BANK OF GHANA

Annual Report 2004

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2004

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MANDATE

- To maintain stability in the general level of prices.
- To promote efficient operations of the banking and payment systems and economic growth.

GOVERNOR'S FOREWORD

Dr. Paul A. Acquah
Governor and Chairman of the Board

The year 2004 saw a strong economic performance with further consolidation of the emerging macroeconomic stability and accelerating GDP growth. Headline inflation declined from 23.6 per cent in December 2003 to 11.8 per cent by December 2004, and non-food price inflation fell even more sharply, from 27.9 per cent to 7.9 per cent. The Bank of Ghana's measures of core inflation largely indicated that underlying consumer price inflation was within single-digit levels for most of the year.

The growth of GDP rose from the 5.2 per cent recorded in 2003 to 5.8 per cent in 2004, driven largely by agriculture and to a lesser extent by manufacturing and services. The Bank of Ghana's Composite Index of Economic Activity (CIEA) recorded an increase of 29.1 points (17.5 per cent) on top of 21.5 per cent rise in 2003.

External sector developments resulted in a trade deficit of US$1,512.6 million compared to a deficit of $670 million in 2003. A strong growth in merchandise imports (22.9 per cent) was in response to domestic demand, especially for capital and intermediate goods. Another important factor was a 45 per cent increase in the bill for petroleum imports which amounted to US$816 million on account of high world oil market prices. Merchandise exports also rose by 3.3 per cent on the strength of a large increase in the volume of cocoa. The overall balance of payments was underpinned by the external current account position which was bolstered by the enlarged inflows of private unrequited transfers, and the significant debt relief under the HIPC initiative. Gross International Reserves, which reached US$1,422 million at the end of December 2003 further increased to US$1,732 million by December 2004, representing about 4 months of imports.

The cedi exchange rate continued to remain relatively stable in 2004 against the US dollar trading within a 2.0-2.2 per cent range on the interbank market. It depreciated against the British Pound and Euro by 13.3, and 12.3 per cent, respectively in 2004 compared to 15.5 and 28.5 per cent respectively in 2003. This was in the context of sharp swings in the major currency values on the international exchange markets especially with the euro and pound significantly appreciating against the US dollar in the last quarter of 2004. The trade-weighted real effective exchange rate for the cedi showed an appreciation of 1.43 per cent in 2004.

In the financial services sector, there is some evidence that in response to the changing economic environment, commercial banks and other financial institutions are shifting their lending portfolio in favour of credit to the private sector against investment in treasury bills. The annual growth of credit to the private sector in real terms remained broadly unchanged at 12 per cent in December 2004.

The increased banking sector activity was against the backdrop of generally robust earnings, profitability and liquidity positions, with a better risk outlook. Non-performing loans of the banking sector have declined further from 18.5 per cent in December 2003 to 16.1 per cent at the end of December 2004. The non-bank financial sector (including savings and loans companies, discount houses, finance companies, leasing companies and venture capital companies) has seen its assets grow to some ¢1,710 billion (2.0 per cent of GDP), an increase of 19.5 per cent over the last year. The licence of a discount house, Consolidated Discount House was suspended in 2004 as a result of irregularities in its operations.

In line with the policy of improving the payments system infrastructure, and widening its scope and reach, the Bank of Ghana introduced a paper-based credit clearing system in 2004 to complement the Real Time Gross Settlement System (RTGS) for high value interbank settlements. It should facilitate the settlement of low-value payments, with plans to migrate these settlements to an electronic platform in the near future.

The year 2004 saw a number of initiatives designed to support the growth and development of the capital markets. In collaboration with the Ministry of Finance, the Bank introduced new medium-term Government Securities in 2004 (two and three year fixed and floating rate bonds). The Bank of Ghana also introduced its own Bank of Ghana Bills (28 and 56 day bills) for open market operations.

It is hoped that, with time, a benchmark yield curve for Government securities will emerge in an active domestic bond market that will allow issuers to compare the cost of their debt to that of the Government of Ghana. The new securities also allow the Government to lengthen the average maturity of its debt and reduce the frequency with which it has to refinance maturing securities and ease funding pressures on the market for government debt instruments.

The Bank of Ghana launched a Central Securities Depository System (CSD) in 2004. The new central securities depository system has made it possible to maintain records of ownership of securities and made payment transactions electronically on real time basis. This ensures safety and security of title and efficiency in payments transactions. Eventually, the system will also be extended to include other fixed-income securities as well as equity securities listed on the Ghana Stock Exchange. It should facilitate inward inflows of foreign equity and portfolio investments.

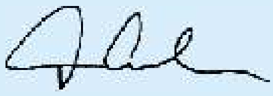
Along with these initiatives, the year saw also a number of reforms in the wholesale market for Government Securities, including a primary dealers code of conduct. These reforms together should bring to the domestic financial market increased efficiency and transparency, reduce transaction costs, and ensure broad-based participation of individuals on both competitive and non-competitive basis with greater security of title.

Looking ahead to next year, the Bank of Ghana would inter alia seek a review of the Exchange Control Act and the existing regulations and procedures governing foreign exchange and payments transactions as a matter of priority. The Bank will be advocating for the early passage of the required legislation, while streamlining its own approval procedures to facilitate expeditious transactions, with the emphasis on monitoring for analytical and balance of payments purposes rather than control.

The revised regulatory framework should encourage access to capital, preserve the liberal system that has served the country well and that is essential for attracting private direct investment. And, it should protect the integrity of the system against abuses such as money laundering and other illegal transactions. An Anti-Money Laundering Bill has also been drafted and should be passed next year, along with an Offshore Banking Bill.

The primary focus of the Bank in 2005 will continue to be one of ensuring price stability. The fiscal policy stance as set in the 2005 budget, represents a good balance between fiscal consolidation and economic growth. Its strict implementation, along with a moderation in private and public sector wage settlements, shall provide the needed support to the anti-inflation focus of monetary policy and provide the macroeconomic stability needed for a private-sector led economic growth strategy.

In conclusion, I would like to extend my gratitude to my colleagues on the Board and the entire staff of the Bank, who made our work in 2004 easier. The progress achieved during the year would not have been possible without their cooperation and support.



DR. PAUL A. ACQUAH

BOARD OF DIRECTORS

Dr. Paul A. Acquah	Governor/Chairman
Mr. Emmanuel Asiedu-Mante	Deputy Governor
Mr. Lionel Van Lare Dosoo	Deputy Governor
Mr. Nik Amarteifio	Lead Director
Prof. Fred. T. Sai	Director
Mrs. Gloria Nikoi	Director
Mr. Kwaku Agyeman-Manu	Director
Mr. Sam Okudzeto	Director
Rev. Dr. Kwabena Darko	Director
Prof. K. Asenso-Okyere	Director
Togbe Afede XIV	Director
Dr. Ishmael E. Yamson	Director

SECRETARY

Mr. James A. Odei

BOARD OF DIRECTORS

Dr. Paul A. Acquah

Governor and Chairman of the Board

Mr. Emmanuel Asiedu-Mante

Deputy Governor

Mr. Nik Amarteifio

Lead Director

Business Executive

Membership of other Boards:

- Chairman, African Selection Mining Corporation
- Vice Chairman, Dannex Pharmaceuticals Ltd.
- Ghana Investment Advisory Council

Mr. Lionel Van Lare Dosoo

Deputy Governor

Prof. Fred T. Sai

Reproductive Health Consultant

Membership of other Boards:

- Chairman, Steering Committee - Ghana Aids Commission
- Ghana Academy of Arts and Sciences
- Family Health International, USA

BOARD OF DIRECTORS

Dr. Ishmael E. Yamson

Business Executive

Membership of other Boards

- Chairman, Unilever Ghana Limited
- Chairman, University of Ghana Council
- Standard Chartered Bank Ghana Limited

Mrs. Gloria Nikoi

International Consultant

Membership of other Boards:

- Chairperson, Council of Centre for Policy Analysis (CEPA)
- Chairperson, Akuapem Rural Bank Ltd.
- Chairperson, ARB Apex Bank Ltd.

Mr. Kwaku Agyeman-Manu

Deputy Minister of Finance & Economic Planning

Membership of other Boards:

- Revenue Agencies Governing Board
- Divestiture Implementation Committee

Mr. Sam Okudzeto

Legal Practitioner

Membership of other Boards

- Bonte Gold Mines Ltd.
- Air Ghana Ltd.
- Deng Limited

Rev. Dr. Kwabena Darko

Industrialist

Membership of other Boards:

- Chairman, Darko Farms.
- Chairman, Sinapi Aba Trust
- Chairman, OISASAL
- Opportunity Internatioanl - USA

Prof. K. Asenso-Okyere

Vice Chancellor,
University of Ghana.

Membership of other Boards:

- Chairman, SADAOC Foundation
- Food Security Research and Policy Dialogue Initiative in West Africa
- Council of CSIR Roll Back Malaria Advisory Board

Togbe Afede XIV

Investment Banker

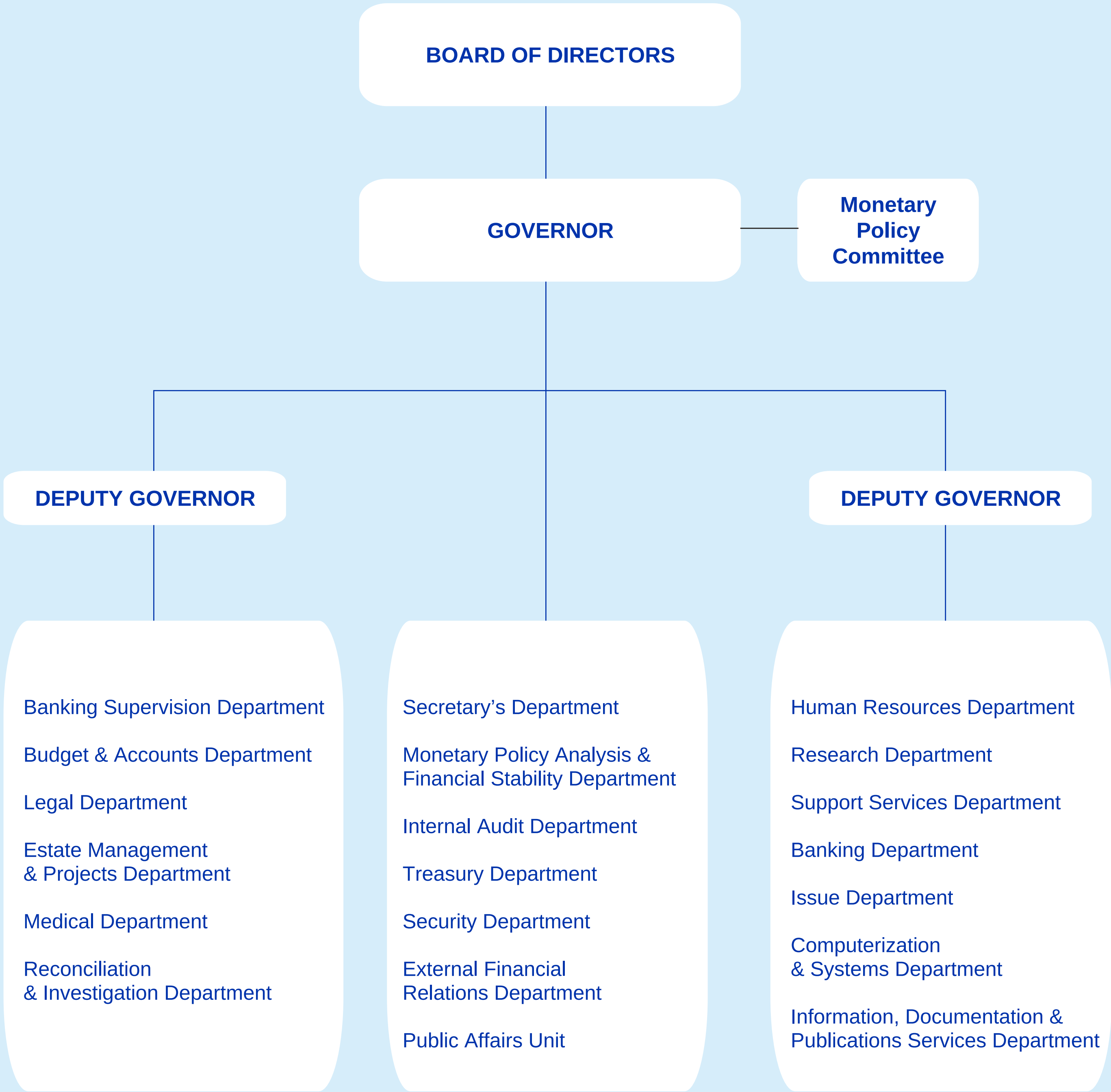
Membership of other Boards:

- Chairman, Strategic Initiatives Limited
- SAS Investment Management Limited
- Chairman, Pioneer Aluminium Factory Limited
- Aluworks Limited
- National Theatre of Ghana
- ProCredit Savings and Loans Company Limited

Mr. James A. Odei

Secretary to the Board

Organisational Structure



1.0 Governance

Under the Bank of Ghana Act (Act 612), the governing body of the Bank is the Board of Directors. The Board consists of the Governor as Chairman, the First and Second Deputy Governors, and nine Directors. One of the nine Directors is a representative of the Ministry of Finance and Economic Planning.

The Board of Directors is appointed by the President of Ghana in consultation with the Council of State. All the members of the Board, other than the Governor and his two deputies, hold office for a period of three years but are eligible for re-appointment.

Dr. Ishmael E. Yamson was appointed to the Board in June 2004. In the course of the year, Mr. T. E. Anin, a Director, passed away.

The responsibilities of the Board as provided by the Act involves formulating policies necessary for the achievement of stability in general level of prices, as well as effective and efficient banking and credit promoting systems in the country.
The Act also establishes a Monetary Policy Committee of the Bank with the following responsibilities:

(i) initiating proposals for the formulation of monetary policies of the bank;

(ii) providing the statistical data and advice necessary for the formulation of monetary policy.

Membership of the Committee comprises the Governor and the two deputies, the heads of Research and Banking departments and two appointees of the Ministry of Finance and Economic Planning.
The Act also provides for the appointment of committees that are necessary for the purpose of advising the Board. Accordingly, the Board has appointed five committees namely, Human Resource, Corporate Governance, Economy and Research, Strategic Planning and Budget and Audit.

1.1 Committees of the Board

Human Resources Committee

The Committee assesses and establishes from time to time the effectiveness of policies and procedures relating to recruitment, training, staff performance and reward systems of the Bank. Members of the Committee are:

Rev. Dr. Kwabena Darko - Chairman
Prof. Fred T. Sai
Mr. Sam Okudzeto
Prof. Kwadwo Asenso-Okyere
Mr. Lionel Van Lare Dosoo

Corporate Governance Committee

The Committee formulates policies relating to the regulation, supervision, external relations and compliance with statutory obligations and general functions of the Bank. The members are:

Mr. Sam Okudzeto - Chairman
Mr. Nik Amarteifio
Rev. Dr. Kwabena Darko
Prof. Fred T. Sai
Togbe Afede XIV
Mrs. Gloria Nikoi
Dr. Ishmael E. Yamson
Mr. E. Asiedu-Mante

Economy and Research Committee

The Committee is responsible for the economic, banking and financial issues relating to the Bank's functions. It collaborates with the Research Department of the Bank on research activities to enhance the quality of information available to the Board. The Committee also examines economic reports and makes appropriate recommendations for the Board's consideration. Membership comprises:

Mrs. Gloria Nikoi - Chairperson
Prof. Kwadwo Asenso-Okyere
Mr. Kwaku Agyeman-Manu
Rev. Dr. Kwabena Darko
Togbe Afede XIV
Mr. Lionel Van Lare Dosoo

Audit Committee

The main functions of the Committee are, to establish appropriate accounting procedures and controls for the Bank, supervise compliance with statutory requirements, examine Audit Reports on the Bank and give recommendations for the Board's consideration. Members are:

Prof. Fred T. Sai - Chairman
Mr. Kwaku Agyeman-Manu
Mr. Nik Amarteifio
Dr. Ishmael E. Yamson
Mr. E. Asiedu-Mante
Mr. L. Van Lare Dosoo

Strategic Planning and Budget Committee

The Committee formulates and directs the Bank's strategic policy in the fulfilment of its objectives. Membership comprises:

Mr. Nik Amarteifio - Chairman
Mrs. Gloria Nikoi
Mr. Sam Okudzeto
Mr. Kwaku Agyeman-Manu
Prof. Kwadwo Asenso-Okyere
Dr. Ishmael E. Yamson
Mr. E. Asiedu-Mante

1.2 Management Of The Bank

The Governor is responsible for the day-to-day administration of the Bank. He is assisted by the two Deputy Governors. The Governor and the two Deputy Governors constitute the Top Executive of the Bank.

They are assisted by the Heads of Department in the day-to-day management of the Bank.

1.3 Major Decisions Taken By The Board

During the year, the Board considered and approved the implementation of the following programmes:

Central Securities Depository (CSD)

The depository was introduced to enhance the safety of money and capital market operations. It functions as a bank for securities where all transactions of investors are recorded.

New Economic Indicator

The Composite Index of Economic Activity was introduced to track the performance of the real sector of the economy more effectively. It uses variables such as output of key industries, domestic VAT collections, imports, exports, industrial electricity consumption, port activity, private sector employment contributions to Social Security and National Insurance Trust and tourist arrivals.

Inter-Bank Credit Transfer

In collaboration with the commercial banks, the Bank introduced the Inter-bank Credit Transfer System to provide an alternative means of transferring funds in the banking system.

It operates on a multilateral net clearing basis based on paper credit vouchers. It utilises the structures of the current cheque clearing system.

Computerisation Project

As a result of the Bank's desire to enhance its operations, the Board approved the procurement and installation of a fully integrated and networked IT solution.

Adoption of Risk-Based Auditing

In line with international best practice, the Bank adopted the risk-based auditing concept. This entails the prioritisation of risks for purposes of audit activity.

Members of the Monetary Policy Committee

Dr. Paul A. Acquah
Governor and Chairman

Mr. Emmanuel Asiedu-Mante
Deputy Governor

Mr. Lionel Van Lare Dosoo
Deputy Governor

Dr. E. K. Y. Addison
Head, Research Department

Mr. Millison Narh
Head, Banking Department

Dr. Nii Kwaku Sowa
Economist / Research Fellow
(Centre for Economic Policy Analysis)

Dr. Bartholomew Nii Armah
Economist / Research Fellow
(Institute of Economic Affairs)

2.0 The Monetary Policy Committee

The Monetary Policy Committee is responsible for (a) initiating proposals for the formulation of monetary policies of the Bank; and (b) providing the statistical data and advice necessary for the formulation of monetary policies.

To provide technical support to the MPC, a new department **Monetary Policy Analysis and Financial Stability Department** was created during the year.

2.1 The MPC Process and Transparency

With the promulgation of the Bank of Ghana Act 2002 (Act 612), the Bank became one of the growing number of statutorily independent central banks worldwide. This enabled Bank of Ghana to adopt the trend towards greater clarity, transparency and specificity in communication with the public.

Globally, transparency, that is, communication with the public regarding information relevant for the policy making process, is in fact the new paradigm in the practice of monetary policy.

The MPC recognised that monetary policy is more effective when it provides the public with guidance on its objectives, activities and outlook. Accordingly it put in place practices that have come to place the new monetary policy framework it adopted - the MPC Process -on a high notch on the transparency scale.

In Table 1, Ghana is compared with selected advanced economies in respect of the most widely accepted issues of monetary policy transparency.

It should be mentioned that even though currently the MPC does not publish its minutes, it sends out five volumes of statistical releases to the public after each policy meeting. These releases contain enough information to make policy understandable to those outside the policy process.

Table 1: ISSUES OF MONETARY POLICY TRANSPARENCY

	G3			Inflation Targeters				Ghana
	US	EU	Japan	UK	Canada	NZ	Australia	
Goal								
Quantitative Inflation Objectives	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Reports to Legislature	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Knowledge								
Reports on Monetary Policy	H	M	M	Q	Q	Q	Q	B
Forecasts released	H	H	H	Q	Q	Q	Q	B
Quantitative Risk Assessments	No	No	No	Yes	No	No	No	Yes
Operational								
Decisions announced immediately	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Press Conferences	No	Yes	Yes	No	No	Yes	No	Yes
Press Releases	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Minutes Published	Yes	No	Yes	Yes	-	-	No	No
Voting Results Published	Yes	No	Yes	Yes	-	-	No	No

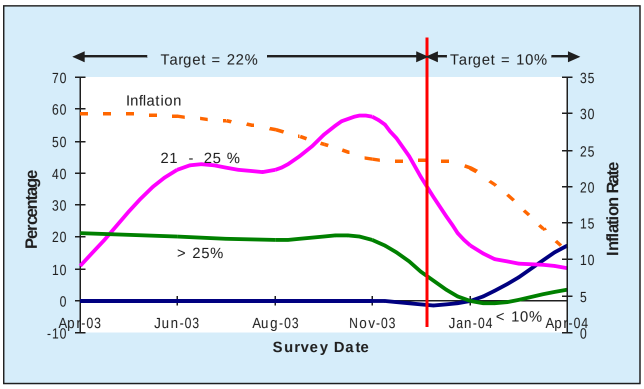
Notes: M=monthly; B=bimonthly; Q=quarterly; H=half-yearly
Sources: BIS Annual Report, June 2004 and Bank of Ghana

Benefits of Transparency

Transparency reduces uncertainty about a central bank's targets among other things. This is beneficial because it helps to fix inflation expectations, and so reduces both the mean and variance of inflation.

Chart 1 illustrates this issue from the results of six surveys of the bi-monthly Business Confidence Survey series, which were conducted for the MPC. The Central Bank had set inflation targets for year end 2003 and 2004. These targets were 22 per cent and 10 per cent respectively. During the survey, the respondents were asked about their expectations of the rate of inflation at the end of the years.

