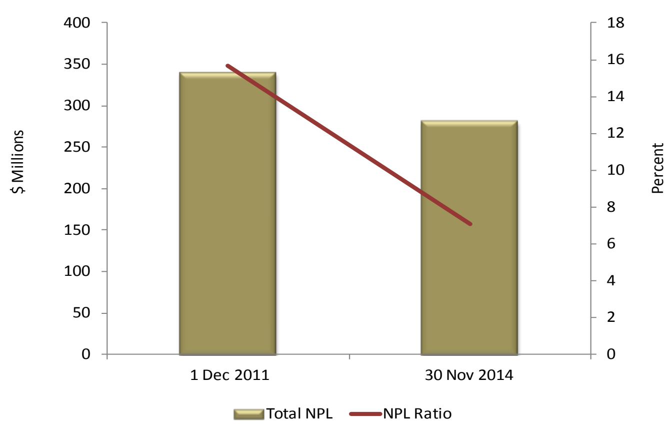
Box 1: Non-Performing Loans of the Domestic Banking System

Like other CARICOM states, Belize was not unscathed by the global financial crisis that mushroomed in 2007/2008 with negative impacts on world trade and investment flows. As growth throttled down in countries that depend heavily on trade and foreign investment, the deteriorating environment accentuated the weaknesses and tested the resiliency of banking systems regionally and around the world. In the domestic banking system, the situation was exacerbated by poor lending practices in prior years that led to the more than doubling of the value of non-performing loans to $339.8mn, between June 2008 and November 2011 and an increase in the NPL ratio from 6.9% to 15.7%.

A major flaw in the lending approach of the banks was the excessive reliance on collateral instead of customers' repayment capacity. Because of the tendency to overvalue collateral, the banks were unable to liquidate assets at the inflated book value when loans became delinquent. Hitherto, banks were not required to set aside loan loss provisions for non-performing loans that were fully secured by mortgaged collateral and therefore did not incur an immediate penalty for inadequate credit risk assessments. These institutions therefore had little incentive to efficiently manage the high levels of non-performing loans that were accumulating on their books. The low level of loan loss provisions meant that in some cases profits were overstated and bank capital inadequate to absorb potential losses.

To address these shortcomings and put domestic banks on stronger footing, the Central Bank issued new standards for loan loss provision requirements that took effect on 1 December 2011. Banks were required to set aside specific loan loss provisions of 70.0% (later reduced to 50.0%) for loans that had been non-performing for over a year, even if they were backed by mortgaged collateral. The requirement for loss provisions equivalent to 100.0% of the value of unsecured loans that had been non-performing for more than a year remained unchanged. The new standards caused a large portion of the banks' loan portfolio to be shifted to the category requiring loss provisions. Due to the sizeable amount of provisioning that had to be made to comply with the new requirements, a 3-year transition period was mandated, and two banks were granted conditional approval for a 5-year transition period.

Chart A: Domestic Banking System Asset Quality



At the expiration of the 3-year transition period on 30 November 2014, all five banks were in compliance with the new loan loss provisioning requirement. In addition, aggregate adversely classified loans decreased by 17.3% to $281.2mn, and the ratio of non-performing loans (net of specific provisions) to total loans improved notably from 15.7% to 7.0%. The improvement during the transition period was achieved partly by writing off some $112.6mn in non-performing loans, and partly by the allocation of $177.6mn in specific loan loss provisions. After factoring the loan write-offs, the banking system's specific loan loss provisions stood at $143.9mn at the beginning of December, compared to the $64.5mn held at 1 December 2011.

Financial Performance

The Central Bank's financial position was bolstered by robust foreign currency inflows in 2014, an out-turn that bore some similarities to that of the previous year. Total assets rose by 14.8% to $1.2bn with gross income increasing by $2.6mn to $25.0mn. The greater portion continued to be derived from local sources such as government securities, the overdraft facility and foreign exchange trading. It was notable, however, that although international interest rates declined further during the year, foreign earnings rose by 61.9%, resulting in its contribution to total income being boosted from 26.0% in 2013 to 37.9%. In addition to its traditional investments in fixed deposits, the Central Bank increased its purchases of marketable securities and was able to realize significant capital gains from timely trading in United States (US) securities.

Expenditure rose by 8.9% to $17.0mn, with staff costs, interest and currency payments, and other administrative and operating outlays representing 55.6%, 13.8% and 30.6%, respectively. The amount expended was $2.6mn below budget partly due to the rescheduling of several major projects. With

Chart 1.9: Assets

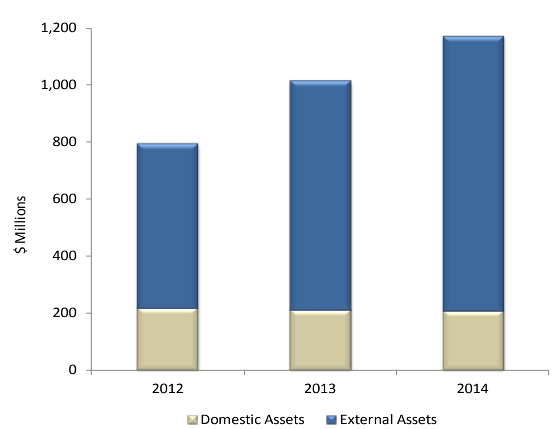
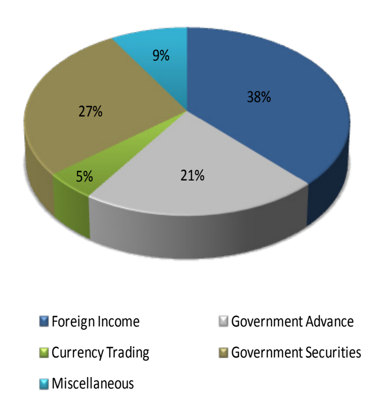


Chart 1.10: Foreign and Local Income



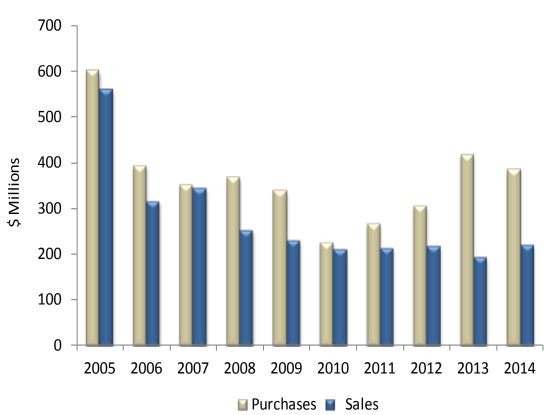
higher income from foreign investments, earnings from foreign exchange trading and revenues from the overdraft facility being received, there was a $1.2mn increase in the Bank's net operating surplus, which stood at $8.0mn.

As provided for under section 9(1) and section 50 of the Central Bank Act, $0.8mn (10.0% of the net operating surplus less any revaluation loss) will be paid into the Central Bank General Reserve Fund. The balance of $7.2mn will be transferred to the Accountant General for government's consolidated revenue fund.

Foreign Exchange Operations

The Central Bank engaged in foreign currency transactions with the Government, public sector entities, commercial banks, foreign governments and agencies and regional central banks that yielded net foreign currency (US dollars, Canadian dollars and Pound Sterling) purchases of $387.4mn, an annual decline of 7.7%. The largest inflows were from Alba Petro-Caribe (US$57.0mn), Belize Sugar Industries (US$34.2mn) and Belize Natural Energy (US$18.2mn). Other notable receipts included US$5.9mn from Republic of China(ROC)/ Taiwan, US$7.8mn from the Inter-American Development Bank (IDB) and US$14.8mn from the international company and ship registries. The semi-annual interest payments in February and August on the restructured bond, which now matures in 2038, accounted for the largest outflows. In the case of CARICOM currencies, trades were mostly for settlement of official transactions and resulted in net sales of $2.3mn during the year.

Chart 1.11: Trade in Foreign Currency

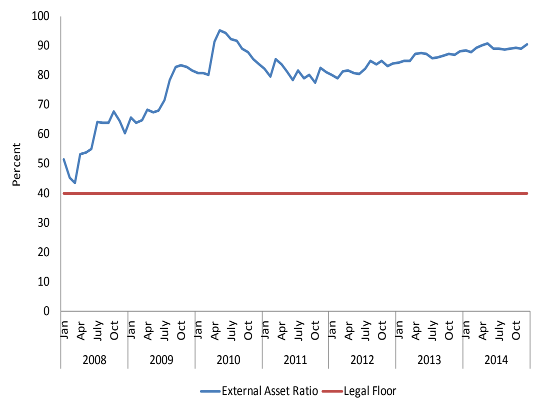


External Asset Ratio

The Central Bank was fully compliant with Section 25(2) of the Central Bank of Belize Act 1982, which stipulates that its external assets should amount to at least 40.0% of the currency notes and coins in circulation and its domestic deposit liabilities. This legal threshold aims to ensure that the Central Bank maintains foreign reserves at adequate levels to meet the country's external obligations.

The Central Bank's foreign assets grew by 20.0% in 2014 and peaked at $965.3mn at the end of December with holdings consisting of cash and fixed deposits (72.7%), foreign securities (20.0%) and Special Drawing Rights (7.3%) with the International Monetary Fund (IMF). In the first quarter, the external asset ratio fluctuated around the 88.0% level as foreign assets moved in the same direction but marginally ahead of domestic liabilities. The ratio fell to its lowest point in February (87.9%) due to a mixture of external payments that included the semi-annual interest payment on the 2038 bond and the final debt service payment for the Emergency Natural Disaster Assistance loan. There were dips in June (due to a build-up of government deposits and an increase in the volume of notes and coins in circulation) and in August with the second bi-annual interest payment on the restructured bond.

Chart 1.12: External Asset Ratio



These declines were offset by upward movements in March, April, May and December. At the end of the year, the external asset ratio stood at 90.5%, more than 2 percentage points higher than it was one year earlier.

Domestic Banks' Cash Balances

The cash reserve requirement of the domestic banks remained fixed at 8.5% of average deposit liabilities. During the year, their holdings of cash surged by 69.3% ($137.5mn) as deposits outpaced loans. Contributory factors included foreign currency trading by local banks that led to a decline in their foreign currency balances and a corresponding increase in their domestic holdings, and the ramping up of government spending on infrastructural works. At $261.1mn, the monthly average excess cash holdings was $81.6mn higher than the average for the previous year. In the second half of the year, the excess cash reserves of the banks steadily increased to reach its peak of $335.8mn in December.

Currency Operations

The Central Bank is responsible for ensuring that there is an adequate supply of notes and coins for public use. As issuer of the domestic currency, the Bank regularly replaces worn-out and mutilated notes that are unfit for circulation. In this regard, banknotes valued at $101.1mn were removed from circulation and $103.7mn in new banknotes were issued. By the end of the year, banknotes in circulation had risen by 9.2% to $260.6mn, while coins in circulation had increased by 7.0% to $25.4mn.

Currency in circulation has increased steadily with the expansion in economic activity over the past four years, particularly in the labour intensive,

Chart 1.13: Monthly External Asset Ratio 2014

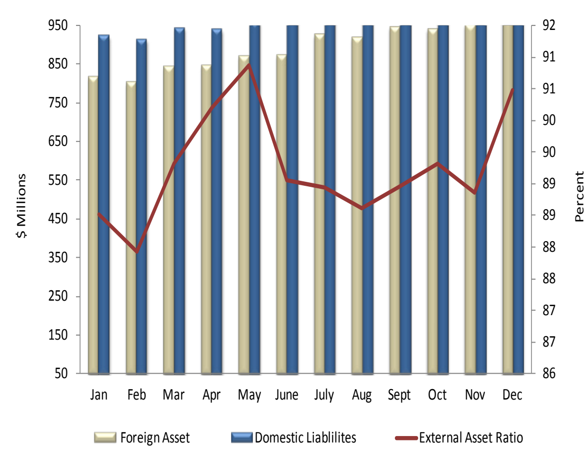


Chart 1.14: Domestic Banks' Cash Holdings

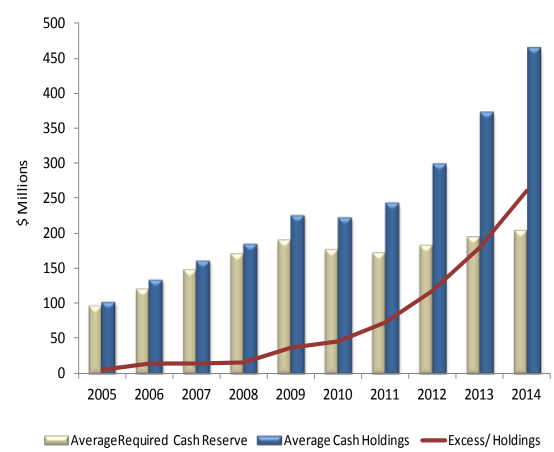
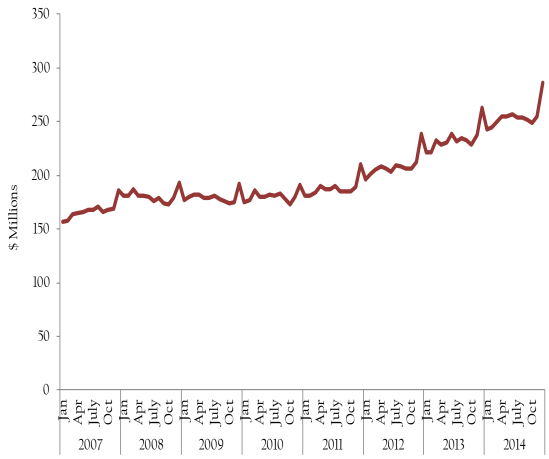


Chart 1.15: Currency in Circulation



cash-wages sectors of the economy. Following a 10.2% increase in 2013, currency in circulation rose further by 9.0% to $286.0mn. Public holdings stood at $237.4mn, while domestic banks held $48.7mn in vault cash. The ratio of notes and coins remained constant with banknotes totalling 91.0% of total currency in circulation.

The number of counterfeit incidents remained insignificant during the year partly due to the Central Bank's outreach through the annual "Know Your Money" campaign that educates the public on the security features of the currency notes that are placed in circulation.

Inter-Bank Market

The inter-bank market was dormant following a weak revival in inter-bank trading of surplus funds in 2013. In the context of a large liquidity overhang, three offers to place funds were made in the months of January, February and October, none of which was accepted even though the interest rate, initially set at 4.0%, was subsequently reduced to 2.75%.

Transactions with Central Government

At 8.5% of current revenue collected during the preceding fiscal year, the ceiling on advances which the Central Bank can legally extend to Central Government through the overdraft facility stood at $73.9mn for the 2014/2015 fiscal year. However, since revenues from domestic sources increased and there was greater reliance on funding provided through the VPCA facility, the government was able to maintain the balance on its overdraft account comfortably below the legislated ceiling throughout the year.

The monthly overdraft balance averaged $55.7mn in the first quarter, as tax inflows were offset by the first biannual interest payment on the 2038 super bond and the customary settling of liabilities and debt service obligations at the end of the fiscal year. In the second quarter, the monthly average balance declined to $40.3mn due to the receipt of oil industry taxes and royalties, profits from the Central Bank, grant inflows from the ROC/Taiwan and the transfer of funds from domestic bank accounts held by the Government. After bottoming out in May, the overdraft balance rose to a monthly average of $63.7mn in the third

Chart 1.16: Annual Inter-bank Market Activity

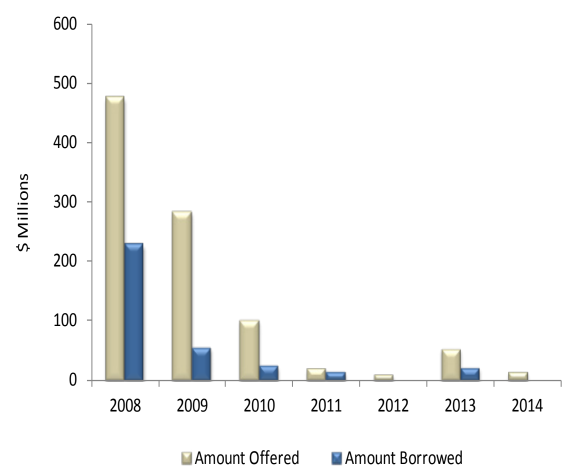
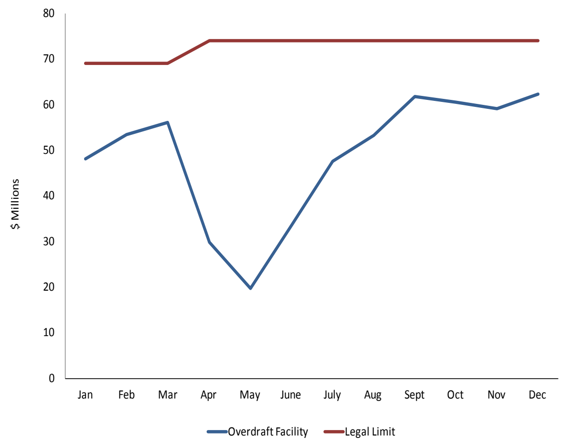


Chart 1.17: Overdraft Financing to Central Government 2014



quarter, boosted by the second biannual payment on the restructured bond and the ramping up of public sector infrastructural works before trending downward in the final months of the year to end December at $47.6mn.

Treasury Bills

The total amount of Treasury bills on the domestic market stood at $175.0mn in 2014. In conducting Treasury bill operations on behalf of the government, the Central Bank's activities

Chart 1.18: Allocaton of Treasury Bills 2014

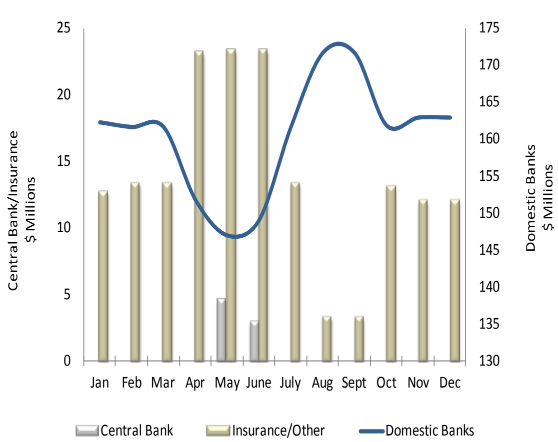
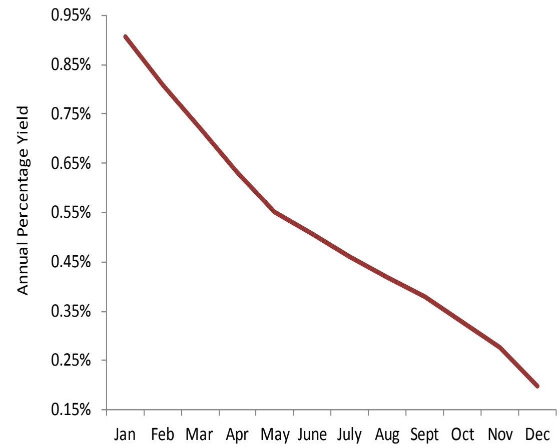


Chart 1.19: Treasury Bill Yield Curve 2014



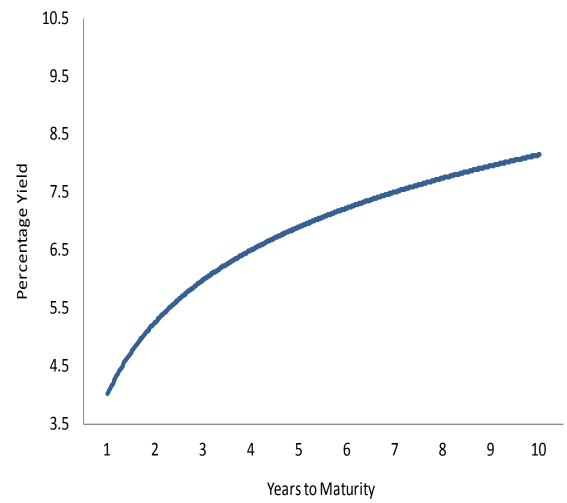
centred on the periodic rollover of tranches since there were no new issuances. Against a backdrop of low international rates and high domestic liquidity, the demand for these securities significantly outstripped the supply with subscriptions being almost double (82.2%) the tender amount at rollovers. Bidding was highly competitive between domestic banks and insurance companies, and the average yield consequently fell from the 1.01% at the last auction in 2013 to 0.20% at the end of 2014. The Treasury bill holdings of the domestic banks stood at $162.0mn (92.6% of the total) when the year began, but aggressive bidding from insurance companies caused this to bottom out at $147.0mn in May. The banks thereafter recovered their positions, and their holdings peaked at $172.0mn in August, ending the year at $162.9mn. The remainder was held by insurance companies and other non-bank entities that included the Belize City Council.

Treasury Notes

The stock of Treasury notes stood at $136.5mn during the year with no new issuances. In December, $20.0mn in one-year Treasury notes matured and was rolled over for the same time period with a 150 basis points reduction in the interest rate due to prevailing market conditions. At year-end, the Central Bank's share of Treasury notes fell from 65.0% in 2013 to 63.5% ($86.5mn) due to sales to some institutional investors, whose share rose from 33.0% in 2013 to 34.0%. The share of holdings by individual investors remained unchanged at 2.0%.

The outstanding Treasury notes at the end of the year consisted of $25.0mn in one-year notes ($20.0mn and $5.0mn at 3.5% and 5.0% interest rates, respectively), $15.0mn in two-year notes at 6.0%, $66.5mn in five-year notes at 7.5% and $30.0mn in ten-year notes at 8.25%.

Chart 1.20: Treasury Note Yield Curve

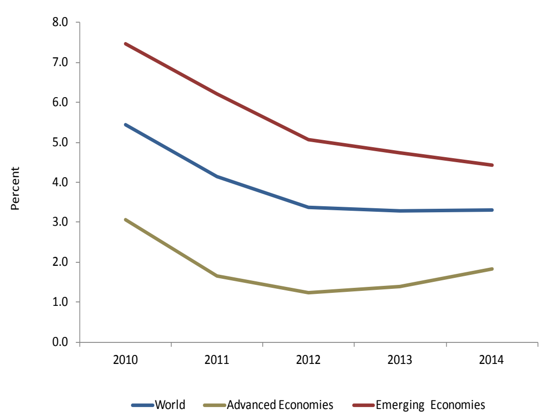


Economic Review

International Overview

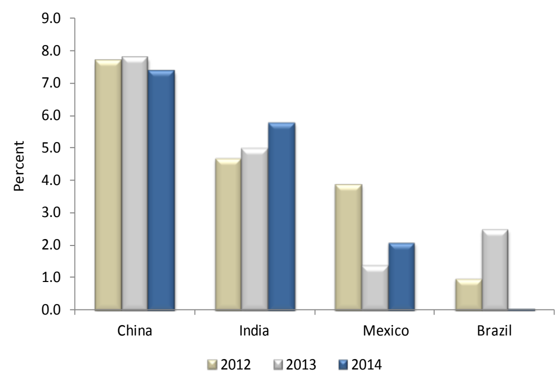
The global economy accelerated slightly in 2014 with a 3.3% increase in Gross Domestic Product (GDP). However, its performance continued to fall short of expectations, particularly in view of the continuance of highly accommodative monetary policies across the board and fiscal expansion in some countries. Investment levels continued to disappoint, and consumer confidence took periodic hits from the rise in geopolitical tensions as well as the difficult and drawn-out efforts to resolve the overhanging legacy of the financial crisis. Even with a slackening in its growth, China continued to be a pace setter with a 7.4% expansion in GDP, as authorities pressed forward with rebalancing efforts aimed at achieving growth that is more inclusive, environmentally friendly and sustainable. The out-turn for other members of the BRIC group was mixed. India gained momentum as exports and investments rose, whereas Brazil and Russia experienced downturns due to slowdowns in agriculture and private consumption in the former, and the impact of economic sanctions on the latter. Meanwhile, a general uptick in the growth of the advanced economies was coincident with the fall in oil prices, although the latter was something of a double-edged sword, negatively impacting oil exporters, whilst providing a boost to oil importers.

Chart 2.1: GDP Growth Rate



Source: IMF

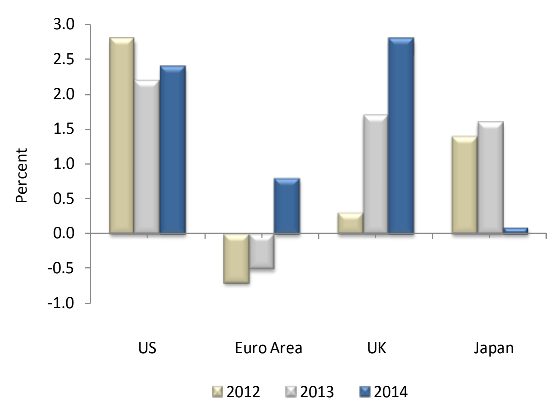
Chart 2.2: Selected Emerging Economies - GDP Growth



Source: IMF

Facilitated by its longstanding zero interest rate policy, falling oil prices and expansionary fiscal stance, growth in the United States of America (US) increased to 2.4%, while unemployment fell to 6.2%, and inflation was held to 0.8%. Output in Canada also increased by 2.4% with

Chart 2.3: Selected Advanced Economies - GDP Growth Rate

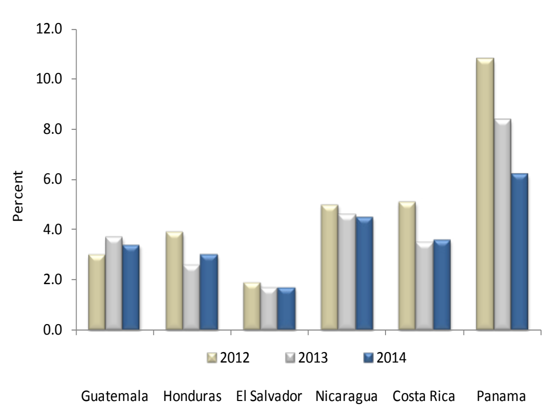


Source: IMF

unemployment falling to 6.7%, and in the United Kingdom (UK), there was a strengthening of GDP growth to 2.8% (up from 1.7% in 2013), facilitated by consumer spending and an upturn in business investment. The UK's rate of unemployment and inflation slid to 6.4% and 0.5%, respectively. In Japan, private consumption continued to be sluggish, and it was only able to eke out a 0.1% increase in GDP, as the continuation of a loose monetary stance was partly offset by tax initiatives aimed at strengthening public finances.

