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Central Bank of Belize

Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

CENTRAL BANK OF BELIZE

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Central Bank of Belize, (the Bank) which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of profit, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Central Bank of Belize as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

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

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

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

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

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

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

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

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

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

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Chartered Accountants
Belize City, Belize
April 18, 2019

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

ASSETS	**Notes**	**2018**	2017
APPROVED EXTERNAL ASSETS:			
Bank balances and deposits with foreign bankers	2h, 2i, 3	**$ 19,086,062**	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund	2h, 2j, 4	**73,200,648**	74,769,792
Other foreign credit instruments	2h, 2k, 5	**463,998,441**	514,306,159
Accrued interest and cash-in-transit	2h, 2L, 6	**6,269,035**	3,793,085
Marketable securities issued or guaranteed by foreign governments and international financial institutions	2h, 2m, 7	**13,583,732**	14,285,714
Total approved external assets		**576,137,918**	611,778,553
BALANCES WITH LOCAL BANKERS AND CASH ON HAND	2h, 2n	**297,950**	301,986
GOVERNMENT OF BELIZE SECURITIES	2h, 2o, 8	**312,533,594**	340,922,789
CONSOLIDATED REVENUE FUND	2h, 2p	**47,776,492**	41,024,157
OTHER ASSETS	2h, 2q, 9	**19,918,218**	18,372,352
EQUITY INSTRUMENTS	2h, 2r, 10	**20,000,000**	20,000,000
PROPERTY AND EQUIPMENT – NET	2s, 11	**30,124,528**	30,084,320
INTANGIBLE ASSETS – NET	2t, 12	**3,711,754**	4,113,707
TOTAL ASSETS		**$1,010,500,454**	$1,066,597,864

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)
DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

LIABILITIES, CAPITAL AND RESERVES	Notes	2018	2017
DEMAND LIABILITIES:			
Notes and coins in circulation		**$ 397,336,526**	$ 383,392,538
Deposits by licensed financial institutions	2h, 2u	**399,224,059**	489,157,638*
Deposits by and balances due to Government and Public sector entities in Belize	2h, 2u	**88,934,100**	79,379,754*
Deposits by international agencies	2h, 2u, 13	**2,270,516**	1,210,294
Total demand liabilities		**887,765,201**	953,140,224
BALANCES DUE TO CARICOM CENTRAL BANKS	2h	**315,238**	561,529
OTHER LIABILITIES	2h, 14	**25,165,525**	14,384,513*
DEFINED BENEFIT PLAN NET OBLIGATION	2v, 26	**877,855**	877,855*
IMF SDR ALLOCATIONS	2h, 15	**49,863,432**	51,028,399
COMMERCIAL BANKS' DISCOUNT FUND	2h, 16	**1,248,117**	1,085,750
TOTAL LIABILITIES		**965,235,368**	1,021,078,270
CAPITAL ACCOUNT:			
Paid - up capital (Authorized capital $20,000,000)	2x, 17	**20,000,000**	20,000,000
REVALUATION ACCOUNT	2y, 18	**1,777,435**	2,387,028
ASSET REVALUATION RESERVE	19	**164,531**	164,531
POST EMPLOYMENT OBLIGATION RESERVE	2v, 26	**(37,327)**	(37,327)
GENERAL RESERVE FUND	2z, 20	**23,360,447**	23,005,362
TOTAL LIABILITIES, CAPITAL AND RESERVES		**$1,010,500,454**	$1,066,597,864

* Reclassified for comparative purposes.

The financial statements on pages 4 to 9 were approved and authorized for issue by the Board of Directors on April 17, 2019 and are signed on its behalf by:

CHAIRMAN	**GOVERNOR**	**SENIOR MANAGER, CORPORATE SERVICES**

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF PROFIT
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
CONTINUING OPERATIONS			
INTEREST INCOME:	2aa		
Approved external assets	21	**$10,838,440**	$ 8,542,084
Advances to Government of Belize		**3,872,315**	4,497,527
Local securities		**9,559,641**	11,128,244
		24,270,396	24,167,855
Other income:			
Discount on local securities		**861,814**	778,995
Dividends on equity instruments	10	**820,000**	760,000
Commissions and other income	22	**2,378,347**	2,923,393
Gain (loss) on disposal of securities		**5,096**	(394,515)
Total income		**28,335,653**	28,235,728
LESS: Interest expense		**(509,953)**	(281,994)
Total income		**27,825,700**	27,953,734
EXPENDITURE:			
Printing of notes and minting of coins	23	**(1,952,622)**	(2,360,160)
Salaries and wages, including superannuation contribution and gratuities	2w, 24	**(12,407,188)**	(11,334,535)
Depreciation and amortization expenses	2s, 2t, 11, 12	**(1,990,306)**	(1,886,218)
Administrative and general expenses	2bb, 25	**(6,711,872)**	(5,259,996)
Total expenditure		**(23,061,988)**	(20,840,909)
PROFIT FOR THE YEAR		**$ 4,763,712**	$ 7,112,825
Profit for the year attributable to:			
Owner of the Bank		**$ 4,763,712**	$ 7,112,825
Transfers:			
General Reserve Fund	2p, 2z, 20	**$ 476,371**	$ 711,283
Capital Account	2z	**-**	190,210
Consolidated Revenue Fund	2z	**4,287,341**	6,211,332
		$ 4,763,712	$ 7,112,825