Chart 1: Shifts in Inflationary Expectations



In April 2003, only 11 per cent of the respondents expected an end-year inflation range of 21-25 per cent (which contained the central bank's target). The proportion rose to 40 per cent in the June survey and further to 60 per cent in the November survey, showing that more and more respondents revised their expectation towards the central bank's target. In other words, the disclosed target served to anchor the public's inflationary expectation. Similarly in 2004 when the end-year target was revised to 10 per cent, the proportion of respondents whose expectation range contained the target (i.e. the range 0-10 per cent) rose from 0 per cent in the January 2004 survey to 17.2 per cent in April. The conclusion that emerge from this was that a publicly announced numerical target for inflation, if credible and feasible, could be a powerful anchor for coordinating inflationary expectations.

In the face of the growing importance of financial markets in the economy of Ghana and given that market prices are driven by expectations of market participants, anchoring market expectations has become an important part of Bank of Ghana's current monetary policy framework. The MPC recognises the fact that the task of steering market expectations cannot be feasible without an effective and credible channel of communication with market participants.

2.2 MPC Meetings in 2004

In 2004, the Monetary Policy Committee (MPC) of the Bank met four times. The Prime Rate, the Bank's policy rate which was 21.5 per cent at end of December, 2003, was reduced in May, 2004 to 18.5 per cent and was maintained at this level for the rest of the year. (See Table 2)

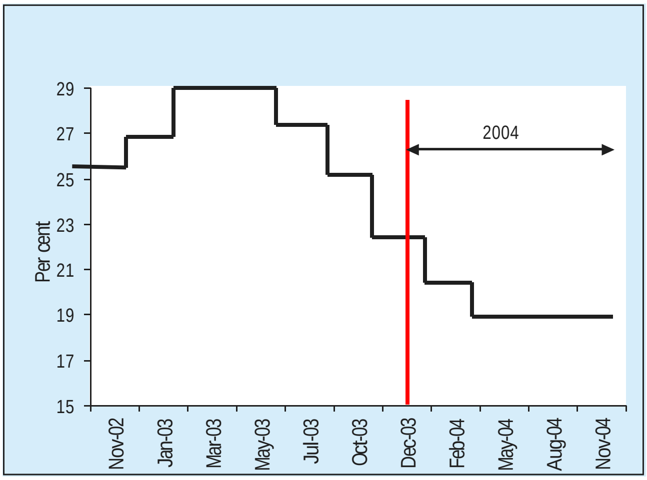
Table 2: Developments in the Prime Rates

...th Meeting	Date	Decision on Prime Rate	Prime Rate (%)
8th	18-20 Feb.	Reduced by 150bps	20.0
9th	18-20 May	Reduced by 150bps	18.5
10th	18-20 Aug.	Maintained	18.5
11th	09-12 Nov.	Maintained	18.5

Among the major factors that influenced the decisions of the Committee during the year were:

* Evidence of subdued inflation and continued diminishing inflationary pressures with substantially reduced volatility in prices (See Box 1).
* Unfavourable developments in commodity prices (See Box 2)
* Evidence of exchange rate stability (See Box 3)
* A favourable outlook in most of the macroeconomic indicators, including the fiscal used in assessing overall risks in the outlook;

Chart 2: The BOG Prime Rate



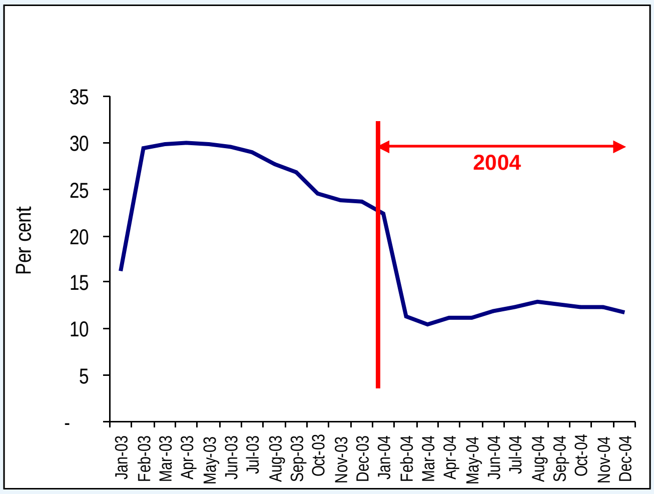
Box 1

Price Developments

The Ghanaian economy in 2004, continued to witness a disinflation process. The combination of fiscal and monetary policy mix in the year further consolidated the much-anticipated downward trend in inflation. The process of fiscal adjustment was evident in Central Government's net domestic financing of the budget, which was reduced sharply to 0.6% of GDP, compared with 3.0% of GDP a year earlier. Efforts at containing excess liquidity in the market were vigorously pursued by the Central Bank.

The first quarter of the year saw a significant drop in the rate of inflation from 23.6% as at the end of December 2003 to 10.5% by March 2004. It may be recalled that by the end of the first quarter of 2003, the CPI had surged by almost 18% from its December 2002 level mainly on account of the upward petroleum price adjustment that was made at the time. Accordingly, given the underlying firm fiscal and monetary policies, price developments in the first quarter of 2004 were subdued, thus reducing the 12-month gap between the indexes of the first quarter of 2003 and the first quarter of 2004.

Chart 3: Headline Inflation (Jan-03 - Dec-04)



By the end of the third quarter of 2004, it was evident that inflation had started to pick up on account of a combination of the following factors:

* Delayed seasonal effect associated with the supply of basic food staples;
* Increases in prices associated with the Housing and Utilities sector;

* Increased medical expenditure on account of the implementation of the National Health Insurance Levy.

These developments contributed additional inflation of 2.3% between the first and third quarters of 2004. By the end of the third quarter inflation was reported at 12.8%.

In the last quarter of 2004, inflation started easing downwards, dipping by 0.8 per cent to 11.8 per cent by end-December 2004.

Box 2

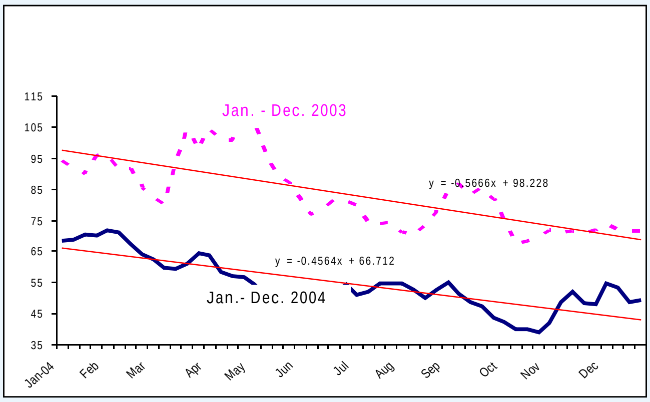
Commodity Prices

The year 2004 opened with a weekly average spot price of US$29.51 per barrel for Brent crude oil on the international market. Crude oil prices peaked at US$50.75 per barrel in October 2004 before dropping to US$41.68 at the end of 2004. The average price for 2004 was US$37.99, which represented a 33.8 per cent increase over the average 2003 weekly price of US$29.51.

In the case of cocoa beans, which accounted for 36.0 per cent of Ghana's merchandise exports in 2004, the average weekly London International Financial & Futures Exchange (LIFFE) price in 2004 was £860.87 per metric tonne compared with £1,088.82 in 2003. The effect of the combination of the unfavourable developments in the prices of oil and cocoa was a marked worsening in Ghana's terms of trade for the review year. A core weekly terms of trade index (2002: wk1=100) for Ghana, using oil, cocoa and gold to represent Ghana's merchandise trade, is shown in Chart 4 below.

The chart tracks and compares the developments in the index for 2004 and 2003. The fitted trend lines show that: (i) the terms of trade were unfavourable in 2003 as well as in 2004; and (ii) on the average the terms of trade worsened in the January–December 2004 period slightly less than it did for the corresponding period in 2003.

Chart 4: Core Terms of Trade Index
(Jan - Dec 2003 vrs 2004)



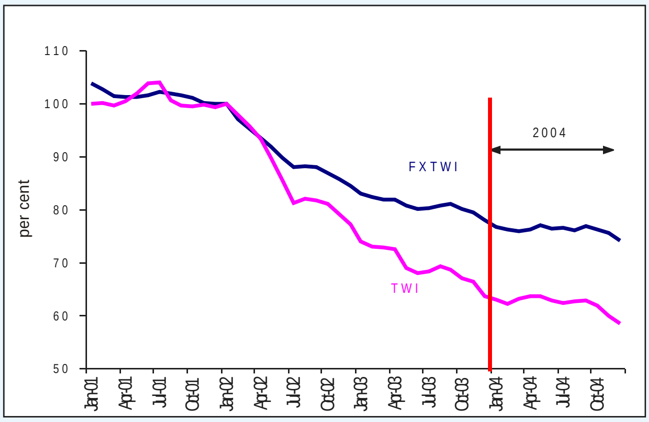
Over the review period, the index declined by 22.0 per cent (point-to-point), compared with 17.4 per cent in 2003. However, a more detailed comparison shows that the index exhibited greater volatility in 2003 than in 2004.

Box 3

Exchange Rate Stability

One of the key areas that influenced the outlook in 2004 was development in exchange rates. The year witnessed increased exchange rate stability as reflected in both the bilateral and effective exchange rates. This development resulted in reduced exchange rate volatility (See Chart 6), which in turn contributed significantly to the disinflation process in the review year. Given the traditional sensitivity of economic agents to changes in the cedi's exchange rates, the stable exchange rate developments in 2004 served to tie inflation expectations to low levels; thereby serving as a nominal anchor for price stability.

Chart 5: FXTWI and TWI of the Cedi
(Jan 01 - Dec 04)

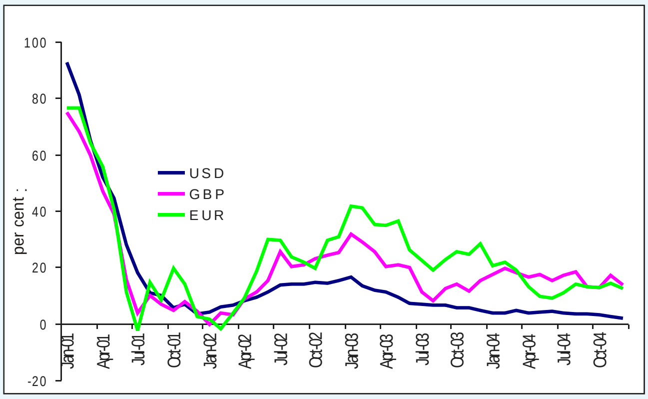


Looking at the developments in the bilateral nominal exchange rates, the cedi cumulatively emerged weaker against the US dollar, the pound sterling and the euro by 2.2, 13.3 and 12.3 per cent respectively. The corresponding figures for 2003 were 4.8, 14.9 and 25.9 per cent, showing that, in nominal terms, the cedi was more stable in 2004 than it was in 2003.

Two of the nominal effective exchange rate indexes are the Trade-Weighted (TWI) and the Foreign Exchange Transactions-Weighted (FXTWI) Indexes. Chart 5 shows the movement in the nominal TWI and FXTWI (January 2002=100) measures of the value of the cedi relative to the currencies of Ghana's top three trading currencies – the US dollar, the pound and the euro.

The trend in the indices show depreciation of the cedi between January and December 2004. The cedi lost 4.5 per cent of its trade-weighted value (point-to-point), as compared with 10.3 per cent over the same period in 2003.

Chart 6: Volatility of the Cedis' nominal bilateral rates



Summary of Bases for MPC Decisions:

Meeting of 18 – 20 February 2004:

Prime Rate cut by 150 basis points

After reviewing the macroeconomic performance for 2003, the Committee noted that the immediate outlook for continued convergence toward low and durable inflation and increased growth was underpinned especially by a firm implementation of the fiscal policy framework, predicated on deficit and domestic debt reduction. The private sector's response to the improving economic fundamentals, especially moderation in wage and price setting behaviour was viewed as crucial in the outlook.

There were however some downside risks including (i) projected softening of prices of Ghana's major export commodities; and (ii) uncertainty surrounding oil price developments.

The Committee noted however that the accumulation of gross international reserves was expected to provide some cushioning effect for any unanticipated external shocks.

Meeting of 19–21 May 2004:

Prime Rate cut by a further 150 basis points

The immediate outlook for continued and more robust convergence toward low and stable inflation and increased growth depended on keeping to the course of fiscal consolidation and monetary prudence. Set on the path of continued domestic debt reduction, fiscal policy was expected to ease pressure on the domestic money markets. There was also the benefit of prospective donor financing disbursements under the Multi Donor Budget Support mechanism. Ghana was scheduled to reach the HIPC Completion Point in 2004 and this was expected to result in a significant reduction in the external debt and the uncertainties regarding debt service obligations.

However, the downside risks in the economy continued to hinge around the increasing prices of crude oil on the international market. The prices of cocoa and gold softened relative to 2003. However, growth in exports had been projected to be robust in 2004 owing to increases in the output of cocoa, gold as well as non-traditional exports. This should underpin the improving domestic economy and balance of payments position.

Meeting of 18–20 August 2004:

Prime Rate left unchanged

The immediate outlook for robust low and stable inflation and sustained high level of economic activity depended on keeping on the course of fiscal consolidation and monetary prudence. Ghana attained the HIPC Completion Point in July 2004 and this resulted in a significant reduction in the external debt and the uncertainties regarding debt service obligations. However, the fiscal transfers to meet the subsidies associated with the unexpected oil price hikes constituted a major source of concern.

Meeting of 9 – 12 November 2004:

Prime Rate left unchanged

The outlook in the economy was shaped by improved fundamentals with low and stable inflationary and exchange rate expectations and improved growth prospects. Evidence from the real sector indicated that the pace of economic activity picked up and confidence in the economy from businesses and consumers remained high. The developments in the real sector indicated that real GDP growth for 2004 was likely to be above the 5.2 per cent projected at the beginning of the year.

The risk however continued to be the global uncertainty surrounding the course of crude oil prices, which would need to be managed in a deregulated domestic market to achieve a balance in its impact on the budget, domestic costs and prices.

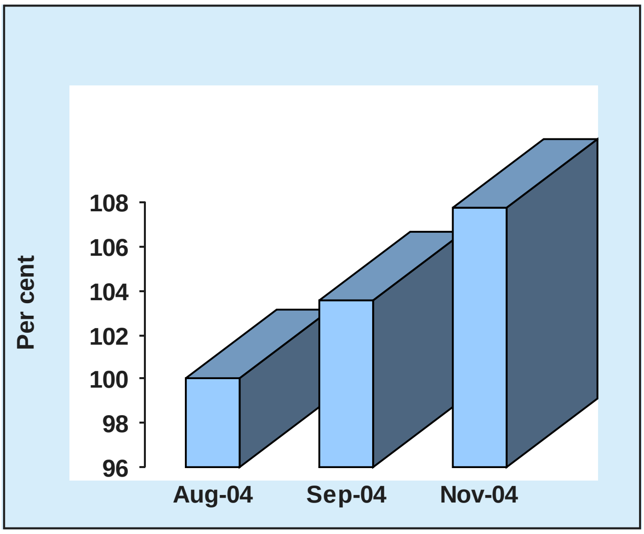
2.3 Activities to Support the MPC

To complement existing activities (such as Business Confidence Surveys and tracking Composite index of economic activity) aimed at gathering information on the real sector of the economy to inform monetary policy, the Monetary Policy and Financial Stability Department, in the second half of 2004, launched a nationwide urban consumer survey aimed at gauging consumer confidence. This was done in collaboration with Research Department and covers all the ten regional capitals in the country.

Three surveys were conducted in August, September and November. In each survey, a random sample of 20 respondents, from each of the 10 regional capitals (except in Volta Region where it was conducted in Hohoe, instead of Ho) were interviewed. The average response rate for the three surveys was 97.5 per cent.

Analysis of the results showed that consumer confidence increased from August and peaked in November as depicted in chart 7 below.

Chart 7: Consumer Confidence Index
(Aug 04 = 100)



3.0 Developments in the Global Economy

3.1 World Output Growth

After a rebound in 2003, the world economy strengthened in 2004 despite threats from oil price volatility. Output grew by an estimated 5.0 per cent, the highest in nearly three decades. The accelerated global growth experienced in the review year was driven by the United States with strong support from Asia, but the recovery became increasingly broad based with activity in all the other regions of the world picking up strongly. Global growth in the first quarter of 2004 was much stronger than expected, and the momentum of the recovery slowed thereafter.

Developed Economies

The US economy experienced generally strong growth during the first quarter of 2004, and this was attributed to tax-cut induced surge in consumption and accelerated fixed investments underpinned by continued growth in profits and depreciation allowances. The job market also recovered during the quarter**.** Economic growth however, slowed down in the second quarter as personal consumption was affected by a combination of factors including higher oil prices, weaker-than-expected employment growth and sharp fall in spending on durable goods particularly motor vehicles. In spite of these developments, growth remained robust in the third quarter at 4 per cent. For the year as a whole, US output growth is estimated at 4.4 per cent, higher than the 3.1 per cent experienced in 2003, and one of the highest growth rates in recent times. The current account deficit of the US widened to 5.75 per cent of GDP during the review year as a result of sharp expansion in imports, which remained a source of concern.

The recovery in Europe became more established in 2004. The UK economy is estimated to have grown by 3.2 per cent during the year. In the Euro area output growth in 2004 is projected at 1.8 per cent, compared to 0.6 per cent growth recorded in 2003, with Germany and France growing at 1.2 and 2.1 per cent respectively. However, the upturn remains moderate and was heavily dependent on external demand. Industrial production and business confidence showed gradual improvement but consumer confidence and real sales continued to lag especially in Italy and Germany.

Real GDP in Japan grew very strongly from 2.5 per cent in 2003 to over 4.0 per cent in 2004 with exports, especially to Asia, fixed business investments and robust private domestic demand being the key driving forces. These developments also firmed up labour market conditions leading to falling rates of unemployment. Growth in Japan was strongest in the first quarter of 2004 but moderated from the second quarter due to higher oil prices, planned slow-down of growth in China, as well as renewed yen appreciation. Deflationary pressures in Japan have eased considerably but corporate debt levels remain high and progress towards restoring financial soundness of the banking system of the country has been slow and uneven.

Developing Economies

The developing world enjoyed higher growth and rapidly rising trade volumes, with stronger growth rates experienced by a number of large developing countries. Against the background of the performances of these large countries, notably China (9.5 %), Russia (7.3 %), and India (6.4 %), developing countries as a whole achieved an estimated 6.6 per cent growth rate in 2004. Easy access to credit, and the accession to the World Trade Organization (WTO) contributed to China's remarkable performance, and the attendant sharp increase in Chinese import demand helped underpin growth among neighbouring East Asian countries. These developments together with the higher than expected demand in the United States constituted the major factors that led to the exceptional 9.0 per cent increase in world trade volumes.

In Latin America, the robust global expansion coupled with easier monetary conditions in some countries and higher oil revenues set in motion strong cyclical recovery of the region. The rise in non-fuel commodity prices also led to trade gains in the metal and raw material exporting countries of the zone. Output growth for the region was estimated at 4.6 per cent.

Economic activity also picked up in sub-Saharan Africa in 2004 with the region growing at an estimated 4.6 per cent. The increase in growth was aided by improved macroeconomic stability, the global expansion and easing of external debt burden through the HIPC initiative. Growth was higher for oil exporting countries (5.2 %) than for oil-importing countries (4.3 %). Even though oil-importing countries were hurt, the general rise in prices of commodity exports had a net positive impact on the trade balance of many Sub-Saharan African countries.

3.2 Interest Rates and Monetary Policy Stance

Having hit their lowest levels for almost half a century in 2003, interest rates in the developed world have since been on the ascendancy. This was due to the shifting of monetary policy of some major central banks from a loose to a more neutral stance to pre-empt perceived threats of global deflation.

From June to December 2004, the US Federal Reserve Bank increased the federal funds rate five times to close the year at 2.25 per cent, up from 1.0 per cent. The Bank of England, which started adjusting its benchmark repo rate upwards from June 2003, continued to increase the rate progressively to end the year at 4.75 per cent from 3.25 per cent at the beginning of the year. The Euro zone however, kept the European Central Bank's (ECB) refinancing rate unchanged at 2.0 per cent, a level it has maintained since June 2003 while the Bank of Japan maintained its near-zero interest rate policy stance.

3.3 General Price Level

After falling to very low levels in 2003, headline inflation across the world started increasing in 2004 reflecting higher prices of crude oil and intermediate materials, but the levels continued to be moderate. Consumer price inflation in the advanced countries rose from an average of 1.8 per cent in 2003 to an estimated 2.1 per cent in 2004. Consumer price inflation in the US was 2.6 per cent in 2004, up from 2.3 per cent in 2003, while it rose to 1.7 per cent and 2.3 per cent respectively in Germany and France. The prospects for an end to deflation in Japan improved significantly in 2004 as it ended the year with 0.1 per cent deflation. Average inflation in developing countries remained lower than 10 per cent for the year.

3.4 International Foreign Exchange Market

The US dollar fell for a third consecutive year in 2004. On the average the US dollar dropped by over 7 per cent against the euro and over 4 per cent against the yen in 2004. From a low of US$1.26 to the euro at end 2003, the dollar ended the year at a historical low of US$1.35 to the euro by end 2004. The yen also strengthened against the dollar, from an average of 119 yen to the dollar in 2003 to 108 yen in 2004.