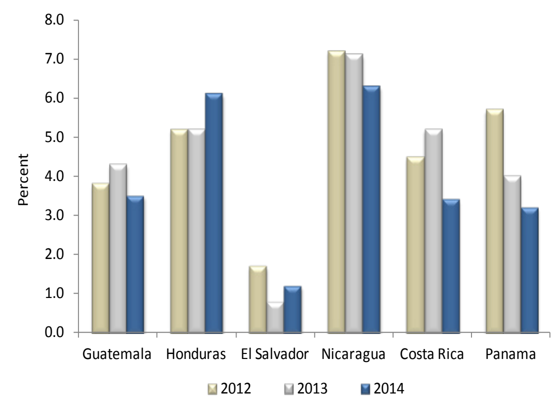
The Euro area grew by 0.8%, led by Germany's 1.5% expansion, and with Spain and France reporting increases of 1.4% and 0.4%, respectively. On the other hand, Italy suffered a third consecutive annual contraction with output declining by 0.4%. The region saw some general improvement in labour markets, however, unemployment rates remained high, and the threat of deflation continued to hover. Fiscal consolidation continued to be the central imperative of the economies that were highly indebted, but with growth stagnating and public appetite for further belt tightening on the wane in these countries, the European Central Bank felt it necessary to begin a major programme

Chart 2.4: Central America - GDP Growth Rate



Source: IMF

Chart 2.5: Central America - Inflation

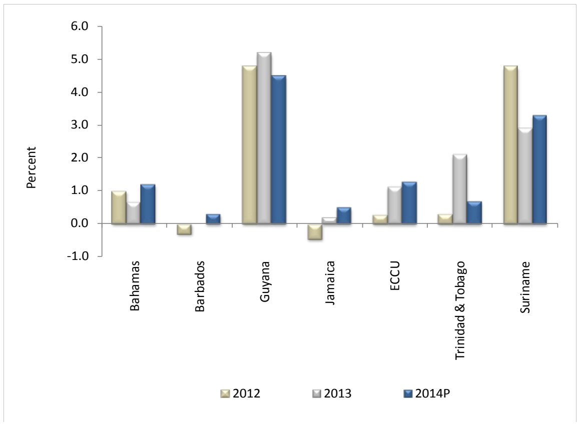


Source: IMF

of quantitative easing in the fourth quarter of the year. This course of action was not unmarked by controversy, given the conservative bent of some governments and the proven difficulties and risks attendant on extrication from this policy when it inevitably becomes necessary.

Nearer to home, Mexico's growth rate rose from 1.4% to 2.1% with boosts from manufacturing and construction, and a surge in exports, particularly to the United States. While the other countries on the Central American isthmus faced challenges in the form of lower public investment, natural disasters and disinvestment by multinational companies, the region's average growth of 3.7% nevertheless exceeded that of the Caribbean and South America. Panama's GDP decelerated to a five-year low of 6.2% partly due to a reduction in Colon Free Zone activity and construction delays in the project to expand the Panama Canal. In Nicaragua, growth maintained momentum at 4.5%, as an upswing in export activities more than compensated for losses caused by earthquake and drought. GDP growth in Costa Rica was also stable at 3.6%, as increases in tourism and public sector spending picked up part of the slack

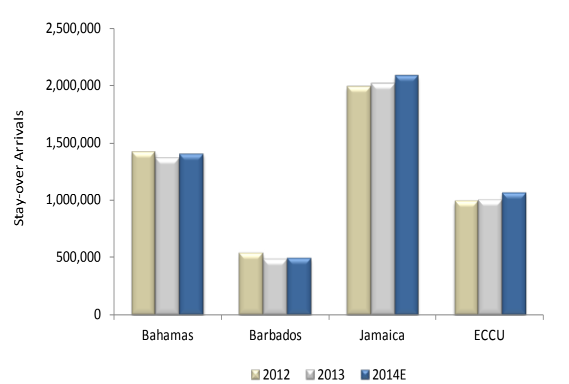
Chart 2.6: CARICOM - GDP Growth Rate



Sources: IMF, Central Bank of Barbados, Central Bank of Trinidad & Tobago, ECCB, Central Bank van Suriname
P - Provisional

created by the closure of the Intel Microchip manufacturing plant, which was announced in April. The closure of a Bank of America service centre and the Intel factory caused the loss of almost 3,000 jobs, and the Intel closure is expected to reduce Costa Rica's GDP by between ½ and ¾ percentage points over 2014 and 2015. Meanwhile, Guatemala's growth decelerated to 3.4% with an 8.0% rise in remittances to US$5.5bn helping to sustain economic activity, and in Honduras, GDP growth accelerated from 2.6% to 3.0% due to a recovery in coffee production and increased investment.

Chart 2.7: CARICOM Tourism



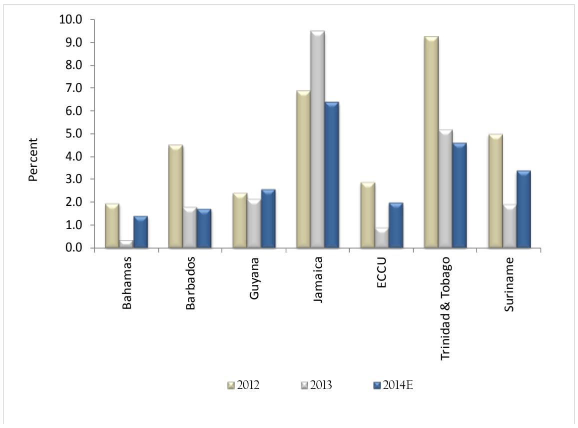
Sources: Caribbean Tourism Organization, ECCB, Central Bank of Barbados
E - Estimates

In the Caribbean, the limiting factors continued to be persistently high public debt and lack of competitiveness. Even with falling commodity prices, the region's commodity exporters managed to outperform its tourism dependent economies. Guyana's output decelerated to 4.5% with a reduction in gold and bauxite production attributable to declining metal prices. While its fiscal position deteriorated slightly, the external balance of payments deficit was lower than that of the previous year due to increased bilateral and multilateral inflows and foreign direct investment. In the case of Suriname, while GDP growth accelerated from 2.9% to 3.3%, declining oil and gold prices pushed down export earnings and resulted in a widening of the external current account deficit. To address issues of fiscal and external sustainability, the government took action to tighten its fiscal stance thus reducing its deficit from 6.8% to 3.7% of GDP. In Trinidad and Tobago, the situation was marked by a slowdown in GDP growth to 0.7%, as the buoyancy of its non-energy sector was tempered by lower output from two of its largest natural gas producers.

Jamaica continued its slow recovery during the year. After commencing a front loaded fiscal consolidation program and extensive structural reforms in 2013, GDP growth increased from 0.2% to 0.5% with increases in tourism, public infrastructural works and also in bauxite and agricultural production helping to underpin the recovery. The government held its course, remaining on track to achieve the fiscal target under the IMF's four-year Extended Fund Facility arrangement.

Although it was the best performer of the tourism dependent economies, The Bahamas registered an unimpressive 1.2% increase in GDP,

Chart 2.8: CARICOM Inflation



Sources: IMF, Bank of Jamaica, Central Bank of Trinidad & Tobago, ECCB, Central Bank van Suriname
E - Estimates
Note: Average Prices

notwithstanding an uptick in tourist arrivals and construction projects such as the BahaMar Resort that is being financed from abroad. Barbados grew by 0.3% on the back of a 1.2% increase in tourist arrivals and heightened construction activity for projects in the tourism industry. Growth was constrained by the tightening of the fiscal stance, as measures were taken to reduce the government's deficit from 12.3% of GDP to an estimated 7.2% of GDP for fiscal year (FY) 2014/2015. Meanwhile, output in the Eastern Caribbean Currency Union (ECCU) expanded by a less than robust 1.3%, driven by an increase in tourist visitors that was associated with an expansion in air lift capacity, cruise ship port calls and improvements in the source market economies.

Employment outcomes varied across CARICOM countries in 2014. Whereas Trinidad and Tobago reported that unemployment fell to a historic low of 3.1% in the first quarter, the situation worsened in The Bahamas, Barbados and Suriname and remained broadly stable in Guyana during the year. Inflation rates were lower but trended up in economies with fixed exchange regimes, including The Bahamas, ECCU and Suriname, and were higher but trending downward in most floating regimes, including Jamaica and Trinidad and Tobago. Guyana's inflation rate edged up to 2.6%, while that of Jamaica fell by three percentage points to 6.4% due to a slowdown in the depreciation of the Jamaican dollar that was prompted by a smaller external current account deficit and lower oil prices.

Overview of the Domestic Economy

On the home front, the GDP growth rate more than doubled to an estimated 3.6%, driven by export agriculture, tourism and merchandise trade. Buttressed by the pick-up in economic activity, the average annual unemployment rate fell by 10.4% to 11.6%. Output in the primary sector expanded by 8.4%, as a rebound in production of banana, sugarcane and citrus outweighed double digit declines in the lobster and conch catches, and the services sector grew by 2.2%, undergirded by strong growth in overnight and cruise ship visitor arrivals, heightened distribution activities and government services. By contrast, the secondary sector suffered a further contraction of 0.3%, as increased output of electricity from cogeneration and hydroelectric sources was offset by lower extraction of petroleum and deceleration in construction. The average annual inflation rate rose to 1.0% with marginal increases affecting most of the categories of the Consumer Price Index (CPI).

In maintaining its expansionary approach, the Government's overall deficit rose to 2.8% of GDP, while its primary balance shifted from a surplus of 0.7% of GDP in 2013 to a deficit of 0.3% of GDP. Revenues rose by 12.2% to $992.5mn (29.2% of GDP) with notable increases in tax revenue and grants, while expenditures escalated by 18.1% to $1,088.9mn (32.0% of GDP) due to sharp increases in spending on wages/salaries, interest payments and infrastructural projects. The fiscal deficit was financed solely from external sources with borrowings of $171.6mn, of which 67.5% came from Venezuela on concessionary terms under the Venezuela Petrocaribe Agreement (VPCA). This contributed to a 4.0% rise in the public sector external debt stock to $2,252.2mn (66.3% of GDP). In contrast, the Government's domestic debt declined by 2.6% to $376.1mn (11.1% of GDP).

Sharp increases in the trade deficit and profit repatriation by foreign-owned businesses caused the current account deficit of the balance of payments to widen from 4.5% of GDP to 8.0% of GDP. While net inflows on the capital account declined by 9.2% mainly due to the non-recurrence of external debt relief associated with the debt restructuring exercise, net financial inflows rose by 20.3%, reflecting foreign direct investments, Government borrowings and a sizeable reduction in private sector loan repayments. The surplus on the capital and financial accounts was sufficient to cover the current account deficit and boost gross international reserves by $163.5mn to a record high of $973.7mn, equivalent to 5.7 months of merchandise imports.

A significant milestone was achieved during the year as all domestic banks met the enhanced loan loss provisioning standards by the November 2014 deadline, including the two that had been given an extension up to 2016. Initiatives to strengthen balance sheets included the write-off of $22.0mn in non-performing loans and provisioning for adversely classified loans that resulted in a loan loss coverage ratio of 50.8%. The NPL ratio consequently fell to 7.0% at year-end. The timely allocation of provisions for non-performing loans in the first quarter of the year also pushed the NPL ratio for the five largest credit unions down from 8.0% in 2013 to 3.4%.

During the year, there was a pickup in lending by the domestic banks mainly attributable to significant investments in the sugar industry. Even so, statutory liquidity continued its upward climb and holdings stood 60.0% above the required level at the end of the year, while holdings of cash reserves ballooned to an amount that was 161.1% above the regulatory requirement. The downward pressure on interest rates was thus maintained. While the 12-month rolling weighted average interest rate on new loans declined by 12 basis points to 9.89% with a 209 basis point reduction on residential mortgages, the equivalent rate on new deposits plunged 84 basis points to 2.10%, led by the 101 basis points reduction on time deposits. The interest rate spread of the domestic banks consequently widened by 72 basis points to 7.80%.

The Central Bank is currently forecasting that GDP growth will range between 2.0% and 2.5% in 2015, as heightened output in the primary and tertiary sectors outweighs the continued contraction of the secondary sector. Growth in the major export crops and tourist arrivals is likely to be moderate with downside risks to the projection including adverse movements in commodity prices, unfavourable weather and downturns in global growth. Annual inflation should average 1.0%, based on expectations of a modest rally in international oil prices and a relatively stable outlook for global food prices.

Sugarcane deliveries are forecasted to rise modestly as the 2015/2016 crop year returns to its customary start in November/December, and citrus deliveries should benefit from higher yields as a result of good weather and continued success of measures to mitigate the impact of citrus greening. A good out-turn is also expected for banana and papaya due to increased yields and production from a new farm in the case of the former, and the use of new fields in disease-free areas in the case of the latter.

Stay-over tourist arrivals are projected to rise by 5.0% with the strengthening of economic activity in Belize's major source markets - the US and Canada. Whereas cruise ship disembarkations will decline with the rerouting of ships to longer-haul destinations, the growth in overnight visitors should provide a direct boost to "*Hotels and Restaurants*" and positively impact the "*Transportation and Communication*" and "*Wholesale and Retail*" sectors. The negotiated wage increase for public servants should also increase the contribution from "*Government Services*" during the year. On the other hand, the secondary sector is likely to contract for a sixth consecutive year due to the continued slide in petroleum extraction, while output of domestic electricity is stable.

The Central Bank also anticipates that the external current account deficit will narrow from 8.0% of GDP to 7.0% of GDP in 2015, as lower oil prices in the first part of the year reduces the trade deficit, while an increase in overnight visitors raises earnings from tourism. On the other hand, capital and financial inflows are projected to contract markedly, due to lower inflows of grants, foreign direct investments and government borrowings, especially if the VPCA program is curtailed. Net financial inflows should nevertheless be sufficient to cover the current account deficit and modestly increase gross international reserves to around 6 months of merchandise import coverage.

Domestic Production

The pace of economic activity quickened in 2014 undergirded by a record increase in visitor arrivals, a rebound in the export crops, heightened electricity output and buoyancy in retail trade. As its preliminary estimate, the Statistical Institute of Belize (SIB) posits that GDP grew by 3.6% in real terms with the primary sector posting an 8.4% expansion, as favourable weather underpinned increases in banana, sugarcane and citrus. Strong growth in "*Agriculture, Hunting and Forestry*" more than compensated for a contraction in "*Fishing*" that reflected lower output of lobster, conch and whole fish.

The services sector, which accounts for the largest share of the country's economy, also provided an additional boost, as an upturn in Belize's main source markets and aggressive marketing of the tourism product resulted in the ramping up of stay-over visitors and cruise ship disembarkations. The result was a double digit increase in "*Hotels and Restaurants*" as well as robust growth in "*Wholesale and Retail Trade*". "*Government Services*" also expanded, in large part due to the wage increase negotiated with the Public Service Union.

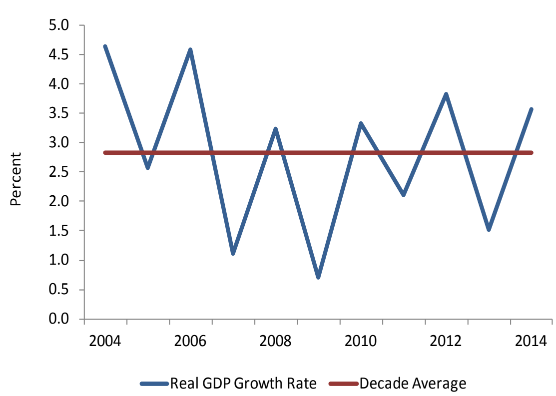
On the downside, the secondary sector contracted by 0.3%, as declines in "*Manufacturing*" and "*Construction*" overshadowed an expansion in "*Electricity and Water*". The latter reflected increased output of electricity from the cogeneration plant and hydroelectric dams. Manufacturing output was lower due to the continued downturn in petroleum extraction. There was also a tapering down of public sector infrastructural works and other private projects during the second half of the year.

Agriculture

Sugarcane

Notwithstanding a late start due to heavy rains, sugarcane deliveries for the 2013/2014 harvest rose by 10.8% to 1,194,932 long tons. The double digit growth reflected a notable improvement in the factory's average daily grinding rate from 5,989 long tons in the previous crop year to 7,198 long tons and an unusually long dry season that enabled the harvest to be extended into the first eight days of July. Even so, an estimated 150,000 long tons of sugarcane were left standing in the fields when the season closed. While the average price received for sugar edged up marginally,

Chart 4.1: Annual Growth Rate of Real GDP



Source: SIB

Chart 4.2: Sugarcane Deliveries

Source: BSI

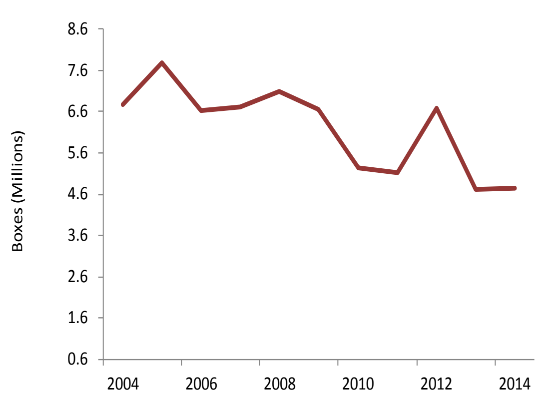
the average price per long ton of sugarcane paid to farmers fell by 9.0% to $67.52 as a result of a higher cane/sugar ratio and reduced cane purity.

Citrus

A larger second crop of oranges compensated for a production shortfall in the first part of the harvest cycle and raised citrus deliveries for the 2013/2014 crop year by 0.1% to 4.7mn boxes. It is, however, significant, that apart from the usual weather and agronomic variables that affect its crop cycle, citrus production is being dampened by the impact of citrus greening and slippages in the replanting schedules due to a shortage of certified, disease-free seedlings. After the bumper crop of the 2011/2012 harvest, production has flattened at a notably lower level.

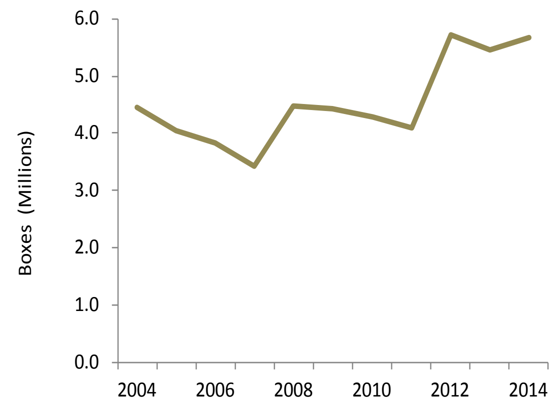
While orange deliveries recovered from a poor first crop to grow by 2.6% to 4.1mn boxes, that of grapefruit fell by 15.0% to 0.6mn boxes, the lowest production level since 2000. Declining output from the major global citrus producers underpinned improved prices for citrus juices on the international market. Consequently, the average prices paid to farmers for orange rose from $1.75 to $1.96 per pound solid (ps) and from $1.94 to $2.51 per ps for grapefruit, in comparison with the previous crop year.

Chart 4.3: Citrus Fruit Deliveries



Source: CPBL

Chart 4.4: Banana Production



Source: BGA

Banana

A production rebound in the third quarter outweighed the first semester shortfall and resulted in annual output of banana increasing by 4.0% to 5.7mn boxes. The average yield per acre rose from 736 boxes in 2013 to 791 boxes and was largely due to favourable weather from May through to the end of the year. At year-end, the acreage under cultivation was relatively stable, edging up by 0.1% to 7,162, when compared to that of December 2013, while the area under plantilla (trees too young to yield fruits) almost doubled to 642 acres.

Other Agricultural Production

The lingering effects of the excessive rains in late 2013 was evident, as output of some crops was negatively affected. Papaya production plummeted by 39.5% to 34.2mn pounds, as the industry was beseiged by viral infections and floods. The problem was compounded by the difficulty of locating disease-free lands to lease for new plantings. Bean production continued the downward trend initiated in 2013, falling by a further 22.1% due to reductions in acreage and average yield of 14.6% and 8.7%, respectively. Although domestic demand for animal feed rose, production of soybean fell by 17.8% to 7.6mn pounds as waterlogged fields led to cuts in acreage, and this was exacerbated by a 7.9% decline in yields. With acreage under mechanized operations in western Belize falling sharply, output of rice and sorghum also fell by 22.8% to 34.9mn pounds and 51.7% to 20.8mn pounds, respectively. The cutback in the former was due to a perceived oversupply on the local market, which is expected to continue into 2015. In the case of corn, while acreage expanded by 5.7%, average yields fell by 19.6% due to unfavourable weather, and total production consequently declined by 0.8% to 157.4mn pounds.

The out-turn for vegetable and root crop production was rather mixed. Increased acreage and heightened yields underpinned increases in carrot, tomato, onion and cabbage. An expansion in acreage also boosted output of hot pepper, Irish potato and pumpkin. Output of plantain increased by 37.9% during the year due to a 45.8% expansion in acreage. In contrast, production of squash, cauliflower and broccoli decreased due to a fall in acreage that was further compounded for the latter two crops by a reduction in the average yield per acre.

Whereas production of poultry rose by 9.3% to 38.6mn pounds of dressed weight and that of pigs was up by 2.4% to 3.0mn pounds, output of milk and cattle dressed weight fell by 6.8% and 16.2%, respectively. The reported number of live cattle exported to Guatemala and Mexico rose from 657 in 2013 to 1,500, while the price per pound doubled as a result of the cattle sweep programme.

Marine Products

Annual marine output fell marginally by 1.1% to 16.9mn pounds as a modest increase in farmed shrimp was insufficient to compensate for declines in the other major marine products. For the third consecutive year, farmed shrimp production was up, albeit marginally, expanding by 1.8% to 15.9mn pounds, as an unexpected decline in output from the largest shrimp farm was more than offset by production from two new shrimp farms (Tropical Aquaculture and Destiny Aquaculture) and a 27.8% increase in output from two other farms. Wild capture of conch, lobster and whole fish fell by 25.1%, 5.1% and 39.4%, respectively. In the case of fish, this was negatively affected by increased international competition, as traditional purchasers were able to source certain species at a lower price elsewhere. The downturn in conch and lobster was due mostly to the cyclical decline in their reproductive cycles.

Manufacturing

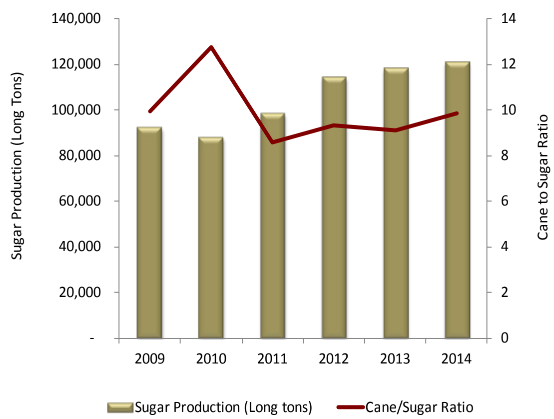
Sugar and Molasses

Double digit growth in sugarcane deliveries was largely offset by a decline in cane purity that resulted in an 8.2% deterioration in the cane/sugar ratio, as excessive rains during the latter part of the growing cycle reduced the sucrose content of the 2013/2014 crop to 11.8%, as compared to 12.8% in the previous crop year. Production of sugar consequently increased by a modest 2.4% to 121,137 long tons. Production of molasses rose by 24.1% to 42,839 long tons, which is indicative of its inverse relationship with sugar production.

Citrus Juices, Citrus Oil and Pulp

Production of citrus juices fell by 2.4% to 27.6mn pound solids (ps) for the 2013/2014 crop, as a 2.5% reduction in the average juice out-turn per box eclipsed the uptick in citrus deliveries. The average juice out-turn per box of orange fell by

Chart 4.5: Sugar Production and Cane to Sugar Ratio



Source: BSI

3.4% to 6.09 ps, while that of grapefruit declined by 2.6% to 4.03 ps per box of fruit. The bulk of deliveries went into the manufacture of orange and grapefruit concentrates, which were down by 1.0% to 25.1mn ps and 15.8% to 2.3mn ps, respectively. Not-from-concentrate production accounted for only 0.9% of juice output and declined for a third consecutive year, as the processor remained focused on concentrate juices, which had the more attractive profit margins. On the upside, output of pulp and citrus oils rose by 6.4% and 4.2%, respectively, to 2.4mn and 1.7mn pounds.

Other Manufacturing Production

Production of flour and petroleum declined in 2014, whereas increases were recorded for fertilizer, soft drink and beer. Continued demand from sugarcane farmers under the Fair Trade programme and from those who expanded the acreage under corn helped to propel a 4.5% increase in fertilizer production to 18,096 metric tons, the second consecutive year of growth. Soft drink production rose by 4.8%, and output of beer was up by 7.4%, notwithstanding increased competition from imports. However, for the second year running, output of flour was down, though by a smaller percentage (0.7%) due to competition from lower priced flour from Mexico.