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF OTHER COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
PROFIT FOR THE YEAR		**$ 4,763,712**	$ 7,112,825
Other comprehensive income (loss):			
Items that will not be reclassified subsequently to profit or loss			
Appraisal of artwork		**-**	61,100
Items that will be reclassified subsequently to profit or loss			
Revaluation of financial assets	18	**(609,593)**	1,418,990
OTHER COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		**(609,593)**	1,480,090
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 4,154,119**	$ 8,592,915
Total comprehensive income attributable to:			
Owner of the Bank		**$ 4,154,119**	$ 8,592,915

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Note	Capital account	Revaluation account	Asset revaluation reserve	Post-employment obligation reserve	General reserve	Total
January 1, 2017		$19,809,790	$ 968,038	$103,431	$(37,327)	$22,294,079	$43,138,011
Comprehensive Income:							
Profit for the year		-	-	-	-	7,112,825	7,112,825
Other comprehensive income		-	1,418,990	61,100	-	-	1,480,090
Total comprehensive income		-	1,418,990	61,100	-	7,112,825	8,592,915
Transactions with owners of the Bank recognized directly in equity:							
Transfer to Capital Account		190,210	-	-	-	(190,210)	-
Transfer to Consolidated Revenue Fund		-	-	-	-	(6,211,332)	(6,211,332)
Transactions with owner of the Bank		190,210	-	-	-	(6,401,542)	(6,211,332)
December 31, 2017		**$20,000,000**	**$2,387,028**	**$164,531**	**$(37,327)**	**$23,005,362**	**$45,519,594**
January 1, 2018		$20,000,000	$2,387,028	$164,531	$(37,327)	$23,005,362	$45,519,594
Adjustment from adoption of IFRS 9	2h					(121,286)	(121,286)
Comprehensive Income:							
Profit for the year		-	-	-	-	4,763,712	4,763,712
Other comprehensive loss		-	(609,593)	-	-	-	(609,593)
Total comprehensive income		-	(609,593)	-	-	4,763,712	4,154,119
Transactions with owner of the Bank recognized directly in equity:							
Transfer to Capital Account		-	-	-	-	-	-
Transfer to Consolidated Revenue Fund		-	-	-	-	(4,287,341)	(4,287,341)
Transactions with owner of the Bank		-	-	-	-	(4,287,341)	(4,287,341)
December 31, 2018		**$20,000,000**	**$1,777,435**	**$164,531**	**$(37,327)**	**$23,360,447**	**$45,265,086**

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		**$ 4,763,712**	$ 7,112,825
Adjustments to reconcile comprehensive income to net cash provided by operating activities:			
- Amortization and impairment of intangible assets	12	**555,327**	537,684
- Depreciation of property and equipment	11	**1,434,979**	1,348,534
- Loss (gain) on disposal of property and equipment	22	**222**	(6,938)
Cash provided by operating activities before operating assets and liabilities		**6,754,240**	8,992,105
Changes in:			
Consolidated revenue fund		**(6,752,335)**	7,196,412
Government of Belize securities		**25,296,000**	67,375,000
Securities		**580,696**	45,142,857
Reserve tranche in the International Monetary Fund		**412,947**	(988,363)
Other assets		**(1,545,866)**	855,298
Other liabilities		**10,781,012**	(14,530,363)*
Revaluation account		**(609,593)**	1,418,990
Net cash provided by operating activities		**34,917,101**	115,461,936
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of intangible assets		**(153,374)**	(53,782)
Acquisition of property and equipment		**(1,479,563)**	(523,256)
Proceeds from sale of assets		**4,154**	39,100
Net cash used in investing activities		**(1,628,783)**	(537,938)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Balances due to Caricom Central Banks		**(246,291)**	552,473
Commercial Bank Discount Fund		**162,367**	162,367
Deposits by and balances due to Government and Public sector entities in Belize		**9,554,346**	10,771,654*
Deposits by international agencies		**1,060,222**	(375,109)
Deposits by licensed financial institutions		**(89,933,579)**	(135,659,605)*
IMF SDR allocations		**(1,164,967)**	2,899,452
Notes and coins in circulation		**13,943,988**	13,889,741
Transfer to consolidated reserve fund		**(4,287,341)**	(6,211,335)
Net cash used in financing activities		**$ (70,911,255)**	$(113,970,362)

* Reclassified for comparative purposes.

Continued on page 9.

The notes on pages 10 to 46 are an integral part of these financial statements.

CENTRAL BANK OF BELIZE

STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2018 AND 2017 (IN BELIZE DOLLARS)

	2018	2017
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**$754,278,430**	$753,324,794
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(37,622,937)**	953,636
CASH AND CASH EQUIVALENTS, END OF YEAR	**$716,655,493**	$754,278,430
CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:		
EXTERNAL ASSETS:		
Balances and deposits with foreign bankers	**$ 19,086,062**	$ 4,623,803
Other foreign credit instruments	**463,998,441**	514,306,159
Accrued interest	**5,883,657**	3,701,813
Cash-in-transit	**385,378**	91,272
Balance with the International Monetary Fund	**55,975,411**	57,131,608
	545,328,949	579,854,655
LOCAL ASSETS:		
Cash and bank balances	**297,950**	301,986
Current portion of Government of Belize securities	**171,028,594**	174,121,789
	171,326,544	174,423,775
	$716,655,493	$754,278,430