3.5 Commodities Market

Brent Crude

From an average of $29.58 in 2003 the price of Brent crude rose to $38.2 per barrel by March and further to $42 by May 2004 following threats by OPEC to limit oil production. The price fell briefly in June to $40, as some OPEC members notably Saudi Arabia produced above quota. The price of oil however moved up again to $45 per barrel in August and to over $50 in October, following tax disputes in Russia, tension-related production disruptions in Iraq, concerns of strike in Nigeria, and plans to raise exploration fees from 1.0 per cent to 16.6 per cent in Venezuela. Oil prices however ended the year around $40 per barrel.

Gold

In 2004, just as in 2003, gold benefited from the decline in the value of the US dollar. The price of gold averaged about $410 per ounce in 2004. The metal began 2004 at $415 per ounce, fluctuated between $375 and $454 per ounce and ended the year at $437 per ounce.

Cocoa

From a price of $1,540 per tonne as at end 2003, the price of cocoa pulled back to $1,400 per tonne in July 2004. The price rose following renewed political tensions in Cote d'Ivoire and by the end of December 2004, cocoa had soared to US$1,581.98 per tonne.

3.6 Developments in Capital Markets

Many global stock markets finished 2004 above their end 2003 levels. After drifting downwards in July and early August on concerns about the strength of the economic recovery, equity markets around the world rallied from mid August.

This was interrupted in October but gathered momentum in November when doubts about the global economy receded, with many markets closing the month at their highest level since 2001.

The S & P 500 index rose by 11.0 per cent between mid-August and end November and finally ended the year with a 9.0 per cent gain. Over the same period, Dow Jones Euro STOXX went up by 12.0 per cent and MSCI Asia, excluding Japan index, rose by 11 percent. In Japan, the Nikkei index was up only 7.6 per cent in spite of the improved economic outlook. Share prices in China did not fare well, falling by 15.0 per cent despite the country's rapid economic growth.

3.7 Outlook for 2005

The outlook is for continued high global growth in 2005, though the level is expected to be lower than attained in 2004. Oil prices are likely to increase in 2005 and contribute to the build-up of inflationary pressures.

In the US, the financing requirements of the current account and fiscal deficits as well as the need to curb inflationary pressures, would dictate continued upward adjustments of interest rates. The dollar would continue to be volatile, most probably experiencing falls relative to other major currencies. Interest rates in other developed countries are also expected to move upwards.

Efforts to reduce access to easy credit in China are likely to be more effective in constraining output expansion in 2005 with attendant impact on the performance of economies in the Asia region. The impact of high oil prices as well as projected falls in non-oil commodities prices would adversely affect growth in Africa, particularly in oil-importing Sub-Saharan African countries. On the other hand, resolution of conflicts and maintenance of peace and improved implementation of macro-economic policy should exert positive influence on performance.

Improvements in macro-economic fundamentals, falling debt levels, enhanced structural flexibility, stronger investment climate and further progress towards reduction in trade barriers if sustained, will also support developing countries to achieve and sustain high growth levels.

4.0 Review of the Ghanaian Economy

Introduction

The Ghanaian economy made a considerable degree of progress in 2004. It recorded the highest growth rate in twenty years, inflation declined significantly, government finances improved and international reserves reached record levels. These positive developments were the result of a favourable external environment which helped to keep commodity prices up (although high oil prices eroded some terms of trade gains) and prudent domestic policies that allowed Ghana to obtain a further tranche of credit under the Three Year IMF programme and reach completion point under the Enhanced HIPC Initiative. The completion point of the enhanced HIPC programme resulted in significant cancellation of external debt, resulting in savings on debt servicing, which was used in financing higher expenditures on poverty related projects.

Table 3: Selected Economic Indicators

	1999	2000	2001	2002	2003	2004
Real GDP (%)	4.4	3.7	4.2	4.5	5.2	5.8
Inflation						
Year-on-Year	13.8	40.5	21.3	15.2	23.6	11.8
Annual Average	12.4	25.2	32.9	14.8	26.7	12.6
Exchange Rate (End-period Transaction Rates)						
¢/US$	3,535.1	7,047.7	7,321.9	8,438.8	8,852.3	9,051.3
¢/£	5,715.5	10,189.9	10,596.7	13,305.2	15,296.0	17,411.5
¢/Euro	3,577.3	6,343.5	6,500.5	8,511.6	10,986.3	12,309.0
Commodity Prices						
Cocoa (US$/tonne)	1,434.0	1,094.0	1,021.0	1,260.0	1,949.5	1,586.9
Gold (US$/fine ounce)	278.7	280.4	271.6	309.5	364.5	409.9
Oil, IPE Brent Crude (US$/Barrel)	18.6	28.4	25.0	25.0	28.4	37.8
External Sector						
Exports of goods and services (US$'m)	2,473.1	2,440.6	2,398.8	2,570.1	3,192.4	3,486.9
Imports of goods and services (US$'m)	3,925.9	3,350.2	3,574.5	3,327.9	4,132.6	5,355.7
Current Account Balance (US$'m)	(964.6)	(386.5)	(324.6)	(31.9)	302.3	(151.2)
Overall Balance of Payments (US$'m)	(90.7)	(116.8)	8.6	39.8	558.3	(123.4)
Gross International Reserves (end period, in US$'m)	420.1	233.4	364.8	640.4	1,425.6	1,732.4
(in months of imports of Goods and services)	1.2	0.8	1.2	2.2	3.9	3.8
External Debt (US$'m)	5,960.0	6,062.0	6,376.8	6,585.3	8,034.6	6,426.8
Interest Rates (%)						
Bank of Ghana Prime Rate				24.5	21.5	18.5
91-day Treasury Bill	31.5	42	28.9	26.6	18.7	17.1
182-day Treasury	26.0	42.4	28.9	27.2	20.3	17.9
1-year note	22.3	31.0	29.9	27.0	20.5	17.9
Non-Bank Holding of T-bills						
91-days (billions ¢)	1,186.6	1,795.1	2,866.7	3,621.8	4,101.8	3,214.7
182-days (billions ¢)	41.5	27.3	446.0	700.3	1,073.8	673.1
1-year (billions ¢)	18.0	7.8	37.3	274.3	415.1	272
Monetary Aggregates Growth (Year-on-Year, %)						
Reserve Money	35.8	52.6	31.3	42.6	33.4	18.8
Broad Money (M2+)	23.9	46.5	41.4	50.0	37.8	26.0
Broad Money (M2)	24.8	33.4	48.4	50.0	40.5	26.6
Nominal GDP (in billions of cedis)	20,580.00	27,153.00	38,071.00	48,862.00	66,158.00	79,803.70
Government Budget (% of GDP)						
Total Revenue	16.52	17.7	18.1	18.0	20.8	23.8
Grants	1.47	2.1	6.9	3.1	4.7	6.2
Total Expenditure	24.12	27.7	32.1	26.1	29	32.9
Overall balance (including Grants)	-6.51	-9.7	-9	-6.8	-4.5	-3.2
Domestic primary balance	2.31	2.6	3.8	2.0	2.2	0.7

Monetary policy succeeded in keeping inflationary expectations low and inflation pressures eased considerably during the year.

Indicators of economic activity suggested that the economy experienced an upswing in 2004 with Cocoa production of over 700,000 tonnes, during the 2003/4 crop season, the highest since the 580,000 tonnes recorded in 1964/65 crop season. Agricultural output increased by 7.5 per cent and propelled the higher growth attained in 2004.

The stock market also experienced generally buoyant conditions in the review year with the index rising by 91.3 per cent and total market capitalisation recording an unprecedented jump of 506.4 per cent to ¢97,614.5 billion.

The external sector remained fairly strong, as transfers and debt relief were more than enough to cover the current account deficit, allowing a build up in foreign exchange reserves of more than $300 million in 2004. Gross International Reserves increased to US$1,732.94 million, enough to cover 3.8 months of import of goods and services.

On reaching the HIPC completion point in July 2004, Ghana's external debt was reduced by US$2 billion with a further US$2 billion to be cancelled over 20 years. Ghana's total external debt therefore declined to US$6.1 billion as at end December 2004 from US$8.03 billion in December 2003.

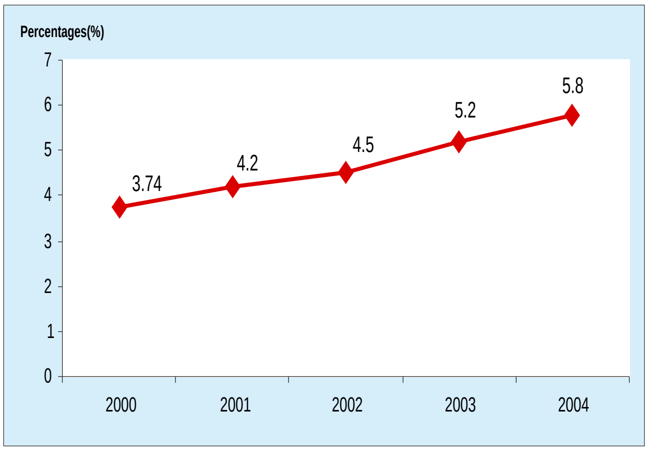
4.1 Economic Activity and Real GDP Performance

As a result of the stability achieved since 2002, Gross Domestic Product (GDP) growth has improved significantly. From an overall growth rate of 3.7 per cent in 2000, higher growth rates of 5.2 per cent and 5.8 per cent were achieved in 2003 and 2004 respectively (see Chart 8).

Sources of Growth in GDP

The agricultural sector led the way with an outstanding growth performance of 7.5 per cent against the growth rate of 6.1 per cent achieved in 2003. The industrial and

Chart 8: GDP Growth Rate (2000-2004)



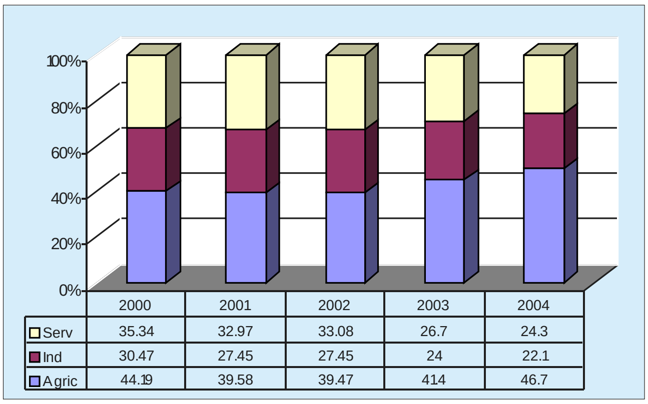
services sectors registered 4.7 per cent and 5.1 per cent growth rates respectively (see Table 4)

Table 4: Sectoral Growth Rates in 2004

	2000	2001	2002	2003	2004
Industry	3.8	2.9	4.7	5.1	5.1
Agriculture	2.1	4	4.4	6.1	7.5
Services	5.4	5.1	4.7	4.7	4.7

In terms of relative significance of the various sectors, the agricultural sector contributed 46.7 per cent to the overall GDP growth in 2004, industry 22.1 per cent and services 24.4 per cent. In the year 2003, agriculture, industry and services contributed 41.4 per cent, 24.0 per cent and 26.7 per cent respectively to GDP. The agricultural sector's increased contribution to the GDP reduced the relative contributions of the services and industrial sectors to the overall GDP performance in the year under review. (see Chart 9).

Chart 9: Percentage Share in GDP (2000-2004)



Agricultural Sector

The agricultural sector grew at a rate of 7.5 per cent compared with a target of 6.0 per cent. Cocoa Production and Marketing sub-sector for the second successive year performed better than expected, accounting for the biggest contribution of 29.9 per cent growth rate for the sector. The remarkable performance of the sub-sector could be attributed to mass cocoa spraying exercise and better husbandry practices initiated by the government.

Table 5: Agricultural Sector Growth: 2000-2004

	2000	2001	2002	2003	2004
Agricultural	2.1	4	4.4	6.1	7.5
Crops and Livestock	1.1	5	5.2	5.3	5.3
Cocoa Production and Marketing	6.2	-1	-0.5	16.4	29.9
Forestry and Logging	11.1	4.8	5	6.1	5.8
Fishing	-1.6	2	2.8	3	3.5

Source: Statistical Service

The Forestry and Logging sub-sector recorded 5.8 per cent growth as against a target of 6.3 per cent. Growth in the crops and livestock sub-sector was 5.3 per cent, same as in the previous year, but slightly lower than the target of 5.4 per cent

Industry

Industrial sector growth in 2004 was 5.1 per cent, same as in the previous year. All the sub sectors contributed to growth in the sector with construction sub-sector recording the highest of 6.6 per cent

Table 6: Industrial Sector Growth: 2000-2004

	2000	2001	2002	2003	2004
Industry	3.8	2.9	4.7	5.1	5.1
Mining and Quarrying	1.5	-1.6	4.5	4.7	4.5
Manufacturing	3.8	3.7	4.8	4.6	4.6
Electricity and Water	4.5	4.2	4.1	4.2	3.7
Construction	5.1	4.8	5	6.1	6.6

Source: Statistical Service

Services Sector

Growth in the services sector in 2004 remained at 4.7 per cent. The highest growth of 5.6 per cent was recorded in the Transport, Storage and Communications sub-sector (see Table 7).

Table 7: Services Sector Growth: 2000-2004

	2000	2001	2002	2003	2004
Services	5.4	5.1	4.7	4.7	4.7
Transport, Storage and Communication	6	5.5	5.7	5.8	5.6
Wholesale and Retail Trade, Restaurants and Hotels	4	5.5	5.6	5	4.9
Finance, Insurance, Real Estimates and Business services	5	4.5	5.5	5.2	4.8
Government Services	6	5	3.6	4	4.4
Community, Social and Personal Services	6.9	6.5	4.4	4.1	4.2
Producers of Private Non-Profit Services	3.1	3.2	3.1	3.2	3.5

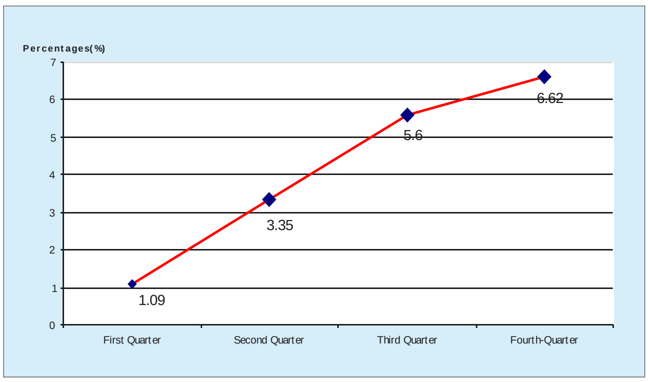
Source: Statistical Service

Bank of Ghana Composite Index of Economic Activity

The Bank of Ghana's Composite Index of Economic Activity (CIEA), which measures real sector activities including output of selected key enterprises, industrial electricity consumption, domestic VAT, port activity, imports, exports and employment contributions, indicated that the level of activities in the real sector of the economy was on the increase in 2004.

The quarter-on-quarter Bank of Ghana Composite Index of Economic Activity growth rate showed that the Ghanaian economy picked up in the first quarter of 2004, with 1.0 per cent growth in the index over the fourth quarter of 2003. The index again showed an increase of 3.35 per cent in the second quarter. It rose further in both the third and fourth quarters to 5.6 per cent and 6.62 per cent quarter-on quarter respectively (see Chart 10).

Chart 10: Bank of Ghana Composite Index Of Economic Activity (2004)

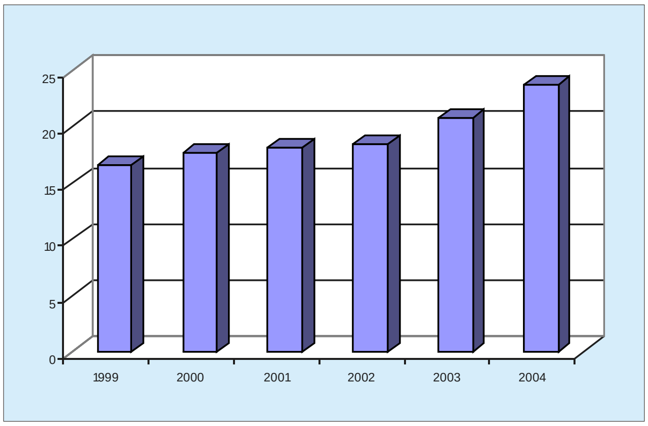


The growth in the index throws more weight on the improvements in the real economic activities in the Ghanaian economy that impacted significantly on the recorded GDP growth rate of 5.8 per cent in 2004 fiscal year.

4.2 Fiscal Developments

Fiscal developments in 2004 indicated that the economy withstood the election year pressures, which in the past led to significant macroeconomic instability. Fiscal consolidation remained the cornerstone of policy, which translated into higher revenues and improved expenditure management, thereby significantly reducing the net domestic financing needs of the budget in the year. This development supported the objectives of minimizing the government's domestic borrowing requirement in order to reduce interest rates as well as halt the crowding out of the private sector from the credit market.

Chart 11: Domestic Revenue as a Percentage of GDP



Government revenue mobilisation increased in 2004 and domestic revenue as a percentage of GDP increased from 17.7 per cent in 2000 to almost 23.8 per cent in 2004.

Total Revenue and Grants

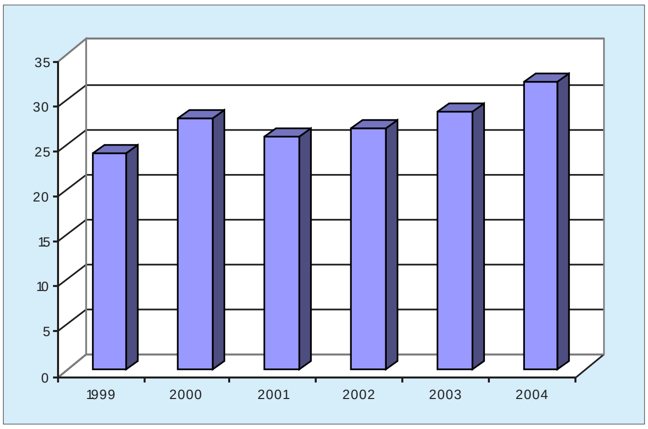
Provisional data indicated that total revenue including grants was ¢23,938.4 billion (30.4% of GDP) showing a 42.0 per cent increase over the previous year's outturn of ¢16,861.6 billion (25.5% of GDP). Tax receipts increased on account of economic activity and effective tax administration.

Tax receipts amounted to ¢17,861.7 billion exceeding the programmed target by ¢676.1 billion (3.93%). The major components of the tax revenue were: Income and Property (including National Reconstruction Levy (NRL)), ¢5,343.4 billion (30.0%), Domestic goods and services (including Petroleum Debt Recovery Levy) ¢3,734.5 billion (20.9%), International Trade, ¢3,987.9 billion (22.3%), and VAT ¢4,336.6 billion (24.3%). Non-tax revenue amounted to ¢1,136.3 billion, Grants ¢4,940.3 billion and other revenue ¢458.7 billion. Despite the late take off of the National Health Insurance Levy it raked in ¢130.7 billion (39.84%) more than estimated.

Total Expenditure

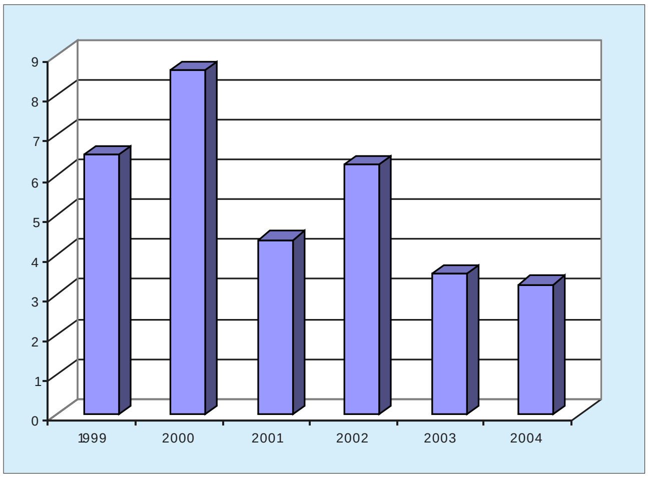
Government expenditure, including net lending, in 2004 amounted to ¢26,229.5 billion which was 38.2 per cent above the 2003 figure of ¢18,981.3 billion. The rise in government spending was accounted for by the Tema Oil Refinery's (TOR) inability to fully recover cost in the face of rising oil prices, the ¢650.2 billion fiscal loss arising from indexation of retired Government of Ghana Index Linked Bonds (GGLIBs) and unprogrammed expenditures such as the ¢160 billion for acquisition of VALCO.

Chart 12: Total Expenditure as a Percentage of GDP



Total expenditure for the review year amounted to 33.4 per cent of GDP, of which recurrent spending constituted 20.7 per cent and capital spending 10.3 per cent. Non-interest payments represented 16.3 per cent of GDP while interest payments accounted for 4.4 per cent of GDP.

Chart 13: Overall Deficit Including Grants(% of GDP)



The extent of fiscal consolidation achieved over the past four years is shown by the significant decline in the overall broad budget balance from almost 8.6 per cent in 2000 to 3.25 per cent in 2004.