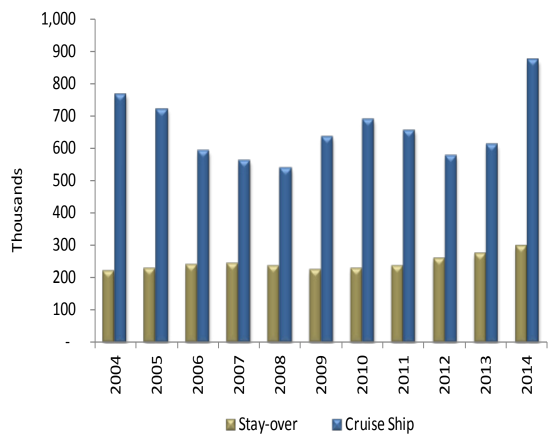
Petroleum extraction remained on a downward trajectory with annual declines having been registered since 2010. Production contracted by 18.9% to 642,432 barrels with output from the Spanish Lookout and Never Delay fields shrinking by 18.7% and 52.6%, respectively. Only 2,624 barrels were extracted from the Never Delay field and in mid-September, with its viability being adversely affected by falling oil prices, the decision was taken to suspend operations indefinitely. In the case of the Spanish Lookout field, the average daily extraction rate fell to 1,753 barrels, 18.7% lower than that of the previous year. Further investment at both fields has been suspended due to the rapid decline in oil prices during the latter portion of the year. With plans to improve the extraction rate by using new techniques being shelved, the focus shifted to servicing the wells in an attempt to stem the decline in output. At the end of nine years of commercial production at the Spanish Lookout field, 10.1mn out of the 17.4mn barrels of extractable reserves has been recovered, approximately 58.2% of the total volume.

Tourism

The World Tourism Organization reports that international tourist arrivals increased by 4.7% to 1.1bn visitors in 2014 with North America recording an 8.0% increase and with visitors to the Caribbean and Latin America also rising by 7.0% and 6.0%, respectively. Further growth of approximately 3.0% to 4.0% is expected in 2015, as the global economy continues to recover.

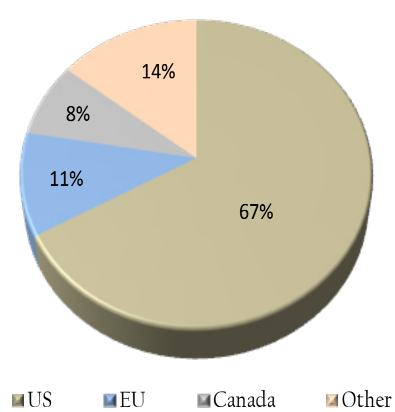
In Belize, the record pace of tourist arrivals in 2014 surpassed the average growth in the region, as stay-over visitors rose by 9.3% to 297,527. The

Chart 4.6: Tourist Visitors



Sources: BTB and CBB

Chart 4.7: Composition of Stay-Over Tourist Arrivals



Sources: BTB and CBB

increase marked the fifth consecutive year of growth in overnight tourists and was attributed to improved overseas marketing and higher incomes in Belize's main source markets. Arrivals from the European Union (EU), the country's second largest source market that accounts for 10.8% of market share, were up by 22.9%. Visitors from the US, which accounts for 66.9% of the tourist base, increased by 8.5%, but the number of Canadian visitors fell by 1.8%.

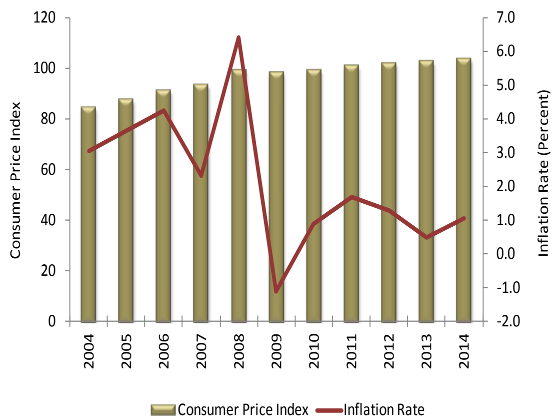
Cruise ship disembarkations totalled 871,318, representing an impressive 42.9% expansion. Continuing the trend that had started in 2013, North American cruise lines reduced cruises to Europe and other alternative, long-haul, non-traditional destinations and deployed more ships to meet the demand for regional cruises. As a result, port calls to the country increased dramatically by 116 ships, and this paved the way for the sharp rise in disembarkations.

Prices

Annual domestic inflation rose from an average of 0.5% in 2013 to 1.0% in 2014, with price hikes in all categories of the CPI except "*Clothing and Footwear*", which posted a 0.3% decline that reflected lower import prices, as the US export price index declined by 1.0%. The categories of the index that are assigned smaller weights such as "*Restaurants and Hotels*", "*Health*" and "*Miscellaneous Goods and Services*" recorded increases of 4.1%, 1.9% and 1.6%, respectively.

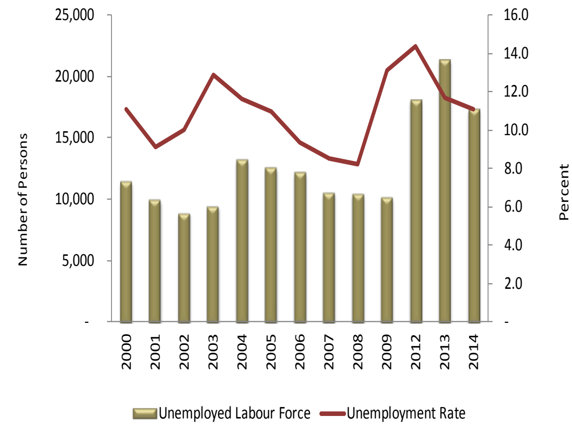
The dominant factor in the CPI's upward movement was price increases for food and fuel that occurred in the first half of the year and which were only partly ameliorated by price declines in the latter part of the year when international food and fuel prices subsided. Higher gas and rental costs underlined the 1.6% annual increase

Chart 4.8: Consumer Price Index



Source: SIB

Chart 4.9: Unemployment



Source: SIB

in "*Housing, Water, Electricity, Gas and Other Fuels*", the largest category of the index, while the 1.3% price hike in "*Transport*" was due mostly to the cost of air transportation. A 0.5% increase in prices for "*Food and Non-Alcoholic Beverages*" was associated with price increases for meat, fruits and dairy products.

Employment

The hum of employment activity was more stable than in the previous year, as there was a miniscule dip in the number of jobs (0.05% in comparison with 2.5% in 2013) between April, a peak labour month, and September, an off-peak month. This translated into a 10.4% reduction in the average unemployment rate from 13.0% in 2013 to 11.6%.

In April 2014, the unemployment rate stood at 11.1%, compared to 11.7% one year earlier. Heightened construction, increased production of the major export crops and tourism activity were the main contributors to the 2.4% growth in employment. The labour force expanded by 1.7% to 151,317 persons, while the labour force participation rate (the share of the working age population who is willing to work) dipped from 64.2% in 2013 to 63.8% in 2014.

The labour force grew by 1.1% to 153,000 between April and September as student graduates entered the workforce, and combined with the customary downturn in seasonal economic activity, this pushed the unemployment rate upward to 12.1%, which was nonetheless below the 14.2% unemployment rate of September 2013. The employed population grew by 5.0% between September 2013 and September 2014, while the labour force participation rate increased from 63.8% to 64.3%.

Box 2: Sugarcane Commercial Agreement

The commercial dispute between Belize Sugar Industries Limited (majority owned by American Sugar Refining Company Limited) and the Belize Sugarcane Farmers Association (BSCFA) on payment for bagasse reared up during the 2013/2014 sugarcane crop and took centre stage for the 2014/2015 crop. Delayed by torrential rains that severely damaged farm roads, the 2013/2014 sugarcane harvest began on 24 January 2014, more than a month past the usual November/ December start time. Industry stakeholders signed an interim one year agreement to cover the 2013/2014 crop and committed to negotiate and settle on a mutually acceptable bagasse payment by the end of that crop. However, although negotiations continued, agreement could not be reached and the impasse consequently led to a delay in the start of the 2014/2015 harvest. The main points of contention were ownership of the sugarcane, the amount to be paid for bagasse and the duration of the new commercial agreement.

The sugarcane ownership issue arose because of the payment structure for sugarcane and the failure of the past agreement to clearly identify ownership of the sugarcane upon delivery to the factory. The BSCFA argued that farmers still retained ownership even after delivery to the factory, since they were providing the sugarcane on credit with payment being done in three installments. Some farmers felt that co-ownership could be claimed even up to the sale of the sugar. In the case of bagasse, the gap in proposed pricing was substantial with farmers asking for $10.00 per ton and the processor offering $0.51 per tonne using a formula based on fiber content and the sugar price.

With no compromise in sight, the BSCFA offered to sign another one year agreement and to continue negotiating with BSI so as not to delay the start of the 2014 /2015 crop year. However, BSI declined to start the crop year without a long term agreement that would provide it with the stability necessary for continued investment into the industry. BSI pointed to the need for increased efficiency at the factory and field levels in order to cope with the imminent changes in the EU sugar regime in 2017, which are expected to result in sugar prices declining between 25% and 35%. Under the upcoming sugar regime, the EU production quota and reference price for beet sugar will end, which could lead to imports from high cost producers such as the African, Caribbean and Pacific (ACP) member countries being replaced by higher EU beet sugar production and lower-cost producers such as Brazil.

To break the impasse, the Prime Minister consulted with both parties and brokered a compromise that addressed the three points of contention. This compromise was tabled by the BSCFA at a special general meeting that voted to accept the brokered solution. However, the draft agreement that BSI eventually sent to the BSCFA also included a clause that gave BSI the right to reject sugarcane and that would ultimately result in the discontinuation of the Sugarcane Production Committee's role in coordinating harvesting, delivery and quality control. As BSI was also a sugarcane producer, this clause could have created a conflict of interest and would have made a second regulatory body legislated under the Sugar Industry Act of 2001 defunct.

BSI's action fanned the mistrust between the parties and, even after the offending clause was removed, provided a basis for those farmers who were discontented with the compromises to swing the vote against the agreement in another special general meeting that was called to ratify the document. This further delay in the start of the crop precipitated the splintering of the BSCFA and the formalization of two other associations, namely the Progressive Sugarcane Producers Association (PSCPA) and the Corozal Sugarcane Producers Association (CSCPA). The BSCFA remained the largest association, representing around 66.0% of all registered sugarcane farmers. With the PSCPA and CSCPA proceeding to sign the agreement, the BSCFA had no other option but to sign as well, and having done this, the harvest commenced on 26 January 2015.

The commercial agreement covers a seven year period with renewal being automatic every year. The parties also agreed to sign a separate Statement of Commitment in which all industry stakeholders, including the Government, BSI and the sugarcane farmers (through their associations) consent to develop and ratify a Strategic Development Plan to ensure the "sustainability and viability" of the sugar industry. This plan is to be finalized within one year of the signing of the agreement, and failing this, any of the parties would have the unrestricted right to terminate the agreement.

Sugarcane ownership is now determined to be transferred from the farmers to BSI when the sugarcane is weighed and ticketed at the factory scales. Farmers will be paid for the bagasse used to produce electricity for sale to Belize Electricity Limited using BSI's methodology that determines the value of the quantity of fiber that Belcogen uses for this purpose. In determining the value, the formula will use the price of sugar rather than the price of electricity, the latter of which was proposed by farmers as being more favourable to them. Bagasse payments are to be effective as of the 2013/2014 crop, and the agreement allows for bagasse payments to be revisited after three years on the basis of Belcogen's profitability. As regards any future by-product, BSI also made a committment to engage in discussing investment and revenue participation by the sugarcane farmers.

The calculation of the price per ton of sugarcane purchased by BSI was unchanged. A net stripped value (NSV) is derived by taking the gross realized proceeds of all sugar and final molasses produced for each crop and deducting marketing and handling expenses such as ocean freight, brokerage, insurance and stevedoring. Sixty-five percent of the NSV goes to farmers and the price per ton of sugarcane is obtained by dividing the farmers' NSV by their sugarcane tonnage.

Box 2: Sugarcane Commercial Agreement continued

So far, farmers have received bagasse payments for the 2013/2014 crop that approximated to $0.50 per tonne of sugarcane during the first quarter of 2015. Bagasse payment for the 2014/2015 crop will be paid as part of the third farmer payment in November 2015. A committee comprising the Associations, BSI and the Ministry of Agriculture (the Chair) has been set up to develop the industry's strategic plan and is currently engaged in the gathering of information to facilitate the development of a mutually acceptable plan.

Central Government Operations

Fiscal performance indicators weakened somewhat during the year as the ratio of central government expenditure to GDP rose from 28.4% to 32.0%, while the tax dependency ratio (ratio of tax revenue to government expenditure) fell from 81.2% to 73.4%. An overall deficit equivalent to 2.8% of GDP was recorded, the highest since 2010, and the primary balance shifted from a surplus of 0.7% of GDP to a deficit of 0.3% of GDP. After averaging annual increases of 4.0% over the previous 8 years, expenditure surged by 18.1% to $1,088.9mn, driven by increased outlays on capital projects, wages/salaries and interest payments on external debt. Total revenues also expanded, but by a lesser 12.2%, and stood at 29.2% of GDP ($992.5mn) as a result of heightened tax collections and grants.

Table 5.1: Revenue and Expenditure Summary

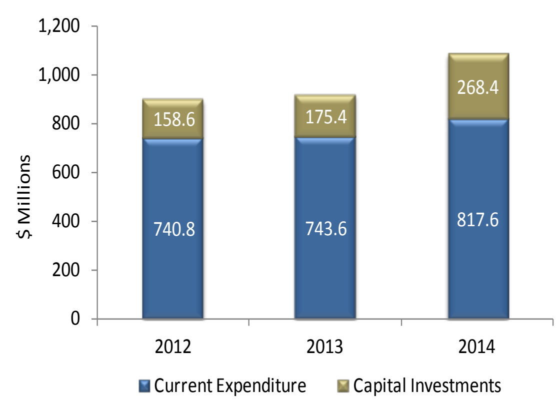
	Jan-Dec 2013	Jan-Dec 2014
Ratio to GDP (%)		
Current Revenue	26.2	27.2
Tax Revenue	23.0	23.5
Non-Tax Revenue	3.2	3.3
Current Expenditure	22.9	24.1
CURRENT BALANCE	**3.3**	**3.1**
Capital Revenue	0.2	0.2
Capital Expenditure (Capital II Local Sources)	2.6	3.5
OPERATING SURPLUS	**0.9**	**-0.2**
Grants to GDP	0.9	1.9
Total Revenue and Grants	27.2	29.2
Total Capital Expenditure	5.5	8.0
Total Expenditure	28.4	32.0
of which: Interest Payment on Public Debt	1.8	2.6
Primary Balance to GDP	**0.7**	**-0.3**
Primary Balance without Grants to GDP	**-0.2**	**-2.1**
Overall Balance to GDP	**-1.1**	**-2.8**
Overall Balance without Grants to GDP	**-2.0**	**-4.7**

Sources: MOF and CBB estimates

While oil revenues continued to decline, falling from 5.3% of government income in 2013 to 4.0%, income from non-oil sources was quite buoyant with notable increases in recurrent revenue and grant receipts. Tax revenues rose by 6.7% ($50.0mn) due mostly to increased imports and improved enforcement that translated into higher collections of taxes on international trade, business and personal income taxes, and the General Sales Tax. A further boost came from a $22.5mn growth in non-tax revenue, the biggest contributor being the $31.9mn in income from the international ship and company registries that used to generate between $6.0mn to $8.0mn prior to its assumption by the government in mid-2013. Grant receipts were also prominent, rising from $27.7mn in 2013 to $62.9mn (6.4% of total revenue) with most of this coming from the ROC/Taiwan and the EU to provide support for the banana and sugar progammes and for reconstruction projects.

Current and capital spending accounted for 44.4% and 55.6%, respectively, of the growth in expenditure. Current expenditure rose by 9.9% to $817.6mn (24.1% of GDP) with across-the-board

Chart 5.1: Current and Capital Expenditure

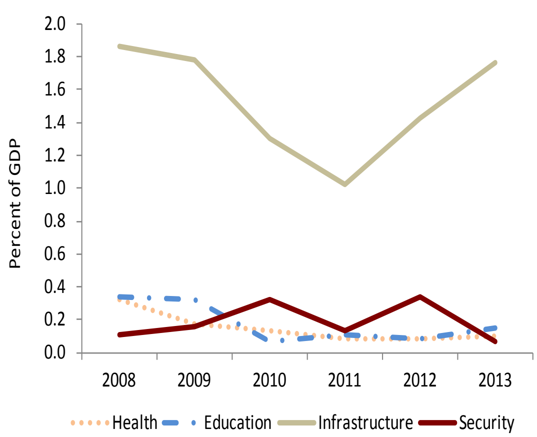


Sources: MOF and CBB estimates

increases except in the case of outlays on goods and services, which fell by $9.4mn mainly due to the non-recurrence of the legal and administrative fees associated with the restructuring of the super bond in 2013. The predominant cost push came from the resumption of the bi-annual interest payments on the 2038 restructured bond. Another contributor was the negotiated 6.0% wage increase to public servants that led to increases of 10.3% in wages/salaries, 14.3% in pensions and 13.5% in transfers, a portion of which went to teachers in non-governmental educational institutions.

Capital expenditure and net lending surged by 52.0% to 8.0% of GDP with more than half (55.3%) of this growth going on infrastructural projects funded principally by Petrocaribe financing. Infrastructure investments accounted for 40.5% of the capital budget and included developments on the south side of Belize City, completion of works on the Southern Highway, the construction of the Macal Bridge, the Santa Elena International Crossing, and much needed maintenance and rehabilitation of highways. Land and solid waste management accounted for 7.3%, programmes that supported the banana and sugar industries for

Chart 5.2: Capital Expenditure Items



Sources: MOF and CBB estimates

12.1%, and allocations for environmental projects and acquisition of new equipment for security and defence absorbed 8.9% and 6.2%, respectively. A medley of disbursements for education, health, science, technology, housing, tourism and social protection summed to 11.4%, and the remainder was accounted for by projects such as the Belize Sport Centre, establishment of the Belize Infrastructure Limited, further capitalisation of the National Bank of Belize, furniture, equipment and upgrading of office buildings.

The expansion in the fiscal deficit was accompanied by increased dependency on external borrowing to fund the financing gap of $178.2mn that consisted of the overall deficit plus repayments of loan principal. Although external borrowing decelerated from the 2013 level, debt dependency, denoted by the ratio of new borrowings to government expenditure, was high at 16.2% in 2014 and nearing the international threshold of 20.0% that demarcates critical borderline sustainability.

Public Sector Debt

Substantial concessionary borrowing from Venezuela under the Petrocaribe Agreement facilitated a 5.5% increase in the public sector's outstanding debt in 2013, as well as its subsequent 3.0% rise to $2,628.2mn in 2014. Comprising respectively 85.7% and 14.3% of the total were the the external liabilities of the public sector and Central Government's domestic debt. During 2014, the ratio of debt to GDP declined from 78.5% to 77.3%, as GDP growth outpaced the rise in debt. The public sector external debt to GDP ratio consequently edged down from 66.7% to 66.3%, while the domestic debt to GDP ratio declined from 11.9% to 11.1 %.

Chart 5.3: Public Sector Debt

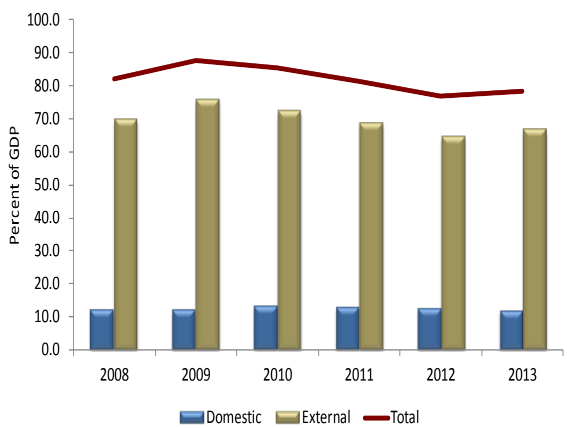
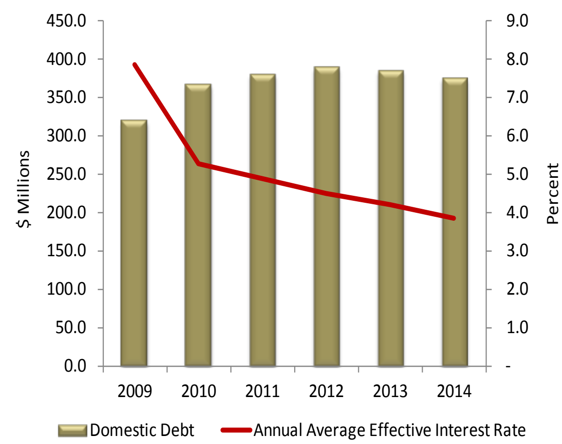


Chart 5.4: Domestic Debt



Central Government Domestic Debt

With no new disbursements, Central Government's domestic debt declined by 2.6% to $376.1mn, reflecting a decrease in the overdraft balance at the Central Bank and modest amortization payments. At $47.6mn, the government's overdraft balance at the end of December was comfortably below the legislated ceiling of $73.9 million for fiscal year 2014/2015.

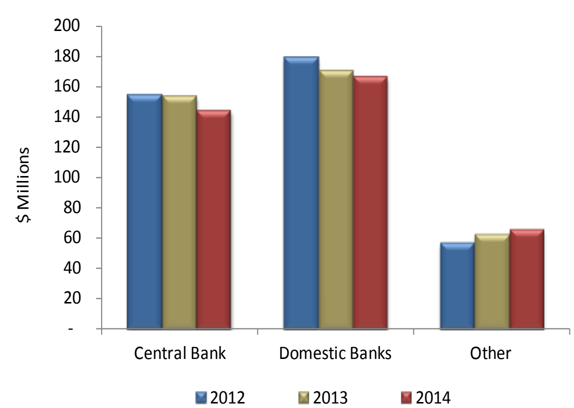
The maturity structure remained dominated by short-term credit with Treasury bills accounting for 46.5%, while advances to the government by way of the Central Bank overdraft facility represented 12.7%. Longer-term debt accounted for 40.8% at year-end.

Debt service payments (principal and interest) declined by 15.2% ($3.0mn) to $17.0mn during the year. Principal payments amounted to $2.3mn and included $1.1mn to the Belize Social Security Board (BSSB) and $0.8mn to domestic banks. The remaining $0.2mn went to non-bank entities. Interest payments totalled $14.7mn, which was 11.2% lower than the previous year and equivalent to an average effective interest rate of 3.9% as compared to the 4.2% of 2013.

The reduction largely reflected the downward trajectory in Treasury bill yields as demand for these securities outpaced supply. Interest payments included $5.4mn to the Central Bank for short-term credit provided through the overdraft facility and $7.0mn on longer-term Treasury notes and Defence bond holdings. The domestic banks and non-bank entities received $1.4mn and $0.8mn, respectively, on credit provided by way of securities and loans.

At year-end, the domestic banks held 44.3% of the government's domestic debt, while the Central

Chart 5.5: Sources of Central Government Domestic Debt

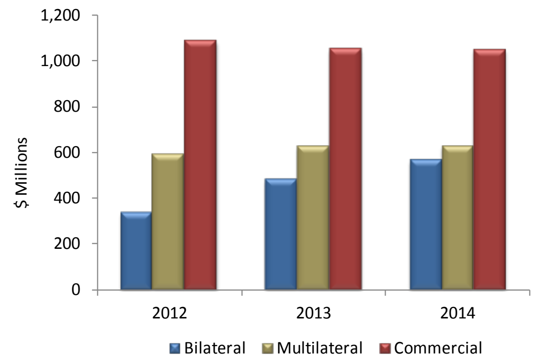


Bank and non-bank entities accounted for 38.4% and 17.4%, respectively.

Public Sector External Debt

The external debt stock rose by 4.0% to $2,252.2mn over the year, as disbursements, virtually all of which went to Central Government, exceeded amortization payments and downward valuation adjustments of $5.7mn. The latter reflected a marginal appreciation of the US dollar against the Euro and Special Drawing Rights.

Chart 5.6: External Debt by Creditor Category

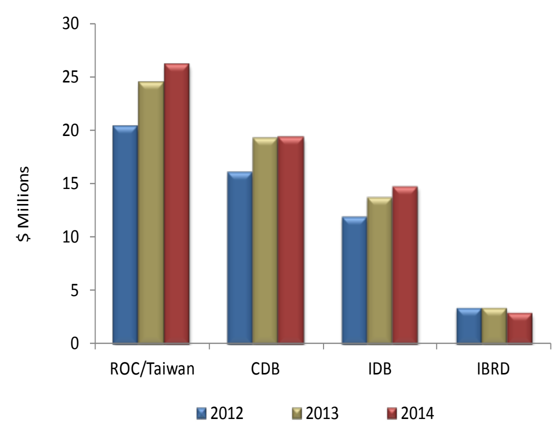


Disbursements amounted to $171.6mn, compared to the $252.6mn received in 2013. Venezuelan disbursements to Central Government totalled $115.7mn and accounted for 97.9% of bilateral disbursements and 67.5% of all foreign borrowing during the year. Bilateral disbursements were used for budgetary support and to finance several investment and infrastructural projects that included the National Bank, Golden Stream Big Falls border road project, Corozal border rehabilitation, and upgrades to the national road and drainage networks. Multilateral disbursements summed to $53.4mn and included notable disbursements from the CDB ($21.1mn) for the Santa Elena Bypass, George Price Highway rehabilitation and Belize River Valley project and $13.6mn from the IDB for the Community Public Safety project and flood mitigation infrastructural development.