The notes on pages 10 to 44 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 (the Act), Chapter 262 of the Substantive Laws of Belize. Legislation covering its operations includes the Central Bank of Belize Act and its related amendments, the Domestic Banks and Financial Institutions Act, the International Banking Act, the Money Laundering and Terrorism (Prevention) Act, Treasury Bill Act, the Financial Intelligence Unit Act along with associated Statutory Instruments, Circulars and Guidance Notes, the Exchange Control Act and the National Payment Systems Act.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

c. Functional and presentation currency – The financial statements are presented in Belize dollars, which is the Bank's functional currency.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e. Foreign investment policy – Section 25(1) of the Act requires that the Bank shall, at all times, hold assets of an amount in value sufficient to cover fully the value of the total amount of its notes and coins for the time being in circulation. As at December 31 2018, the value of total assets was $1,010,500,454 (2017: $1,066,476,578) while the value of notes and coins in circulation was $397,336,526 (2017: $383,392,538).

Section 25(2) of the Act requires that the Bank maintain at all times a reserve of external assets of not less than 40 percent of the aggregate amount of notes and coins in circulation and of the Bank's liabilities to customers in respect if its sights and time deposits. At December 31, 2018 and 2017 total approved external assets approximated 65.0 percent and 64.0 percent of such liabilities respectively.

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Significant accounting judgments and estimates (continued)

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

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

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

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 9	IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to January 1, 2015. The release of IFRS 9 (2014) on July 24, 2014 moved the mandatory effective date of IFRS 9 to January 1, 2018. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010) and IFRS 9 (2013), but these standards remain available for application if the relevant date of initial application is before February 1, 2015.	January 1, 2018	The Bank has adopted new guidance for accounting for financial instruments. This guidance was applied using the transitional relief allowing the entity not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

Standards/ Amendments	Pronouncement	When effective	Response
IFRS 15 Revenue from Contracts with Customers	IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. These include identifying the contract, performance obligations, and transaction price as well as allocating transaction price to the performance obligations and recognizing revenue when these are satisfied.	January 1, 2018	The standard was adopted, but has no current impact on the financial statements.
Clarification to IFRS 15 'Revenue from Contracts with Customers'	Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	January 1, 2018	The amendment was adopted, but has no current impact on the financial statements.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	The interpretation addresses foreign currency transactions or parts of transactions where: - there is consideration that is denominated or priced in a foreign currency; and - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; - the prepayment asset or deferred income liability is non-monetary. The Interpretations Committee came to the following conclusion: - The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.	January 1, 2018	The standard was adopted, but has no current impact on the financial statements.

Annual Improvements 2014-2016 Cycle - Makes amendments to the following standards for periods beginning on or after January 1, 2018.	When Effective	Response
IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose	January 1, 2018	The annual improvement was adopted, but has no current impact on the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Change in accounting policies (continued)

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

Standards/ Amendments	Pronouncement	When effective	Response
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	January 1, 2019	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	The amendments in Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) are: - If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. - In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.	January 1, 2019	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Amendments to References to the Conceptual Framework in IFRS Standards	Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.	January 1, 2020	The standard will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.
Definition of Material (Amendments to IAS 1 and IAS 8)	The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.	January 1, 2020	The amendment will be adopted when it becomes effective. Its effect, if any, will be quantified at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments –

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

Classification and initial measurement of financial assets:
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the periods presented the Bank does not have any financial assets categorised as FVOCI. The classification is determined by both:

- the Bank's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

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

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

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

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

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

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

The Bank utilizes an expected credit loss model following the Probability of Default approach where ECL = EAD x LGD x PD. See also note 29.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

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

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

The adoption of IFRS 9 has impacted the following areas:

- The classification and measurement of the Bank's financial assets. The Bank's financial assets are held to collect the associated cash flows. The bonds and securities previously classified as held-to-maturity (HTM) investments under IAS 39 continue to be accounted for at amortised cost as they meet the held to collect business model and contractual cash flow characteristics test in IFRS 9, refer to Note 4.17.

- Investments in unquoted equity instruments previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest (SPPI). The Bank did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income.

- The impairment of financial assets applying the expected credit loss model. This affects the financial assets measured at amortised cost. For regular receivables, the Bank applies a simplified model of recognising lifetime expected credit losses as these items do not have a significant financing component. Refer to Note 4.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Financial instruments (continued)

On the date of initial application, January 1, 2018, the financial instruments of the Bank were reclassified as follows:

	Measurement category		Carrying amounts		
Financial asset	**Original IAS 39 Category**	**New IFRS 9 Category**	**Closing balance December 31, 2017 (IAS 39)**	**Adoption of IFRS 9**	**Opening balance January 1, 2018 (IFRS 9)**
Balances and deposits with foreign bankers	Held to Maturity	Amortised Cost	$ 4,623,803	$ -	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund	Held to Maturity	Amortised Cost	74,769,792	-	74,769,792
Other foreign credit instruments	Held to Maturity	Amortised Cost	514,306,159	(43,654)	514,262,505
Accrued interest and cash transit	Held to Maturity	Amortised Cost	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions	Held to Maturity	Amortised Cost	14,285,714	(72,631)	14,213,083
Balances with local bankers and cash on hand	Held to Maturity	Amortised Cost	301,986	-	301,986
Government of Belize securities	Held to Maturity	Amortised Cost	340,922,789	-	340,922,789
Equity instruments	Available for sale	FVTPL	20,000,000	-	20,000,000
Consolidated revenue fund	Held to Maturity	Amortised Cost	41,024,157	-	41,024,157
Other assets	Held to Maturity	Amortised Cost	9,300,407	(5,001)	9,295,406
Total financial assets			$1,023,327,892	$(121,286)	$1,023,206,606

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Bank balances and deposits with foreign bankers – unrestricted – Comprises of cash at overseas correspondent banks and demand deposits including highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

j. Reserve Tranche and balances with the International Monetary Fund (IMF) – The Reserve Tranche represents the difference between the assigned quota and the IMF currency holdings. The Reserve Tranche can be accessed at any time without fees or economic reform conditions. The remainder of the quota is held in Special Drawing Rights (SDR) which is a supplementary international reserve asset.