Financing

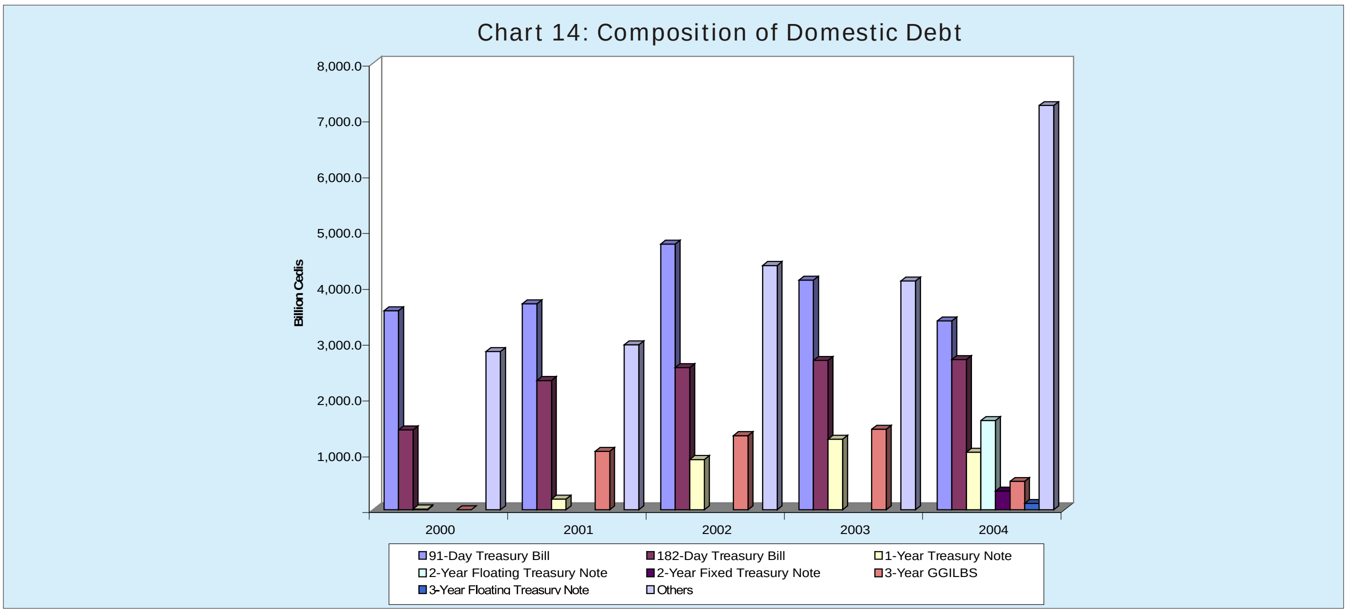
The net domestic financing of the budget amounted to ¢392.7 billion in 2004 as against the net repayment of ¢54.9 billion recorded for 2003. While there was a net borrowing of ¢1,639.9 billion from the banking sector, the Government made a net repayment of ¢1,247.3 billion to the non-bank public. Foreign resources continued to make significant contribution to financing the deficit by way of programme and project loans as well as exceptional financing. Outturn for 2004 indicated that savings from HIPC initiative amounted to ¢1,064.8 billion (42% of net foreign inflows).

Table 8: Financing of Government Expenditure Gaps (¢'billion)

	2002	2003	2004	2004
	Prov. Outturn	**Prov. Outturn**	**Estimates**	**Prov. Outturn**
FINANCING	**2,986,415**	**2,329,277**	**1,166,800**	**2,943,105**
DOMESTIC (NET)	**2,331,715**	**(54,930)**	**(1,101,000)**	**392,685**
BANKING SECTOR	1,035,463	(960,287)		1,639,938
Bank of Ghana	784,541	(332,260)		209,511
Deposit Money Banks	250,922	(628,027)		1,430,428
NON-BANK	1,296,252	905,357		(1,247,253)
Savings due to Inflation Indexed-bonds	194,000		230,000	(349,719)
Other Financing (GAP)			-	(683)
FOREIGN (NET)	**460,700**	**2,384,207**	**2,037,800**	**2,550,420**
INFLOWS	**1,344,700**	**3,140,677**	**2,508,400**	**3,405,687**
Project Loans	1,185,100	2,043,412	1,562,200	2,485,805
Programme Loans	159,600	1,097,265	946,200	919,882
AMORTIZATION	(2,126,000)	(2,559,343)	(2,944,800)	(1,920,097)
EXCEPTIONAL FINANCING	**1,242,000**	**1,802,873**	**2,474,200**	**1,064,830**
HIPC Relief (Cologne terms)			954,500	1,064,830

Domestic Debt

The stock of domestic debt at the end of 2004, stood at ¢16,897.2 billion (21.6% of GDP), showing an increase of ¢3,395.7 billion over the level of ¢13,591.5 billion (20.83% of GDP) in 2003. This increase in the debt stock at the end of the year was on account of an increase in Revaluation stock of ¢2,514.4 billion and new Government of Ghana Petroleum Finance Bond of ¢800.2 billion.



4.3 Monetary Developments

The focus of monetary policy over the past four years has been on achieving price and exchange rate stability as key elements in creating an environment conducive to the achievement of sustainable economic growth.

The Bank of Ghana in 2004 actively continued to use its open market operations, reverse repurchase agreements and the prime rate, aimed at maintaining the disinflationary process and also consolidating the exchange rate stability achieved so far. The Bank also pursued policies to ensure adequate provision of bank credit to the real sector of the economy during the year.

Developments in monetary aggregates indicated that reserve money recorded a growth of 18.8 per cent in 2004 compared with the target of 20.5 per cent. However, growth in broad money supply (M2+), as measured by year-on-year change was 26 per cent, higher than the programmed target of 19.2 per cent.

Table 9: Sources of Growth in Reserve Money

	Sources of Growth in Reserve Money				
	In billions of Cedis			Year-on-Year Growth (%)	
	Dec-02	Dec-03	Dec-04	Dec-03	Dec-04
Net Foreign Asset	2256.4	8531.3	11072.6	278.1	29.8
Net Domestic Asset	3510.6	-838.6	-1936.3	-123.9	-130.9
Of which					
Claims on Government (net)*	5381.4	2525.4	6058.8	13.5	139.9
Claims on DMBs (net)	-374.7	-1561.9	-2001.4	-316.8	-28.1
Reserve Money	5767	7692.7	9136.3	33.4	18.8
Of which					
Currency	4671.7	6337.8	7303.4	35.7	15.2
DMBs Reserves	1055.8	1258.8	1697.4	19.2	34.8

*Net Credit to Government includes ¢2,514.4 billion for Revaluation Stocks and ¢800.2 billion for petroleum bonds

Table 10: Sources of Growth in Liquidity (M2+)

	Sources of Growth in Liquidity (M2+)				
	In billions of Cedis			Year-on-Year Growth (%)	
	Dec-02	**Dec-03**	**Dec-04**	**Dec-03**	**Dec-04**
Net Foreign Asset	4290.3	10516.8	13958	145.1	32.72
BoG	2256.4	8531.3	11072.6	278.1	29.79
Deposit Money Banks	2033.9	1985.5	2885.4	-2.4	45.32
Net Domestic Asset	11077.7	10657.1	12728.1	-3.8	19.43
Of which					
Claims on Government (net)	8553.8	7453.3	12396.8	-12.9	66.33
BoG	2867	2545.9	6058.8	-11.2	137.98
DMBs	5686.8	4907.4	6338	-13.7	29.15
Claims on Private Sector (incl. PEs)	7278.2	10112.5	12601.5	38.9	24.61
BoG	271	-140.3	-183.8	-151.8	31
DMBs	7007.2	10252.8	12785.3	46.3	24.7
Liquidity (M2+)	15368	21173.9	26686.1	37.8	26.03
Broad Money Supply (M2)	11814.7	16597.9	21005.2	40.5	26.55
Currency with Non-bank Public	4671.6	6337.8	7303.4	35.7	15.24
Demand Deposit	3546.4	5035	7299.5	42	44.98
Savings & Time Deposits	3596.7	5225.1	6402.3	45.3	22.53
Foreign Currency Deposit	3553.3	4576	5680.9	28.8	24.15

Deposit Money Bank Credit

Credit to the Private and the Public sectors of the economy by the Deposit Money Banks increased by 21.95 per cent between December 2003 and December 2004. The private sector continued to attract the largest share of the Deposit Money Banks' credit.

Table 11: DMB's Credit to Private and Public Enterprises

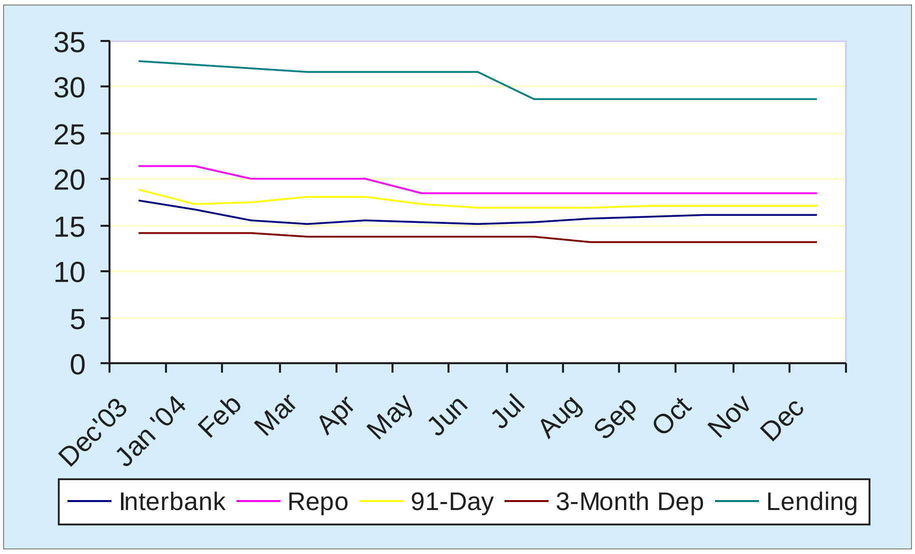
	2003 December		2004 December		Yr-on-Yr Change
	Million Cedis	% Share	Million Cedis	% Share	
Public	1,931,488.05	19.4	2,368,130.63	19.5	22.61
Private	8,028,061.77	80.6	9,77,617.40	80.5	21.79
Total	9,959,549.82	100.0	12,145,748.40	100.0	21.95

Interest Rates

Interest rates declined in line with the reduction in inflationary pressures during the year. The Monetary Policy Committee (MPC) cut the Prime Rate by 150 basis points from 21.5 per cent in December 2003 to 20.0 per cent in February 2004. Further improvements in the macroeconomic situation led to a further reduction in the Prime Rate to 18.5 per cent in May 2004. The rate remained unchanged at 18.5 per cent for the rest of the year. In the government securities market, the average interest rate on the 91-day Treasury Bill shed off 1.87 percentage points to 17.08 per cent while the interbank weighted average rate also dropped 1.48 percentage points to 16.19 per cent.

The deposit money banks were relatively sensitive to movements in the prime rate. The average 3-month DMBs borrowing and lending rates went down by 1.0 and 4.0 percentage points respectively to 13.25 and 28.75 per cent. The relationship between the prime rate and commercial bank base rate, as measured by the correlation coefficient is 0.80.

Chart 15: Interest Rates (Dec '03 - Dec '04)



4.4 Stock Market Developments

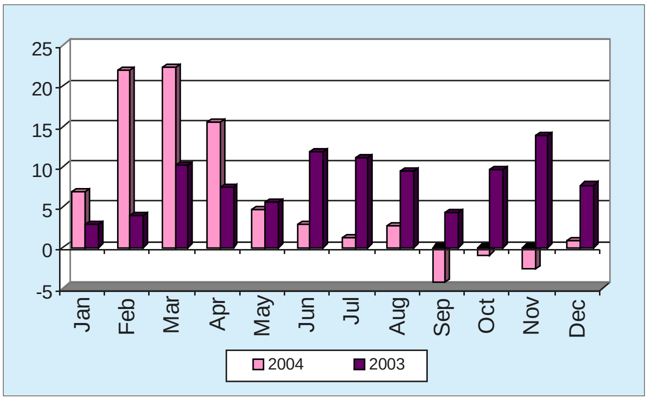
Overall market performance during 2004 was mixed. The index peaked at mid-year but declined continuously thereafter to settle well below the mid year mark. Cumulatively the index rose by 91.3 per cent (3,245.0 points) compared with 154.7 per cent (2,158.1 points) gained in 2003.

GSE All-Share Index

The GSE All-Share Index closed the year at 6,798.5 points from the previous year's close of 3,553.4 points. Most of the gains were made during the first three quarters of the year.

The highest monthly rise in the GSE index was registered in March when active trading in finance stocks propelled the index up. Beginning from September 2004, the index retreated steadily until December when it recovered slightly.

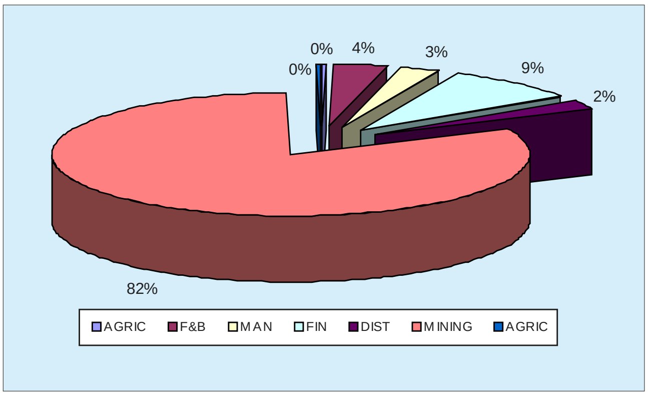
Chart 16: Monthly Growth Rates in All-Share Index (Jan - Dec '04)



Market Capitalisation

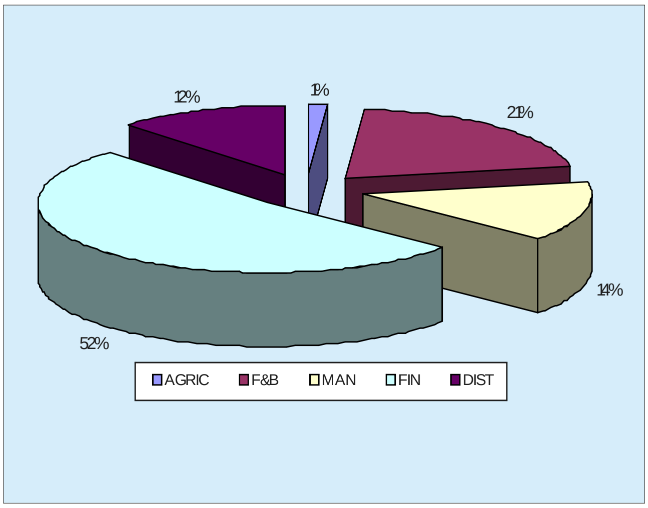
Market Capitalisation of the GSE jumped from ¢17,950.6 billion to ¢95,645.7 billion in April, an increase of 506.4 per cent. This was due to the merger of Ashanti Goldfields (AGC) and AngloGold to become Anglogold Ashanti (AGA), the second largest gold mining company in the world after Newmont Mining Company. The merger led to a huge increase in market capitalisation. Furthermore the listing of Benso Oil

Chart 17: Sectoral Distribution of Market Capitalisation (Dec'04)



Palm Plantations (BOPP), Starwin Products Limited (SPL) and CAL Bank as well as rights issues by Accra Brewery Limited (ABL) and Mechanical Lloyd Company (MLC) and general increase in share prices also contributed to the growth in market capitalisation during the year. Ghana Brewery Limited (GBL) also issued 47.2 million new shares to Guinness Ghana Limited (GGL) as a consideration for the proposed merger of the two equities. AGA maintained its dominant position as the most capitalised equity on the market with 82.0 per cent of total market capitalization. Without AGA, the Finance sector takes over as the most capitalised sector with 52.0 per cent.

Chart 18: Sectoral Distribution of Market Capitalisation (without AGA)-(Dec'04



BOND MARKET

Corporate Bonds

The market for both corporate and government bonds remained relatively quiet at the secondary level in spite of deliberate attempts by Government to boost the long-term end of the financial market. A total of US$73,417.0 worth of corporate bonds were traded during the year compared with US$606,600.0 traded in 2003.

4.5 Developments In Prices

The inflationary pressures that built up in 2003 as a result of the upward adjustment in petroleum prices largely eased in 2004. Headline inflation, which was 23.6 per cent in December 2003, ended the year at 11.8 per cent as a result of the decline in both the food and non-food indices.

The relative stability of the exchange rate of the cedi and the tight monetary policy contributed to the fall in inflation.

Main Sources of Inflationary Pressures

Sectoral analysis of the Consumer Price Index indicated that both food and non-food groups contributed to the growth in the general price level. The Food and Beverages sub-group increased by 15.6 per cent to 360.71 in December 2004 as against an increase of 23.6 per cent in the previous year.

The main contributors of the non-food sub sectors to the price increase in the year were Medical Care & Health Expenses and Housing & Utilities, which recorded growth rates of 20.1 per cent and 19.2 per cent respectively.

Chart 19: Developments in Headline Inflation Rates

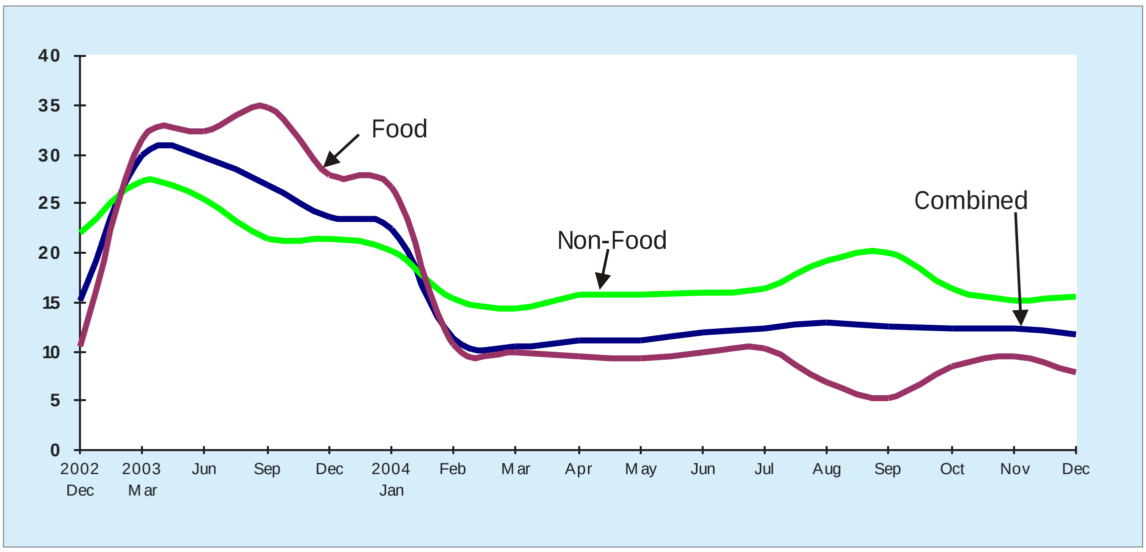


Table 13: Component Analysis of Consumer Price Index
(Quarterly Growth Rates 2003-2004)

		Food	Non-Food							
Year	Combined	Food and Beverages	Alcohol And Tobacco	Clothing and Footwear	Housing and Utilities	Household Goods, Operations And Services	Medical Care and Health Expenses	Transport and Communi-captions	Recreation Entertainment, Education and Cultural Services	Miscellaneous Goods and Services
2003										
Q1	17.9	13.9	6.7	7.6	54.2	7.5	6	47.9	5.6	12
Q2	3.5	6.6	1.7	3.3	-0.3	3.2	0.6	0.2	0.7	1.8
Q3	-0.1	-3.8	6.2	1	1	4.7	-2.7	2	2.4	-0.7
Q4	1.3	4	1.9	1.2	5.6	3.1	-0.5	2.4	8.8	4.2
2004										
Q1	5.5	7.1	3.8	3.2	7.3	-1.2	8.2	4.9	-5.8	3
Q2	4.9	8.2	0.1	2.8	2	4	3.2	1.4	3.1	1.2
Q3	0.5	-0.4	1.4	-0.4	4.8	-0.3	3.4	0.06	-1.9	-2.7
Q4	0.5	0.12	1.1	-0.96	3.9	0.1	4.6	0.97	4.7	1.1

4.6 Developments in the External Sector

The external sector policy of the government since 2001 has focused on building international reserves to levels that can comfortably cushion the economy against external shocks. The strategy has been to adopt an outward oriented trade policy, by promoting and encouraging exports and also encouraging inward direct investment in the export sector. This strategy has achieved modest results as both exports and foreign investments have grown steadily.

Balance of Payments

Estimates of the balance of payments (bop) in the year 2004 indicated that economic transactions with the non-resident international community posted a deficit of US$10.5 million compared to the surplus of $558.3 million in the year 2003. The swing from a surplus to deficit was attributed to a surge in imports over the period. This resulted in the worsening of the merchandise trade account, which registered a deficit of US$1,512.60 million from US$670.4 million recorded in 2003. In spite of this out-turn, net transfers and substantial inflows of exceptional financing, (particularly HIPC relief) enabled the country to increase its reserves to US$1,732.4 million, enough to cover 3.8 months of imports of goods and services.