The 2038 restructured bond accounted for 46.8% of the external debt and loans from multilateral institutions accounted for 28.0% at the end of the year. The Caribbean Development Bank (CDB) and the Inter-American Development Bank (IDB) were the principal multilateral creditors. Due to sizeable disbursements from Venezuela, the share of bilateral funding agencies increased from 22.3% to 25.0% with Venezuela accounting for a little over half of the bilateral debt stock and overtaking ROC/Taiwan as Belize's largest bilateral creditor. Due to its lower interest rate structure (1.0% annual interest) and lengthy repayment period (25 years), these loans have increased the concessionality as well as the average life of the external debt portfolio.

At $153.2mn, debt service payments were $29.4mn higher than the amount paid during the previous year. Principal payments remained relatively stable at $79.0mn, while interest payments saw a resurgence to $73.6mn due to the resumption of bi-annual interest payments on the 2038 restructured bond. Central Government

Chart 5.7: External Debt Principal Payment to Major Creditors



repaid $31.0mn to bilateral lenders, most of which went to ROC/Taiwan, and $36.5mn to multilateral creditors, principal among which were the CDB and the IDB. The financial public sector, namely the Development Finance Corporation (DFC) and the Central Bank, made respective repayments of $1.0mn to CDB and $1.8mn to the International Monetary Fund (IMF) to retire the Emergency Natural Disaster Assistance loan. The non-financial public sector paid $4.1mn to CDB and $3.9mn to commercial suppliers.

Of the $73.6mn in interest payments, $52.7mn went to the holders of the restructured bond. Bilateral lenders were paid $6.8mn, of which $5.5mn went to ROC/Taiwan, and the CDB and IDB accounted for most of the $14.1mn paid to multilateral lenders. The year-on-year effective interest rate averaged 3.3%, which, while higher than the one-off rate of 2.1% in 2013, was below the 4.1% averaged over 2009 to 2012. The downward slide in interest rates has been largely due to the concessional nature of the Venezuelan loans and the lower negotiated interest rates on the international bond.

Chart 5.8: External Debt Service

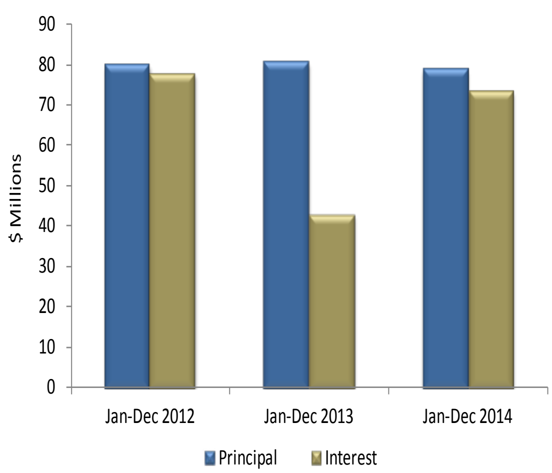
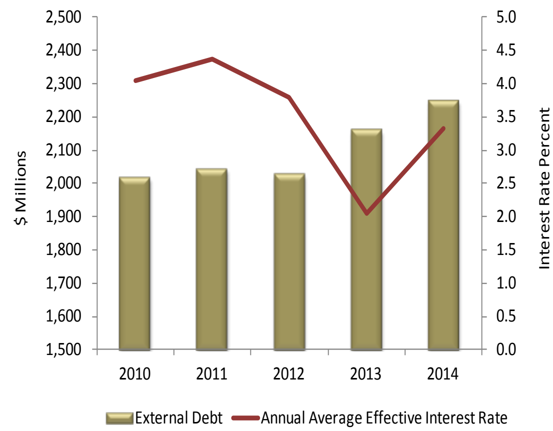
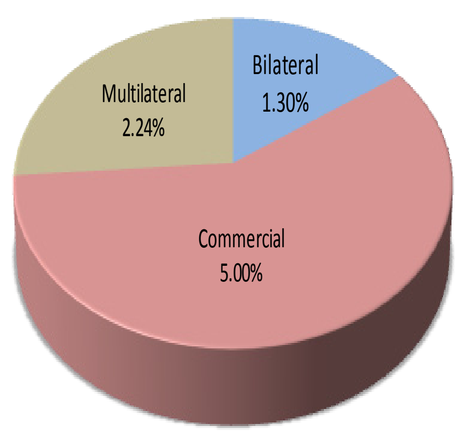


Chart 5.9: External Debt



Debt service ratios were weaker compared to 2013, but remained broadly in line with trend and below their respective thresholds. Debt service payments as a percentage of GDP increased from 3.8% to 4.5% due to the resumption of bi-annual interest payments on the bond. Similarly, the debt service to exports of goods and services and debt service to revenue ratios at year-end rose to 7.1% and 16.6%, respectively, which is below the respective thresholds of 15.0% and 18.0% set by the IMF.

Chart 5.10: Effective Interest Rates by Creditor Category 2014



At the end of 2014, Central Government accounted for 96.5% of the outstanding external debt, and the financial and non-financial public sector for 2.6% and 0.9%, respectively. During 2015, $0.6mn of the present portfolio is scheduled to mature, and $178.3mn will mature during the next ten years, leaving $2.0bn with a maturity schedule that exceeds ten years.

Box 3: Petrocaribe Financing in Belize

Petrocaribe is an intergovernmental organization that was initiated by Venezuela and established through the signing of the Petrocaribe Energy Cooperation Agreement on 29 June 2005. Fourteen countries became signatories to the Agreement, which was based on the integration principles of the Bolivarian Alliance for the Peoples of Our America (ALBA). Under the Petrocaribe framework, an ALBA CARIBE Fund was created to finance economic and social programmes in the Caribbean.

The Agreement enables member countries to finance a portion of their oil imports from Venezuela on highly concessionary terms. The portion of the oil bill to be financed and the credit terms (interest rate and loan maturity) depend on the international price of refined oil. For instance, when international oil prices exceeded US$100.00 per barrel in 2013 and 2014, Belize obtained concessionary, long-term financing for 60.0% of the oil purchased from Venezuela. Repayment terms included a 2-year grace period, interest rate at 1.0% per annum and a 25-year maturity period. In the event that the price of refined oil falls below US$40.00 per barrel, the portion financed would decrease to 25.0% at 2.0% interest with a maturity of 17 years.

Although the first shipment of oil from Venezuela occurred in late 2005, regular shipments under the original VPCA did not begin until June 2007 with shipments continuing without interruption through to April 2009. During that period, the Government received $39.4mn in loans from Venezuela. After a hiatus of almost three years, the Petrocaribe program was restarted in September 2012 under the auspices of a joint venture company, ALBA Petrocaribe Belize Energy Limited (APBEL), owned by the Venezuelan and Belizean governments.

With the major importer of oil to the domestic economy agreeing to source oil products from Venezuela, Petrocaribe financing increased rapidly. Between September 2012 and December 2014, Belize imported 2.3mn barrels of refined petroleum products under the VPCA and received $258.8mn in concessionary loans. At the end of 2014, loans under the VPCA amounted to $291.5mn (8.6% of GDP) and accounted for 12.9% of the public sector external debt. Excluding the 2038 bond, Venezuela became the largest external creditor to the public sector in 2014. The maturity structure of the public sector external debt consequently lengthened, and the effective interest rate fell from 3.9% in 2012 to 3.3% in 2014.

Fiscal expenditures financed by Venezuelan loan funds during 2013 and 2014 amounted to 1.2% of GDP ($40.0mn) and 2.4% of GDP, respectively, leaving a balance of $135.1mn in the account at the end of 2014. Projects funded over the two year period included the upgrade and rehabilitation of streets ($40.4mn), capitalization of the National Bank of Belize ($30.0mn), new infrastructure in Belize City ($11.0mn) and social and community assistance programs ($13.0mn). The foreign exchange inflows from the VPCA also boosted the Central Bank of Belize's reserve holdings by $256.6mn over the two-year period.

Table B: Loan Disbursements Under Petrocaribe: 2005 - 2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Disbursements (BZ$mn)	1.1	0.0	10.3	22.4	5.7	0.1	0.1	0.0	143.1	115.7
Outstanding Debt (BZ$mn)	1.1	1.1	11.4	33.7	39.4	38.8	37.5	36.1	177.4	291.5
Outstanding Debt (% of GDP)	0.1	0.0	0.7	1.3	1.5	1.4	1.3	1.1	5.5	8.6

With the precipitous drop in international oil prices during the second half of 2014, loan financing received from Venezuela declined due to the reduction in the value and proportion of fuel imports that qualified for the long term financing. Moreover, it was decided that premium fuel, which accounted for 16.7% of the 2014 volume of fuel imports, would not be supplied after December 2014, but more of the regular fuel could be sold to compensate. Given these developments and the uncertainties surrounding the continuation of the programme in view of the socio-economic unrest in Venezuela, Petrocaribe financing in 2015 is estimated to be about half the amount received in 2014. Stoppage of the program could result in the curbing of Government's public investment activities by between 1.2% of GDP and 2.4% of GDP.

Table C: The Impact of Petrocaribe Financing on Governments's Expenditure

	Jan - Dec 2012	Jan - Dec 2013	Jan - Dec 2014
VPCA-funded Expenditure (BZ$mn)	0.0	40.2	81.3
VPCA-funded Expenditure (% of Fiscal Expenditure)	0.0%	4.4%	7.5%
Fiscal Expenditure (% of GDP)	28.7%	28.4%	32.0%
Fiscal Expenditure less VPCA-funded projects (% of GDP)	28.7%	27.1%	29.6%
Capital Expenditure (% of GDP)	5.1%	5.5%	8.0%
Capital Expenditure less VPCA-funded Projects (% of GDP)	5.1%	4.3%	5.6%

Balance of Payments

Belize's external current account deficit widened from 4.5% to 8.0% of GDP in 2014, as expansions in the trade deficit and profit repatriation by foreign-owned businesses outstripped a net increase in earnings from services. Despite this, the gross international reserves rose by 20.2% to a record year-end high of $973.7mn (equivalent to 5.7 months of merchandise imports) due to foreign direct investment inflows and loan disbursements to the government, primarily under the VPCA.

Merchandise Trade

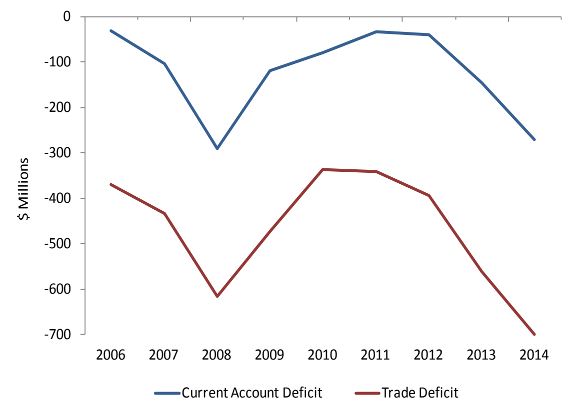
The merchandise trade deficit rose by 24.8% to $700.1mn (20.6% of GDP), as imports for domestic consumption and export processing zones burgeoned, while exports declined by 3.2%. The latter reflected lower receipts from petroleum, citrus juices and commercial free zone (CFZ) sales that outweighed a modest increase in re-exports.

Table 6.1: Balance of Payments

$mn

	2013 Net	2014 Net
CURRENT ACCOUNT	**-145.2**	**-271.7**
Merchandise Trade	-561.0	-700.1
Services	505.9	565.9
Primary Income	-236.0	-285.4
Secondary Income	145.9	147.9
CAPITAL ACCOUNT	**75.4**	**68.5**
FINANCIAL ACCOUNT	**-272.7**	**-328.0**
NET ERRORS AND OMMISSIONS	24.7	38.8
FINANCING	227.7	163.5
Memo Items:		
Monthly Import Coverage	**5.0**	**5.7**
Current Account/GDP Ratio (%)	**-4.5**	**-8.0**

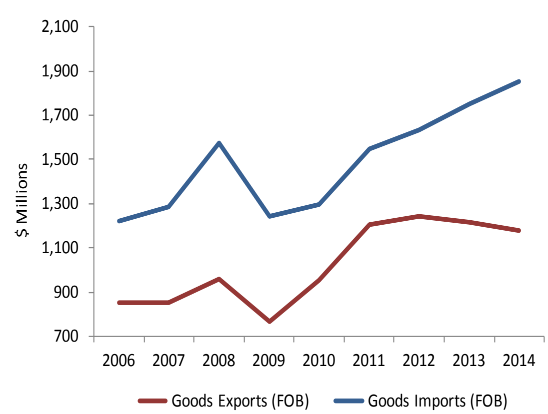
Chart 6.1: Current Account and Trade Deficit



Sugar and Molasses

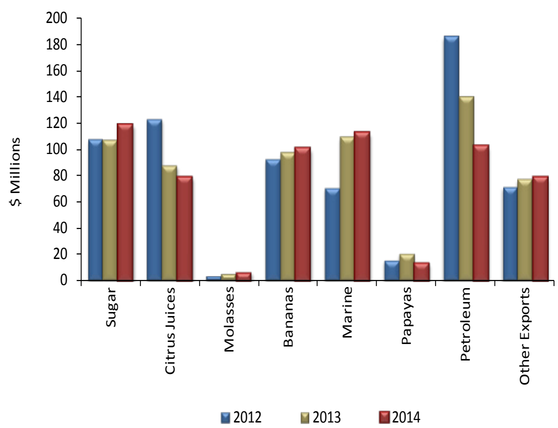
Sugar exports benefitted from a favourable Euro/US dollar exchange rate, a quality premium received on European sales and, to a lesser degree, a resumption of regional sales after a six-year hiatus. The majority of sales were to the European market with the US market being bypassed for the second consecutive year. Smaller amounts of 2,955 and 542 long tons were sold in the regional market and Canada, respectively. While the volume exported was up by just 2.2%, revenues vaulted upward by 10.8% to $118.8mn,

Chart 6.2: Merchandise Exports and Imports



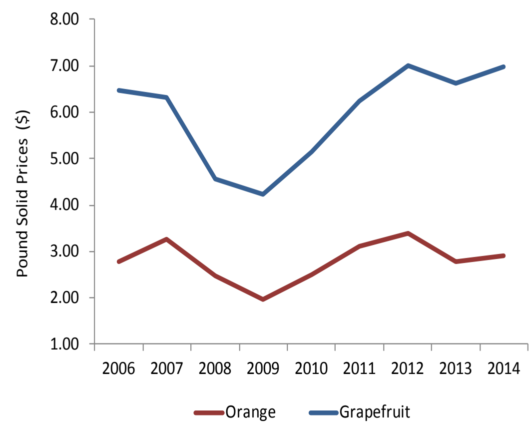
Source: SIB

Chart 6.3: Domestic Exports



Source: SIB

Chart 6.4: Citrus Prices



Source: SIB

as the depreciation of the US dollar relative to the Euro resulted in an 8.4% increase in the average unit price. Exports of molasses rose by 27.2% to 32,780 long tons, whereas earnings rose by 13.5% to $6.3mn, a lesser increase as a contraction in demand in the US market due to a bumper corn harvest that caused prices to fall.

Citrus Juices and Pulp

Earnings from sales of citrus juices fell by 9.6% to $79.0mn, as higher prices partly ameliorated the impact of volume declines. In addition to contractions of 10.8% (to 24.6mn ps) in orange concentrate and 31.0% (to 1.9mn ps) in grapefruit concentrates, there was a 43.9% reduction in exports of not-from-concentrate juice to 0.05mn ps.

Smaller harvests in Florida and Brazil resulted in a modest price rally, nevertheless, earnings from sales of orange concentrate fell by 7.1% to $71.2mn. While receipts from sales to the US were up by 29.1% due to a heightening of both volume and prices, there was a 10.4% contraction in income from sales to Europe, as lower volume outweighed an improved average unit price. Revenue from the Caribbean also contracted sharply by 27.3% with declines in volume as well as the average unit price. Receipts from sales of freeze concentrate to Japan totaled $1.0mn, less than a quarter of what was earned the previous year, and only 0.04mn ps of not-from-concentrate orange juice was sold at a value of $0.2mn.

In the case of grapefruit concentrate, receipts also shrank by 26.5% to $7.6mn, as price improvements could not compensate for reduced volume. The volume exported to Europe, the largest market, plunged by 39.9%, and receipts were down by 33.4%. Similarly for the Caribbean, export volume and value fell by 37.7% and 35.4%, respectively. In contrast, exports of freeze concentrate juice to Japan almost tripled to 0.3mn ps, pumping receipts up to $1.0mn.

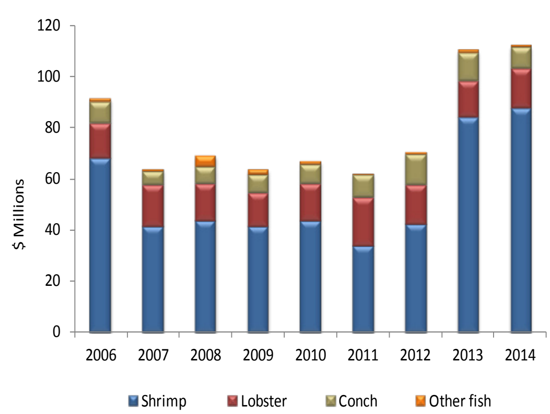
Banana

Under the marketing agreement between the Banana Growers Association (BGA) and Fyffes that came into effect in January 2013, banana payments are based on a weekly delivery shipment schedule whereby the BGA receives higher prices for bananas shipped from weeks one to twenty. Shipments made during the rest of the year are paid at a lower price. Thus, while favourable weather, especially in the second half of the year, resulted in a 4.0% expansion in banana exports to 102,782 metric tons, export revenue expanded by only 3.1% to $100.8mn since the proportion shipped during weeks one to twenty in 2014 was lower than for the same period in 2013. The shift in the export schedule overshadowed any price gains to growers from lower quality penalties, which declined from $0.018 per box to $0.012 per box.

Marine Exports

Annual marine exports fell by 3.3% to 16.1mn pounds with general declines except for lobster. Revenues rose by 1.5% to $112.3mn due to a rally in the price of shrimp and higher earnings from lobster that outweighed reduced earnings from conch and fish. Shrimp exports declined by 1.9%, but a 6.1% improvement in the average price pushed earnings up by 4.1% to $87.5mn. As in the previous year, most of the local shrimp was exported to Mexico, which continued to be affected by Early Mortality Syndrome that caused it to become a net importer of shrimp for the first time. Due to its geographic proximity, Belizean producers were able to capitalize on their capacity to place fresh product on the market within 24 hours. Receipts from lobster increased by 10.3% to $15.6mn; however, revenues derived from conch and other fish shrank by 24.4% and 39.9%, respectively, as price declines further exacerbated the reduction in export volumes.

Chart 6.5: Exports of Marine Products



Source: SIB

Other Major Exports

For the first time since 2007, petroleum was not the lead export commodity with receipts plunging by 27.1% to $102.3mn due to the downturn in export volume and sharp drop in international crude oil prices. The average price per barrel fell from US$103.93 to US$86.83, as growth in global oil production outstripped demand.

Papaya exports declined by 39.5% to 34.2mn pounds, as yields were adversely affected by disease, flooding and a shortage of suitable land for production. The steep volume decline outweighed a 6.1% improvement in the average price per pound and pushed receipts down by 35.8% to $13.3mn.

Non-Traditional Exports

Buoyed by higher receipts from orange oil, black eye peas, fresh orange, sawn wood and miscellaneous commodities, revenues from other non-traditional exports increased by 4.9% to $78.7mn. Volume and price increases accounted for higher earnings from black eye peas and pepper sauces, and in the case of orange oil, a significant price improvement outweighed a volume decline. On the other hand, earnings from commodities such as animal feed, pulp cells and red kidney beans were down as higher unit prices were more than offset by reduced volume. Of particular note, exports of animal feed plummeted by 19.7% to 93.2mn pounds with revenues shrinking by 12.4% to $25.0mn.

Re-Exports

Receipts from the CFZ fell by 3.4% to $469.2mn, as cross border trade slowed due to the fiscal consolidation efforts of the Mexican government. The latter eclipsed an increase in sales of "*Food and Live Animals*", "*Machinery and Transport Equipment*" and "*Other Manufactures*" from the customs area and resulted in total income from re-exports declining by 1.0%. to $565.9mn.

Imports

Gross imports (FOB) increased by 5.6%, as imports for domestic consumption grew by $202.0mn, while those destined for the CFZ contracted by $101.6mn. Expenditure on "*Machinery and Transport Equipment*" rose by $41.9mn due to increased purchases of road haulage vehicles, personal vehicles and aircraft. Spending on "*Food and Live Animals*" was up by 11.2% primarily due to higher outlays on milk, grain seeds, food supplements, flour, canned meats and animal feed. There was an almost tripling of imports by export processing zone companies to $202.5mn due to outlays on sugar mill components (such as steel structures and boilers) and increased purchases of feed for the shrimp farming industry.

Purchases of "*Minerals, Fuels and Lubricants*" contracted by $13.5mn largely due to a 46.8% drop in the value of electricity imports, which was down for the second consecutive year. Outlays on "*Manufactured Goods*" declined by 7.3%, and in dollar terms, small increases were recorded for "*Chemical Products*" and "*Oils and Fats*".

Direction of Visible Trade

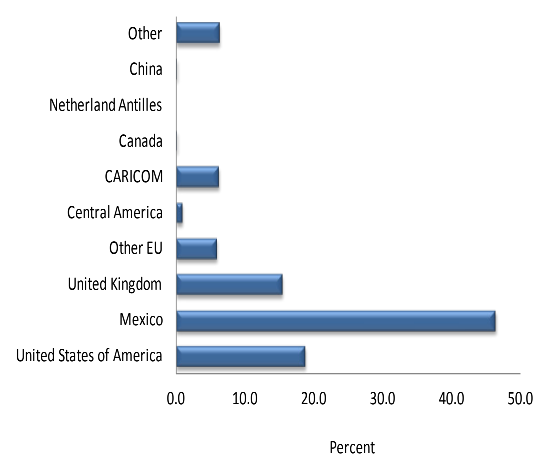
CFZ cross border sales once again resulted in Mexico being ranked as Belize's principal export market with its share increasing from 43.6% to 46.3%. Lower sales of petroleum, papaya and conch resulted in the share of exports to the US declining from 21.7% to 18.7%, while that of the UK improved from 14.6% to 15.4% due to increased sales of sugar and banana. The share of the rest of the EU shrank from 7.1% to 5.9%, and CARICOM's share fell from 7.9% to 6.2%, as the decline in citrus juice sales to this region outweighed the resumption of sugar sales.

The US continued to be the main supplier of imports, accounting for 31.1% of Belize's foreign purchases. China's share fell to 10.8% as a result of the slowdown in commercial free zone activity, and Mexico's share also slipped to 10.8% due to the almost halving in the value of electricity purchased from that source. Meanwhile, the share of imports from Central America increased to 15.4%, and the Netherlands Antilles accounted for 12.4% due to fuel purchases from the Venezuelan owned refinery that is located there.

Services

Net earnings from services rose by 11.9% to $565.9mn, as increased tourism inflows outweighed higher outflows on transportation. A surge in overnight and cruise ship visitors

Chart 6.6: Direction of Visible Trade - Exports



Source: SIB

Chart 6.7: Direction of Visible Trade - Imports

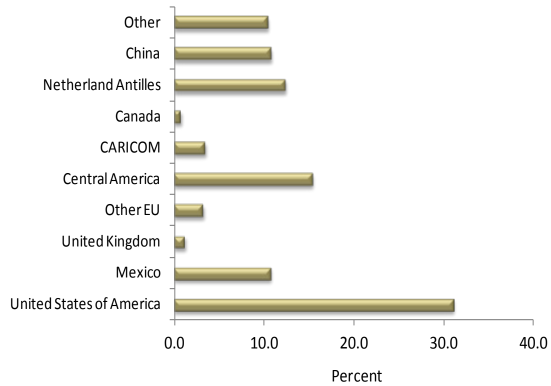
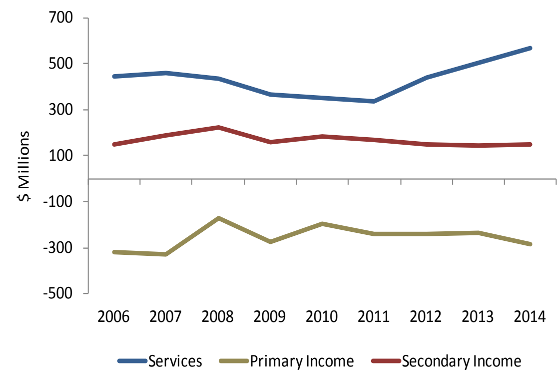


Chart 6.9: Net Balances of Service and Income Accounts



Source: SIB

boosted net travel receipts by 6.5% to $662.1mn for 2014. Subsequent to the completion of the debt restructuring in 2013, payments for legal and accounting services returned to lower more customary levels, and with inflows for technical/ scientific services relating to the oil industry rising significantly, net outlays on other services decreased by 77.0% to $9.9mn. On the down side, international freight charges rose in line with the growth in imports.

Primary Income

Net outflows of $285.4mn were recorded on the primary income account, a 20.9% increase that largely reflected the resumption of bi-annual interest payments on the restructured bond, which matures in 2038, and positive earnings of domestic banks that had reported a net loss in the previous year. In 2014, repatriation of profits by foreign shareholders of businesses in the electricity and tourism subsectors accounted for 50.0% of primary income outflows.