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

k. Other foreign credit instruments – Comprises of short term financial assets including fixed deposits and overnight deposits held at overseas financial institutions with maturities of a year or less. The Bank's intention is to hold these until maturity.

Other foreign credit instruments are measured at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, by reference to external credit ratings, the instrument is then measured at the present value of its estimated future cash flows.

l. Accrued interest and cash in transit – Comprises of interest earned but not yet received on other foreign credit instruments and marketable securities issued or guaranteed by foreign governments and international financial institutions along with and cash on hand held for shipment and in transit.

m. Marketable securities issued or guaranteed by foreign governments and international financial institutions – Comprises of short term financial assets including bonds and debentures with maturities beyond a year.

n. Balances with local bankers and cash on hand – Comprises of cash on hand and deposits held at local financial institutions that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Government of Belize securities – Comprises of locally held financial assets including treasury bills and treasury notes issued and guaranteed by the Government of Belize.

Section 35 of the Act permits the Bank to purchase or sell treasury bills or notes issued or guaranteed by the Government of Belize for a period of maturity not exceeding 10 years. The Central Bank of Belize Amendment Act No. 28 of 2017 amends Section 35(2) of the principal Act on March 31, 2017 to stipulate that the Bank shall not at any time hold Government of Belize securities in an aggregate amount exceeding thirty times the aggregate amount at that time of the paid up capital and general reserves of the Bank. At December 31 the Bank's aggregate holding of these Government of Belize Securities approximated 7.21 times (2017: 7.90), respectively, the amount of paid up capital and general reserves of the Bank.

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

q. Other assets –

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

Provision for doubtful debt is recognized using the allowance method. Provisions for the full amount impaired are established one year after amounts due and unpaid.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

s. Property & equipment –

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

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

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

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

t. Intangible assets –

Initial recognition of other intangible assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Defined benefit plan (continued)

Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Service cost on the Bank's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost. Net interest expense on the net defined benefit liability is included in finance costs. Gains and losses resulting from remeasurements of the net defined benefit liability are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

w. Short term employee benefits –

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

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

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

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

x. Capital account – The Central Bank of Belize Amendment Act No. 19 of 2016 amends section 8 of the principal Act on October 12, 2016 to increase the authorized capital of the Bank to $20,000,000 and that the increase shall be paid from the retention of the share of the net profits of the Bank that would have otherwise been paid into the Consolidated Revenue fund until such time as the increase in capital is fully paid up. Consequently, $190,210 of the Bank's profit for the year ended December 31, 2017 was allocated to the Bank's paid up capital thereby increasing it to $20,000,000. No further allocations were made for the 2018 financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

   As at December 31, 2018, the Bank's General Reserve Fund was at $23,360,447 which exceeded the paid up capital of $20,000,000. In accordance with the Act, transfer from the net profit of 10% was made to the General Reserve Fund.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

cc. 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.

dd. 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. BANK BALANCES AND DEPOSITS WITH FOREIGN BANKERS

	2018	2017
Balances with other central banks and foreign banks	**$18,635,604**	$4,333,289
Foreign currency notes	**450,458**	290,514
	$19,086,062	$4,623,803

4. RESERVE TRANCHE AND BALANCES WITH THE INTERNATIONAL MONETARY FUND

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

	2018	2017
SDR Holdings	**$55,975,411**	$57,131,608
Reserve tranche	**17,225,237**	17,638,184
	$73,200,648	$74,769,792

SDRs are converted at an exchange rate of BZ$2.781584 to SDR 1.0 at December 31, 2018 (2017: BZ$2.84827 to SDR 1.0).

5. OTHER FOREIGN CREDIT INSTRUMENTS

	2018	2017
Fixed deposits	**$393,263,401**	$357,731,405
Overnight deposits	**70,782,846**	156,574,754
Expected credit losses	**(47,806)**	-
	$463,998,441	$514,306,159

6. ACCRUED INTEREST AND CASH-IN-TRANSIT

	2018	2017
Accrued interest	**$5,883,657**	$3,701,813
Cash-in-transit	**385,378**	91,272
	$6,269,035	$3,793,085

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

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

	2018	2017
Debentures	**$ 2,000,000**	$ 2,000,000
Bonds	**11,714,286**	12,285,714
Expected credit losses	**(130,554)**	-
	$13,583,732	$14,285,714

8. GOVERNMENT OF BELIZE SECURITIES

	2018	2017
Treasury Bills	**$ 51,069,594**	$106,822,789
Treasury Notes	**261,464,000**	234,100,000
	$312,533,594	$340,922,789

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

	2018	2017
Due within 1 year	**$171,028,594**	$174,121,789
Due within 1 year through 5 years	**97,772,000**	65,576,000
Due beyond 6 years	**43,733,000**	101,225,000
	$312,533,594	$340,922,789