Table 14:Balance of Payments

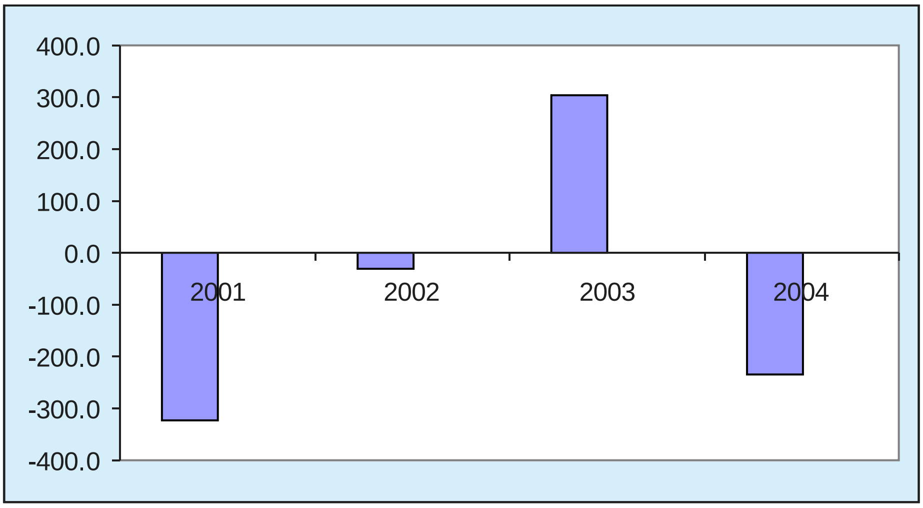
ITEM	2001	2002	2003	2004*
Current Account	-324.6	-31.9	302.4	-235.7
Goods	-1101.4	-691.8	-670.4	-1512.6
Credit	1867.1	2015.2	2562.4	2784.6
Debit	-2968.5	-2707.0	-3232.8	-4297.3
Services	-74.4	-66.0	-269.7	-356.2
Credit	531.7	554.9	630.0	702.3
Debit	-606.1	-620.9	-899.7	-1058.5
Income (net)	-107.8	-174.3	-156.7	-197.8
Transfers (net)	959.0	900.2	1399.2	1831.0
Financial Account (excl. reserves)	392.2	-38.6	340.4	201.6
Direct investment	89.3	58.9	110.0	139.3
Other Investment	302.9	-97.5	230.4	62.3
Net Errors and Omissions	59.0	-110.3	84.5	-23.6
Reserve Assets and Related Items	-8.6	-39.8	-558.3	10.5
Reserve Assets	-214.6	-211.8	-767.1	-192.7
Use of fund Credit and loans	5.0	54.0	109.4	7.1
Exceptional Financing	201.0	118.0	99.4	196.0

*Provisional

Balance on Current Account

The current account registered a deficit of US$235.7 million in the review year as against a surplus of US$302.3 million in the previous year. The turnaround in the current account position in the year was largely due to a worsening of the merchandise trade account by more than 100 per cent. The deficit on the services account also grew from US$269.7 million to US$356.2 million. Similarly, the deficit on income account also widened, moving from US$156.7 million in 2003 to US$197.8 million in 2004. There was however a large surplus of US$1,831.0 million on unrequited transfers account that moderated the deficits on trade, services and income accounts.

Chart 20: Balance on Current account (million dollars)



Merchandise Trade

The balance on the merchandise trade account worsened from a deficit US$670.4 million in 2003 to US$1,512.6 million in 2004.

Exports

Total merchandise export earnings were estimated at US$2,784.6 million in the review year, compared with $2,562.4 million in the previous year. Cocoa exports grew strongly, recording a growth rate of more than 30 per cent to push receipts beyond US$1.0 billion for the first time. The increase was mainly due to higher production rather than price. Volume of cocoa beans exported was estimated to have gone up by more than 70 per cent to 620,365 tonnes. On the other hand, the realised average prices fell from US$1,949.5 per tonne in 2003 to US$1,586.87 in the review year.

Gold exports remained flat in value terms on account of a decline in output exported. Output fell by about 200,000 fine ounces. However a 12 per cent gain in prices pushed export earnings to US$840.21 million, slightly above the US$830.1 million earned from exports of the metal in 2003. Structural problems in the industry accounted for this state of affairs.

Apart from timber products, which earned US$211.7 million in the review year, all other exports, analysed by commodity type are becoming insignificant in their contribution to export earnings.

Chart 21: Merchandise Exports(US$ millions)

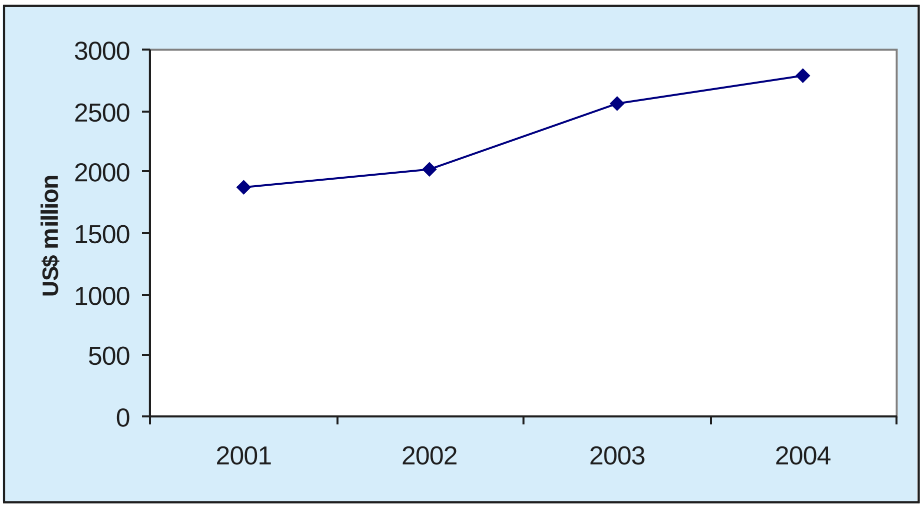
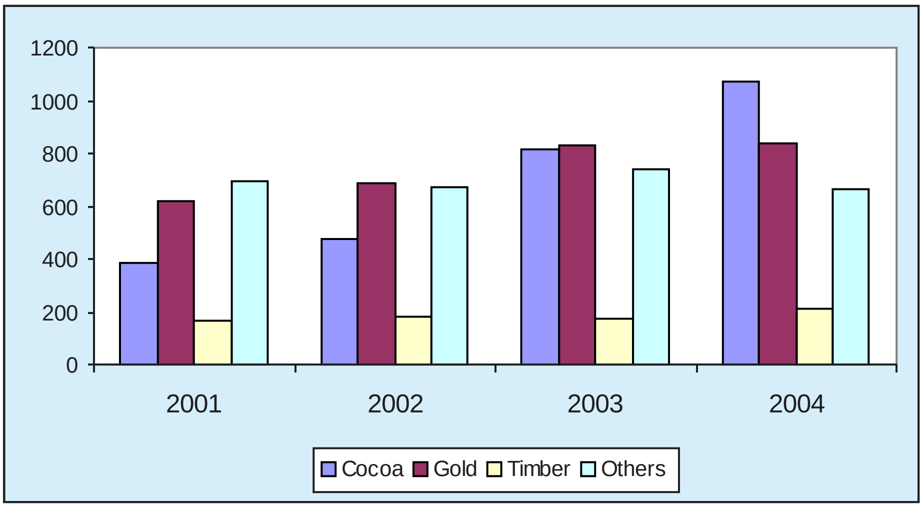


Chart 22:Contribution to export earnings (US$ million)



Imports

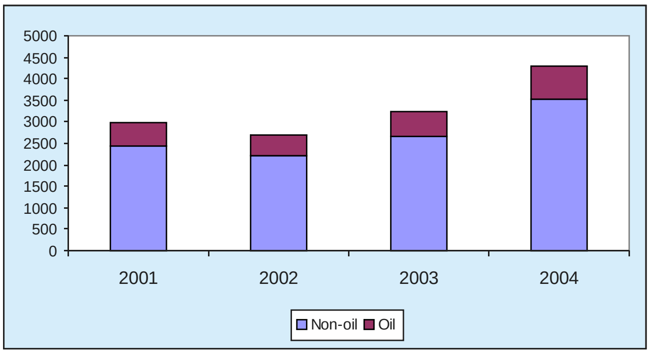
Total merchandise imports were estimated at US$4,297.3 million in the review period compared with US$3,232.8 million in the previous year. The import growth was underpinned by a number of factors including rising crude oil prices and vibrant economic activity.

Growing demand for oil, as a result of strong global growth, pushed oil prices up in the review year. As a consequence, the total oil import bill went up by 38 per cent to U$775.0 million. Realised average price for the year was US$38.7 per barrel, compared with a projection of US$30.0.

Non-Oil Imports

Non-oil merchandise imports are estimated to have gone up by 32 per cent to US$3,522.31 million in the year. The proportion of capital goods in the imports basket (including crude oil) was estimated to have gone up to 20 per cent in the review year compared to 14 per cent in the previous year.

Chart 23: Merchandise Imports(US$ million)



Trade in Services

The deficit on the services account increased from US$269.1 million in 2003 to US$339.0 million in the review year, mainly on account of increases in freight and insurance payments related to merchandise imports. Travel receipts went up significantly, as the number of tourist arrivals increased. The increase in tourist receipts was however not enough to offset the deficits on the freight and insurance accounts.

Income

The income account showed a deficit of US$197.85 million in the review year compared to a deficit of US$156.7 million in the previous year. The deficit was a result of increased interest and charges on loans, including new debt, and the increased outflow of profits and dividends. Income receipts amounted to US$44.5 million and were mainly on account of short-term investments in money market instruments made by Bank of Ghana.

Unrequited Transfers

Net unrequited transfers currently represent one of the major sources of meeting the external financing requirements of the economy. It registered a surplus of US$1,831.0 million compared with US$1,399.2 million in 2003. Official unrequited transfers and private sector transfers all increased reflecting continued interest and confidence in Ghana's economy. Non-government organizations (NGOs) were also sources through which financial and other resources flowed into the economy.

FINANCIAL ACCOUNT

Direct Investments

Direct investment flows (excluding divestiture) for the review year amounted to US$139.3 million, compared with US$110.0 million in 2003.

Other Investments

The balance on the other investment account (transactions in loans, trade credits and currency and deposits) showed a surplus US$62.3 million, far less than the surplus of U$230.4 million recorded a year ago. Other investment liabilities in the review year were much more than a year ago, resulting in the narrowing of the surplus between the two years.

Reserve Assets

Net international reserves were estimated to have increased by US$185.6 million in the review year. On a gross basis, the level of international reserves at the end the review year amounted to US$1,732.4 million, which was an improvement on the level recorded in 2003.

4.7 External Debt

Ghana reached the completion point of the Heavily Indebted Poor Country (HIPC) initiative in July 2004. With this development a total of US$3.5 billion of debt was earmarked for cancellation by the creditors. The country is expected to save an estimated US$230 million annually in debt service. As result of the debt cancellation, the stock of external debt declined from US$8,034.6 million at the end of 2003 to US$6,426.8 million at the end of 2004. Long and medium term debt stock at the end of 2004 stood at US$6,086.0 million compared with US$7,549.0 million at the end of 2003. Debt stock owed to Paris Club creditors reduced significantly from US$1,976.3 million at the end of 2003 to US$275.7 million at the end of 2004. However, multilateral and commercial debt stocks went up to US$5,325.6 million and US$347.4 million respectively at the end of 2004 from US$5,176.0 million and US$266.9 million respectively in 2003. This was due to further disbursements from these creditors during the year.

Debt service indicators recorded significant improvements in the review year largely on account of the huge debt relief received. The debt service-to export of goods declined from 12.78 per cent in 2001 to 5.45 per cent in 2004, while debt service-to-revenue fell also from 38.09 per cent to 8.70 per cent for the same period. The decline observed in the debt service-to-exports was the result of reduction in the debt service payments, increased export receipts and growth in GDP. The reduction in the debt service-to revenue was due to improved revenue mobilisation and fall in debt service payments.

4.8 Developments in the Local Foreign Exchange Market

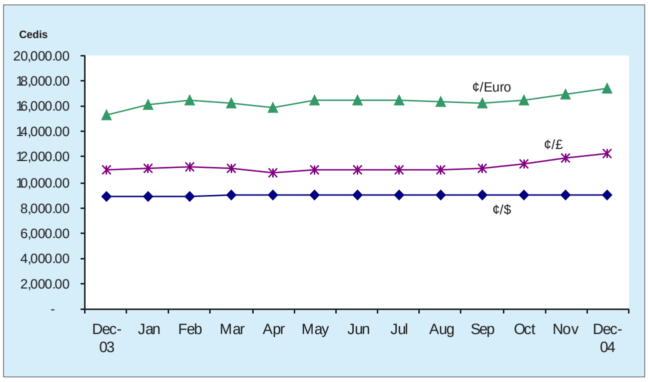
The Cedi was relatively stable in the review year compared to the preceding year. This was the result of substantial foreign exchange inflows and the prudent fiscal and monetary policies pursued in the review year.

Inter-Bank Market

The cedi was fairly stable against the US dollar but traded lower against the pound sterling and the euro during the review period. These developments reflected movements in the international exchange rates.

The Cedi/US dollar rate which was ¢8,852.32 at the beginning of the year depreciated by 2.2 per cent, the lowest in recent times, to end the year at ¢9,051.26.

Chart 24: Interbank Exchange Rate
(Dec 2003-Dec 2004)



The cedi also depreciated by 12.1 per cent against the pound sterling to end the year at ¢17,411.51 and 10.7 per cent against euro to ¢12,308.98. In the previous year, the cedi depreciated against the pound sterling and euro by 13.0 per cent and 22.5 per cent respectively.

Forex Bureaux Market

The performance of the Cedi against the major currencies in the forex bureau market mirrored developments in the inter bank market.

The cedi/US dollar rate increased from ¢9,097.73 at the beginning of the year to ¢9,222.73 at the end of the year. This represented a depreciation of 1.4 per cent compared with 4.6 per cent in 2003. The cedi also depreciated by 11.3 per cent and 8.0 per cent against the pound sterling and the euro respectively. These were lower than the 13.4 per cent and 20.4 per cent depreciation recorded in 2003 for pound sterling and euro respectively.

Volume of Transactions

The volume of transactions in the foreign exchange market increased by 60.4 per cent to US$4,983.55 million in the review year. The upswing was due mainly to inter-bank market transactions which registered increases of 62.4 per cent and 73.3 per cent in purchases and sales respectively.

5.0 Performance of the Banking and Non-bank Sectors

Ghana's Financial System remained relatively stable and sound with stronger financial institutions and markets. Positive developments in the financial system over the year were underpinned by improvement in the macro economy. Easing of uncertainties in the financial system helped to minimise the risk aversion of banks and other depository institutions, leading to significant growth in asset portfolios.

5.1 Structure of the Financial System

The Ghanaian financial system is made up of the banking sector and non-bank financial institutions sector. The banking sector comprises twenty (20) major banks and one hundred and twenty (120) rural and community banks. The non-bank financial institutions (NBFIs) sector is made up of 14 deposit taking and 18 non-deposit taking companies. There are also 18 insurance companies and 8 collective investment companies.

5.2 Development in the Banking System

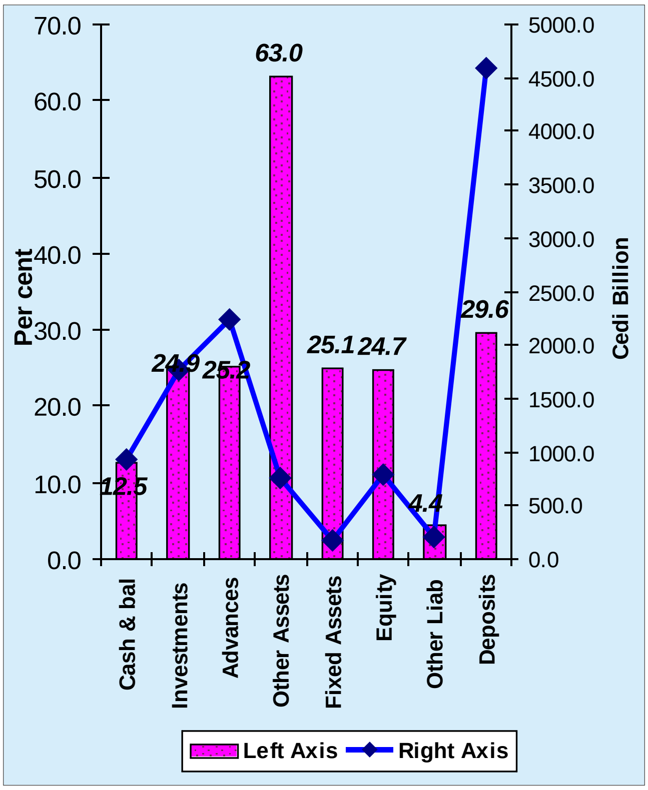
The banking system remains the major sector in the financial system with total assets at 40.0 per cent of GDP by end December 2004.

Total assets of the banking system[1] grew by 24.2 per cent (¢6,094.4 billion) from the December 2003 position to ¢31,279.9 billion. The growth in assets was driven principally by three banks which accounted for 41.2 per cent of the total increase. The growth reflected mainly in net advances, investments and cash and short term funds, which went up by ¢2,242.7 billion, ¢1,764.0 billion and ¢1,153.7 billion respectively.

The increases in assets were financed by 29.9 per cent, 28.7 per cent and 14.1 per cent increases in deposits, shareholders' funds and other liabilities respectively as shown in chart 25.

[1] The Banking system here refers to the major banks. Assets of rural banks are not included in these statistics.

Chart 25: Growth of Assets and Liabilities



Credit Concentration

Banking industry credit remained moderately concentrated. The Manufacturing sector received the largest share (21.4 %) of total outstanding industry credit, followed by the Commerce and Finance sector (15.8 %). The next were the Miscellaneous and Services sectors with 11.4 per cent and 11.2 per cent respectively.

Performance of Banks

The earnings performance of banks in Ghana for the year ended December 2004 was quite high, although lower than the 2003 position. The relatively lower earnings performance could be seen in the decline in Return on Assets, Return on Earning Assets and Return on Equity (see table 15).

Loan loss provision to total credit and Capital Adequacy ratios however, improved.

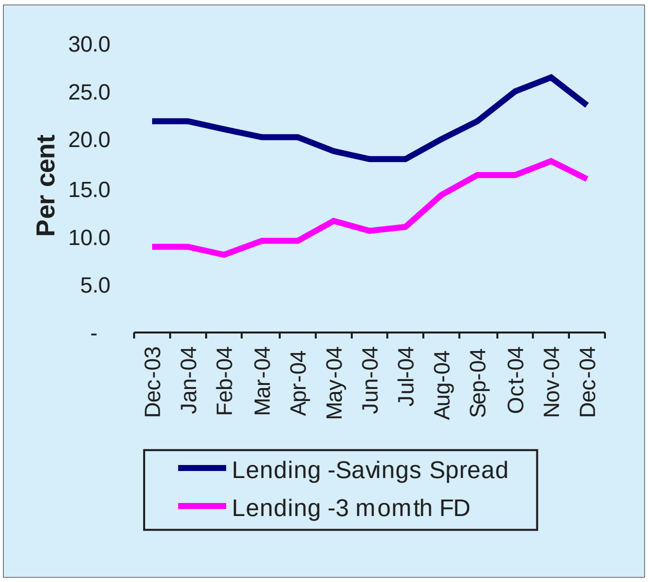
Table 15: Performance Indicators

Indicator	2004	2003	2002	2001
Return on Assets	4.6	6.3	7.3	8.7
Return on Earning Assets	5.9	8.0	9.3	9.4
Return on Equity	22.9	33.4	37.6	49.7
Net Interest Spread	8.9	12.3	11.9	12.4
Expense to Income	63.5	63.9	59.0	40.2
Loan Loss Provision to Total Credit	14.6	15.4	18.2	15.0
Interest Margin	7.1	10.6	10.1	14.4
Capital Adequacy	13.7	9.3	13.4	14.7

Yield Spreads of Banks

The spread between credit and savings deposit rate widened in the last quarter of 2004 after moderately narrowing in the first half of the year (see chart 26). The spread between credit and 3-month time deposit rates however, widened for most of the year declining marginally at the tail end of the year. The general decline in yield spreads during the year contributed directly to moderating interest earnings of banks.

Chart 26: Yield Spreads

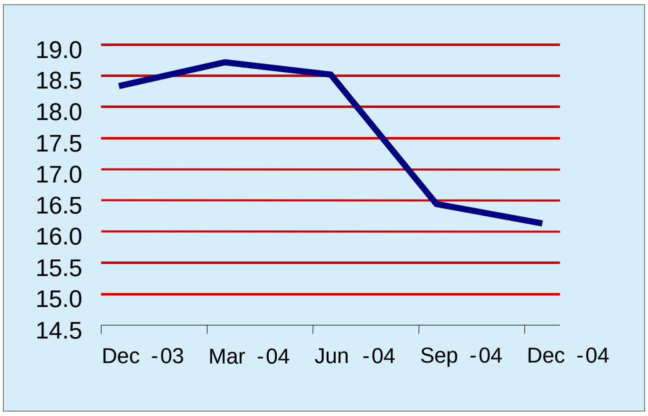


Asset Quality

The quality of loan portfolio of the banking system improved during the year. The ratio of non-performing loans (NPL) has exhibited a significant decline from 18.3 per cent at end-December 2003 to 16.1 per cent as of end-December 2004, implying an improvement in loan quality (chart 27).

The annual growth rate of provision for bad and doubtful loans fell below the growth in advances, suggesting a moderation in loan loss probabilities associated with credit expansion.

Chart 27: Non -Performing Loans



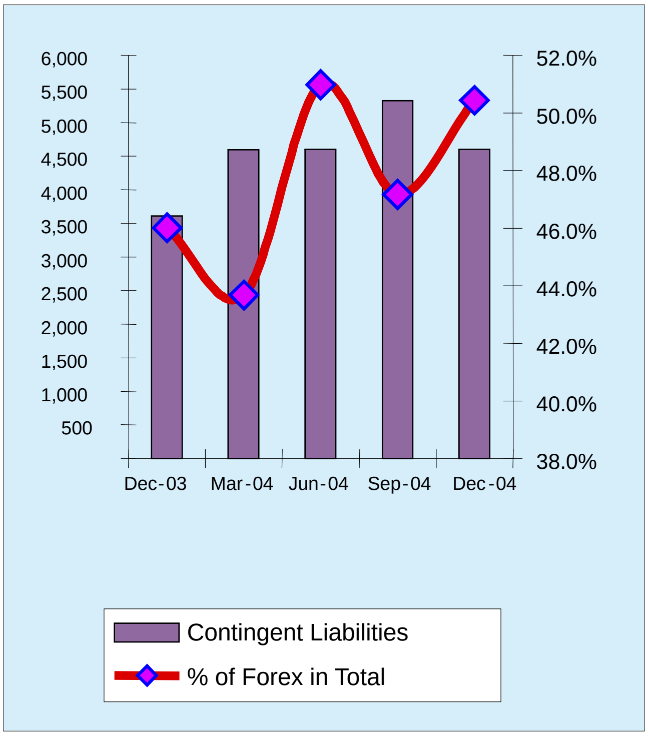
Contingent Liabilities

Off-balance sheet liabilities of banks (including guarantees and indemnities) increased during the year. The foreign exchange component of total contingent liabilities edged up from about 46 per cent at end-December 2003 to 50.4 per cent as of end-December 2004 (see Chart 25 and 28). This development could be attributed to the relative stability of the exchange rate during the year.