Secondary Income

At $147.9mn, the surplus on the secondary income account was up by a modest 1.4%, as a $9.3mn increase in receipts of private remittances was offset by a decline in the amount of funds received by religious organizations, insurance companies and credit unions.

Chart 6.8: Tourism Expenditure

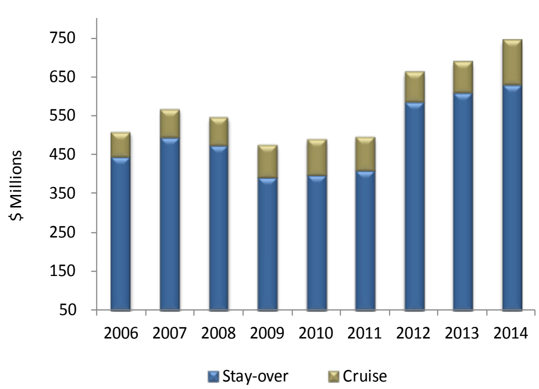
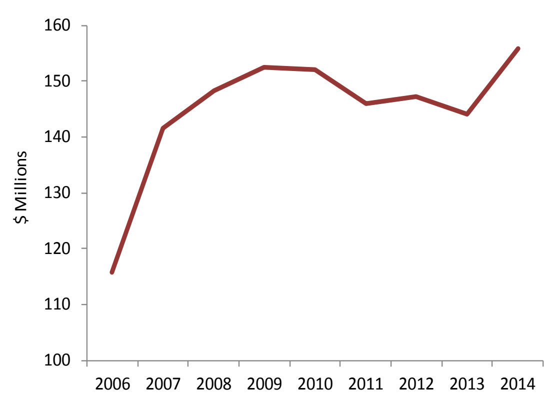


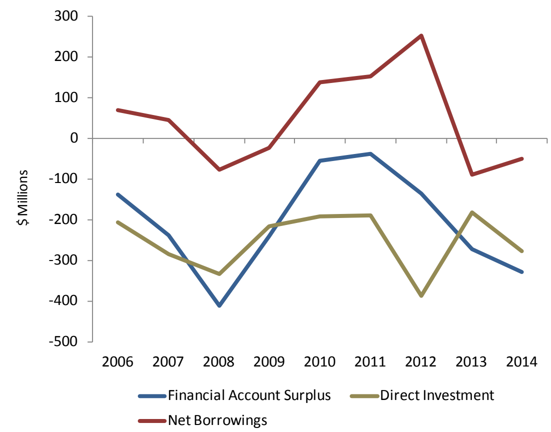
Chart 6.10: Remittance Inflows



Capital and Financial Accounts

In the previous year, external debt relief had bumped up the surplus on the capital account. In the period being reviewed, the capital surplus consequently declined by 9.2% to $68.5mn, and this largely reflected the receipt of grants from bilateral and multilateral sources such as the ROC/Taiwan and the EU, respectively. Net inflows on the financial account rose by 20.3% to $328.0mn mostly due to an increase in net foreign direct investment inflows, lower net loan repayments by the private sector and sizeable loan disbursements to the Government through the VPCA, albeit at a lower level than in 2013. Net inflows of foreign direct investment amounted to $276.7mn and were mainly channelled into hotel developments and real estate purchases. Net private sector loan repayments fell to approximately $20.5mn, a quarter of the previous year's level, while inflows to Government through the VPCA fell by 19.1% to $115.7mn. In other notable developments, there was no movement on the portfolio investment account, unlike the previous year when a haircut on the restructured bond was negotiated. The aggregate surplus on the capital and financial account was sufficient to finance the current account deficit and boost gross international reserves by $163.5mn to $973.7mn.

Chart 6.11: Main Components of the Financial Account



Money and Credit

The moderate acceleration in economic activity in 2014 was accompanied by a 7.9% expansion in the broad money supply (compared to a 1.4% increase in 2013), which was fuelled by upswings of 12.7% in the net foreign assets of the banking system and 4.7% in lending to the private sector. The Central Bank reported an increase of $160.8mn in its net foreign asset holdings that reflected foreign loan inflows, sugar receipts, income from the petroleum industry and international registries and purchases from domestic banks. In contrast, the net holdings of domestic banks shrank for a second consecutive year with a $22.2mn decline that reflected pressure from a notably larger external current account deficit and heightened foreign currency sales to Central Bank.

There was a sizeable reduction in write-offs of NPLs by domestic banks during the year, and spurred by investments into the sugar industry and continued focus on mortgage lending, credit to the private sector rose by $85.7mn, the largest increase since 2008 and almost double that of 2013. More than half was channelled into the sugar industry with other key disbursements being for construction and real estate transactions. Although the bulk of the new loans was devoted to sugar production, the domestic banks' loan portfolio remained heavily skewed towards sub-sectors that are net users rather than net generators of foreign currency. The construction industry accounted for the largest share with 27.2%, followed by personal loans with 22.9% and a combined distribution and real estate share of 23.9%. Outstanding loans for agricultural purposes accounted for just 10.4% of the total.

Credit union lending slowed with the five largest credit unions reporting a 7.6% ($35.3mn) increase compared to the 14.6% growth in the previous year. The deceleration was partly a reflection of a more conservative lending approach and increased provisioning for adversely classified loans. The increase was mostly funneled into personal loans and financing of residential construction and home improvement.

Following a transitory dip at the end of 2013, liquidity in the banking system resumed its upward climb as deposit growth outpaced loans. After the customary first quarter surge fueled by tourism

Chart 7.1: Net Foreign Assets

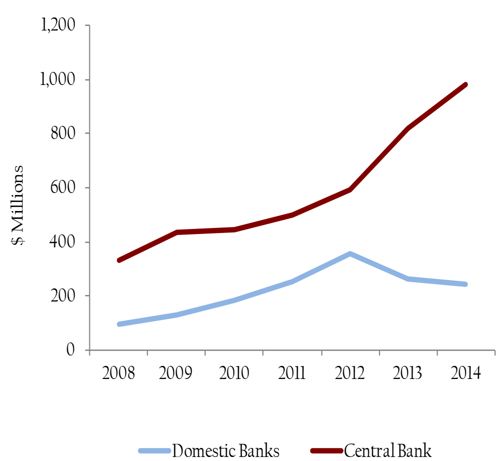
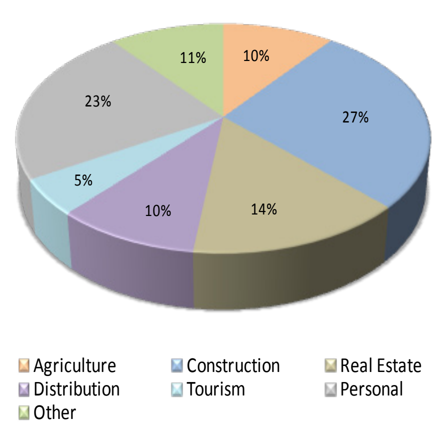


Chart 7.2: Domestic Banks - Loan Distribution



inflows and government expenditure, holdings subsided with some fluctuations, as credit activity and seasonal spending on imports picked up pace in the latter months. At the end of 2014, the excess statutory liquid assets of the banks stood at $338.7mn, 60.0% above requirements and the result of a $45.2mn increase over the year. There was also a ballooning of excess cash reserves that partly reflected a notable rise in foreign currency sales to the public and the Central Bank. At $137.5mn, the increase in excess cash in 2014 was more than triple the average annual increase in the previous four years. Cash holdings totalled $544.3mn at the end of the year, which was more than twice the legal requirement.

Against the backdrop of burgeoning liquidity, the 12-month rolling weighted average interest rates on new loans moved generally downward, the lone exception being personal loans, which registered an increase of 100 basis points. The market for residential construction loans was the most intensely contested, producing a decline of 209 basis points to a record low of 7.13%. With further declines of 33 basis points on commercial loans and 64 basis points on other miscellaneous loans, the result was an overall reduction of 12 basis points in the 12-month rolling weighted average lending rate to 9.89%. The interest rate decline for new deposits was steeper as the weighted average rate sank by 84 basis points to 2.10% mainly due to the impact of a 101 basis point decline in the time deposit rate to 2.15%. The latter significantly outweighed modest rate increases on savings and savings/chequing accounts. The interest rate spread on new loans and deposits consequently widened by 72 basis points to 7.80%. In the case of the entire loan and deposit portfolio, the spread declined by 2 basis points to 8.93% with the weighted average deposit rate down by 44 basis points and the weighted average lending rate down by 46 basis points.

The unremitting buildup of liquidity, overhang of NPLs in some cases and delayed return to profitability led the banks to continue their strategy of cost reduction by lessening time deposit liabilities and increasing demand deposits as a share of total deposits to 37.8%. Since the end of 2010, the share of time deposits to total deposits has shrunk from 60.6% to 37.5%, while the share accounted for by demand deposits doubled

Chart 7.3: Credit Unions - Loan Distribution

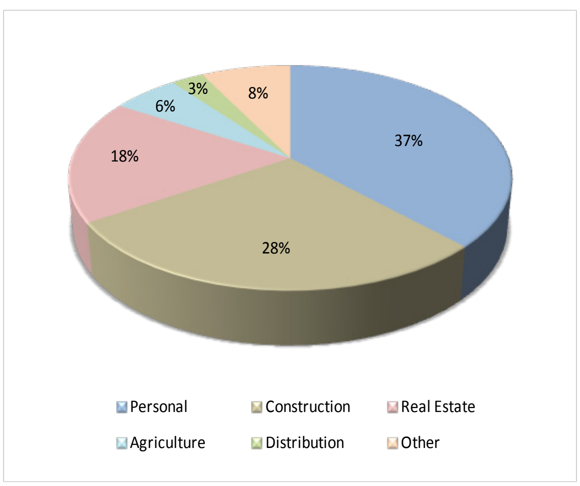


Chart 7.4: Excess Statutory Liquidity

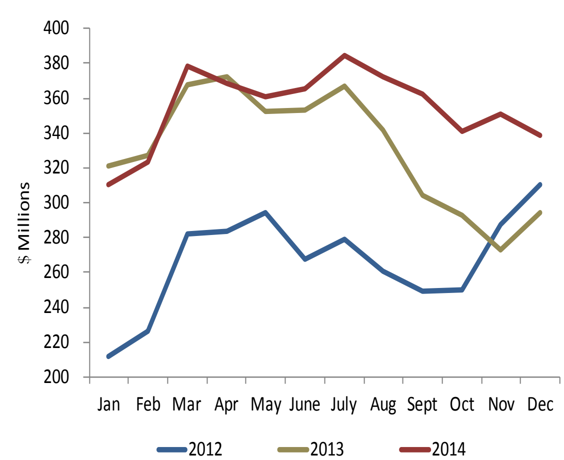


Chart 7.5: Interest Rates on New Loans and Deposits (12-Month Rolling Average)

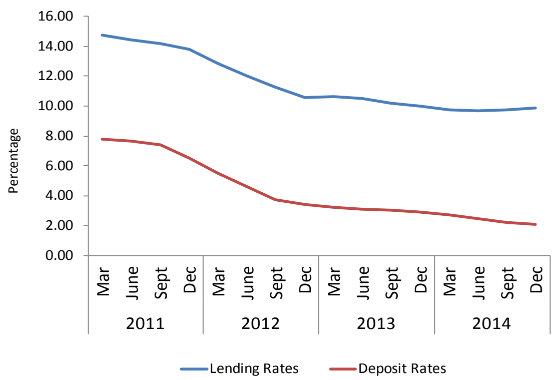
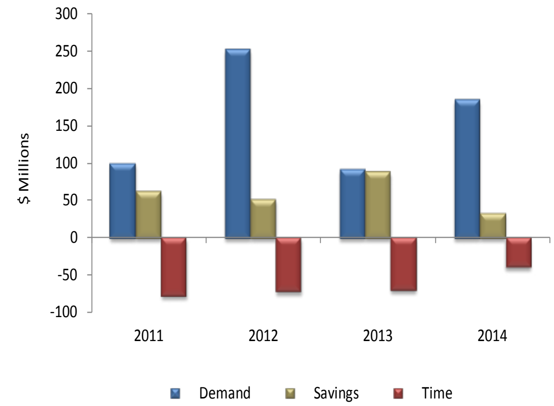


Chart 7.6: Deposit Growth



to 37.8%, and that of savings deposits rose from 20.9% to 24.7%. The banks also pursued their own strategy of de-risking by stiffening the competition for local Treasury bills, the quantity of which was insufficient to satisfy institutional demand, given the lack of investment alternatives in the domestic financial market. Treasury bill rollovers were heavily over subscribed, and as a result, the average yield tumbled by 81 basis points, closing the year at 0.19695%.

Statistical Appendix

Table A.1: Major Economic Indicators

	2007	2008	2009	2010	2011	2012	2013R	2014P
POPULATION AND EMPLOYMENT								
Population (Thousands)	309.8	321.7	333.2	323.0	332.7	338.9	347.8	356.9
Employed Labour Force (Thousands)	111.8	114.5	120.5	100.7	n.a.	126.7	131.4	134.6
Unemployment Rate (%)	8.5	8.2	13.1	23.3	n.a.	14.4	11.7	11.1
INCOME								
GDP at Current Market Prices ($mn)	2,581.1	2,737.3	2,673.9	2,794.2	2,974.0	3,147.7	3,248.6	3,398.3
Per Capita GDP ($, Current Market Prices)	8,332.5	8,509.8	8,025.0	8,651.6	8,939.0	9,287.1	9,339.7	9,520.5
Real GDP Growth (%)	1.1	3.2	0.7	3.3	2.1	3.8	1.5	3.6
Sectoral Distribution of Constant 2000 GDP (%)								
Primary Activities	12.9	13.8	14.0	14.4	13.5	13.9	14.5	15.1
Secondary Activities	17.8	18.3	21.2	19.7	18.7	17.2	15.4	14.8
Services	60.7	59.5	59.8	60.4	60.3	60.3	60.3	59.1
MONEY AND PRICES ($mn)								
Inflation (Annual Average Percentage Change)	2.3	6.4	-1.1	0.9	1.7	1.3	0.5	1.0
Currency and Demand Deposits (M1)	704.4	706.2	713.3	707.9	839.3	1,102.9	1,121.9	1,313.9
Quasi-Money (Savings and Time Deposits)	1,031.7	1,260.4	1,379.9	1,377.0	1,361.9	1,340.7	1,354.7	1,358.3
Annual Change of Money Supply (%)	15.4	13.3	6.4	-0.4	5.6	11.0	1.4	7.9
Ratio of M2 to GDP (%)	67.3	71.8	78.3	74.6	74.0	77.6	76.2	78.6
CREDIT ($mn)								
Domestic Bank's Loans and Advances	1,599.6	1,742.4	1,805.4	1,762.0	1,756.5	1,802.6	1854.3	1,933.0
Public Sector	40.7	19.1	10.2	8.9	8.8	16.6	23.8	17.5
Private Sector	1,558.8	1,723.2	1,795.3	1,753.1	1,747.7	1,786.0	1830.5	1,915.5
INTEREST RATE (%)								
Weighted Average Lending Rate	14.3	14.1	14.0	13.8	12.9	11.9	11.1	10.7
Weighted Average Deposit Rate	6.0	6.4	6.1	5.6	3.7	2.6	2.2	1.7
Weighted Average Interest Rate Spread	8.3	7.7	7.9	8.2	9.2	9.4	9.0	8.9
CENTRAL GOVERNMENT FINANCES ($mn)								
Current Revenue	653.4	732.3	660.3	753.8	787.0	825.6	851.6	924.1
Current Expenditure	636.1	617.9	662.1	682.7	717.4	740.8	743.6	817.6
Current Account Surplus(+)/Deficit(-)	17.2	114.5	-1.8	71.0	69.6	84.8	108.0	106.5
Capital Expenditure	160.4	141.6	113.3	133.1	121.7	161.9	178.5	271.3
Overall Surplus(+)/Deficit(-)	-28.9	44.2	-76.3	-46.3	-22.9	-25.1	-37.2	-96.3
Ratio of Budget Deficit to GDP at Market Prices (%)	-1.1	1.6	-2.9	-1.7	-0.8	-0.8	-1.1	-2.8
Domestic Financing (Net)[1]	32.4	-23.3	20.1	45.7	13.1	16.6	-148.0	-9.8
External Financing (Net)	-1.0	-3.3	63.1	7.1	17.8	15.5	183.9	104.1

Table A.1: Major Economic Indicators continued

	2007	2008	2009	2010	2011	2012	2013[R]	2014[P]
BALANCE OF PAYMENTS (US $mn)								
Merchandise Exports (FOB)[(2)]	425.6	480.1	383.1	478.2	603.6	621.6	608.1	588.7
Merchandise Imports (FOB)	642.0	788.2	620.1	653.0	774.6	818.1	888.6	938.7
Trade Balance	-216.4	-308.1	-237.0	-174.8	-170.9	-196.5	-280.5	-350.1
Remittances (Inflows)	70.8	74.1	76.2	76.1	73.0	73.6	72.0	78.0
Tourism (Inflows)	283.6	272.6	237.8	244.9	242.4	292.4	344.4	372.5
Services (Net)	229.9	216.9	182.7	174.9	167.8	221.6	252.9	282.9
Current Account Balance	-52.1	-144.8	-65.6	-46.5	-16.6	-19.3	-72.6	-135.9
Capital and Financial Flows	123.7	214.5	139.4	32.8	49.8	84.3	174.1	198.2
Gross Change in Official International Reserves	22.9	57.9	47.3	4.3	26.1	47.7	113.8	81.8
Gross Official International Reserves[(3)]	108.5	166.4	213.7	218.0	236.1	291.5	405.1	486.8
Monthly Import Coverage	1.8	2.3	3.7	3.7	3.3	3.9	5.0	5.7
PUBLIC SECTOR DEBT								
Disbursed Outstanding External Debt (US $mn)	972.7	957.8	1,017.0	1,012.7	1,022.2	1,014.2	1082.7	1,126.1
Ratio of Outstanding Debt to GDP at Market Prices (%)	75.4	70.0	76.1	72.5	68.7	64.4	66.7	66.3
External Debt Service Payments (US $mn)[(4)]	133.4	96.9	81.2	76.6	81.4	79.0	61.9	76.6
External Debt Service Ratio (%)[(5)]	16.2	11.2	11.2	9.4	8.6	7.7	5.9	7.1
Disbursed Outstanding Domestic Debt ($mn)	321.9	332.8	320.2	367.8	381.2	389.9	386.0	376.1
Domestic Debt Service Payments ($mn)[(6)]	30.4	47.7	39.1	40.1	20.5	20.3	20.0	17.0

Sources: MOF, SIB and CBB

(1) Includes proceeds from the sale of BTL shares of $47.5 mn (2010) that make up part of domestic sources.

(2) Includes CFZ gross sales.

(3) Starting in 2005, these numbers have been revised to reflect only usuable reserves as defined by BPM5.

(4) Reflects actual 2013 debt service payment which excludes the $107.9mn haircut on the restructured bond due 2038.

(5) Excludes refinancing of US$99.2mn (2002), US$50.2mn (2003), US$95.4mn (2004), US$136.7mn (2005) and the restructuring amount of US$541.9mn in 2007.

(6) The 2007 Debt Servicing excludes $6.7mn that was owed to DFC and taken over by BSSB.

P - Provisional

R - Revised

n.a. not available

Table A.2: List of Licensed Banks

Domestic Banks	International Banks
Atlantic Bank Limited	Atlantic International Bank Limited
Belize Bank Limited	Belize Bank International Limited
FirstCaribbean International Bank (Barbados) Limited	Caye International Bank Limited
Heritage Bank Limited	Choice Bank Limited
National Bank of Belize Limited	Heritage International Bank & Trust Limited
Scotiabank (Belize) Limited	Market Street Bank Limited

Table A.3: List of Credit Unions

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

* These credit unions represent the five largest credit unions

Table A.4: Capital for Five Largest Credit Unions

CAPITAL ADEQUACY	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014
Total Capital/Deposits (%)	24.0	24.0	23.0	23.0	21.0
Total Capital/Total Assets (%)	19.4	19.0	18.7	18.6	17.1
Institutional Capital/Total Assets (%)	11.3	11.2	11.8	11.8	10.3
Total Capital ($mn)	98.8	106.2	115.8	127.0	124.7

Table A.5: Central Bank Dealings in Foreign Exchange 2014

$mn

Month	US $, Canadian $, and UK £			CARICOM Currencies		
	Purchases	Sales	Net	Purchases	Sales	Net
January	31.50	17.40	14.10	0.00	0.02	-0.02
February	23.90	38.40	-14.50	0.00	0.01	-0.01
March	49.90	9.60	40.30	0.00	0.52	-0.52
April	24.20	19.90	4.30	0.00	0.04	-0.04
May	35.20	11.10	24.10	0.01	1.01	-1.00
June	19.30	16.30	3.00	0.00	0.23	-0.23
July	72.70	20.10	52.60	0.01	0.03	-0.02
August	31.70	37.30	-5.60	0.00	0.07	-0.07
September	35.20	8.10	27.10	0.00	0.16	-0.16
October	17.50	21.30	-3.80	0.00	0.22	-0.22
November	21.70	9.90	11.80	0.08	0.02	0.06
December	24.60	11.90	12.70	0.00	0.02	-0.02
Total	387.40	221.30	166.10	0.10	2.35	-2.25

Table A.6: External Asset Ratio 2014

Month	Foreign Asset ($mn)	Domestic Liabilities ($mn)	External Asset Ratio (%)
January	818.12	924.30	88.51
February	804.15	914.51	87.93
March	844.40	945.37	89.32
April	848.70	940.85	90.21
May	871.85	959.38	90.88
June	875.12	982.70	89.05
July	927.08	1,042.31	88.94
August	920.55	1,038.74	88.62
September	947.16	1,064.82	88.95
October	941.89	1,054.50	89.32
November	953.11	1,072.61	88.86
December	965.26	1,066.87	90.48

Table A.7: Domestic Bank Balances with the Central Bank 2014

$mn

Month	Average Deposit Liability	Required Cash Reserve	Actual Cash Holdings	Excess/ (Deficit)
January	2,290.8	194.7	394.2	199.5
February	2,318.8	197.1	403.8	206.7
March	2,346.0	199.4	440.3	240.9
April	2,389.9	203.2	438.3	235.2
May	2,401.5	204.1	430.9	226.7
June	2,403.7	204.3	453.7	249.4
July	2,401.1	204.1	467.6	263.5
August	2,438.4	207.3	475.5	268.2
September	2,441.2	207.5	493.2	285.7
October	2,446.2	207.9	503.5	295.6
November	2,430.6	206.6	532.7	326.1
December	2,452.8	208.5	544.3	335.8

Table A.8: Currency in Circulation 2014

$mn

Month	Notes	Coins	Total	Domestic Bank Vault Cash	Currency with the Public
January	219.1	23.9	243.0	40.6	202.4
February	220.9	23.9	244.8	37.1	207.7
March	225.8	24.0	249.8	42.0	207.8
April	230.5	24.2	254.7	43.4	211.3
May	230.4	24.4	254.8	37.5	217.4
June	231.7	24.6	256.3	40.4	215.9
July	228.8	24.7	253.6	43.5	210.0
August	228.6	24.8	253.4	39.3	214.1
September	226.8	25.0	251.8	42.5	209.2
October	223.9	25.0	248.9	37.3	211.7
November	229.8	25.1	254.9	40.0	214.9
December	260.6	25.4	286.0	48.7	237.4

Table A.9: Inter-Bank Market Activity 2014

Month	Amount Offered ($mn)	Amount Borrowed ($mn)	Interest Rates
January	5.0	0.0	4.00%
February	5.0	0.0	2.75%
March	0.0	0.0	0.00%
April	0.0	0.0	0.00%
May	0.0	0.0	0.00%
June	0.0	0.0	0.00%
July	0.0	0.0	0.00%
August	0.0	0.0	0.00%
September	0.0	0.0	0.00%
October	5.0	0.0	2.75%
November	0.0	0.0	0.00%
December	0.0	0.0	0.00%
Total	15.0	0.0	

Table A.10: Central Bank Credit to Central Government 2014

Month	Treasury Bills ($mn)	Treasury Notes ($mn)	Treasury Bonds ($mn)	Overdraft Facility[(1)] ($mn)	A	B
January	0.0	87.5	10.0	48.2	3.21	5.94
February	0.0	87.2	10.0	53.5	3.20	6.59
March	0.0	87.0	10.0	56.1	3.19	6.91
April	0.0	87.0	10.0	29.9	3.19	3.44
May	0.6	87.0	10.0	19.7	3.21	2.26
June	4.3	87.0	10.0	33.5	3.33	3.85
July	1.7	87.0	10.0	47.7	3.25	5.48
August	0.0	86.7	10.0	53.3	3.18	6.13
September	0.0	86.6	10.0	61.7	3.18	7.09
October	0.0	86.5	10.0	60.5	3.18	6.95
November	0.0	86.5	10.0	59.1	3.18	6.79
December	0.0	86.8	10.0	62.3	3.19	7.16

(1) Overdraft facility represents monthly averages rather than end of month position.

A: Central Bank holdings of Government securities as a multiple of Central Bank's paid up capital and reserves.

B: Advances to Government as a percentage of Government's estimated recurrent revenues for the previous fiscal year.