9. OTHER ASSETS

	2018	2017
Other assets consist of:		
Accounts receivable	**$ 192,778**	$ 102,938
Staff loans receivable	**4,367,112**	4,261,398
	4,559,890	4,364,336
Less impairment for doubtful receivables and amortization of museum endowment fund:	**(16,650)**	(16,102)
	4,543,240	4,348,234
Accrued interest on local securities	**3,832,813**	4,176,071
Dividends receivable	**820,000**	760,000
Inventory of circulation notes and coins	**6,471,310**	6,783,679
Other	**527,010**	434,328
Prepayments	**2,626,875**	760,104*
Collectible coins inventory	**1,096,970**	1,109,936
	$19,918,218	$18,372,352
Impairment for doubtful receivables and amortization:		
Beginning balance, January 1	**$ 16,102**	$ 26,330
Additional impairment and amortization	**5,141**	-
Write-offs	**(4,593)**	(10,228)
Ending balance, December 31	**$ 16,650**	$ 16,102

10. EQUITY INSTRUMENTS

The equity instruments represents the Bank's investment of 4,000,000 shares in Belize Telemedia Limited at a par value of $5.00 per share totaling $20,000,000. Share certificates numbered 3165, 3166, 3167, 2668 and 2669 dated June 17, 2011 for 800,000 shares each 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. Belize Telemedia Limited declared dividends of $0.205 (2017: $0.19) per share to shareholders on record on September 27, 2018.

11. PROPERTY AND EQUIPMENT

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

Cost	**Property**	**Furniture**	**Equipment**	**Vehicles**	**Work in Progress**	**Total**
Balance at, January 1, 2017	$31,044,130	$1,589,298	$11,331,564	$652,375	$24,424	$44,641,791
Additions	49,772	63,743	184,931	106,310	118,500	523,256
Disposals	(21,293)	(26,938)	(328,290)	(88,973)	-	(465,494)
Transfers	-	11,439	12,985	-	(24,424)	-
Balance at, December 31, 2017	31,072,609	1,637,542	11,201,190	669,712	118,500	44,699,553
Accumulated depreciation						
Balance at January 1, 2017	5,165,272	1,304,777	6,850,470	379,512	-	13,700,031
Depreciation charge for the year	326,316	64,095	886,448	71,675	-	1,348,534
Disposal	-	(26,443)	(317,916)	(88,973)	-	(433,332)
Transfers	(134,687)	-	134,687	-	-	-
Balance at, December 31, 2017	5,356,901	1,342,429	7,553,689	362,214	-	14,615,233
Net book value						
December 31, 2017	**$25,715,708**	**$ 295,113**	**$3,647,501**	**$307,498**	**$118,500**	**$30,084,320**

12. INTANGIBLE ASSETS

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

December 31, 2017:	**Application Software and Licenses**	**Work in Progress**	**Total**
Cost			
Balance at, January 1, 2017	$5,674,043	$ -	$5,674,043
Additions	24,776	29,006	53,782
Balance at, December 31, 2017	5,698,819	29,006	5,727,825
Accumulated Depreciation			
Balance at, January 1, 2017	1,076,434	-	1,076,434
Amortization charge for the year	537,684	-	537,684
Balance at, December 31, 2017	1,614,118	-	1,614,118
Net Book Value			
December 31, 2017	**$4,084,701**	**$29,006**	**$4,113,707**

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

13. DEPOSITS BY INTERNATIONAL AGENCIES

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

	2018	2017
Caribbean Development Bank	**$1,155,338**	$ 90,602
International Monetary Fund	**188,263**	192,777
Inter-American Development Bank	**897,175**	897,175
Int'l Bank for Reconstruction & Development	**29,740**	29,740
	$2,270,516	$1,210,294

14. OTHER LIABILITIES

	2018	2017
Abandoned property	**$ 8,151,779**	$ 6,645,234
Accounts payable	**1,294,445**	335,409
Belize City Municipal Bonds – Sinking Fund	**1,011,820**	1,037,474
Bond discount	**34,099**	45,064
Corozal Freezone Municipal Bonds	**178,933**	140,227**
Deferred income	**635,976**	790,425
License international offshore financial institutions*	**10,742,942**	2,606,000
Other staff costs payable	**79,416**	76,361
Severance and gratuities	**2,990,026**	2,661,931
Unclaimed balances of Belize Unit Trust	**46,089**	46,388
	$25,165,525	$14,384,513

*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.

**Reclassified for comparative purposes.

15. IMF SDR ALLOCATIONS

	2018	2017
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 26,700,000 million. Based on this quota, the Bank received allocations of SDR 17,890,000. SDRs are converted at an exchange rate of BZ$2.78158 to SDR 1.0 at December 31, 2018 (2017: BZ$2.84827 to SDR 1.0).	**$49,774,373**	$50,967,634
Interest payable on the facility	**89,059**	60,765
	$49,863,432	$51,028,399

16. COMMERCIAL BANKS' DISCOUNT FUND

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

The USAID loan has the following terms:

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

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

	2018	2017
Loans receivable from institution	**$ (394,018)**	$ (546,218)
Interest paid to USAID	**(2,311,316)**	(2,311,316)
Interest received from institution	**3,953,451**	3,943,284
	$1,248,117	$1,085,750