5.3 Developments in Rural Banks

The number of rural banks in operation as of end-December 2004 was 120. Total assets of 117 of the rural and community banks (RCBs) in operation stood at ¢1,790.5 billion at end-December, 2004, recording an

Chart 28 : Contingent Liabilities
(The Banking System)



increase of ¢515.2 billion (40.4%) over the December 2003 position. Gross loans and advances amounted to ¢540.9 billion, while investment in Government Securities was ¢667.9 billion, representing increases of 63.0% and 42.9% respectively over the December 2003 position. Deposits mobilized by the RCBs during the period increased by ¢408.1 billion (43.0%) to ¢1,155.8 billion.

At end-December, 2004, 99 of the 117 banks satisfied the 6% capital adequacy ratio requirement and were classified as satisfactory. Five banks were classified as mediocre while 13 were classified as unsatisfactory[2].

Under the Rural Financial Services Project the capacity building of rural and community banks was initiated. This covered supply of equipments to rural banks, training of Rural bank staff and computerisation of rural banks.

5.4 Review of Supervisory Activities

In the course of the year three universal banking licences were issued, one to a new bank and the other two to existing banks. Five (5) banks also received authorisation to operate the business of inward remittances with foreign institutions. Various banking products were approved for implementation by some banks. During the same period, eleven banks variously applied for the opening of new branches, agencies, cash collection points, re-location of branches, as well as closure of branches across the country. Additionally, a total of thirty (30) approvals were granted to the Rural and Community Banks to open mobilisation centres and agencies.

During the course of supervisory activities over Non-Bank Financial Institutions, the Bank of Ghana detected lapses in the operation of Consolidated Discount House (CDH) that necessitated the placement of a moratorium on its operations. The operating licence of CDH was subsequently withdrawn in April 2005

5.5 Developments in the Non-Bank Sector

The Non-Bank Financial Institutions (NBFIs) sector as at December 2004 comprised 11 Savings and Loans Companies and 3 Discount Houses. The non-deposit-taking institutions also comprise 12 Finance Houses, 5 Leasing Companies and 1 Venture Capital Fund Management Company. However during the year, a moratorium was placed on the operations of one of the Discount Houses for non-compliance with prudential requirements. Two hundred and eighty 280 forex bureaux were also in operation.

Asset Holdings

Total assets of the Non-Bank Sector[3] excluding forex bureaux stood at ¢1.71 trillion by end-December 2004, an increase of 19.5 per cent from the end-December 2003 position of ¢1.43 trillion. Shareholder's funds witnessed substantial growth of 61.0 per cent from ¢175.5 billion by end-December 2003 to ¢282.2 billion by end-December 2004. Deposits declined by 32.0 per cent resulting directly from the reduced deposit-taking activities previously carried out by Finance Houses. Borrowing, on the other hand, increased by 11.0 per cent from the December 2003 position.

[2] Three (3) new banks were licensed in 2004 and had not yet been examined.
[3] The consolidated assets reported comprise of only reporting institutions during the time of filing this report.

This growth was driven principally by Discount houses, Finance houses and Savings and Loans companies. Assets of Deposit-taking institutions constituted 49.43 per cent of the total, while assets of Non-Deposit-taking institutions represented 50.57 per cent of the total. The distribution of assets remained skewed towards Discount Houses and Finance Houses, which recorded 31.0 per cent and 28.2 per cent share of overall assets of NBFIs as at end-2004.

Overall, there was a decline in liquidity by end-December 2004 with a Liquid Asset Ratio (LAR) of 36.3 per cent compared with a LAR of 44.0 per cent as at end-December 2003.

CHART 29: STRUCTURE OF THE BANKING SECTOR

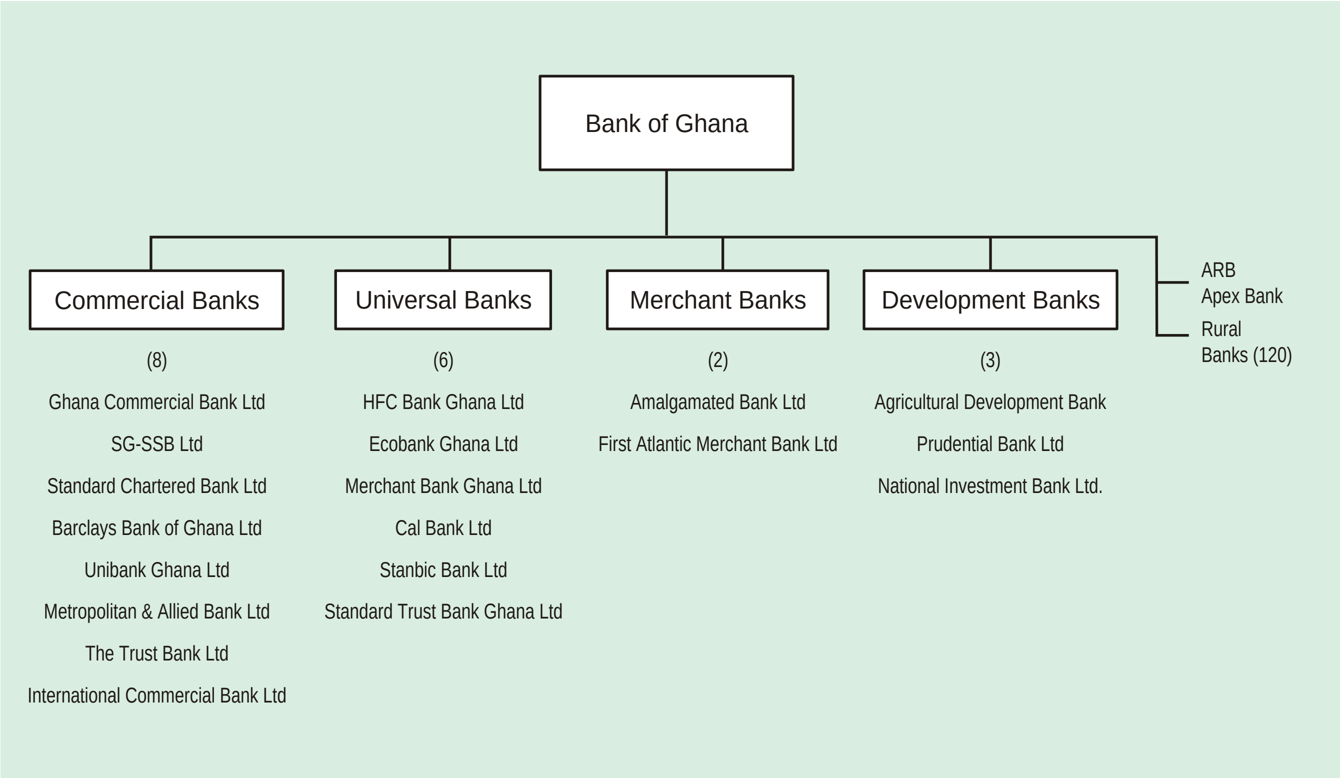
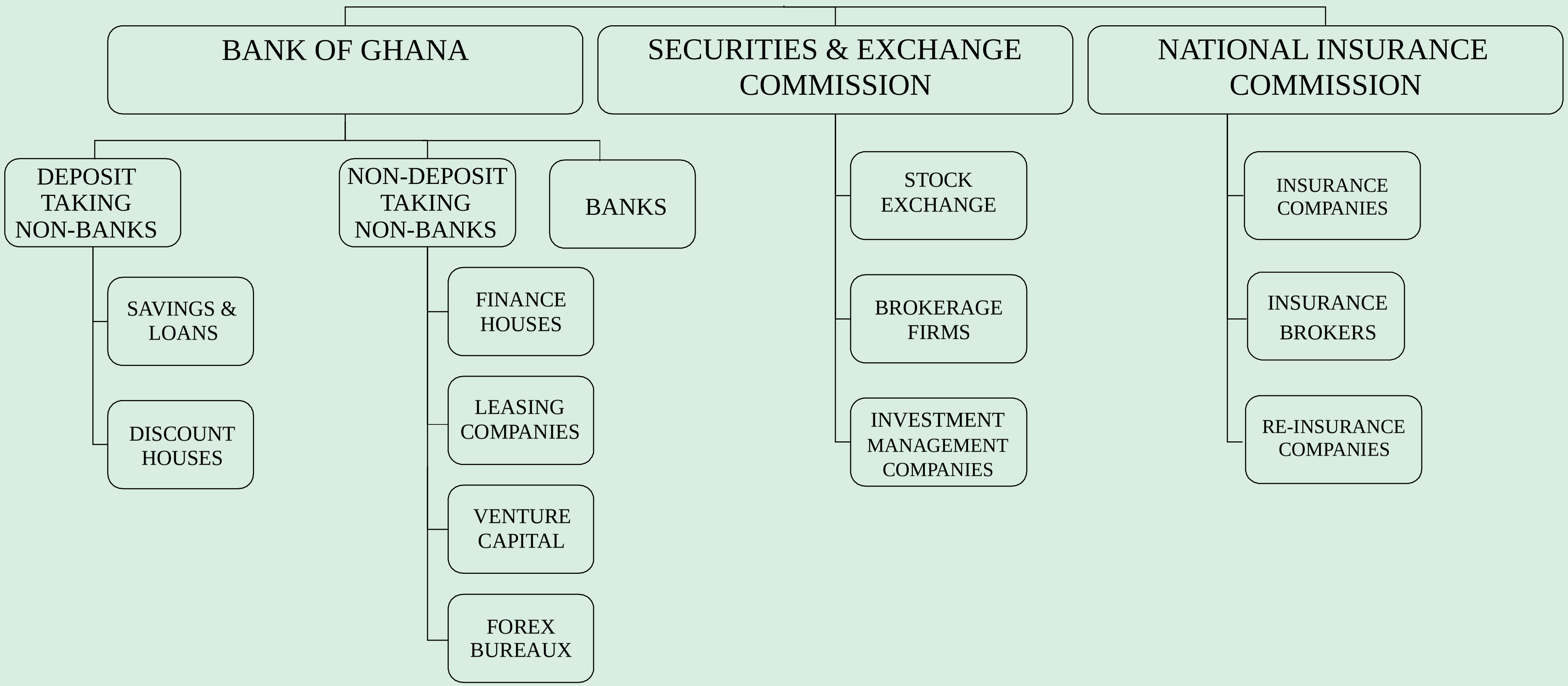


CHART 30: STRUCTURE OF THE FINANCIAL SYSTEM



6.0 Major Activities of the Bank

6.1 Payment and Settlement Systems

The Bank made significant progress during the year in pursuit of its policy objectives of improving the efficiency and safety of payment system and of promoting non-cash modes of payment. Besides effectively carrying out its oversight and operational responsibilities as regulator of the payment systems and operator of some payment streams, the Bank successfully launched a new payment product and also migrated from the SWIFT X-25 network to the new SWIFTNet infrastructure.

The new payment product, the Paper Credit Clearing Voucher system was launched on 22nd July, 2004 to provide another non-cash payment alternative. The Bank's migration to SWIFTNet on the other hand was completed in October, 2004. The migration enabled the Bank to access new SWIFT facilities such as internet browsing and the exchange of large electronic files. These are designed to enhance bulk payments and large information flows between institutions.

High Value Payments-The GIS System

The Ghana Inter-bank Settlement (GIS) System operated satisfactorily during the year. It facilitated the transfer of high value funds between banks in real time and enabled them to obtain final and irrevocable settlement in central bank money.

It also facilitated the settlement of the net clearing positions of the banks in the cheques and paper credit clearing systems as well as the bill transactions of the participants in the Central Securities Depository.

Payment transactions through the GIS system during the year in volume and value terms are shown in Table 16.

Table 16: GIS Transactions for 2004

	2003	2004
Value (¢billion)	161,302.30	225,188.30
Volume	35,780	36,749
Average Value per transaction (¢ million)	4,510	6,046

Low Value Payments — the Cheques Clearing System

The clearing of cheques and debit instruments remains a systemically important payments stream. Clearing of the instruments is automated in Accra and manual in the other regions. The automated clearing house in Accra cleared about 72% of the debit instruments paid during the year. The clearing cycle is three days for local cheques, five days for cheques cleared in adjacent zones and eight days for cheques between remote zones. Local cheques constitute about 95% of all cheques cleared annually.

The volume and value of cheques cleared in 2004 is presented in Table 17.

Table 17: Volume and Value of cheques cleared - 2004

	2003	2004
Value of cheques (¢ billion)	83,905.00	112,220.50
Volume of cheque	4,351,941	4,675,947
Average value of cheque (¢ million)	19.28	24.00

Low Value Payments - the Paper Credit Clearing System

The Bank launched and commenced operation of the paper credit clearing system on 22nd July, 2004. The new payment stream operates on "credit push" principles as opposed to the cheques clearing system which is based on "debit pull" principles. It is intended as a forerunner to an Automated Clearing House which will process electronically bulk debit and credit items. Credit clearing operations are currently manual throughout the country as the volumes remain relatively small. The clearing cycle for credit transfers within a clearing zone is two days compared to three days for cheques. Table 18 shows the credit transfer operations for the period 22nd July to 31st December, 2004.

Table 18: Credit Clearing Operations - 2004
(Value in ¢ million)

	Volume	Value	Ave. Value
Quarter 3	690	16,480.81	23.89
Quarter 4	1,305	13,617.43	10.43

6.2 Information and Communication Technology

The Bank initiated work for the overhaul of the Information and Communication Technology (ICT) infrastructure of the Bank during the year. This was to enable the bank to take advantage of innovations in ICT to enhance operations.

Phase I of an Intranet development system to facilitate information flow, search and retrieval processes and access to information/data base was also initiated.

6.3 Financial Laws

The Bank of Ghana continued its efforts at providing the banking industry and financial system with the requisite legal, regulatory and institutional framework to enhance more prudent and transparent governance.

In this regard, the Bank promoted the passage of a new Banking Act 2004 (Act 673). The Act incorporates current international standards and ensures more effective supervision and regulation of the banking industry.

The Bank also assisted in the development of the following draft bills for the consideration by the legislature:

- Bills and Cheques Bill
- Money Laundering Bill
- Foreign Exchange Bill
- Credit Reference Agency Bill

The Bank also continued its involvement in the preparation of statutes of the West African Monetary Zone (WAMZ) and West African Central Banks (WACB) as well as the drafting of the Statute for the West African Financial Supervisory Authority (WAFSA).

6.4 Investigations and Consumer Reporting Office (ICRO)

A total of one hundred and one (101) complaints from the banking public concerning unfair banking practices were handled. These involved alleged high interest rates/bank charges, poor customer services, irregularities in the forex market and dollarisation of the economy.

In the area of fraud investigations, the Bank received ninety-six (96) complaints out of which 94 were successfully addressed.

6.5 Training and Development

In 2004, training programmes were undertaken in the following categories:

1. Foreign short courses/seminars/conferences.
2. In-house Specialized Courses
3. Staff Training School Courses
4. Local courses outside the Training School.

Foreign short Courses/Seminars/Conferences involved attachment programmes at Federal Reserve Bank of USA and Deutsche Bundesbank of Germany.

Box 4

In-House Specialised Programmes

No.	COURSE	FACILITATOR
1.	Seminar on Payment and Settlement Issues	European Central Bank
2.	Back Office Management Seminar	Euromoney Training Plc
3.	Loan Documentation Structured Finance and Legal Issues in International Banking Transactions	Euromoney Training Plc
4.	Financial Stability Assessment: Concept, Issues and Methodology	Bank of England

The Bank of Ghana Staff Training School also organized courses and seminars for various categories of staff. These included Supervisory Management, Central Banking, Industrial Security and Effective Control methods, Computer Literacy, Human Relationships and Interpersonal Skills, Creativity, Innovation and change management, Monetary Policy Committee (MPC) Operations, Human Resources Tool for Effective Organizational Management, Time Management Delegation and Performance Appraisal and French Language courses.

6.6 Health Education

The Bank of Ghana continued with its health education programme throughout the year.

The 2004 World Aids Day was celebrated with the theme "Women, Girls and HIV-AIDS.

General cardiovascular assessment and screening of staff were also carried out to ensure the good health of staff of the Bank. In addition, screening for cancer, breast assessment and mammography were carried out.

6.7 Sports

The Bank's hockey team, the **Exchequers** participated in the National Hockey League matches and emerged as the first runner up. The team also participated in the 16th African Cup Clubs Championship in Nigeria from September 2004 to 11th October 2004.

The male and female football teams participated in the All Banks Gala Game and both teams placed second.

The Bank also participated in the All Banks Fun Games organized by the Institute of Bankers, Ghana and came first in the mixed gender soccer game.

The Deputy Governor, Mr. Van Lare Dosoo and the Bank's Hockey team celebrating after winning both the League and Champion of Champions tournaments.

7.0 External Relations

In 2004, the Bank of Ghana continued to pursue its international relations by undertaking programmes with a host of sister international and regional institutions. It collaborated with the International Monetary Fund (IMF), the World Bank and the African Development Bank (AfDB) in the area of technical support, and with regional institutions like West African Monetary Agency (WAMA), West African Monetary Institute (WAMI) and Association of African Central Banks (AACB) for policy coordination and monetary cooperation.

The bank also benefited from technical assistance missions from central banks including Bank of England and Deutsche Bundesbank.

International Monetary Fund/World Bank

The second review of Ghana's performance under the Poverty Reduction and Growth Facility (PRGF) was undertaken during the year. The Executive Board of the IMF, in undertaking its review, concluded that progress under Ghana's Poverty Reduction Strategy Paper (PRSP) provided a sound basis for continued access to the Fund's concessional assistance. The board commended Ghana for successful implementation of macro economic policies which had contributed to strong growth and declining inflation. It also noted that in 2003, fiscal consolidation eliminated the need for net domestic financing of the budget leading to a significant reduction in domestic debt.

In July 2004, the IMF and the World Bank declared that Ghana had reached completion point under the enhanced Highly Indebted Poor Countries (HIPC) Initiative. Ghana thus became the 14th country to reach completion point. With this development, Ghana is to receive total debt relief under the enhanced HIPC Initiative amounting to US$3.5 billion in nominal terms or US$2.2 billion in net present value (NPV) terms. The IMF would provide debt relief of US$112 million in NPV terms. From 2004 to 2013, Ghana would save an estimated US$230.0 million annually in debt service costs.

The debt relief will lower Ghana's debt to export ratio to 84 per cent and its debt-to-government revenue ratio down to 130 per cent in 2004. The resources released by the debt relief are earmarked to fund expenditure programs, in line with Ghana's Poverty Reduction Strategy Paper whose five pillars emphasize special programs for the vulnerable.

Ghana also participated in the Spring and Annual meetings of the IMF and the World Bank group during the year and called for greater market access for developing countries as well as reduced agricultural subsidies in developed countries.

African Governors also used the forum to reiterate their determination to eradicate poverty, accelerate reforms and improve the investment climate. They also urged the IMF to adapt its programmes to the special circumstances of African countries.

An IMF mission on Observance of Standards and Codes in Fiscal Transparency concluded that Ghana met the standards of fiscal transparency in several areas. It however recommended as essential, improvements in coverage, timeliness and managerial orientation of fiscal reports and called for measures to ensure that fiscal data from various sources met basic data quality standards and were more consistent. During the review year, Ghana also received a mission from the IMF to discuss technical assistance support. Proposed areas of cooperation included liquidity forecasting and BASEL II Banking Supervision.

West African Monetary Zone (WAMZ)

WAMZ activities continued to be an important aspect of the external operations of the bank. The bank participated in all the statutory meetings where various studies on the second monetary zone for ECOWAS were reviewed and new ones commissioned.

The Technical Committee, the Committee of Governors and the Convergence Council of the WAMZ held three meetings in 2004. These meetings were used to review progress towards the creation of monetary union in the zone. The Authority of Heads of State and Government of the WAMZ also held a Summit in Conakry, Guinea in September 2004. The Summit noted significant progress toward implementation of the WAMZ programme but observed that the level of macroeconomic convergence was inadequate relative to the targets of the programme. Member countries of the zone were therefore urged to intensify efforts at strengthening macroeconomic and structural policy reforms. The Summit also recalled the earlier decision to commence monetary union on July 1, 2005 and requested the West African Monetary Institute (WAMI) to undertake a study to ascertain the state of preparedness and provide a firm basis for the take-off of the monetary union.

The Summit also approved the location of the headquarters of the WAMZ Secretariat in the Republic of Guinea and that of the West African Financial Supervisory Authority (WAFSA) in the Republic of Nigeria.

At its meeting held in Abuja, Nigeria in December 2004, the Committee of Governors approved the budget and work programme of WAMI. The work programme centred on multilateral surveillance and the study on the 'State of Preparedness for Monetary Union in the Zone'. Two other studies on 'Terms of Trade and Real Exchange Rate Shocks in the WAMZ' and 'Fiscal and Debt Sustainability in the WAMZ' were also approved.