Table A.11: Key Indicators for Advanced, Emerging and Developing Economies

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)	
	2013	2014	2013	2014	2013	2014
Advanced Economies	1.3	1.8	1.4	1.4	n.a	n.a
United States	2.2	2.4	1.5	0.8	7.4	6.2
Euro Area	-0.5	0.8	1.4	0.5	11.8	11.4
United Kingdom	1.7	2.8	2.9	0.5	7.6	6.4
Canada	2.0	2.4	1.2	1.5	7.1	6.7
Japan	1.6	0.1	0.4	2.7	3.7	3.5
Emerging and Developing Economies	4.7	4.4	5.9	5.4	n.a	n.a
China	7.8	7.4	2.6	2.1	4.1	4.1
India	5.0	5.8	10.9	6.4	8.8	8.8
Mexico	1.4	2.1	3.8	4.0	4.3	3.8
Brazil	2.5	0.1	6.2	6.3	5.4	4.3

Source: IMF
n.a. - not available

Table A.12: Key Indicators for Central America

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $bn)	
	2013R	2014P	2013R	2014P	2013R	2014P	2013R	2014P
Guatemala	3.7	3.4	4.3	3.5	3.8	4.2	7.3	7.1
Honduras	2.6	3.0	5.2	6.1	4.4	4.5	3.1	3.1
El Salvador	1.7	1.7	0.8	1.2	5.7	5.5	2.7	3.1
Nicaragua	4.6	4.5	7.1	6.3	5.9	4.8	1.9	2.0
Costa Rica	3.5	3.6	5.2	3.4	8.5	8.2	7.3	7.1
Panama	8.4	6.2	4.0	3.2	4.1	4.1	2.8	3.4

Sources: ECLAC and IMF
R - Revised
P - Provisional

Table A.13: Key Indicators for Selected Caribbean Countries

Country	GDP Growth Rate (%)		Inflation Rate (%)		Unemployment Rate (%)		International Reserves (US $mn)	
	2013	2014[E]	2013	2014[E]	2013	2014[E]	2013	2014[(1)]
Bahamas	0.7	1.2	0.4	1.4	16.2	16.4	740	792
Barbados	0.0	0.3	1.8	1.7	11.2	12.5	516	461
Belize	1.5	3.6	0.5	1.0	11.7	11.1	409	487
ECCU	1.1	1.3	0.9	2.0	n.a	n.a	n.a	n.a
Guyana	5.2	4.5	2.2	2.6	11.0	11.0	777	621
Jamaica	0.2	0.5	9.5	6.4	15.3	15.3	1,818	2,515
Suriname	2.9	3.3	1.9	3.4	8.5	8.9	775	621
Trinidad and Tobago	2.1	0.7	5.2	4.6	3.7	3.1	9,987	10,119

Sources: ECLAC, IMF, Royal Bank of Canada, Central Bank of Barbados, Central Bank of Trinidad & Tobago, Bank of Jamaica, ECCB and Central Bank van Suriname

[(1)] As of October

[E] - Estimate

n.a. - not available

Table A.14: GDP by Activity at Current and Constant 2000 Prices

$mn

	2009	2010	2011	2012	2013	2014
GDP at Current Market Prices	2,673.9	2,794.2	2,974.0	3,147.7	3,248.6	3,398.3
GDP at Constant 2000 Market Prices	2,370.1	2,448.9	2,500.4	2,596.0	2,635.6	2,729.8
Primary Industries	319.7	341.7	326.8	349.1	368.7	399.5
Agriculture, Hunting and Forestry	210.2	237.9	226.6	249.8	246.6	283.4
Fishing	109.5	103.7	100.2	99.3	122.2	116.1
Secondary Industries	514.2	493.3	480.1	458.2	419.4	418.0
Manufacturing (including Mining and Quarrying)	337.0	310.8	303.5	282.5	229.5	222.0
Electricity and Water	106.1	128.9	124.4	115.8	127.4	136.5
Construction	71.1	53.5	52.1	60.0	62.5	59.5
Tertiary Industries	1,266.6	1,313.4	1,356.0	1,421.9	1,446.7	1,478.2
Wholesale and Retail Trade	321.1	355.2	378.3	399.8	422.3	452.7
Hotels and Restaurants	78.1	81.0	82.4	91.5	99.4	116.4
Transport and Communications	245.0	256.7	260.2	273.4	285.7	284.8
Other Private Services excluding Financial Services Indirectly Measured	401.1	397.9	414.5	422.6	411.0	387.8
Producers of Government Services	221.2	222.5	220.5	234.6	228.3	236.4
All Industries at Basic Prices	2,100.5	2,148.3	2,162.9	2,229.3	2,234.9	2,295.7
Taxes Less Subsidies on Products	269.6	300.6	337.5	366.8	400.8	434.1

Source: SIB

Table A.15: Annual Percentage Change in GDP by Activity at Current and Constant 2000 Prices

Percentages

	2009	2010	2011	2012	2013	2014
GDP at Current Market Prices	-2.3	4.5	6.4	5.8	3.2	4.6
GDP at Constant 2000 Market Prices	0.7	3.3	2.1	3.8	1.5	3.6
Primary Industries	2.5	6.9	-4.3	6.8	5.6	8.4
Agriculture, Hunting and Forestry	-5.5	13.2	-4.8	10.3	-1.3	14.9
Fishing	22.2	-5.3	-3.4	-1.0	23.0	-4.9
Secondary Industries	16.2	-4.1	-2.7	-4.5	-8.5	-0.3
Manufacturing (including Mining and Quarrying)	26.2	-7.8	-2.4	-6.9	-18.8	-3.3
Electricity and Water	10.2	21.4	-3.5	-7.0	10.1	7.1
Construction	-10.1	-24.7	-2.6	15.1	4.2	-4.8
Tertiary Industries	-0.5	3.7	3.2	4.9	1.7	2.2
Wholesale and Retail Trade	-6.7	10.6	6.5	5.7	5.6	7.2
Hotels and Restaurants	-10.5	3.8	1.7	11.0	8.7	17.2
Transport and Communications	-1.2	4.8	1.4	5.1	4.5	-0.3
Other Private Services excluding Financial Services Indirectly Measured	3.7	-0.8	4.2	1.9	-2.8	-5.6
Producers of Government Services	7.0	0.6	-0.9	6.4	-2.7	3.6
All Industries at Basic Prices	3.6	2.3	0.7	3.1	0.3	2.7
Taxes Less Subsidies on Products	-17.3	11.5	12.3	8.7	9.3	8.3

Source: SIB

Table A.16: Sugar Cane Deliveries

	2011/2012	2012/2013	2013/2014
Deliveries to BSI (long tons)	1,070,278	1,078,019	1,194,932

Source: BSI

Table A.17: Citrus Fruit Deliveries

	2011/2012	2012/2013	2013/2014
Deliveries ('000 boxes)	6,686	4,730	4,735
Oranges	5,806	4,052	4,159
Grapefruits	880	678	576

Source: CGA

Table A.18: Production of Sugar and Molasses

	2011/2012	2012/2013	2013/2014
Sugar Processed (long tons)	114,536	118,339	121,137
Molasses Processed (long tons)	30,955	34,508	42,839
Performance			
Factory Time Efficiency (%)	95.27	94.06	95.24
Cane Purity (%)	85.77	86.04	84.79
Cane/Sugar Ratio	9.34	9.11	9.86

Source: BSI

Table A.19: Production of Citrus Juices and Pulp

	2011/2012	2012/2013	2013/2014
Production (‘000 ps)	39,888	28,326	27,636
Orange Concentrate	36,299	25,304	25,060
Grapefruit Concentrate	3,265	2,750	2,315
Not-from-Concentrate	323	273	260
Production (‘000 pounds)			
Pulp	2,947	2,275	2,420
Citrus Oil	2,175	1,593	1,660

Source: CPBL

Table A.20: Labour Force Statistics

Indicators	Apr-12	Sept-12	Apr-13	Sept-13	Apr-14	Sept-14
Labour Force	148,093	151,011	148,755	149,355	151,317	153,000
Employed Population	126,722	126,624	131,380	128,134	134,587	134,521
Unemployed Population	21,371	24,387	17,375	21,221	16,730	18,479
Unemployment Rate (%)	14.4	16.1	11.7	14.2	11.1	12.1
Labour Force Participation Rate (%)	65.4	66.1	64.2	63.8	63.8	64.3

Source: SIB

Table A.21: Tourist Arrivals and Expenditure

	2011	2012	2013	2014
Stayover Arrivals				
Air	181,541	212,514	224,146	239,683
Land	40,772	36,327	39,141	49,310
Sea	10,944	8,450	8,968	8,534
Total Stayovers	233,257	257,291	272,255	297,527
Cruise Ship Disembarkations[1]	654,790	576,661	609,612	871,318
Tourist Expenditure ($mn)	484.8	584.7	688.9	744.9

Sources: BTB, CBB and Immigration Department
[1] Tourists disembarking from the ships.

Table A.22: Annual Percentage Change in CPI Components by Major Commodity Group

		Average Annual Index			Average Annual
Major Commodity	**Weights**	**2012**	**2013**	**2014**	**Change**
Food and Non-Alcoholic Beverages	195.0	104.5	106.0	106.6	0.5
Alcoholic Beverages and Tobacco	16.6	99.3	100.1	100.8	0.7
Clothing and Footware	82.9	98.5	96.3	96.0	-0.3
Housing, Water, Electricty, Gas, and Other Fuels	264.8	100.5	100.9	102.4	1.6
Furnishing, Household Equipment and Routine Household Maintenance	69.3	99.5	99.7	100.6	0.9
Health	41.4	103.9	107.1	109.1	1.9
Transport	135.7	105.0	106.8	108.1	1.3
Communication	33.5	98.4	97.5	97.6	0.1
Recreation and Culture	69.4	102.2	103.4	105.3	1.9
Education	32.5	100.2	100.6	101.5	0.9
Restaurants and Hotels	7.0	101.9	103.6	107.8	4.1
Miscellaneous Goods and Services	52.0	103.1	99.9	101.4	1.6
All Items	1,000	102.0	102.5	103.6	1.0

Source: SIB

Table A.23: Central Government - Revenue and Expenditure

$'000

	Fiscal Year 2013/2014	Estimated Budget 2014/2015	Jan-Dec 2012	Jan-Dec 2013	Jan-Dec 2014
TOTAL REVENUE & GRANTS (1+2+3)	943,254	939,367	877,608	884,941	992,545
1). Current Revenue	865,904	904,131	825,602	851,580	924,077
Tax Revenue	752,494	784,059	694,432	748,628	798,675
Income and Profits	247,036	250,825	234,250	247,717	261,992
Taxes on Property	5,993	5,862	4,882	6,177	5,314
Taxes on Goods and Services	305,423	315,289	260,842	303,840	330,247
International Trade and Transactions	194,042	212,084	194,458	190,893	201,123
Non-Tax Revenue	113,411	120,072	131,170	102,952	113,401
Property Income(1)	28,136	15,464	30,141	28,861	17,020
Licenses	13,821	15,166	16,678	12,197	12,083
Transfers from Government Departments	28,523	25,925	25,980	25,796	30,354
Repayment of Old Loans	1,112	31,808	27,548	3,183	1,111
Rent and Royalties(2)	41,819	31,709	30,822	32,916	52,834
Other Unidentified Revenue(3)					12,000
2). Capital Revenue	5,393	5,236	6,455	5,680	5,557
3). Grants	71,957	30,000	45,552	27,681	62,911
TOTAL EXPENDITURE (1+2)	999,672	1,013,236	902,740	922,113	1,088,891
1). Current Expenditure	777,388	821,798	740,840	743,623	817,559
Wages and Salaries	303,081	332,353	299,654	299,150	329,956
Pensions	53,504	57,782	54,108	53,774	61,480
Goods and Services	199,750	197,342	178,172	197,387	188,027
Interest Payments	84,060	91,689	93,222	58,410	87,274
Subsidies and Current Transfers	136,992	142,633	115,685	134,901	150,823
2). Capital Expenditure	222,285	191,438	161,900	178,490	271,332
Capital II (Local Sources)	102,358	105,894	65,277	84,698	118,889
Capital III (Foreign Sources)	116,850	82,421	93,275	90,705	149,522
Capital Transfer and Net Lending	3,077	3,123	3,348	3,087	2,920
CURRENT BALANCE	88,517	82,332	84,761	107,958	106,515
OVERALL BALANCE	-56,418	-73,870	-25,132	-37,172	-96,346
PRIMARY BALANCE	27,642	17,819	68,090	21,239	-9,072
OVERALL BALANCE WITHOUT GRANTS	-128,375	-103,870	-70,684	-64,853	-159,257
PRIMARY BALANCE WITHOUT GRANTS	-44,316	-12,181	22,538	-6,442	-71,983

Table A.23: Central Government - Revenue and Expenditure continued

$'000

	Fiscal Year 2013/2014	Estimated Budget 2014/2015	Jan-Dec 2012	Jan-Dec 2013	Jan-Dec 2014
FINANCING	56,418	73,870	25,132	37,172	96,346
Domestic Financing	-119,637		16,551	-147,986	-9,786
Central Bank	-114,429		2,808	-144,345	-7,697
Net Borrowing	-5,440		-8,543	-596	-9,301
Change in Deposits	-108,989		11,351	-143,750	1,604
Commercial Banks	-15,253		9,723	-9,239	-5,408
Net Borrowing	-8,969		14,147	-8,791	-3,706
Change in Deposits	-6,284		-4,424	-448	-1,702
Other Domestic Financing	10,044		4,020	5,599	3,319
Financing Abroad	174,559		15,482	183,935	104,067
Disbursements	238,509		72,083	329,041	171,552
Amortization	-63,950		-56,601	-171,450	-67,485
Net Reduction	0			26,344	
Other	1,497		-6,901	1,222	2,065

Sources: CBB and MOF

(1) Includes $14.7mn (2011), $18.0mn (2012) $13.5mn (2013), and $4.5mn (2014) as working interest from Belize Natural Energy.

(2) Rent and royalties included $15.9mn (2012), $12.0mn (2013) and $13.6mn (2014) from Belize Natural Energy.

(3) Estimates

Table A.24: Central Government - Domestic Debt 2014[1]

$'000

	Disbursed Outstanding Debt 31/12/13[R]	TRANSACTIONS THROUGH DECEMBER 2014 Disbursement/ New Issue of Securities	Amortization/ Reduction in Securities	Interest	Net Change in Overdraft/ Securities	Disbursed Outstanding Debt 31/12/14[P]
Overdraft/Loans	55,130	0	0	5,365	(7,525)	47,605
Central Bank	55,130			5,365	(7,525)	47,605
Domestic Banks	0	0	0	0	0	0
Treasury Bills	175,000	0	0	1,076	0	175,000
Central Bank	0	0	0	6	0	0
Domestic Banks	165,716	0	0	987	(2,872)	162,844
Other	9,284	0	0	82	2,872	12,156
Treasury Notes	136,500	0	0	6,867	0	136,500
Central Bank	88,421	0	0	6,223	(1,776)	86,645
Domestic Banks	0	0	0	2	0	0
Other	48,079	0	0	643	1,776	49,855
Defence Bonds	10,000	0	0	800	0	10,000
Central Bank	10,000	0	0	800	0	10,000
Domestic Banks	0	0	0	0	0	0
Other	0	0	0	0	0	0
Atlantic Bank Limited	883	0	307	67	0	577
Heritage Bank Limited	3,486	0	528	325	0	2,958
Belize Social Security Board[2]	1,709	0	1,086	100	0	623
Fort Street Tourism Village	607	0	243	0	0	364
Debt for Nature Swap	2,651	0	163	75	0	2,488
Total	385,967	0	2,327	14,675	(7,525)	376,115

[R] - Revised
[P] - Provisional
(1) Transactions associated with the Universal Health Services (UHS) loan with the Belize Bank Limited are not included in this table, as no action has been taken to enforce the claim.
(2) Government has outstanding loans with BSSB consisting of (i) Hopeville Housing Project and (ii) loan purchased from Development Finance Corporation as of 30 January 2007.

Table A.25: Public Sector External Debt by Source

$mn

	Outstanding Debt 12/31/2013[R]	Disbursement	Amortization	Interest and Other Charges	Valuation Adjustments	Outstanding Debt 12/31/2014[P]
Bilateral	482.57	118.15	31.70	6.81	(0.77)	568.25
Multilateral	626.68	53.40	44.13	14.73	(4.96)	630.99
Bonds	1,053.00	-	-	52.65	-	1,053.00
Commercial Banks	3.19	-	3.19	0.15	-	0.00
Total	2,165.44	171.55	79.02	74.21	(5.74)	2,252.24

[R] - Revised
[P] - Provisional

Table A.26: Public Sector - External Debt 2014

$'000

	Disbursed Outstanding Debt 31/12/13R	TRANSACTIONS THROUGH DECEMBER 2014 Disbursements	Principal Payments	Interest and Other Payments	Parity Change	Disbursed Outstanding Debt 31/12/14P
CENTRAL GOVERNMENT	2,071,393	171,552	67,485	73,223	-2,381	2,173,079
Banco Nacional de Comercio Exterior	1,588	0	1,059	81	0	529
Government of Venezuela	177,415	115,719	1,597	380	-0	291,537
Kuwait Fund for Arab Economic Development	20,711	2,430	2,051	755	-716	20,375
Republic of China/Taiwan	280,733	0	26,291	5,520	0	254,441
Caribbean Development Bank	206,511	21,114	14,381	6,943	0	213,243
Caricom Development Fund	3,936	0	586	92	0	3,350
European Economic Community	13,071	0	804	85	-1,496	10,772
Inter-American Development Bank	240,567	13,632	14,825	3,583	0	239,374
International Fund for Agriculture Development	2,113	1,558	545	25	-170	2,956
International Bank for Reconstruction and Development	24,366	3,674	2,943	557	0	25,098
OPEC Fund for International Development	39,166	5,615	2,155	1,919	0	42,627
Central American Bank for Economic Integration	8,212	7,810	249	633	0	15,772
Bank of New York	1,053,004	0	0	52,650	0	1,053,004
NON-FINANCIAL PUBLIC SECTOR	28,642	2	8,744	766	-57	19,843
Kuwait Fund for Arab Economic Development	2,124	0	702	77	-57	1,365
The Bank of Nova Scotia(1)	3,190	0	3,190	15	0	0
European Investment Bank(1)	779	0	779	13	-0	0
Caribbean Development Bank(1) (2)	22,550	2	4,073	661	0	18,478
FINANCIAL PUBLIC SECTOR	65,408	0	2,791	222	-3,297	59,319
Caribbean Development Bank	8,214	0	948	198	0	7,267
European Economic Community	270	0	39	2	-29	202
International Monetary Fund(3)	56,924	0	1,805	21	-3,268	51,851
GRAND TOTAL	2,165,443	171,554	79,020	74,211	-5,736	2,252,242

R - Revised

P - Provisional

(1) Effective 21 June 2011, the nationalization of Belize Electricity Limited caused an increase ($23.1mn) in debt, which was matched by Government's acquisition of assets of equal value.

(2) Effective 3 October 2005, loans to Belize Water Services Limited were reclassified as public sector debt as a result of Government of Belize's repurchase of the company.

(3) International Monetary Fund Special Drawing Rights allocation is included as part of the financial public sector external debt obligation.

Table A.27: Balance of Payments - Merchandise Trade

$mn

	2012	2013	2014	Change
Goods Exports, FOB	1,243.20	1,216.1	1,177.4	-3.2%
of which: Domestic Exports	671.8	644.6	611.5	-5.1%
CFZ sales	493.7	485.9	469.2	-3.4%
Other Re-exports	77.7	85.6	96.7	12.9%
Goods Imports, FOB	1,636.2	1,777.2	1,877.5	5.6%
of which: Domestic Economy	1,316.5	1,474.3	1,674.6	13.6%
CFZ[1]	319.7	302.8	202.9	-33.0%
Merchandise Trade Balance	-393.1	-561.0	-700.1	24.8%

[1] CFZ excludes fuel and goods obtained from the free circulation area.

Table A.28: Domestic Exports

$mn

	2012	2013	2014
Traditional Exports	413.7	429.4	430.5
Sugar	107.6	107.3	118.8
Citrus Juices[1]	123.3	87.4	79.0
Citrus Concentrate	123.1	86.9	78.7
Not-from-Concentrate	0.2	0.5	0.3
Molasses[1]	3.8	5.5	6.3
Bananas	92.6	97.8	100.8
Marine[1]	71.0	110.7	112.3
Papayas	15.5	20.7	13.3
Petroleum[2]	186.3	140.2	102.3
Non-traditional Exports	71.8	75.0	78.7
Total Exports	671.8	644.6	611.5

Sources: SIB, BSI, CPBL and CBB

[1] Reflect actual sales and not export shipments as reported by SIB.

[2] Estimated FOB value of petroleum shipment.

Table A.29: Exports of Sugar and Molasses

	2012		2013		2014	
	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)	Volume (long tons)	Value ($'000)
Sugar[1]	97,134	107,593	104,275	107,266	106,531	118,834
EU	79,933	81,756	103,992	106,855	103,034	115,342
US	17,081	25,645	0	0	0	0
CARICOM	0	0	0	0	2,955	2,872
Other	120	192	283	411	542	620
Molasses[2]	22,135	3,805	25,770	5,540	32,780	6,288

Sources: BSI and SIB
[1] Reflects value of export shipments.
[2] Reflects actual sales as reported by the processor.

Table A.30: Exports Sales of Citrus Juices and Pulp[1]

	2012	2013	2014
Concentrate ('000 ps)	36,128	30,235	26,422
Orange	32,171	27,528	24,555
Grapefruit	3,957	2,707	1,868
Concentrate Value ($mn)	123.1	86.9	78.7
Orange	108.8	76.6	71.2
Grapefruit	14.3	10.3	7.6
Not-from-Concentrate Exports ('000 ps)	29.6	92.9	52.2
Orange	19.9	77.3	43.7
Grapefruit	9.6	15.6	8.5
Not-from-Concentrate Value ($mn)	0.2	0.5	0.3
Orange	0.1	0.4	0.2
Grapefruit	0.1	0.1	0.1
Pulp Export ('000 pounds)	1,904	3,025	2,053
Pulp Value ($mn)	1.5	2.4	1.6

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

Table A.31: Exports of Banana

	2012	2013	2014
Volume (metric tons)	103,710	98,820	102,782
Value ($mn)	92.6	97.8	100.8

Source: BGA

Table A.32: Exports of Marine Products

	2012		2013		2014	
	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)	Volume ('000 lbs)	Value ($'000)
Lobster	724.9	15,562.0	499.0	14,151.0	575.0	15,614.0
Shrimp[1]	10,938.9	42,507.8	14,597.8	84,069.9	14,319.9	87,490.6
Conch	1119.1	11,988.0	986.8	11,291	758.5	8,534.0
Whole/Fillet Fish	401.5	904.0	551.2	1,177.0	428.2	707.0
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total	13,184.3	70,962	16,634.8	110,688.4	16,081.7	112,345.5

Sources: CBB and SIB
[1] Data reflect actual sales and not export shipments as reported by SIB.

Table A.33: Other Major Exports

	2012	2013	2014
Papayas			
Volume ('000 lbs)	42,762	56,514	34,175
Value ($mn)	15.5	20.7	13.3
Petroleum[1]			
Volume (barrels)	891,817	674,445	588,839
Value ($mn)	186.3	140.2	102.3

Source: SIB
[1] Quality differentials and international transportation cost were taken out of the CIF value as reported by the SIB to derive a FOB value.