17. CAPITAL ACCOUNT

	2018	2017
Authorized and paid up capital		
Authorized	**$20,000,000**	$20,000,000
Paid up capital as at December 31	**$20,000,000**	$20,000,000

18. REVALUATION ACCOUNT

	2018	2017
Balance at beginning of year	**$2,387,028**	$ 968,038
Gain (loss) from revaluations during the year	**(609,593)**	1,418,990
Balance at end of year	**$1,777,435**	$2,387,028

19. ASSET REVALUATION RESERVE

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

20. GENERAL RESERVE FUND

	2018	2017
Balance at beginning of year	**$23,005,362**	$22,294,079
Adjustment from adoption of IFRS 9	**(121,286)**	-
Transfer from net profit	**476,371**	711,283
Balance at end of year	**$23,360,447**	$23,005,362

21. INTEREST ON APPROVED EXTERNAL ASSETS

	2018	2017
Interest earned on overnight deposits	**$ 1,787,047**	$2,293,693
Interest earned on marketable securities	**262,027**	488,291
Interest earned on balances and deposits with foreign bankers	**8,789,366**	5,760,100
	$10,838,440	$8,542,084

22. COMMISSIONS AND OTHER INCOME

	2018	2017
Commissions	**$1,021,207**	$1,672,830
Collectible coins sales	**7,668**	8,020
Interest on loans	**194,893**	191,725
License and examination fees	**964,205**	908,795
Cash shipment and other miscellaneous income	**181,845**	135,085
(Loss) gains on disposal of assets	**(222)**	6,938
Gains on financial instruments valuation	**8,751**	-
	$2,378,347	$2,923,393

23. PRINTING OF NOTES AND MINTING OF COINS

	2018	2017
Currency notes	**$1,073,122**	$1,333,987
Circulation coins	**843,589**	987,852
Currency publicity campaign	**35,911**	38,321
	$1,952,622	$2,360,160

24. SALARIES AND WAGES, INCLUDING SUPERANNUATION CONTRIBUTION AND GRATUITIES

	2018	2017
Pensions contributions	**$ 494,699**	$ 446,908
Salaries and wages	**11,746,622**	10,734,162
Social security costs	**165,867**	153,465
Employee benefits expense	**$12,407,188**	$11,334,535

25. ADMINISTRATIVE AND GENERAL EXPENSES

	2018	2017
Advertising	**$ 84,460**	$ 64,562
Audit fees	**73,457**	73,776
Bank charges	**56,319**	368,274
Bank publications	**30,855**	45,550
Books and publication	**55,524**	30,783
Building repairs and maintenance	**396,257**	370,783
Cash shipment	**4,145**	4,210
Computer software license	**745,307**	595,405
Conference	**-**	76,791
Credit losses on financial instruments	**70,966**	-
Directors' fees	**92,100**	93,300
Donations	**25,168**	24,058
Entertainment	**27,901**	27,747
Equipment maintenance	**112,653**	59,987
Firearm license and ammunition	**15,903**	12,377
Freight charges	**44,203**	41,120
Hurricane preparedness	**17,888**	12,774
Insurance expense	**97,946**	93,598
Legal fees	**411,799**	219,286
Membership fees	**187,072**	110,495
Motor vehicle	**74,183**	65,181
Other miscellaneous expense	**289,441**	225,165
Overseas meeting and conferences	**492,554**	233,285
Professional services and technical support	**1,989,927**	1,154,723
Small equipment purchases	**22,700**	10,251
Subscriptions	**45,000**	89,933
Supplies	**386,084**	335,477
Surveys	**-**	12,275
Travel (local)	**65,925**	54,127
Utilities expense	**796,135**	754,703
	6,711,872	$5,259,996

26. DEFINED BENEFIT PLAN NET 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 postretirement medical benefit. During the year under review, the Bank contributed $494,699 (2017: $446,908) to the scheme.

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

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

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

Reconciliation of actuarial losses as at December 31, 2014:	
Surplus as at December 31, 2012	$ 3,341,174
Fair value of the plan assets	18,113,646
Present value of defined benefit obligation	(19,542,000)
Non-current pension liability as at December 31, 2014	(1,428,354)
Actuarial losses as at December 31, 2014	**(4,769,528)**
Presentation of Actuarial losses as at December 31, 2014:	
Amounts to recognize in Statement of Financial Position:	
Non-current pension liability as at December 31, 2014	(1,428,354)
Amounts to recognize in Statement of Other Comprehensive Income:	
Remeasurement losses	(4,769,528)
Reconciliation of actuarial losses as at December 31, 2016:	
Present value of the obligation at start of year	$19,542,000
Interest cost	1,023,470
Current service cost	1,213,834
Benefits paid	(572,872)
Remeasurement gain on obligation through OCI	(1,339,432)
Present value of the obligation at end of year	19,867,000
Fair value of the plan assets at start of year	18,113,646
Interest income on plan assets	903,688
Contributions	493,088
Benefits paid	(572,872)
Remeasurement gain on assets through OCI	51,595
Fair value of the plan assets at end of year	18,989,145
Net change in non-current pension liability for year ended December 31, 2016	**877,855**

26. DEFINED BENEFIT PLAN NET OBLIGATIONS (Continued)

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

Reconciliation of pension reserve:

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

Post-retirement Medical Benefit:

The Bank provides post-retirement medical benefits to its retirees. The entitlement to these benefits is available to employees who retire at normal retirement age (NRA) and to those who opt for early retirement. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The last actuarial valuation of this benefit was recognized as at December 31, 2012 which resulted in actuarial gains of $117,707 and reduced the obligations as at that date as follows:

	2012
Liability to be recognized in the Statement of Financial Position:	
Present value of the obligation	$1,940,000
Fair value of the plan assets	-
Net obligation	1,940,000
Actuarial gains	(117,707)
Liability recognized in the statement of financial position for the pension at December 31, 2012	$1,822,293

27. RELATED PARTY TRANSACTIONS

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

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

	2018	2017
Short-term benefits	**$2,269,194**	$2,203,488
Post-employment benefits	**62,433**	56,038
Termination benefits	**168,026**	541,014
	$2,499,653	$2,800,540

As part of its normal operations, the Bank also makes loans and advances to key management personnel who are not members of the Board of Directors. As at December 31 an amount of $540,335 (2017: $640,857) was receivable from key management personnel as approved advances made by the Bank. No impairment has been recognized in respect of loans given to related parties. The Bank has a residential mortgage loan program for qualifying permanent staff. This facility is available for a maximum period of 20 years with a variable interest rate initially set at 4.5%.

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

27. RELATED PARTY TRANSACTIONS (Continued)

	Social Security Board	Development Finance Corporation	DFC Mortgage Securitization Proceeds	Financial Intelligence Unit	Belize Tourism Board	Belize Electricity Ltd.	National Bank of Belize Ltd.	BCC Sinking Fund Account	International Financial Services Commission	Consolidated Revenue Fund
Opening Balances	$ (55,069)	$ (1,253,265)	$(447)	$ (58,499)	$ (588,349)	$ (24,925)	$(12,338,761)	$(1,037,473)	$(8,925,408)	$ 41,024,157
Disbursements	107,000	12,399,974	-	1,830,995	3,135,724	1,506,236	26,932,356	8,153,424	2,359,772	591,190,016
Deposits	(70,554)	(11,156,015)	-	(1,982,000)	(2,685,464)	(1,506,236)	(24,222,289)	(8,127,770)	-	(584,437,681)
Closing Balances	**$(18,623)**	**$ (9,306)**	**$(447)**	**$ (209,504)**	**$ (138,089)**	**$ (24,925)**	**$ (9,628,694)**	**$(1,011,819)**	**$(6,565,636)**	**$ 47,776,492**

Transactions with the Central Bank of Belize Pension Scheme:

The Bank accumulates the pension contributions for the Scheme's members and remits it to the Scheme on a monthly basis along with its own contributions. In addition, the Bank acts as an intermediary for payments of benefits to the Scheme's members and payment of professional fees. The Scheme periodically reimburses the Bank for such expenses. A summary of the transactions with the Bank for the year ended December 31, 2018 is included below:

December 31, 2018:	January 1, 2018	Contributions paid by the Bank to the Scheme	Contributions due to the Scheme	December 31, 2018
Contributions to the scheme	-	494,699	(494,699)	-

28. ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT BASIS

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortized cost. The principle accounting policies on Note 2g 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, 2018	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 (undiscounted)	$ -	$ 19,086,062	$ -	$ 19,086,062
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	73,200,648	73,200,648
Other foreign credit instruments (undiscounted)	-	463,998,441	-	463,998,441
Accrued interest and cash transit (undiscounted)	-	6,269,035	-	6,269,035
Marketable securities issued or guaranteed by foreign government and international institutions		13,583,732	-	13,583,732
Balances with local bankers and cash on hand (undiscounted)	-	297,950	-	297,950
Government of Belize securities		312,533,594	-	312,533,594
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	47,776,492	-	47,776,492
Accrued interest and cash-in-transit	-	6,269,035	-	6,269,035
Other assets (undiscounted)	-	9,212,703	-	9,212,703
Total financial assets	**$20,000,000**	**$879,027,044**	**$73,200,648**	**$972,227,692**

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

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

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

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

At December 31, 2017	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 (undiscounted)	$ -	$ 4,623,803	$ -	$ 4,623,803
Reserve Tranche and balances with the International Monetary Fund (undiscounted)	-	-	74,769,792	74,769,792
Other foreign credit instruments (undiscounted)	-	514,306,159	-	514,306,159
Accrued interest and cash transit (undiscounted)	-	3,793,085	-	3,793,085
Marketable securities issued or guaranteed by foreign government and international institutions		14,285,714	-	14,285,714
Balances with local bankers and cash on hand (undiscounted)	-	301,986	-	301,986
Government of Belize securities		340,922,789	-	340,922,789
Equity instruments (undiscounted)	20,000,000	-	-	20,000,000
Government Current Account (undiscounted)	-	41,024,157	-	41,024,157
Accrued interest and cash-in-transit	-	3,793,085	-	3,793,085
Other assets (undiscounted)	-	9,300,407	-	9,300,407
Total financial assets	**$20,000,000**	**$932,351,185**	**$74,769,792**	**$1,027,120,977**

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

At December 31, 2017	Financial liabilities at amortized costs	Financial liabilities at fair value through other comprehensive income	Total
Liabilities:			
Notes and coins in circulation (undiscounted)	$383,392,538	$ -	$ 383,392,538
Deposits by licensed financial institutions (undiscounted)	489,157,638	-	489,157,638
Deposits by and balances due to Government and public sector entities in Belize (undiscounted)	79,379,754	-	79,379,754
Deposits by international agencies (undiscounted)	1,210,294	-	1,210,294
Balances due to CARICOM central banks (undiscounted)	561,529	-	561,529
Other liabilities (undiscounted)	10,855,796	-	10,855,796
IMF SDR allocations (undiscounted)	-	51,028,399	51,028,399
Commercial bank discount fund (undiscounted)	1,085,750	-	1,085,750
Total financial liabilities	**$965,643,299**	**$51,028,399**	**$1,016,671,698**