Box 5

West African Monetary Zone Meetings - 2004
Dates and Venues

May 10- 13	Freetown, Sierra Leone
Aug. 30-Sept. 3	Conakry, Guinea
Dec. 15-17	Abuja, Nigeria

Main decisions and recommendations

* WAMI should undertake a comprehensive study on the 'State of Preparedness for Monetary Union by July 2005 in the WAMZ' to provide a firm basis for take-off of the monetary union. The report is due in March 2005.
* The Headquarters of the West African Financial Services Authority (WAFSA) should be located in Nigeria while that of the WAMZ Secretariat should be located in Guinea.
* Member countries should meet promptly their obligations towards the capital of the West African Central Bank (WACB) and the Stabilization and Cooperation Fund (SCF).
* Member countries should be committed to full implementation of the ECOWAS Trade Liberalization Scheme and the protocol on free movement of goods and persons.
* The legislatures of WAMZ member countries should be properly sensitized on the WAMZ programme to facilitate timely ratification of WAMZ statutes and other legal instruments.
* The recommendations of the Finance Ministers' Forum should be implemented with commitment.
* Harmonization of the payments system, development of a regional capital market and satisfactory implementation of the ECOWAS trade protocols are important prerequisites for the successful launch of the second monetary zone.
* Statistical harmonization should be intensified so that progress towards convergence can be properly assessed. Member countries should put in place modalities for implementing the Action Plans for statistical harmonization and payment systems development in the zone.
* WAMI should examine the link between PRGF, HIPC and PRSP and how the instability in inflows associated with these programmes affect stability in member countries.

West African Monetary Agency (WAMA)

The Technical Committees and the Committee of Governors of Central Banks of ECOWAS Member States met during the year under the Chairmanship of the Governor of Bank of Ghana. The 2004 meetings discussed progress under the ECOWAS Monetary Cooperation Programme (EMCP), the Harmonization of Statistics and Exchange Rate Policies, Harmonization of Banking Legislations and the ECOWAS Trade Liberalization Scheme (ETLS).

The meetings called for more efforts at attaining zone-wide macroeconomic convergence and also noted that the existence of different anchor/reference currencies of member states will hamper the drive towards monetary integration. The meetings also noted that barriers to trade still existed within the sub-region especially in the products market and recommended that full trade liberalization be adopted as a matter of urgency.

Box 6

West African Monetary Agency Meetings
Dates and Venue:
14 – 16 June, 2004, Dakar, Senegal

Main Decisions and Recommendations

* The reports on monetary cooperation among member states should take into account the nature and impact of external shocks and domestic actions that impinge on convergence.
* Data comparability is important for the evaluation of macroeconomic performance and there is need for statistical harmonization in line with international standards.
* The exchange rate regime to be adopted by ECOWAS should reflect economic fundamentals and be capable of absorbing external shocks in order to ensure its sustainability and credibility.
* Member countries that have not acceded to Article VIII of the IMF's Articles of Agreement should do so as soon as possible.
* The general public as well as critical stakeholders should be adequately sensitized on the objectives of the ECOWAS Monetary Cooperation Programme.

Association of African Central Banks (AACB)

The Association stepped up its activities in 2004.
The Assembly of Governors held two extraordinary meetings during the year. The first extraordinary meeting was held in Tripoli, Libya while the second was held in Kampala, Uganda. The 28th Ordinary Meeting of the Assembly of Governors was held in Yaounde, Cameroon in July 2004.

The extraordinary meeting in Libya and the 28th ordinary meeting were preceded by symposia - the first on the theme 'The Role of Central Banks in Monetary Cooperation' and the second on 'Central Banks and their Role in Anti-Money Laundering Efforts: Cooperation and Exchange of Experiences'.

Box 7

Association of African Central Banks Meetings - 2004
Dates and Venues

February 11,	Dakar, Senegal
March 29 – 30,	Tripoli, Libya
May 23,	Entebbe, Uganda
July 29 – 30,	Yaounde, Cameroon

Decisions and Recommendations

* Work should be done at national and sub-regional levels to harmonize concepts, methodologies and statistics as a prelude to effective continental harmonization.
* Economic actors and stakeholders outside central banks, in particular Ministers of Economy, Finance, Trade and Planning, should be involved in the implementation of the AMCP.
* The chairperson of the AACB should take up discussions with his counterpart of the African Union (AU) on the implementation of the AMCP of the AACB and on the drafting of a memorandum of understanding between the two institutions.
* The step by step approach to monetary union currently being adopted by the AACB through the AMCP was the most viable approach in the present circumstances. There was however the need to expedite action on the process of achieving the objectives of the AMCP.
* The AACB 2005 symposium should be on the theme: 'Risk Based Banking Supervision and the Implications of the Basel II Accord'.
* The 29th Ordinary Meeting of the AACB in 2005 should be hosted by Bank of Ghana.
* The Chairperson and Vice-chairperson of the AACB should urge concerned central banks to accede to the AACB revised statutes.

The Assembly of Governors welcomed the participation of the Commission of the African Union in its meetings as reflective of the shared objective in the achievement of sustainable economic development in Africa, especially through a continental monetary union.

Bank of Ghana was elected vice-chairman of the Association and the 2005 Assembly was scheduled for Accra in July 2005.

West African Institute for Financial and Economic Management (WAIFEM)

The Technical Committee and the Board of Governors of WAIFEM held two meetings in 2004. The Board considered and adopted the institute's audit report as well as the annual report for 2003. The Board of Governors also re-appointed the current Director General to another term of four years. The work programme and budget proposals for 2005 were also approved.

Ghana's Soverign Credit Rating

Standard and Poor's (S&P) and Fitch Rating visited Ghana and held discussions with officials of the Bank of Ghana, Ministry of Finance and Economic Planning and representatives of the private sector. Following its review of the macro economic and political situation, S & P affirmed Ghana's sovereign rating of B+ long term and B short-term credit, with a stable outlook. S & P noted that the ratings balance Ghana's weak general government finances and low level of economic activity with a relatively stable political environment, improving external liquidity and manageable levels of public external debt and debt service payments.

Fitch Ratings also affirmed its B with a positive outlook rating for foreign and local currency ratings.

Visit By US Under-Secretary For Treasury

The US Under Secretary for Treasury, Mr. John Taylor was in Ghana and held discussions with management and staff of Bank of Ghana. His interactions with the Bank focused on the Millennium Challenge Account (MCA) and macroeconomic developments in Ghana. Ghana was one of eight African countries to have qualified for the MCA in 2004. Mr. Taylor emphasized the crucial role of the criterion on corruption in deciding on eligibility for the MCA.

The Under-Secretary was briefed on the Monetary Policy Committee (MPC) process and fiscal prudence and their contribution to inflation control in Ghana. The progress towards single currency in the WAMZ was also reviewed as well as the growth prospects of the Ghanaian economy.

International Symposium

In March 2004, the Bank of Ghana organized a two-day international symposium on the theme 'From Stabilization to Growth'. The symposium, which was opened by His Excellency John Agyekum Kufuor, President of the Republic of Ghana, offered a forum to discuss how to accelerate the growth agenda in Ghana. Presenters were drawn from people with varied and rich backgrounds in macroeconomic management, who drew on the experiences of such countries as Chile, England and the memberships of the West African Economic and Monetary Union (UEMOA) and the European Union (EU). The perspectives of the private sector on growth as well as the sovereign credit rating process and its role in access to capital were also discussed.

Society for Worldwide InterBank Financial Telecommunications (SWIFT)

The Bank as a SWIFT shareholder and user group member participated in some activities organized by SWIFT during the year. The Bank participated in two major conferences, the Africa Regional Conference held in Mauritius and the SWIFT International Banking Operations Seminar (SIBOS) held in Atlanta, U.S.A.

The Africa Regional Conference discussed measures to improve the security and resilience of SWIFT products and how to harness them to build sound payment infrastructures to support rapid economic growth. Ghana was confirmed to host the Regional Conference in 2005 and Mozambique selected to host it in 2006. SIBOS on the other hand brought together all stakeholders in financial telecommunications and banking to share information on products available on the market and the trend in future developments. The objective is to increase efficiency and reduce risk in payments worldwide.

8.0 Address Of The Governor At The 2004 Bankers Dinner

Mr. Chairman,
Honourable Ministers of State,
Members of the Diplomatic Corps,
President of the Chartered Institute of Bankers,
Fellow Members of the Institute,
Distinguished Guests, Ladies and Gentlemen.

The Governor giving his address

It is once again a privilege to share this day with you. Let me acknowledge the tremendous effort of the President of the Institute and other members of his team for putting this event together. We thank you all very much.

Mr. Chairman, the theme for this year's Bankers Week celebrations is "**Challenges and Opportunities Facing the Financial Services Industry in a Stable Macro-economic Environment**". Under this general theme, several topics were tabled for discussion, including:

- "The Financial Services Sector and the Attainment of Accelerated Economic Growth by the Year 2015".
- "Universal Banking as a means of expanding the frontiers of banking in the golden age of business".
- "West Africa single currency- Implications for business in Ghana"; and
- "Ghana Medium-Term development strategy for the private business sector- the role of banks".

Ladies and Gentlemen, the choice of the theme and topics for discussion is very appropriate indeed. It shows that the banking sector is being very proactive and dynamic in anticipating its role in propelling Ghana towards accelerated growth. It is also a proper response as we look ahead to the future, to the opportunities beyond the turnaround in inflationary expectations and the increasing confidence by the private sector in the relatively stable macroeconomic environment that has been established in a few years.

Mr. Chairman, indeed the economic indicators suggest that a good measure of macroeconomic stability has been achieved, with reduced and stable inflation, lower interest rates, relative exchange rate stability, and increasing external reserves. These developments have been anchored on the fiscal/monetary policy framework that has been put in place with the view to fiscal consolidation and macroeconomic discipline.

While our own assessment of economic developments indicate an economy with improving fundamentals, I should add that this assessment has been corroborated by the international ratings agencies, Standard and Poors and Fitch, who only this month, have affirmed their B+ and B Positive Outlook ratings for Ghana. This is good information for investor appetite; and it matters for the private banking sector-business roles in the medium term development strategy, one of the topics you chose for discussion.

Mr. Chairman, macroeconomic stability is not an end onto itself, but rather a foundation for accelerated growth. I am therefore also glad to note that available evidence suggests that relative macroeconomic stability has not come at the expense of reduced economic growth.

The acceleration of GDP growth over the recent years underlines the fact that there is no trade-off between macroeconomic stability and economic growth in the long run. And, that when an economy is caught in a high inflation trap, stabilisation in a transparent fiscal and monetary framework is indispensable to establish the basis for growth.

Mr. Chairman, from the financial services sector, there is some evidence that in response to the changing economic environment, commercial banks and other financial institutions appear to be shifting their lending portfolio in favour of private sector activity as against treasury bills. The annual growth of credit to the private and public enterprises from domestic money banks at the end of September 2004 was 41.3 per cent compared with 12.5 per cent during the same period in 2003. Growth of credit to the private sector in real terms also rose from 3.0 per cent in August 2003 to 18.0 per cent in August 2004. More than two-thirds of the credit went to the private sector. The increase in credit to the private sector was broad-based across the major sectors.

The increased banking sector activity takes place against the backdrop of generally robust earnings, profitability and fairly liquidity position, with a better risk outlook. Non-performing loans of the banking sector have declined further from 18.5 per cent in September 2003 to 16.4 per cent at the end of September 2004. The non-bank financial sector (including Savings and Loans Companies, discount houses, finance companies, leasing companies and venture capital companies) have seen their assets grow to some ¢1,450 billion (2.0 per cent of GDP) an increase of 27.0 per cent over the last year.

I should note though that the improved performance based on the sectoral aggregates and other indicators, masks differences in the industry. We are all aware of the situation of a discount house, whose license was recently suspended by regulators.

Mr. Chairman, as the industry adjusts, there is the need to address any residual effects of inflation on balance sheets and cost structures, and to better assess, manage and price risks, to serve truly as intermediaries in mobilizing resources for growth in the emerging stable and competitive market environment.

Banking Supervision

Mr. Chairman, as we pursue the firm commitment to anti-inflation policies in the Monetary Policy Committee process, we are keenly aware that a financial system with strong individual component institutions is the most likely to be systemically robust and stable. The Bank of Ghana will place emphasis on rigorous prudential supervision and compliance with prudential norms to ensure financial stability. We should move from a tradition of great regulatory forbearance and nurturing of banks to one of strict surveillance, given the maturity and complexity that is now characteristic of the system.

The new Banking Bill, which will be promulgated early next year, is intended to strengthen the operational independence of the Bank of Ghana in its role as a regulatory authority and to ensure greater transparency in the regulatory framework for banking. The regulatory framework will be applied fairly with the intent of maintaining a liberal arrangement that leaves room for innovation but also imposes on banks, the responsibility for delivering robust risk management and internal controls in support of a sound credit culture. The Importance of international best practice and good corporate governance and accounting standards cannot be overemphasized in building a strong financial services sector.

Furthermore, there is the additional responsibility on banks to develop and emphasize a “know your customer” culture as this is one fundamental way of avoiding money laundering and other illegal transactions and protecting the integrity of the financial system. The central bank should be vigilant but not stand in the way of financial institutions, as long as they abide by laid down regulations and their actions do not jeopardize the stability of the financial system.

Mr. Chairman, the Bank of Ghana for its part has been implementing a number of policy initiatives to lay the foundation for a financial services sector that can support accelerated growth. We are building a legal and institutional framework to remove deficiencies and develop the financial payments infrastructure and settlement systems that would make the financial system robust and competitive in an international trading system; and resilient to reduce the vulnerability of the economy to shocks.

The introduction of Universal Banking is a recognition that the financial system has to become integrated and thus the old divisions between, commercial banks, development banks and merchant banks had become anachronistic. Under universal banking, banks are allowed to offer products that were previously the preserve of other traditional banking sectors. For banks to adequately perform their roles as universal banks, it is important that they are adequately capitalized. This is why the Bank of Ghana has raised the minimum capital requirement for banks to ¢70 billion.

Well-capitalised and well-managed universal banks will encourage a more competitive and dynamic banking system capable of effective intermediation on the scale needed to support growth in an expanding economy.

Mr. Chairman, whereas a dynamic growth-oriented financial system must be underpinned by an efficient payment and settlement system, Ghana is still essentially a cash-based economy with embedded high transaction costs. It is therefore important that we move towards more efficient payment methods like cheques and electronic cards. In recognition of this, the Bank of Ghana is undertaking reforms in the legal, institutional, and infrastructure framework of the payments system to make the Ghanaian financial system modern and competitive.

- A payments system bill was passed by Parliament in 2003 to provide the legal framework for the development of payments infrastructure. The Introduction of the Payment Systems Bill is a response to the need to develop non-cash payment products and clearing systems in order to reduce the over-dependence on cash payments in the economy. In addition, the Bills and Cheques Act has been revised and is awaiting passage next year.

- In the area of payments system infrastructure, The Bank of Ghana has introduced the Real Time Gross Settlement System (RTGS) for high value interbank settlements. The RTGS has created an enabling environment for safe, sound, secure, and timely payments. It has also reduced systemic, payments and settlement risks as payment orders are settled almost instantaneously. To complement the RGTS, the Bank of Ghana also introduced a paper-based credit clearing system this year to facilitate the settlement of low-value payments, with plans to migrate these settlements to an electronic platform in the near future.

At the retail level, banks have also taken on the challenge and we are seeing a proliferation of new products, around card-based payments systems. This is commendable and I am sure we will see more growth in this area in the future. For the financial system as a whole and the banking public to benefit from these innovations, it is important that the networks of the banks be inter-linked. It is in the competitive interest of all banks and the banking public to ensure the inter-linkage of networks.

The Bank of Ghana will be taking a very active role in the coming year to ensure that banks reach a consensus on a common and fully integrated platform for the development of a robust, cost-effective payment system. It is in all of our common interest that this is done and we should all commit ourselves to doing it next year.

Ladies and Gentlemen, we have seen a resurgence of interest in the capital market over the past few years, with the striking gains on the Ghana Stock Exchange. In this area also, the Bank of Ghana has been putting the necessary framework and infrastructure in place to support the growth and development of the capital markets in Ghana.

In collaboration with the Ministry of Finance, the Bank introduced new medium-term Government Securities in 2004 (two and three year fixed and floating rate bonds). In addition to the Government of Ghana securities, the Bank of Ghana has also introduced its own Bank of Ghana Bills (28 and 56 day bills) for open market operations.

It is hoped that, with time, a benchmark yield curve for Government securities will emerge in an active domestic bond market that will allow issuers to compare the cost of their debt to that of the Government of Ghana. The new securities also allow the Government to lengthen the average maturity of its debt and reduce the frequency with which it has to refinance maturing securities and ease funding pressures on the market for government debt instruments.

Central Securities Depository System

Ladies and Gentlemen, last year I informed you that as part of the infrastructure necessary for capital market development, the Bank of Ghana would introduce a Central Securities Depository System in Ghana. I am pleased to announce that the new central depository system opened for business this week. Let me take some time to give you some of the details.

- First, the new central securities depository system will make it possible for records of ownership of individual securities to be maintained centrally as well as at the respective primary dealers. This should reduce the risks to investors that arise from possible poor record-keeping or any dealer malfeasance. Eventually, the system will also be extended to include other fixed-income securities as well as equity securities listed on the Ghana Stock Exchange.

- Second, the Central Securities Depository has the capacity to bring together in one location securities listed on the Ghana Stock Exchange, over the counter securities, Government securities, mutual funds and unit trusts. It would enable securities to be held and processed electronically by book entry.

- Third, the CSD will make it easier to trade in securities. For example, it will enable an investor to rediscount a security with a dealer other than the one through which the security was first purchased, and transfer that security to any dealer willing to pay the highest price for that security.

- In sum, the new central securities depository constitutes an important step in developing a secondary and liquid market for government debt instruments and other securities and it should put a hard-wire around the capital market infrastructure to improve security and investor confidence.

Mr. Chairman, along with these initiatives, the Bank of Ghana has also introduced a number of reforms in the wholesale market for Government Securities, including a primary dealers code of conduct. These reforms together should bring to the domestic financial market increased efficiency and transparency, reduce transaction costs, and ensure broad-based participation of individuals on both competitive and non-competitive basis with greater security of title.

Ladies and Gentlemen, I am sure you are asking yourself, what about the Exchange Control Act and the existing regulations and procedures governing foreign exchange and payments transactions. These should be reviewed as a matter of priority next year. The Bank of Ghana will be advocating for the early passage of the required legislation, while streamlining its own approval procedures to facilitate expeditious transactions, with the emphasis on monitoring for analytical and balance of payments purposes rather than control. The revised regulatory framework should encourage access to capital, preserve the liberal system that has served the country well and that is essential for attracting private direct investment. And, It should protect the integrity of the system against abuses such as money laundering and other illegal transactions. An Anti-Money Laundering Bill has also been drafted and should be passed next year.

West African Monetary Zone (WAMZ).

Mr. Chairman, one of the topics scheduled for discussion during the Bankers Week Celebrations was “West Africa single currency- Implications for business in Ghana”.

Ladies and gentlemen, I would like to make a few comments in this regard. As you are aware, there are plans afoot to launch a Second Monetary Zone in West Africa embracing Ghana, Nigeria, Sierra Leone, The Gambia and Guinea (The West African Monetary Zone). There is strong political commitment to the program and there are important and significant benefits that could flow from a regional single currency arrangement. The Euro Zone offers a striking example. Under the initial fast-track programme of the WAMZ, a single currency and a common central bank were to be operational by January 2003. To facilitate the process of integration of the different economies of the zone, a set of convergence criteria was set that went to the core issues of public finance management and macroeconomic discipline as well as economic and institutional reform and trade liberalisation within the region.

At the meeting of the Governors, Convergence Council, and Authority of Heads of State of the WAMZ in Conakry, Guinea in 2002, it was accepted that none of the countries in the zone was in the position to meet all the convergence criteria by December 2002. It was therefore decided to extend the period for convergence by another two and a half years (to 2005) – a period thought to be short enough to signal the need to sustain momentum and long enough to complete the needed policy adjustments. As we sit here tonight, it is not certain that any of the countries would be in a position to meet the convergence criteria by the end of December 2004, although we await a comprehensive assessment.

Mr. Chairman, while co-operation on monetary integration has been on a fast-track, and we cannot underestimate the benefits from such co-operation, economic integration in the ECOWAS sub-region has generally been slow. Businessmen and traders alike still face formidable barriers to the movement of goods across borders in the sub-region. These remain to be lowered if not removed, to give practical context to the numerous protocols signed by ECOWAS member countries under the Trade Liberalisation Scheme. It is important that countries implement these protocols to derive the benefits of integration.

The major lesson here is that there is a lot of hard work ahead if member states are to realize the single currency goal with benefits. Macroeconomic convergence is vital: And this will require a lot of tough decisions bearing on public finances in particular, commitment to anti-inflation policy and structural reforms in all the participating countries. These are policy changes and structural reforms that are required to underpin and deliver macroeconomic discipline on the part of all member countries in order to promote convergence — the defining process to help integrate members into a single economic and financial space in a way that would ensure the vitality and growth of the region in a competitive and interdependent global economic system.

Conclusion

Mr. Chairman, I would like now to conclude to relieve those who are experiencing indigestion after the sumptuous meal tonight. Clearly, the macroeconomic programme initiated in 2001 has brought about significant progress in stabilizing the economy with improved fundamentals and outlook. The economy is on the path to a low and stable inflation, and a low interest rate environment with relative exchange rate stability. Although, as with all central banks, we are also concerned about the surge in oil prices, the economy today is in a better position to withstand shocks given a context of continued policy prudence and reforms to buttress the prospects for accelerated growth.

Growth with Stability depends on a robust, resilient and sound financial system in a stable macroeconomic environment. This is why the Bank of Ghana is inter alia, implementing reforms in the payments systems infrastructure, improving the legal framework, introducing new securities, the central securities depository system and other capital market infrastructure and adhering to strict surveillance of the financial system. The banks should also be doing their part since this is a collaborative effort to produce the type of financial system that will build on the emerging macroeconomic stability to promote accelerated growth and poverty reduction. A dynamic, sound and robust banking sector should be at the forefront of this process, acting in a strategic medium term relation with the private business sector in the golden age of business.