Table A.34: Gross Imports (CIF) by Standard International Trade Classification (SITC)

$mn

	SITC Category	2010	2011	2012	2013	2014
0	Food and Live Animals	155.0	166.3	193.2	202.9	225.9
1	Beverages and Tobacco	22.7	31.6	40.2	45.8	54.5
2	Crude Materials	14.8	19.7	17.1	20.6	31.2
3	Fuels and Lubricants	267.7	264.8	359.1	354.5	343.1
	of which: Electricity	*37.0*	*51.9*	*85.9*	*78.8*	*41.9*
4	Animal and Vegetable Oils	6.6	11.1	14.2	13.3	16.0
5	Chemicals	126.3	146.7	159.4	167.6	171.1
6	Manufactured Goods	196.9	203.4	203.1	228.7	223.9
7	Machinery and Transport Equipment	233.4	252.0	294.1	345.1	390.7
8	Miscellaneous Manufactured Goods	95.6	106.6	106.2	135.5	144.4
9	Commodities - not classified elsewhere	0.6	0.0	0.0	0.0	0.6
	Export Processing Zones	63.2	69.2	64.9	80.6	219.3
	Personal Goods	2.8	3.6	5.4	6.9	6.5
	Total	1,185.4	1,275.0	1,456.8	1,601.6	1,827.1
	CFZ Direct Imports	262.9	387.5	351.3	332.8	223.0
	Grand Total	1,448.3	1,411.3	1,662.5	1,808.1	2,050.1

Sources: SIB and CBB

Table A.35: Extended Balance of Payments Services Classification (EBOPS)

$mn

		Jan - Dec 2013	Jan - Dec 2014
Total Services	Net	505.9	565.9
	Credits	896.1	988.6
	Debits	390.2	422.8
Manufacturing Services	Net	0.6	0.1
	Credits	0.6	0.1
	Debits	0.0	0.0
Maintenance and Repair Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Transportation	Net	-73.0	-86.4
	Credits	46.2	49.3
	Debits	119.1	135.7
Travel	Net	621.7	662.1
	Credits	702.0	759.2
	Debits	80.3	97.0
Telecommunications, Computer and Information Services	Net	6.6	4.6
	Credits	20.8	20.8
	Debits	14.3	16.2
Construction Services	Net	0.0	0.0
	Credits	0.0	0.0
	Debits	0.0	0.0
Insurance and Pension Services	Net	-61.9	-61.8
	Credits	0.4	0.5
	Debits	62.4	62.3
Financial Services	Net	-0.3	-0.8
	Credits	5.7	5.6
	Debits	6.0	6.5
Charges for the use of Intellectual Property, n.i.e.	Net	-4.7	-9.7
	Credits	0.0	0.0
	Debits	4.7	9.7
Other Business Services	Net	-11.0	23.7
	Credits	67.2	94.6
	Debits	78.2	70.9
Personal, Cultural and Recreational Services	Net	-0.5	-0.5
	Credits	0.0	0.0
	Debits	0.5	0.5
Government Services, n.i.e.	Net	28.3	34.5
	Credits	53.1	58.5
	Debits	24.8	23.9

Table A.36: Balance of Payments - Service and Income Balances

$mn

	2012 Credit	2012 Debit	2012 Net	2013 Credit	2013 Debit	2013 Net	2014 Credit	2014 Debit	2014 Net
Services	813.5	370.4	443.1	896.1	390.2	505.9	988.6	422.8	565.9
Transportation	44.7	141.2	-96.5	46.2	119.1	-73.0	49.3	135.7	-86.4
Travel	598.0	73.8	524.2	702.0	80.3	621.7	759.2	97.0	662.1
Other Goods and Services	100.4	133.9	-33.5	94.9	166.1	-71.2	121.7	166.1	-44.4
Government Goods and Services, n.i.e	70.4	21.4	49.0	53.1	24.8	28.3	58.5	23.9	34.5
Primary Income	10.2	250.5	-240.3	12.1	248.1	-236.0	16.9	302.3	-285.4
Labour Income	4.7	14.0	-9.3	4.7	12.5	-7.8	4.7	13.5	-8.8
Investment Income[1]	5.5	236.5	-231.0	7.4	235.5	-228.1	12.2	288.8	-276.6
Secondary Income	206.3	54.7	151.6	208.7	62.8	145.9	213.1	65.2	147.9
Government	0.3	8.3	-7.9	0.8	9.3	-8.6	0.3	8.6	-8.3
Private	205.9	46.4	159.5	208.0	53.4	154.5	212.8	56.6	156.2

[1] Data include an estimate for profit remittances from the tourism and petroleum industries.
n.i.e - not included elsewhere

Table A.37: Percentage Distribution of Visible Trade by Country/Area

Percentages

	Exports[1]			Imports[1] [2]		
	2012	2013	2014	2012	2013	2014
US	26.2	21.7	18.7	31.0	32.2	31.1
Mexico	42.9	43.6	46.3	11.1	11.4	10.8
UK	13.1	14.6	15.4	1.1	1.1	1.3
Other EU	6.7	7.1	5.9	3.2	3.5	3.3
Central America	0.5	0.5	0.9	15.8	14.0	15.4
CARICOM	5.9	7.9	6.2	3.3	3.2	3.5
Canada	0.2	0.2	0.2	0.8	0.6	0.8
Netherland Antilles	0.0	0.0	0.0	14.2	11.3	12.4
China	0.5	0.1	0.2	13.2	11.4	10.8
Other	4.1	4.3	6.3	9.9	11.2	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Sources: SIB and CBB
[1] Include exports and imports by the CFZ
[2] Include electricity imports from Mexico.

Table A.38: Balance of Payments - Capital and Financial Accounts

$mn

	2012 Net	2013 Net	2014 Net
CAPITAL ACCOUNT	45.0	75.4	68.5
General Government	45.0	75.4	68.5
Other Sectors	0.0	0.0	0.0
FINANCIAL ACCOUNT	-123.6	-272.7	-328.0
Direct Investment Abroad	1.8	1.4	5.5
Direct Investment in Belize	378.4	184.5	282.2
Portfolio Investment Assets	0.3	0.0	0.0
Portfolio Investment Liabilities	-6.5	-31.8	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Other Investment Assets	86.5	-45.5	-17.5
Monetary Authorities	-0.0	-1.0	-1.6
General Government	0.0	0.0	0.0
Banks	88.5	-69.1	-13.7
Other Sectors	-2.2	24.6	-2.2
Other Investment Liabilities	-159.6	75.9	33.8
Monetary Authorities	0.4	-0.8	1.6
General Government	-1.8	169.1	89.9
Banks	-13.8	20.2	7.8
Other Sectors	-144.5	-112.6	-65.5
NET ERRORS AND OMISSIONS	-34.4	24.7	38.8
CHANGES IN RESERVES	95.6	227.7	163.5

Table A.39: Official International Reserves

				$mn
	Position as at			Changes During 2014
	Dec-12	Dec-13	Dec-14	
Gross Official International Reserves	583.0	810.2	973.7	163.5
Central Bank of Belize	565.1	792.7	956.0	163.3
Holdings of SDRs	61.6	61.7	58.0	-3.6
IMF Reserve Tranche	13.0	13.0	12.2	-0.8
Other	490.5	718.0	885.8	167.7
Central Government	17.9	17.5	17.7	0.2
Foreign Liabilities	2.2	1.8	1.4	-0.4
CARICOM	0.6	0.2	0.0	-0.2
Other	1.6	1.6	1.4	-0.2
Net Official International Reserves	575.6	808.4	972.2	163.9

Table A.40: Private Sector External Debt by Economic Sector[1,3]

Economic Sectors	Disbursed Outstanding as at 31/12/13	Transactions (January - December 2014) Disbursements	Principal Payments	Interest Payments	Disbursed Outstanding as at 31/12/14
Agriculture	65,792	3,880	6,352	858	61,646
Arts, Entertainment and Recreation	1,700	0	0	0	1,700
Construction	59,287	0	258	6,993	59,028
Economic Diversification	500	500	0	32	1,000
Education	198	0	0	0	198
Electricity and Gas[2]	5,356	0	92	1,218	5,263
Financial and Insurance Activities	111	0	0	0	111
Fishing	111,756	300	9,305	3,314	102,751
Information and Communication	940	0	146	55	794
Real Estate Activities	106	1,550	0	0	1,656
Toursim Activities	43,410	0	1,909	1,077	41,501
Transportation	33,302	0	1,543	406	31,759
Wholesale and Retail Trade	1,035	0	91	50	943
Other	25	0	8	1	16
Total	323,516	6,230	19,704	14,004	308,368

[1] The loans only cover that portion of the private sector debt that is reported to the Central Bank of Belize.

[2] In compliance with legislation issued on 21 June 2011, the Government of Belize acquired Belize Electricity Ltd. (BEL) as a public entity. BEL is no longer a private sector entity, and this accounted for a reduction in disbursed outstanding debt (DOD) for the electricity and gas sector as of June 2011.

[3] At the time of reporting, not all companies have submitted their balance sheets to the Central Bank of Belize.

Table A.41: Balance of Payment Summary

$mn

	2012	2013	2014
CURRENT ACCOUNT	-38.7	-145.2	-271.7
Goods: Exports FOB	1,243.2	1,216.1	1,177.4
Goods: Imports FOB	1,636.2	1,777.2	1,877.5
Trade Balance	-393.1	-561.0	-700.1
Services: Credit	813.5	896.1	988.6
Transportation	44.7	46.2	49.3
Travel(1)	598.0	702.0	759.2
Other Goods and Services	100.4	94.9	121.7
Government Goods and Services	70.4	53.1	58.5
Services: Debit	370.4	390.2	422.8
Transportation	141.2	119.1	135.7
Travel	73.8	80.3	97.0
Other Goods and Services	133.9	166.1	166.1
Government Goods and Services	21.4	24.8	23.9
Balance on Goods and Services	50.1	-55.1	-134.2
Primary Income: Credit	10.2	12.1	16.9
Compensation of Employees	4.7	4.7	4.7
Investment Income	5.5	7.4	12.2
Primary Income: Debit	250.5	248.1	302.3
Compensation of Employees	14.0	12.5	13.5
Investment Income(2)	236.5	235.5	288.8
Balances on Goods, Services and Income	-190.2	-291.1	-419.6
Secondary Income: Credit	206.3	208.7	213.1
Government	0.3	0.8	0.3
Private	205.9	208.0	212.8
Secondary Income: Debit	54.7	62.8	65.2
Government	8.3	9.3	8.6
Private	46.4	53.4	56.6
CAPITAL ACCOUNT, n.i.e.	45.0	75.4	68.5
Capital Account: Credit	45.0	75.4	68.5
Capital Account: Debit	0.0	0.0	0.0

Table A.41: Balance of Payments Summary continued

$mn

	2012	2013	2014
FINANCIAL ACCOUNT, n.i.e.	-123.6	-272.7	-328.0
Direct Investment Abroad	1.8	1.4	5.5
Direct Investment in Belize, n.i.e.	378.4	184.5	282.2
Net Direct Investment	-376.7	-183.1	-276.7
Portfolio Investment Assets	0.3	0.0	0.0
Portfolio Investment Liabilities, n.i.e.	-6.5	-31.8	0.0
Net Portfolio Investment	6.9	31.8	0.0
Financial Derivatives Assets	0.0	0.0	0.0
Financial Derivatives Liabilities	0.0	0.0	0.0
Net Financial Derivatives	0.0	0.0	0.0
Other Investment Assets	86.5	-45.5	-17.5
Other Investment Liabilities	-159.6	75.9	33.8
Net Other Investment	246.2	-121.4	-51.2
NET ERRORS AND OMISSIONS	-34.4	24.7	38.8
RESERVE ASSETS	95.6	227.7	163.5

(1) Tourism earnings were based on Visitor Expenditure Surveys.
(2) Data include an estimate for profit remittances from the tourism and petroleum industries.
n.i.e. not included elsewhere

Table A.42: Determinants of Money Supply[1]

$mn

	Position as at			Changes During 2014
	Dec 2012	Dec 2013	Dec 2014	
Net Foreign Assets	949.7	1,087.8	1,226.4	138.6
Central Bank	593.6	820.8	981.6	160.8
Domestic Banks	356.1	267.0	244.8	-22.2
Net Domestic Credit	1,971.4	1,872.1	1,939.9	67.8
Central Government (Net)	169.0	16.5	3.5	-13.0
Other Public Sector	12.3	20.9	16.0	-4.9
Private Sector	1,790.1	1,834.7	1,920.4	85.7
Central Bank Foreign Liabilities (Long-Term)	64.0	56.9	51.9	-5.0
Other Items (Net)	413.5	426.4	442.4	16.0
Money Supply (M2)	2,443.6	2,476.6	2,672.2	195.6

[1] Transactions associated with the Universal Health Services (UHS) loan with the Belize Bank Limited are not included in this table, as no action has been taken to enforce the claim.

Table A.43: Money Supply

$mn

	Position as at			Changes During 2014
	Dec 2012	Dec 2013	Dec 2014	
Money Supply (M2)	2,443.6	2,476.6	2,672.2	195.6
Money Supply (M1)	1,102.9	1,121.9	1,313.9	192.0
Currency with the Public	193.1	211.7	237.4	25.6
Demand Deposits	709.3	751.5	920.4	168.9
Savings/Chequing Deposits	200.5	158.7	156.1	-2.7
Quasi-Money	1,340.7	1,354.7	1,358.3	3.6
Savings Deposits	323.0	410.8	445.2	34.4
Time Deposits	1,017.7	943.9	913.1	-30.8

Table A.44: Net Foreign Assets of the Banking System

$mn

	Position as at			Changes During 2014
	Dec 2012	Dec 2013	Dec 2014	
Net Foreign Assets	949.7	1,087.8	1,226.4	138.6
Central Bank	593.6	820.8	981.6	160.8
Foreign Assets	595.7	822.1	982.9	160.8
Foreign Liabilities (Demand)	2.1	1.3	1.3	0.0
Domestic Banks	356.1	267.0	244.8	-22.2
Foreign Assets	363.3	294.3	280.6	-13.7
Foreign Liabilities (Short-Term)	7.2	27.3	35.8	8.5

Table A.45: Net Domestic Credit of the Banking System

$mn

	Position as at			Changes During 2014
	Dec 2012	Dec 2013	Dec 2014	
Total Credit to Central Government	333.0	323.6	310.5	-13.0
From Central Bank	154.1	153.5	144.2	-9.3
From Domestic Banks	178.9	170.1	166.3	-3.7
Less Central Government Deposits	164.0	307.1	307.2	0.1
Net Credit to Central Government	169.0	16.5	3.5	-13.0
Plus Credit to Other Public Sector	12.3	20.9	16.0	-4.9
Plus Credit to the Private Sector	1,790.1	1,834.7	1,920.4	85.7
Net Domestic Credit of the Banking System	1,971.4	1,872.1	1,939.9	67.8

Table A.46: Domestic Banks - Sectoral Composition of Loans and Advances

$mn

	Position as at			Changes Dec 2013 to Dec 2014
	Dec 2012	Dec 2013	Dec 2014	
PRIMARY SECTOR	182.1	198.4	252.0	53.6
Agriculture	124.7	152.5	200.9	48.4
Sugar	13.5	15.4	67.3	51.9
Citrus	16.6	23.3	15.7	-7.6
Bananas	69.5	68.7	68.8	0.1
Other	25.1	45.1	49.1	4.0
Marine Products	35.4	24.1	28.8	4.7
Forestry	1.2	1.6	1.9	0.3
Mining and Exploration	20.8	20.2	20.4	0.2
SECONDARY SECTOR	545.5	561.3	570.3	9.0
Manufacturing	32.5	23.6	21.8	-1.8
Building and Construction	478.0	505.9	525.1	19.2
Utilities	35.0	31.8	23.4	-8.4
TERTIARY SECTOR	649.2	654.7	668.1	13.4
Transport	49.9	39.8	43.9	4.1
Tourism	96.2	93.4	96.1	2.7
Distribution	202.3	182.0	183.7	1.7
Real Estate	240.0	264.7	278.0	13.3
Professional Services	43.6	50.7	47.5	-3.2
Other(1)	17.2	24.1	18.9	-5.2
PERSONAL LOANS	425.8	439.9	442.6	2.7
TOTAL	1,802.6	1,854.3	1,933.0	78.7

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

Table A.47: Domestic Banks - Holdings of Approved Liquid Assets

$mn

	Position as at			Changes During 2014
	Dec 2012	Dec 2013	Dec 2014	
Holdings of Approved Liquid Assets	815.8	815.3	902.9	87.7
Notes and Coins	68.9	74.7	71.4	-3.3
Balances with Central Bank	338.6	401.1	542.4	141.4
Money at Call and Foreign Balances (due in 90 days)	220.1	159.1	110.4	-48.8
Treasury bills maturing in not more than 90 days	173.2	165.6	162.8	-2.8
Other Approved assets	15.0	14.8	15.9	1.2
of which: Treasury notes	0.0	0.0	0.0	0.0
Required Liquid Assets	505.7	521.7	564.2	42.5
Excess/(Deficiency) Liquid Assets	310.1	293.6	338.7	45.2
Daily Average holdings of Cash Reserves	339.5	391.1	544.3	153.2
Required Cash Reserves	186.9	192.8	208.5	15.7
Excess/(Deficiency) Cash Reserves	152.6	198.3	335.8	137.5
Actual Securities Balances	173.9	166.0	162.9	-3.1
Excess/(Deficiency) Securities	173.9	166.0	162.9	-3.1

Table A.48: Domestic Banks - Weighted Average Interest Rates

Percentages

	Position as at			Changes Dec 2013 to Dec 2014
	Dec 2012	Dec 2013	Dec 2014	
Weighted Lending Rates				
Personal Loans	12.95	12.34	12.44	0.10
Commercial Loans	11.92	11.22	10.69	-0.53
Residential Construction	10.49	9.69	8.80	-0.89
Other	10.32	9.20	8.48	-0.72
Weighted Average	11.86	11.12	10.66	-0.46
Weighted Deposit Rates				
Demand	0.43	0.38	0.29	-0.09
Savings/Chequing	2.45	2.55	2.57	0.02
Savings	2.88	2.56	2.35	-0.21
Time	3.95	3.35	2.72	-0.63
Weighted Average	2.55	2.17	1.73	-0.44
Weighted Average Spread	9.31	8.95	8.93	-0.02

Table A.49: Domestic Banks - Weighted Average Interest Rates on New Loans and Deposits

Percentages

	Rolling Averages			
	Jan 2012 to Dec 2012	**Jan 2013 to Dec 2013**	**Jan 2014 to Dec 2014**	**Changes Dec 2013 to Dec 2014**
Weighted Lending Rates				
Personal Loans	10.68	10.53	11.54	1.00
Commercial Loans	11.38	10.24	9.91	-0.33
Residential Construction	9.63	9.22	7.13	-2.09
Other	9.12	8.30	7.66	-0.64
Weighted Average	10.56	10.01	9.89	-0.12
Weighted Deposit Rates				
Demand	0.00	0.03	0.02	-0.01
Savings/Chequing	1.72	1.49	1.59	0.10
Savings	2.01	1.74	2.07	0.34
Time	3.61	3.16	2.15	-1.01
Weighted Average	3.41	2.93	2.10	-0.84
Weighted Average Spread	7.15	7.08	7.80	0.72

Financial Statements

INDEPENDENT AUDITORS' REPORT

Grant Thornton LLP
40 A Central American Boulevard
Belize City, Belize
T +501 227 3020
F +501 227 5792
E info@bz.gt.com
www.grantthornton.bz

To the Board of Directors of
Central Bank of Belize:

Report on the Financial Statements

We have audited the accompanying financial statements of Central Bank of Belize, which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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, 2014 and 2013, 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 Central Bank of Belize Act.

Grant Thornton

Chartered Accountants
Belize City, Belize
March 20, 2015

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2014**	2013
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers – unrestricted		**$ 5,451,036**	$ 3,466,732
Bank balances with foreign bankers – restricted	5	**20,000,000**	20,000,000
Reserve Tranche and balances with the International Monetary Fund	6	**70,233,586**	74,646,172
Other foreign credits instruments	7	**672,234,366**	438,916,960
Accrued interest and cash-in-transit	8	**5,630,123**	3,410,777
Marketable securities issued or guaranteed by foreign governments and international financial institutions	9	**191,714,286**	263,735,714
Total approved external assets		**965,263,397**	804,176,355
BALANCES WITH LOCAL BANKERS AND CASH ON HAND		**391,645**	155,306
BELIZE GOVERNMENT SECURITIES	10	**96,645,000**	98,421,000
BELIZE GOVERNMENT CURRENT ACCOUNT	11	**40,409,889**	49,059,430
OTHER ASSETS	12	**10,185,349**	11,557,383
POST EMPLOYMENT OBLIGATIONS	28	**3,341,174**	3,341,174
INVESTMENT SECURITIES	13	**20,000,000**	20,000,000
PROPERTY AND EQUIPMENT	14	**27,357,442**	27,761,167
INTANGIBLE ASSETS	15	**1,622,500**	973,316
TOTAL ASSETS		**$1,165,216,396**	$1,015,445,131

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2014	2013
DEMAND LIABILITIES:			
Notes and coins in circulation		**$ 286,034,882**	$ 262,467,155
Deposits by licensed financial institutions	16	**529,789,810**	387,873,585
Deposits by and balances due to Government and Public sector entities in Belize		**249,778,378**	260,243,839
Deposits by international agencies	17	**1,226,182**	1,103,976
Total demand liabilities		**1,066,829,252**	911,688,555
BALANCES DUE TO CARICOM CENTRAL BANKS		**47,310**	220,164
OTHER LIABILITIES	18	**9,534,124**	9,377,959
LOANS FROM FOREIGN INSTITUTIONS	19	**-**	1,813,868
IMF SDR ALLOCATIONS	20	**51,855,126**	55,123,861
COMMERCIAL BANKS' DISCOUNT FUND	21	**598,649**	436,282
TOTAL LIABILITIES		**1,128,864,461**	978,660,689
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $10,000,000)		**10,000,000**	10,000,000
REVALUATION ACCOUNT	22, 31	**2,578,468**	3,810,406
ASSET REVALUATION RESERVE	27	**103,431**	103,431
POST EMPLOYMENT OBLIGATION RESERVE	28	**3,341,174**	3,341,174
GENERAL RESERVE	23	**20,328,862**	19,529,431
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$1,165,216,396**	$1,015,445,131

The financial statements on pages 3 to 9 were approved and authorized for issue by the Board of Directors on April 24, 2015 and are signed on its behalf by:

) CHAIRMAN
)
)
) GOVERNOR
)
)
) DEPUTY GOVERNOR, OPERATIONS

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

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT
YEARS ENDED DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

	Notes	2014	2013
CONTINUING OPERATIONS			
INTEREST INCOME:			
Approved external assets	24	**$ 6,659,465**	$ 5,540,365
Advances to Government of Belize		**5,365,334**	5,392,705
Local securities		**6,867,428**	7,204,951
		18,892,227	18,138,021
Other income:			
Discount on local securities		**2,892**	5,322
Dividends received from equity investments	13	**-**	980,000
Commissions and other income		**3,312,250**	3,045,964
Capital gain on securities investment		**2,820,943**	307,469
Total income		**25,028,312**	22,476,776
LESS: Interest expense		**(70,408)**	(149,660)
Income from operations		**24,957,904**	22,327,116
EXPENDITURE:			
Printing of notes and minting of coins		**(2,239,992)**	(1,922,433)
Salaries and wages, including superannuation contribution and gratuities	25	**(9,512,541)**	(8,937,240)
Depreciation and amortization	14, 15	**(950,795)**	(908,917)
Administrative and general expenses	26	**(4,260,262)**	(3,813,166)
Total expenditure		**(16,963,590)**	(15,581,756)
Profit for the year from continuing operations		**$ 7,994,314**	$ 6,745,360
PROFIT FOR THE YEAR TRANSFERABLE TO THE GENERAL RESERVE FUND AND CONSOLIDATED REVENUE FUND		**$ 7,994,314**	$ 6,745,360
Transfer to general reserve fund in accordance with Section 9(1) of the Act	23	**(799,431)**	(674,536)
Balance credited to the Accountant General for the consolidated revenue fund		**$ 7,194,883**	$ 6,070,824
Profit for the year attributable to:			
Owner of the Bank		**$ 7,994,314**	$ 6,745,360
EARNINGS PER SHARE			
From continuing operations:			
Basic and diluted		**$ 7,994,314**	$ 6,745,360

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

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

		2014	2013
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**$ 7,994,314**	$ 6,745,360
Other comprehensive (loss) income:			
Revaluation of financial assets	22	**(1,231,938)**	154,460
Other comprehensive (loss) income for the year		**(1,231,938)**	154,460
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 6,762,376**	$ 6,899,820
Total comprehensive income attributable to:			
Owner of the Bank		**$ 6,762,376**	**$ 6,899,820**

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

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

	Paid-up capital	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Accumulated profits
January 1, 2013	$10,000,000	$3,655,946	$103,431	$3,341,174	$18,854,895	$ -
Comprehensive Income:						
Profit for the year	-	-	-	-	-	6,745,360
Other comprehensive income	-	154,460	-	-	-	-
Total comprehensive income	-	154,460	-	-	-	6,745,360
Transactions with owners of the Bank recognized directly in equity:						
Transfer to General Reserve Fund	-	-	-	-	674,536	(674,536)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	-	(6,070,824)
Transactions with owners of the Bank	-	-	-	-	674,536	(6,745,360)
December 31, 2013	**10,000,000**	**3,810,406**	**103,431**	**3,341,174**	**19,529,431**	-
January 1, 2014	10,000,000	3,810,406	103,431	3,341,174	19,529,431	-
Comprehensive Income:						
Profit for the year	-	-	-	-	-	7,994,314
Other comprehensive loss	-	(1,231,938)	-	-	-	-
Total comprehensive income	-	(1,231,938)	-	-	-	7,994,314
Transactions with owners of the Bank recognized directly in equity:						
Transfer to General Reserve Fund	-	-	-	-	799,431	(799,431)
Balance credited to the Accountant for the Consolidated Revenue Fund	-	-	-	-	-	(7,194,883)
Transactions with owners of the Bank	-	-	-	-	799,431	(7,994,314)
December 31, 2014	**$10,000,000**	**$2,578,468**	**$103,431**	**$3,341,174**	**$20,328,862**	**$ -**

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

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Profit for the year	**$ 7,994,314**	$6,745,360
Adjustments to reconcile comprehensive income to net cash provided by operating activities:		
- Amortization and impairment of other assets (Note 12)	**9,715**	57,815
- Depreciation of property and equipment (Note 14)	**763,982**	743,948
- Amortization of intangible asset (Note 15)	**186,814**	164,969
- Loss (gain) on disposal of property and equipment	**493**	(1,582)
Cash provided by operating activities before operating assets and liabilities	**8,955,318**	7,710,510
Changes in operating assets and liabilities:		
Belize Government current account	**8,649,541**	4,830,430
Treasury notes – net	**36,408,000**	(9,379,000)
Securities	**72,021,428**	(247,685,714)
Reserve tranche in the International Monetary Fund	**769,206**	(25,980)
Other assets	**1,362,319**	1,668,848
Other liabilities	**156,165**	(2,906,105)
Revaluation account	**(1,231,938)**	154,460
Net cash provided by (used in) operating activities	**127,090,039**	(245,632,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	**(360,750)**	(585,764)
Proceeds from sale of assets	**-**	5,821
Acquisition of intangible assets	**(835,998)**	(638,991)
Net cash used in investing activities	**(1,196,748)**	(1,218,934)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Notes and coins in circulation	**23,567,727**	24,326,585
Transfer to Consolidated Reserve Fund	**(7,194,883)**	(6,070,824)
Deposits by licensed financial institutions	**141,916,225**	58,767,326
Deposits by and balances due to Government and Public Sector Entities	**(10,465,461)**	147,559,515
Deposits by international agencies	**122,206**	(465,455)
Balances due to Caricom Central Banks	**(172,854)**	(335,512)
Commercial Bank Discount Fund	**162,367**	162,367
IMF SDR allocations	**(3,268,735)**	113,509
IMF Enda facility	**(1,813,868)**	(7,232,640)
Net cash provided by financing activities	**$142,852,724**	$216,824,871

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

	2014	2013
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$549,765,739**	$579,792,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**268,746,015**	(30,026,614)
CASH AND CASH EQUIVALENTS, END OF YEAR	**$818,511,754**	$549,765,739
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 5,451,036**	$ 3,466,732
Restricted bank balances	**20,000,000**	20,000,000
Other foreign credit instruments	**672,234,366**	438,916,960
Accrued interest	**2,207,846**	2,837,843
Cash-in-transit	**3,422,277**	572,934
Balance with the International Monetary Fund	**58,012,584**	61,655,964
	761,328,109	527,450,433
LOCAL ASSETS:		
Cash and bank balances	**391,645**	155,306
Current portion of Treasury Notes	**56,792,000**	22,160,000
	57,183,645	22,315,306
	$818,511,754	$549,765,739

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

1. GENERAL INFORMATION

Central Bank of Belize, (the Bank), was established under the Central Bank of Belize Act 1982, Chapter 262 of the Substantive Laws of Belize, and has its principal place of business in Belize City, Belize. Legislation covering its operations includes the Central Bank of Belize Act, the 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 provisions of the Central Bank of Belize Act 1982. 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.