29. FINANCIAL RISK MANAGEMENT

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

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

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

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

		Collateral	
	Maximum exposure	Appraised value	Stamped value
Mortgage loans	$2,843,566	$6,418,058	$3,940,840
Consumer loans (Bill of Sale)	285,529	222,305	196,587
Consumer loans (Regular)	1,238,017	28,307	25,000
	$4,367,112	$6,668,670	$4,162,427

Changes in loss allowance:	
Loss allowance as at January 1 calculated under IAS 39	$ 16,102
Amounts restated through opening retained earnings (general fund)	121,286
	137,388
Loss allowance recognized during the year 2018	70,966
Write-offs during the year	(4,593)
Loss allowance unused and reversed during the year	(8,751)
Loss allowance as at December 31, 2018	$ 195,010

29. FINANCIAL RISK MANAGEMENT (Continued)

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorized by geographical regions as of December 31, 2018. In Schedule A, the Bank has allocated exposure to regions based on the country of domicile of the counter parties.

Geographical concentration of assets:

Schedule A

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

Balance & Money at Call	USA	UK	Canada	Europe	Total
Depository Accounts & Money at Call	$ 11,439,197	$ 844,207	$172,571	$ 6,630,087	**$ 19,086,062**
Overnight Deposits	70,782,846	-	-	-	**70,782,846**
Fixed Deposits	150,560,641	89,163,649	-	153,539,111	**393,263,401**
Total Exposure	**$232,782,684**	**$90,007,856**	**$172,571**	**$160,169,198**	**$483,132,309**

Schedule B
Outline of other Local and Foreign Investments

Securities	Local		Foreign	
	GOB	**Dominica**	**IBRD/SEK**	**Barbados**
Treasury Bills	$ 51,069,594	$ -	$ -	$ -
Treasury Notes	261,464,000	-	-	-
Bonds	-		10,000,000	1,714,286
Debentures	-	2,000,000		-
Total Exposure	**$312,533,594**	**$2,000,000**	**$10,000,000**	**$1,714,286**

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.

29. FINANCIAL RISK MANAGEMENT (Continued)

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

Foreign Assets:	**Average rate of return** **2018**	**Average rate of return** 2017
Depository Accounts & Money at Call	1.07%	0.29%
Overnight Deposits	1.84%	0.67%
Fixed Deposits	2.10%	1.60%
Notes/Bonds	4.71%	4.71%
Debentures	3.50%	3.50%

Currency risk

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

The table below indicates the different fund allocations as of December 31, 2018:

	FOREIGN CURRENCY	**YEAR-END RATE**	**BELIZE DOLLAR VALUE**
Euro Fund	$ (249,327)	$2.28940	$ (570,809)
Canadian Fund	(221,988)	1.46640	(325,524)
SDR Fund	(8,399,880)	2.78158	(23,364,972)
USD Fund	(238,296,226)	2.00000	(476,592,452)
Sterling Fund	(238,753)	2.55820	(610,778)
BZ$ Fund	500,854,942	1.00000	500,854,942
Current Year Revaluation Loss			**$ (609,593)**

	BELIZE DOLLAR VALUE
Revaluation balance, January 1	**$2,387,028**
Decrease in revaluation	**(609,593)**
Revaluation balance, December 31	**$1,777,435**

29. FINANCIAL RISK MANAGEMENT (Continued)

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

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	297,950	-	-	-	-	-
Depository Accounts & Money at Call	19,086,062	-	-	-	-	-
Overnight Deposits	70,782,846	-	-	-	-	-
Fixed Deposits	10,000,000	268,127,822	-	115,087,773	-	-
Treasury Bills	31,069,594	20,000,000	-	-	-	-
Treasury Notes	1,000,000	32,000,000	16,008,000	70,951,000	97,772,000	43,733,000
Bonds	-	-	-	-	10,000,000	1,714,286
Debentures	-	-	-	-	-	2,000,000
Equity instruments	-	-	-	-	-	20,000,000
	132,236,452	**320,127,822**	**16,008,000**	**186,038,773**	**107,772,000**	**67,447,286**

29. FINANCIAL RISK MANAGEMENT (Continued)

Liability Type	1 Month $	1-3 Months $	3-6 Months $	6-12 Months $	1-5 Years $	Over 5 Years $
Deposits by licensed financial institutions	-	-	-	399,224,059	-	-
Deposits by and balances due to Government and public sector entities in Belize	-	88,934,100	-	-	-	-
Deposits by international agencies		2,270,516	-	-	-	-
Balances due to CARICOM Central Banks	315,238	-	-	-	-	-
Commercial Bank discount fund	-	-	-	-	-	1,248,117
Other liabilities	-	25,165,525	-	-	-	-
IMF SDR Allocations	-	-	-	-	-	49,863,432
	315,238	**116,370,141**	**-**	**399,224,059**	**-**	**51,111,549**
	131,921,214	**203,757,681**	**16,008,000**	**(213,185,286)**	**107,772,000**	**16,335,737**

Operational risk

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

30. POST – REPORTING DATE EVENTS

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

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