Adoption of New Standards, Amendments and Interpretations Effective from January 1, 2014:

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
These amendments clarify the application of certain offsetting criteria in IAS 32, including:

- The meaning of 'currently has a legally enforceable right of set-off'
- The application of simultaneous realisation and settlement
- The offsetting of collateral amounts
- The unit of account for applying the offsetting requirements.

The amendment is effective for annual periods beginning on or after January 1, 2014.

The Bank does not currently present any of its financial assets and financial liabilities on a net basis using the provisions of IAS 32. If this is done in future periods the amendment will be applied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)
Amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered. The amendment is effective for annual periods beginning on or after July 31, 2014.

The Bank is currently considering the impact of the amendment and will reflect any material effects in its next valuation of its Pension Obligation in the 2015 financial year.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
These amendments clarify that an entity is required to disclose the recoverable amount of an asset (or cash generating unit) whenever an impairment loss has been recognised or reversed in the period. In addition, they introduce several new disclosures required to be made when the recoverable amount of impaired assets is based on fair value less costs of disposal, including:

- additional information about fair value measurement including the applicable level of the fair value hierarchy, and a description of any valuation techniques used and key assumptions made
- the discount rates used if fair value less costs of disposal is measured using a present value technique

The amendment is effective for annual periods beginning on or after January 1, 2014.

There was no impairment of non-financial assets during the period, however the amendment will be applied in future periods where applicable.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Bank:

IFRS 9 Financial instruments (classification and measurement)
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, 2014, 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. The release of IFRS 9 (2014) on November 19, 2014 contained consequential amendments which bring into effect a substantial overhaul of hedge accounting; it removed the mandatory effective date of IFRS 9 'January 1, 2015' and permits an entity to apply the requirements on the presentation of gains and losses on financial liabilities designated as 'fair value through profit or loss' without applying the other requirements. IASB has decided that the mandatory effective date will be no earlier than annual periods beginning on or after January 1, 2018.

The Bank will quantify the effect of the last two phases when the final standard becomes effective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. The amendment is effective for annual periods beginning on or after January 1, 2017.

The Amendment is not expected to have any effect on the Bank's financial statements.

Amendments to IFRS 11 Joint Arrangements
These amendments provide guidance on the accounting for acquisitions of interests in joint operations constituting a business. The amendments require all such transactions to be accounted for using the principles on business combinations accounting in IFRS 3 'Business Combinations' and other IFRSs except where those principles conflict with IFRS 11. Acquisitions of interests in joint ventures are not impacted by this new guidance.

The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. The Amendment will not have any effect on the Bank's 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.

Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs. The amendment is effective for annual periods beginning on or after January 1, 2016.

The Amendment will not have any effect on the Bank's financial statements.

Disclosure Initiative (Amendments to IAS 1)
Amends IAS 1 *Presentation of Financial Statements* to address perceived impediments to preparers exercising their judgment in presenting their financial reports by making the following changes:

- Clarification that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

- Clarification that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss;

- Additional examples of possible ways of ordering the notes to clarify understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in paragraph 114 of IAS 1.

The amendment is effective for annual periods beginning on or after January 1, 2016.

The Bank will adopt this amendment when it becomes effective and present requisite disclosures when applicable.

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

- Introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

- Add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset

The amendment is effective for annual periods beginning on or after January 1, 2016.

The amendment will not have any effect on the Bank's financial statements.

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 as property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16
- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- Clarify that produce growing on bearer plants remains within the scope of IAS 41.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Change in accounting policies (Continued) –

The amendment is effective for annual periods beginning on or after January 1, 2016.

The Amendment will not have any effect on the Bank's financial statements.

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. The amendment is effective for annual periods beginning on or after January 1, 2016.

The Amendment will not have any effect on the Bank's 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, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 *Business Combinations*)
- Require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendment is effective for annual periods beginning on or after January 1, 2016.

The Amendment will not have any effect on the Bank's financial statements.

Annual Improvements 2012-2014 Cycle
Makes amendments to the following standards:

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.

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

IAS 9 — 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
IAS 34 — clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

The improvements are effective for annual periods beginning on or after July 1, 2016. The improvements are being assessed for adoption; these are not expected to have any material impact on the Bank's financial performance or financial position.

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.

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:

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.

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.

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.

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.

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 1982.

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, treasury notes and Belize Defence Bonds 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 1982.

Loans to Public Sector
Loans to the public sector are carried at the original amount less an allowance for any uncollectible amounts. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the estimated recoverable amount. There are currently no loans to any public sector entity.

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.

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.

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.

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 1982 stipulates that gains or losses from any revaluation of the Bank's net assets or liabilities in gold, special drawings rights (SDR), foreign exchange or foreign securities as a result of any change in the par value of the Belize dollar or any change in the par value of the currency unit of any other country shall be excluded from the computation of the annual profits and losses of the Bank.

All such gains or losses are credited in a special account called Revaluation Account. Profit is not carried to the General Reserve Fund or paid to the Government under Section 9 (see note 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.

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, 2014, the Bank was in compliance as the value of total assets was $1,165,216,396 (2013: $1,015,445,131) while the value of notes and coins in circulation was $286,034,882 (2013: $262,467,155).

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 if its sights and time deposits.

   Management has developed internal controls to ensure compliance with the law. At December 31, 2014 and 2013 total approved external assets approximated 90 percent and 88 percent of such liabilities respectively.

4. SIGNIFICANT NON-CASH TRANSACTIONS

During the year, the Bank experienced revaluation losses of $1,231,938 (2013 - $154,460 gain) on its foreign currency balances and IMF funds.

5. BANK BALANCES – RESTRICTED

The Bank has 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 are available to the beneficiary by sight payment with Citibank N. A. C/O at Citicorp North America. Currently the letter of credit is secured by a restricted USD $10,000,000 deposit at Citibank N. A.

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, 2014, 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 20,020,770 respectively. The Reserve Tranche which earns interest is included in approved external assets in the financial statements at the exchange rate of BZ$2.897620 to SDR 1.0 at December 31, 2014 (2013 - BZD$3.08 to SDR 1.0).

7. OTHER FOREIGN CREDIT INSTRUMENTS

	2014	2013
At December 31, these instruments comprised:		
ING Bank NV, Amsterdam (Fixed deposit)	**$ 50,000,000**	$ -
Bank of America (Fixed deposit)	**26,027,088**	60,147,153
Commerzbank (Fixed deposit)	**58,605,919**	48,499,010
Crown Agents Financial Services (Fixed deposit)	**149,926,813**	86,421,667
Barclays Bank PLC (Fixed deposit)	**176,103,436**	182,956,985
Citibank N.A. New York (Fixed deposit)	**40,000,000**	16,000,000
Federal Reserve Bank of New York (Overnight deposit)	**59,600,000**	33,200,000
Bank of America (Overnight deposit)	**440,000**	1,020,000
Citibank N.A. New York (Overnight deposit)	**400,000**	200,000
Morgan Stanley Smith Barney, LLC (Overnight Deposits)	**111,131,110**	10,472,145
	$672,234,366	$438,916,960

8. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2014	2013
Accrued interest	**$2,207,846**	$2,837,843
Cash-in-transit	**3,422,277**	572,934
	$5,630,123	$3,410,777

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

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

	Maturity Date	**2014**	2013
6.75% Government of Barbados	2014	**$ -**	878,571
2.125% International Bank for Reconstruction and Development Bonds	2016	**4,000,000**	4,000,000
0.625% US Treasury Notes	2016	**-**	20,000,000
0.875% US Treasury Notes	2017	**$ 40,000,000**	-
1% US Treasury Notes	2017	**20,000,000**	-
1.375% US Treasury Notes	2018	**-**	85,000,000
7.8% Government of Barbados	2019	**5,714,286**	6,857,143
1.625% US Treasury Notes	2019	**20,000,000**	-
2.0% US Treasury Notes	2020	**-**	50,000,000
1.875% US Treasury Notes	2021	**10,000,000**	-
0.625% US Treasury Notes	2023	**-**	35,000,000
2.250% International Bank for Reconstruction and Development Bonds	2024	**20,000,000**	-
2.250% US Treasury Notes	2024	**10,000,000**	-
2.125% International Bank for Reconstruction and Development Bonds	2028	**-**	30,000,000
2.83% International Bank for Reconstruction and Development Bonds	2028	**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
		$191,714,286	$263,735,714

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 consisted of:

	2014	2013
Treasury Notes	**$86,645,000**	$88,421,000
Belize Defence Bonds	**10,000,000**	10,000,000
	$96,645,000	$98,421,000

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

	2014	2013
Due within 1 year	**$47,017,000**	$22,160,000
Due within 1 year through 5 years	**20,303,000**	46,686,000
Due within 5 years through 10 years	**29,325,000**	29,575,000
	$96,645,000	$98,421,000

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, 2014 and 2013 the Bank's aggregate holding of Belize Government securities approximated 3.19 times and 3.33 times, 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, 2014, the Bank was in compliance since advances to the Government of Belize totalled $47,604,772 which is 64% of $73,946,978 which represents 8 ½% of the Government's revenues collected during April 1, 2013 and March 31, 2014. (2013 - $49,059,430 being 71% of $68,987,982)

12. OTHER ASSETS

	2014	2013
Other assets consist of:		
Bond premium	**$ -**	$ 201,115
Education bond receivable	**49,217**	123,042
Inventory of circulation notes and coins	**2,414,491**	4,087,302
Prepayments and accrued interest	**1,815,395**	1,288,134
Special coins inventory	**1,146,485**	1,150,590
Staff loans receivable	**4,497,979**	4,194,901
Accounts receivable	**43,852**	160,630
Other	**237,872**	787,196
Museum endowment fund	**-**	578,150
	10,205,291	12,571,060
Less impairment for doubtful receivables and amortization of museum endowment fund:	**(19,942)**	(1,013,677)
	$10,185,349	$11,557,383

Impairment for doubtful receivables and amortization:	**2014**	2013
Beginning balance, January 1	**$ 1,013,677**	$ 972,795
Additional impairment and amortization	**9,715**	57,815
Write-offs	**(1,003,450)**	(16,933)
Ending balance, December 31	**$ 19,942**	$ 1,013,677

13. INVESTMENT IN SECURITIES

Investment represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a price of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each at par value of $1.00 per share have been received by the Bank. The Bank is committed 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, 2014	$30,438,215	$1,422,334	$6,838,849	$519,428	$159,700	$39,378,526
Additions	-	48,274	148,042	-	164,434	360,750
Disposals	-	(1,855)	(232,766)	-	-	(234,621)
Transfers	-	-	319,919	-	(319,919)	-
Balance at, December 31, 2014	**30,438,215**	**1,468,753**	**7,074,044**	**519,428**	**4,215**	**39,504,655**
Accumulated depreciation						
Balance at January 1, 2014	4,233,761	1,167,875	5,863,077	352,646	-	11,617,359
Depreciation charge for the year	304,538	51,471	346,666	61,307	-	763,982
Disposal	-	(1,420)	(232,708)	-	-	(234,128)
Balance at, December 31, 2014	4,538,299	1,217,926	5,977,035	413,953	-	12,147,213
Net book value						
December 31, 2014	**$25,899,916**	**$ 250,827**	**$ 1,097,009**	**$105,475**	**$ 4,215**	**$27,357,442**
December 31, 2013	$26,204,454	$ 254,459	$ 975,772	$166,782	$159,700	$27,761,167

15. INTANGIBLE ASSETS

Cost	**2014**	2013
Balance at, January 1	**$1,313,269**	$ 674,278
Additions	**835,998**	638,991
Balance at, December 31	**2,149,267**	1,313,269
Accumulated Amortization		
Balance at January 1	**339,953**	174,984
Amortization charge for the year	**186,814**	164,969
Balance at, December 31	**526,767**	339,953
Net Book Value	**$1,622,500**	$973,316

Intangible assets primarily comprise computer software and related costs.

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:

	2014	2013
Caribbean Development Bank	**$ 160,378**	$ 29,430
International Monetary Fund	**138,889**	147,631
Inter-American Development Bank	**897,175**	897,175
Int'l Bank for Reconstruction & Development	**29,740**	29,740
	$1,226,182	$1,103,976

18. OTHER LIABILITIES

	2014	2013
Severance and gratuities	**$1,837,862**	$1,602,897
Other staff costs payable	**680,895**	662,437
Abandoned property	**3,607,865**	2,136,760
License international offshore financial institutions*	**1,400,000**	1,600,000
Deferred income	**691,552**	583,545
Accounts payable	**184,181**	680,018
Unclaimed balances of Belize Unit Trust	**47,254**	49,056
Bond discount	**368,705**	921,014
Belize City Municipal Bonds	**-**	178,000
Belize City Municipal Bonds – Sinking Fund	**715,810**	964,232
	$9,534,124	$9,377,959

*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.

19. LOANS FROM FOREIGN INSTITUTIONS

	2014	2013
Effective February 18, 2009, the Executive Board of the International Monetary Fund (IMF) approved SDR 4.7 million (about US$6.9 million) in financing under emergency assistance for natural disasters to support the nation's economic recovery from the storm damage and flooding experienced in 2008. Under the Financial Terms of IMF Credit, the loan is classified as emergency assistance with a basic rate of charge, no surcharge and 50 basis points service charge. The basic rate of charge fluctuates with the market rate for the SDR which is calculated on a weekly basis. Principal payments for the Facility started on May 20, 2012 with the final payment being made on February 20, 2014.	**$ -**	$1,809,500
Interest payable on the facility	**-**	4,368
	$ -	$1,813,868

20. IMF SDR ALLOCATIONS

	2014	2013
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, 2014, the SDR's were revalued at SDR 2.897620 to BZD $1.00 (2013 - 3.08 to BZD $1.00).	**$51,850,751**	$55,114,305
Interest payable on the facility	**4,375**	9,556
	$51,855,126	$55,123,861

21. COMMERCIAL BANKS' DISCOUNT FUND

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

The USAID loan has the following terms:

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

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

	2014	2013
Loans receivable from institution	**$ (985,059)**	$(1,125,613)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest received from institution	**3,895,024**	3,873,211
	$ 598,649	$ 436,282

22. 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.

	2014	2013
Balance at beginning of year	**$3,810,406**	$3,655,946
(Loss) gains from revaluation	**(1,231,938)**	154,460
Balance at end of year	**$2,578,468**	$3,810,406

23. 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, 2014, 10% was allocated (2013: 10%).

	2014	2013
Balance at beginning of year	**$19,529,431**	**$18,854,895**
Transfer from net profit	**799,431**	**674,536**
Balance at end of year	**$20,328,862**	**$19,529,431**

24. INTEREST ON APPROVED EXTERNAL ASSETS

	2014	2013
Interest earned on overnight deposits	**$ 78,363**	$ 87,169
Interest earned on marketable securities	**4,703,906**	2,877,954
Interest earned on balances and deposits with foreign bankers	**1,877,196**	2,575,242
	$6,659,465	$5,540,365

25. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

Expense recognized for employee benefits is analyzed below:

	2014	2013
Salaries and wages	**$9,002,785**	$8,436,302
Social security costs	**138,156**	139,452
Pensions - defined benefit plan	**371,600**	361,486
Employee benefits expense	**$9,512,541**	$8,937,240

26. ADMINISTRATIVE AND GENERAL EXPENSES

	2014	2013
Advertising	**$ 55,774**	$ 55,166
Audit fees	**65,428**	59,625
Amortization and impairment of other assets	**9,715**	57,815
Bank charges	**53,745**	35,881
Bank publications	**30,428**	18,535
Books and publication	**41,123**	52,462
Building repairs and maintenance	**513,777**	495,056
Cash shipment	**5,145**	4,615
Computer software license	**335,426**	275,256
Conference	**-**	244,943
Directors' fees	**56,100**	31,500
Donations	**44,544**	41,529
Entertainment	**9,691**	13,297
Equipment maintenance	**13,276**	25,741
Firearm license and ammunition	**5,025**	8,870
Freight charges	**22,409**	24,246
Hurricane preparedness	**192**	994
Insurance expense	**122,050**	127,860
Legal fees	**55,350**	108,744
Membership fees	**103,164**	90,373
Motor vehicle	**48,796**	66,548
Other miscellaneous expense	**358,352**	255,158
Overseas meeting and conferences	**276,147**	109,332
Professional services and technical support	**621,644**	290,376
Small equipment purchases	**8,920**	31,008
Subscriptions	**48,000**	50,639
Supplies	**297,259**	240,477
Surveys	**133,366**	23,366
Travel (local)	**14,736**	15,163
Utilities expense	**910,680**	958,591
	$4,260,262	$3,813,166

27. 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.

28. 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 $371,600 (2013 - $361,486) 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, 2014. The next valuation is scheduled for 2015.

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	$ (6,632,944)	$1,822,293	$ (4,810,651)

28. 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 unrecognised 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.

	2012
a. Pension asset as per sections 54	$(4,810,651)
b. Cumulative unrecognized net remeasurements and past service cost plus present value economic benefits	$(3,341,174)
Final pension asset to be recognized on Statement of Financial Position at December 31, 2012	**$(3,341,174)**

Amounts to be recognized in Statement of Other Comprehensive Income at December 31, 2012

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

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:

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

29. RELATED PARTY TRANSACTIONS

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

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, 2014 and 2013, the number of key management personnel was 17 (2013 - 16).

Transactions with key management personnel:

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

Benefits

	2014	2013
Short-term benefits	**$1,957,983**	$1,855,449
Post-employment benefits	**42,600**	42,100
Termination benefits	**457,306**	391,493
	$2,457,889	$2,289,042

b. Loans and advances to directors and key management:

Loans and advances
As at December 31, 2014 an amount of $ 511,438.00 (2013 - $439,479) 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, 2014 AND 2013 (IN BELIZE DOLLARS)

29. RELATED PARTY TRANSACTIONS (Continued)

Transactions with the Government include:

a. Acting as the fiscal agent, banker and financial advisor to the government; the Bank is the depository of the government, its agents and institutions, and provide banking services to government and government departments.
b. Acting as the agent of the government, its agencies, and institutions, the Bank provides guarantees, and participates in loans to government and related institutions.
c. The Bank does not ordinarily collect any commission, fees, or other charges for services it renders to the government or related entities, except in the case of banking and financial services.
d. Acting as the agent of government, the Bank issues government securities, purchases unsubscribed portions of any issue and amounts set aside for the Bank.
e. As the agent of the government, the Bank manages public debt and foreign reserves.

Transactions with 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.	BTB/ STP	BCC Sinking Fund Account	SSB Deposit Account	GOB Current Acct.
Opening Balances	$ (1,177)	$(1,919,186)	$(214,604)	$(5,447)	$ (351,498)	$ (884,969)	$ (24,917)	$ (7,750,000)	$(8,481)	$(1,584,232)	$(1,118)	$ 49,059,430
Deposits	1,187,000	6,723,830	856,000	-	1,521,754	10,876,205	2,219.547	22,310,000	8,481	2,374,841	-	972,341,472
Disbursements	(1,186,712)	(5,126,257)	(855,597)	-	(1,454,571)	(10,050,410)	(2,219,547)	(15,488,606)	-	(2,126,419)	-	(980,991,013)
Closing Balances	**$ (889)**	**$ (321,613)**	**$(214,201)**	**$(5,447)**	**$ (284,315)**	**$ (59,174)**	**$ (24,917)**	$ (928,606)	$ -	$(1,335,810)	**$(1,118)**	**$ 40,409,889**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013 (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, 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**

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
Liabilities:			
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	-	51,855,126	51,855,126
Total financial liabilities	**$1,077,009,335**	**$51,855,126**	**$1,128,864,461**

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

At December 31, 2013	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	$ -	$ 2,300,030	$ 1,166,702	$ 3,466,732
Bank balance with foreign banker – restricted	-	-	20,000,000	20,000,000
Reserve Tranche and balances with the International Monetary Fund	-	-	74,646,172	74,646,172
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	-	155,306	-	155,306
Other foreign credit instruments – unrestricted	-	438,916,960	-	438,916,960
Marketable securities issued or guaranteed by foreign government and international institutions	-	263,735,714	-	263,735,714
INVESTMENT	20,000,000	-	-	20,000,000
BELIZE GOVERNMENT CURRENT ACCOUNT	-	49,059,430	-	49,059,430
PENSION ASSET	-	-	3,341,174	3,341,174
Accrued interest and cash transit	-	3,410,777	-	3,410,777
BELIZE GOVERNMENT SECURITIES	-	98,421,000	-	98,421,000
Total financial assets	**$20,000,000**	**$855,999,217**	**$99,154,048**	**$975,153,265**

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED DECEMBER 31, 2014 AND 2013 (IN BELIZE DOLLARS)

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

At December 31, 2013	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation	$262,467,155	$ -	$262,467,155
Deposits by licensed financial institutions	387,873,585	-	387,873,585
Deposits by and balances due to Government and public sector entities in Belize	260,243,839	-	260,243,839
Deposits by international agencies	1,103,976	-	1,103,976
BALANCES DUE TO CARICOM CENTRAL BANKS	220,164	-	220,164
COMMERCIAL BANK DISCOUNT FUND	436,282	-	436,282
OTHER LIABILITIES	9,377,959	-	9,377,959
LOANS FROM FOREIGN INSTITUTIONS	-	1,813,868	1,813,868
IMF SDR ALLOCATIONS	-	55,123,861	55,123,861
Total financial liabilities	**$921,722,960**	**$56,937,729**	**$978,660,689**

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, 2014. 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	EuroZone	Canada	Germany	Total
Depository Accounts & Money at Call	$ 1,830,733	$ 3,219,651	$ 128,688	$ 271,964	**$ 5,451,036**
Overnight Deposits	191,551,110	-	-		**191,551,110**
Fixed Deposits	242,130,522	199,926,813	-	58,605,919	**500,663,254**
Total Exposure	**$435,512,365**	**$203,146,464**	**$128,688**	**$58,877,883**	**$697,665,400**

31. FINANCIAL RISK MANAGEMENT (Continued)

Schedule B
Outline of other Local and Foreign Investments

Securities	**Local**	**Foreign**			
	GOB	**Barbados**	**Dominica**	**IBRD/SEK**	**US**
Treasury Notes	$86,645,000	$ -	$ -	$ -	$100,000,000
Bonds	10,000,000	5,714,286	-	84,000,000	-
Debentures	-	-	2,000,000	-	-
Total Exposure	**$96,645,000**	**$5,714,286**	**$2,000,000**	**$84,000,000**	**$100,000,000**

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 $4,497,979.

	Principal outstanding December 31, 2014	**Collateral**	
Loan type		**Appraised value**	**Stamped value**
Mortgage loans	$3,266,391	$6,818,973	$3,966,619
Consumer loans	1,231,588	-	-
	$4,497,979	**$6,818,973**	**$3,966,619**

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.

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**
	2014	2013
Depository Accounts & Money at Call	0.0240%	0.0248%
Overnight Deposits	0.0181%	0.0194%
Fixed Deposits	0.5070%	0.5274%
Notes/Bonds	2.0860%	2.1231%
Debentures	3.5000%	3.5000%

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

The table below indicates the different fund allocations as of December 31, 2014:

	FOREIGN CURRENCY	**YEAR-END RATE**	**BELIZE DOLLAR VALUE**
Euro Fund	$ (228,541)	$2.42800	$ (554,897)
Canadian Fund	(74,646)	1.72400	(128,689)
SDR Fund	(6,298,122)	2.89762	(18,249,564)
USD Fund	(445,426,242)	2.00000	(890,852,484)
Sterling Fund	(157,053)	3.11661	(489,473)
BZ$ Fund	909,043,169	1.00000	909,043,169
Current Year Revaluation Loss			**$ (1,231,938)**

	BELIZE DOLLAR VALUE
Revaluation balance, January 1	**$3,810,406**
Decrease in revaluation	**(1,231,938)**
Revaluation balance, December 31	**$2,578,468**

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.

Asset Type	1 Month	1-3 Months	3-6 Months	6-12 Months	1-5 Years	Over 5 Years
	$	$	$	$	$	$
Balances with local bankers and cash on hand	391,645	-	-	-	-	-
Depository Accounts & Money at Call	5,451,036	-	-	-	-	-
Fixed Deposits	60,121,666	82,765,020	20,000,000	337,776,568	-	-
Overnight Deposits	171,571,110	-	-	-	-	-
Treasury Notes	-	3,000,000	-	43,792,000	119,853,000	20,000,000
Bonds	-	-	-	10,000,000	9,714,286	80,000,000
Debentures	-	-	-	-	-	2,000,000
Investment in Associate	-	-	-	-	-	20,000,000
	237,535,457	**85,765,020**	**20,000,000**	**391,568,568**	**129,567,286**	**122,000,000**

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

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