Finally, the lesson that has been learned is that this process calls for consistent implementation of a disciplined and transparent fiscal/monetary policy framework and structural reforms and for a broad social consensus and policy commitment to building solid foundations to promote growth and wealth creation for the benefit of all.

Mr. Chairman, the Institute was indeed right to choose this year's theme, to get members to look to the challenges and opportunities that lie ahead for the future.

Thank you for your attention.

Financial Statements

Board Of Directors, Officials And Registered Office

BOARD OF DIRECTORS	Dr. Paul A. Acquah (Chairman/Governor) Mr. Emmanuel Asiedu-Mante (Deputy Governor) Mr. Lionel Van Lare Dosoo (Deputy Governor) Mr. Nik Amarteifio (Lead Director) Prof. Fred T. Sai Mrs. Gloria Nikoi Mr. Sam Okudzeto Rev. Dr. Kwabena Darko Prof. Kwadwo Asenso-Okyere Mr. Kwaku Agyeman-Manu Togbe Afede XIV Dr. Ishmael E. Yamson (Appointed 15/06/04)
SECRETARY	Mr. James A. Odei Bank of Ghana Head Office, 1 Thorpe Road P. O. Box GP 2674 Accra, Ghana
AUDITORS	KPMG Chartered Accountants 25 Liberia Road P.O. Box GP 242 Accra, Ghana.
SOLICITORS	Agyemang & Associates P. O. Box GP 2959 Accra, Ghana. Kuenyehia & Co P. O. Box AN 6564 Accra, Ghana.
REGISTERED OFFICE	Bank of Ghana Head Office, 1 Thorpe Road P. O. Box GP 2674 Accra, Ghana.

Report Of The Directors **to the members of Bank of Ghana**

The Directors have pleasure in presenting the audited financial statements of the Bank for the year ended 31st December 2004.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing financial statements for each accounting period, which give a true and fair view of the state of affairs of the Bank as at the end of the accounting period, and of the surplus or deficit of the Bank for the period.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business;

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the Bank and enable the Bank to ensure that the financial statements comply with relevant legislations and accounting standards. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

COMPLIANCE WITH RELEVANT ACCOUNTING FRAMEWORK

The financial statements, including comparative year data, are prepared both in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2003 (Act 654) and International Financial Reporting Standards (IFRS) except insofar as the bank has not considered it appropriate to do so having regard to the provisions of the Bank of Ghana Act. The Directors have reviewed the accounting policies and disclosures in the financial statements and have indicated areas where the provisions of the Bank of Ghana Act are not entirely consistent with requirements of IFRS.

The areas that the financial statements materially depart from the provisions of IFRS are:

(i) Net foreign exchange differences on holdings of gold, Special Drawing Rights or foreign securities have been treated in accordance with note 5(d) and presented under notes 18 and 19.

(ii) Certain statutory provisions stated under note 11 in the prior year comparatives were charged to the income statement in accordance with section 6 of the Bank of Ghana Act. These provisions do not meet the recognition criteria set out under IAS 37.14

(iii) The Bank has contracted consultants to carry out actuarial valuation of its pension scheme. The consultants had not completed their work at the time of finalising the financial statements. The results of their work will be evaluated by management and the effects incorporated into the books of the Bank when the exercise is completed.

Details of these departures are presented under note 37. The Board has reviewed these treatments and has concluded that the departures from the requirements of IFRS in respect of items (i) and (ii) above are necessary to achieve a fair presentation of the bank's financial position, financial performance and cash flows taken within the context of the provisions of the Bank of Ghana Act, 2002 (Act 612).

MISSION STATEMENT

To pursue sound monetary and financial policies aimed at price stability and create an enabling environment for sustainable economic growth.

The Bank of Ghana is engaged in the business of central banking. There was no change in the nature of the business of the Bank during the 2004 financial year. The primary objective of the Bank is to maintain stability in the general level of prices and, without prejudice to this primary objective, promote economic growth and an effective and efficient banking and credit system.

FINANCIAL STATEMENTS

The results for the year are summarised below:	¢'m
Net Deficit for the year	(197,026)
	======

SUBSIDIARY COMPANY

The Bank owns 51% of the issued shares of Ghana International Bank Plc, a company incorporated in the United Kingdom, which carries on the business of commercial banking.

....	....
CHAIRMAN (GOVERNOR)	DIRECTOR

ACCRA

28 - 4 - 2005

Report Of The Auditors **to the members of Bank of Ghana**

We have audited the consolidated financial statements of Bank of Ghana for the year ended 31st December 2004 set out on pages 61 to 92 and have obtained all the information and explanations we required.

Respective Responsibility of Directors and Auditors

These financial statements are the responsibility of the Bank's Directors. Our responsibility is to express an independent opinion on these financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Exception

The Bank's financial statements are prepared in accordance with the provisions of the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2003 (Act 654) and International Financial Reporting Standards (IFRS) except insofar as the bank has not considered it appropriate to do so having regard to the provisions of the Bank of Ghana Act. The following exceptions are noted in respect of areas where the financial statements depart from IFRS as a result of compliance with the Bank of Ghana Act, 2002 (Act 612)

(i) Treatment of exchange differences on specified balances

As discussed in Note 5(d), net unrealised foreign exchange losses of ¢290,824 million (2003: ¢276,581 million) on holdings of gold, Special Drawing Rights (SDRs) with the International Monetary Fund were charged directly to Revaluation Account included in other assets under note 19 in accordance with Section 7 of the Bank of Ghana Act, 2002 (Act, 612) instead of the income statement as required by IFRS.

(ii) Provisions

Included in provisions stated under note 11 for prior year were amounts of ¢226,000 million charged against surplus for that year in accordance with section 6 of the Bank of Ghana Act, 2002 (Act 612). These charges do not meet the recognition criteria for provisions set out under IAS 37.14.

(iii) Valuation of Defined Benefit Scheme

As stated in note 5(l) the Bank operates a pension scheme based on final pensionable pay for which management makes annual charges based on actual pensions paid and a provision to cover future periods. The pension scheme is a defined benefit scheme but no actuarial valuation has been carried out on the scheme to accrue for and provide information on the Bank's outstanding obligation to the scheme as at 31st December 2004.

(iv) Departures on Subsidiary's Financial Statements from IFRS

The subsidiary's financial statement included in the consolidated financial statements were prepared in accordance with UK GAAP. The impacts of significant departures from IFRS have not been quantified.

Details of the above-mentioned departures and their impact on the financial statements have been disclosed under note 37.

Opinion

In our opinion, proper books have been kept and financial statements, which are in agreement therewith, comply with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2003 (Act 654) and except for the matters referred to in the preceding paragraph, comply with International Financial Reporting Standards and give a true and fair view of the state of the Bank and the group's position at 31st December 2004 and of the results of their operations and cash flows for the year then ended.

....

CHARTERED ACCOUNTANTS
25 LIBERIA ROAD
P. O. BOX 242
ACCRA.

28 - 4 - 2005

Consolidated Income Statement **for the year ended 31st December 2004**

	Note	THE BANK 2004 ¢'m	THE BANK 2003 ¢'m	THE GROUP 2004 ¢'m	THE GROUP 2003 ¢'m
Interest and similar income	6(i)	580,662	910,006	664,972	965,292
Fee and commission income		96,255	67,452	130,036	91,590
Dividend income		3,295	3,762	5	-
Other income	6(iii)	558,770	446,597	571,442	452,472
Operating Income		1,238,982	1,427,817	1,366,455	1,509,354
Interest expense and similar charges	6 (ii)	(840,100)	(505,305)	(871,521)	(525,571)
Net provision for impairments	10	399	4,329	399	4,329
Operating expenses		(674,630)	(700,540)	(738,214)	(750,004)
Administration	7	292,870	292,215	337,068	325,162
Premises and Equipment	8	121,368	59,711	140,754	76,228
Currency and Issue	9	260,392	348,614	260,392	348,614
(Deficit)/Surplus before Provisions and Exceptional Item		(275,349)	226,301	(242,881)	238,108
Provisions	11	-	(226,000)	-	(226,000)
(Deficit)/Surplus before Exceptional Item		(275,349)	301	(242,881)	12,108
Exceptional Item	12	78,323	-	78,323	-
Surplus/(Deficit) before taxation		(197,026)	301	(164,558)	12,108
Taxation	13(iii)	-	-	(10,740)	(4,577)
(Deficit)/Surplus after Taxation and before Minority Interest		(197,026)	301	(175,298)	7,531
Minority Interest		-	-	(12,259)	(5,385)
(Deficit)/Surplus after Taxation and Minority Interest		(197,026)	301	(187,557)	2,146

Consolidated Balance Sheet **at 31st December 2004**

		THE BANK		THE GROUP	
		2004	2003	2004	2003
	Note	¢'m	¢'m	¢'m	¢'m
ASSETS					
Cash and Amounts due from banks	14	2,461,160	3,166,193	1,999,784	2,787,838
Gold	15	1,109,235	1,034,425	1,109,235	1,034,425
Balances with IMF	16	5,357,647	5,251,711	5,357,647	5,251,711
Securities	18	18,281,395	13,234,164	18,777,633	13,714,980
Loans and advances	17	6,854,759	6,651,812	10,483,941	9,487,613
Other Assets	19	1,783,843	1,464,186	1,828,396	1,563,511
Property, Plant and Equipment	20	286,842	164,709	293,180	173,174
Development Loans and Investments	21	53,537	51,911	4,322	2,696
Deferred Tax	13(ii)	-	-	3,294	2,602
TOTAL ASSETS		36,188,418	31,019,111	39,857,432	34,018,550
LIABILITIES					
Currency in Circulation	22	7,673,899	6,679,739	7,673,899	6,679,739
Allocations of Special Drawing Rights		880,313	823,881	880,313	823,881
Deposits	23	10,459,900	9,102,170	13,603,328	11,675,063
Liabilities to IMF	24	9,373,719	8,833,458	9,373,719	8,833,458
Taxation	13(i)	-	-	13,633	7,743
Liabilities under Money Market Instruments	25	6,182,374	4,143,171	6,182,374	4,143,171
Other Liabilities	26	1,008,582	677,250	1,045,723	684,835
Deferred Income	27	-	5,479	-	5,479
TOTAL LIABILITIES		35,578,787	30,265,148	38,772,989	32,853,369
MINORITY INTEREST		-	-	251,265	225,612
SHAREHOLDERS' FUNDS					
Stated Capital	28	100,000	100,000	100,000	100,000
Capital Surplus	29	35,962	35,962	35,962	35,962
General Reserve	30	72,548	72,548	72,548	72,548
Other Reserve	31	598,147	545,453	780,154	702,278
Income Surplus		(197,026)	-	(155,486)	28,781
		609,631	753,963	833,178	939,569
TOTAL LIABILITIES/MINORITY INTEREST AND SHAREHOLDERS' FUNDS		36,188,418	31,019,111	39,857,432	34,018,550

....
CHAIRMAN (GOVERNOR)

....
DIRECTOR

The financial statements were approved by the Board of Directors on 28 - 4 - 2005

Statement Of Changes In Equity **for the year ended 31st December 2004**

	Stated Capital ¢'m	Income Surplus ¢'m	Capital Surplus ¢'m	General Reserves ¢'m	Other Reserve ¢'m	Total ¢'m
Balance at 1st January 2003	100,000	-	35,962	72,548	380,794	589,304
Net surplus for the year		301				301
Transfer to Revaluation Account		(301)				(301)
Changes in the price of gold					164,659	164,659
Balance at 31st December 2003	100,000	-	35,962	72,548	545,453	753,963
Balance at1st January 2004	100,000	-	35,962	72,548	545,453	753,963
Net deficit for the year		(197,026)				(197,026)
Changes in price of gold					52,694	52,694
Balance at 31st December 2004	100,000	(197,026)	35,962	72,548	598,147	609,631

Consolidated Statement Of Changes In Equity **for the year ended 31st December 2004**

	Stated Capital ¢'m	Income Surplus ¢'m	Capital Surplus ¢'m	General Reserves ¢'m	Other Reserves ¢'m	Translation Reserves ¢'m	Total ¢'m
Balance at1st January 2003	100,000	23,174	35,962	72,548	380,794	125,241	737,719
Net surplus for the year		2,146					2,146
Transfer to Revaluation Account		(301)					(301)
Changes in price of gold					164,659		164,659
Restatement of group reserves		3,762					3,762
Foreign currency translation reserve						31,584	31,584
Balance at 31st December 2003	100,000	28,781	35,962	72,548	545,453	156,825	939,569
Balance at1st January 2004	100,000	28,781	35,962	72,548	545,453	156,825	939,569
Net deficit for the year		(187,557)					(187,557)
Restatement of group reserves		3,290					3,290
Price & Exchange Difference					52,694		52,694
Foreign currency translation reserve						25,182	25,182
Balance at 31st December 2004	100,000	(155,486)	35,962	72,548	598,147	182,007	833,178

Cash Flow Statement for the year ended 31st December 2004

	2004		2003	
	¢'m	¢'m	¢'m	¢'m
Net Cash Outflow from Operating Activities (Note 36a)		(3,988,023)		(2,769,335)
Investing Activities				
Development Loans and Investments	(1,626)		6,987	
Property, Plant & Equipment Purchased	(234,234)		(99,848)	
Proceeds from Sale of Property, Plant & Equipment	209		104	
Increase in Balances with IMF	(105,936)		(4,937,995)	
	------------		------------	
Net Cash Outflow from Investing Activities		(341,587)		(5,030,752)
		-------------		-------------
Net Cash Outflow before Financing		(4,329,610)		(7,800,087)
Financing				
Decrease in Finsap Bonds	-		(935)	
Increase in Bank of Ghana Instruments	2,039,203		2,828,227	
Increase in Currency in Circulation	994,160		1,740,709	
Increase in Allocation of SDRs	56,432		103,922	
Increase in Short Term Credits	330,627		4,315,992	
Increase in Enhanced Structural Adjustment Facility	209,634		895,240	
Deferred Income	(5,479)		(5,478)	
	-----------		------------	
Net Cash Inflow from Financing Activities		3,624,577		9,877,677
		------------		-----------
(Decrease)/Increase in Cash and Cash Equivalents		(705,033)		2,077,590
		=======		=======
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1st January		3,166,193		1,088,603
Net Cash (Outflow)/Inflow		(705,033)		2,077,590
		------------		------------
Balance at 31st December		2,461,160		3,166,193
		=======		=======

Analysis of changes in cash and cash equivalents are shown under note 14.

Interest received	445,868	544,408
Interest paid	839,886	504,311
	======	======

Consolidated Cash Flow Statement **for the year ended 31st December 2004**

		2004		2003
	¢'m	¢'m	¢'m	¢'m
Net Cash Outflow from Operating Activities (Note 36b)		(4,060,641)		(2,721,307)
Investing Activities				
Development Loans and Investments	(1,626)		6,987	
Fixed Assets Purchased	(236,216)		(102,800)	
Proceeds from Sale of Fixed Assets	209		104	
Increase in Gold Holdings				
Increase in Balances with IMF	(105,936)		(4,937,995)	
Net Cash Outflow from Investing Activities		(343,569)		(5,033,704)
Net Cash Outflow before Financing		(4,404,210)		(7,755,011)
Tax Paid		(5,260)		(2,458)
Financing				
Dividend Paid to Minority Interest	(3,161)		(3,020)	
Decrease in Finsap Bonds	-		(935)	
Increase in Bank of Ghana Instruments	2,039,203		2,828,227	
Increase in Currency in Circulation	994,160		1,740,709	
Increase in Allocation of SDRs	56,432		103,922	
Increase in Short Term Credits	330,627		4,315,992	
Increase in Enhanced Structural Adjustment Facility	209,634		895,240	
Deferred Income	(5,479)		(5,478)	
Net Cash Inflow from Financing Activities		3,621,416		9,874,657
Increase in Cash and Cash Equivalents		(788,054)		2,117,188
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1st January	2,787,838		670,650	
Net Cash Inflow/(Outflow)	(788,054)		2,117,188	
Balance at 31st December	1,999,784		2,787,838	

Analysis of changes in cash and cash equivalents are shown under note 14.

Interest received	530,029		599,694	
Interest paid	871,521		524,577	

Notes Forming Part Of The Financial Statements
for the year ended 31st December 2004

1. STATUTE AND PRINCIPAL ACTIVITIES

Bank of Ghana (the Bank) is wholly owned by the Government of Ghana, and operates as Ghana's central bank. Its operations are governed by the Bank of Ghana Act, 2002 (Act 612).

Under the Bank of Ghana Act, 2002 (Act 612) the principal objectives and functions of the Bank are:

- to maintain stability in the general level of prices;
- without prejudice to the above, to support the general economic policy of the Government and promote economic growth and effective and efficient operation of the banking and credit systems in the country, independent of instructions from the Government or any other authority.

In order to meet the above objectives the Bank shall, in summary:

- formulate and implement monetary policy;
- promote stabilisation of the currency by monetary measures, and institute measures favourable to the balance of payments; state of public finance and general national economic development;
- undertake prudential supervision of the banking sector and ensure smooth operation of the financial sector;
- promote, regulate and supervise the payments system;
- issue and redeem currency notes and coins;
- ensure effective maintenance and management of Ghana's external financial relations;
- license, regulate, promote and supervise non bank financial intermediaries;
- act as banker and financial advisor to the Government;
- promote and maintain relations with international banking and financial institutions and perform all other functions incidental or conducive to the functions under the Bank of Ghana Act or any other enactment.

The consolidated financial statements of the Bank for the year ended 31 December 2004 comprise the Bank and its subsidiary, together referred to as "The group".

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Bank of Ghana Act 2002 (Act 612) the Financial Administration Act, 2003 (Act 654) and International Financial Reporting Standards (IFRS) except in so far as the bank has not considered it appropriate to do so having regard to provisions of the Bank of Ghana Act. Material departures in the financial statements from the provisions of IFRS as a result of compliance with the provisions of the Act have been disclosed under note 37.

3. BASIS OF PREPARATION

The financial statements are presented in Ghana cedis rounded to the nearest million.
The financial statements are prepared on fair value basis for financial assets and liabilities held for trading and available–for-sale assets, except for those for which a reliable measure of fair value is not available.

Other financial assets and liabilities and non-financial assets and liabilities are stated at either amortised cost, or historical cost or revalued amounts. The Bank's accounting policies have been applied consistently with those used in the previous year.

4. BASIS OF CONSOLIDATION

Subsidiaries are those enterprises controlled by the bank. Control exists when the bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions are eliminated on consolidation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been approved by the Board and have been applied consistently in dealing with items that are considered material in relation to the Bank's financial statements.

a. Income recognition

Interest and similar income and interest expense and similar charges are recognised in the income statement on an accrual basis taking into account the effective yield of assets and liabilities or an applicable floating rate. It includes amortisation of any premium or discount on purchase or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Fees and commission income earned from financial services provided by the Bank are recognised when the corresponding service is provided.

Dividend income is recognised in the income statement on the date it is received.

b. Financial Instruments

(i) Classification

For purposes of measuring the Bank's financial instruments subsequent to initial recognition, the bank classifies financial instruments into four categories:

Trading instruments are those that the group principally holds for the purpose of short-term profit taking. The bank does not hold trading instruments.

Originated loans and receivables are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short-term profit taking.

Held-to-maturity assets and liabilities are fixed or determinable payments and fixed maturity financial instruments that the Bank has the intent and ability to hold to maturity. This includes local and foreign money market instruments and short-term investments.

Available-for-sale assets are financial assets that are not held for trading purposes, nor do they originate from the Bank, nor are they held to maturity.

The following assets and liabilities are excluded from classification as financial instruments: property, plant and equipment, income and deferred tax balances.

(ii) Recognition

The Bank recognises financial assets and liabilities held on settlement date. From the date it commits to purchase the assets, any gains and losses arising from changes in fair value of the assets are recognised.

(iii) Measurement

Financial instruments are measured initially at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale assets are measured at fair value, except that any instrument whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses. Fair values are based on relevant quoted market price.

Non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are measured at amortised cost less impairment losses. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument. Amortised cost of short-term held-to-maturity assets and liabilities are approximated to their cost.

Redeemable non-interest bearing and fixed maturity long term government securities are stated at cost for the purpose fairly presenting the substance of these securities.

(iv) Gains and Losses on Subsequent Measurement

Gains and losses arising from a change in the fair value of available-for-sale financial instruments are recognised directly into equity. When the financial assets are sold, collected or otherwise disposed of cumulative gain or loss recognised in equity is transferred to the income statement.
Gains and losses arising from the change in the fair value of trading instruments are recognised in the income statement in the period in which it arises.

Gains and losses on amortisation of premiums or discounts of financial instruments carried at amortised cost are recognised in the income statement of the period in which they arise.

(v) Derecognition

A financial asset is derecognised on the value date if the Bank loses control over the contractual rights that comprise the asset. This occurs when the rights are realised, expired or are surrendered. A financial liability is derecognised when it is extinguished.

Available-for-sale assets and assets held for trading that are sold are derecognised, and corresponding receivables from the buyer for the payment are recognised as of the date the bank commits to sell the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

(vi) Impairment

- General

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

- Originated loans and advances

Specific and portfolio impairments are made for originated loans and advances for uncollectibility. Specific impairments are made against the carrying amounts of loans and advances that are identified as being impaired based on regular reviews of outstanding balances to reduce them to their recoverable amounts. Portfolio impairments are maintained to reduce the carrying amounts of portfolio of similar loans and advances to their estimated recoverable amounts at the balance sheet date.

In determining the level of provisions required, consideration is given to a number of factors including, but not limited to, domestic economic conditions, the composition of the advances portfolio and prior debt experience.

Changes in provisions are recognised in the income statement. Advances are written off when the extent of any loss has been determined.

- Financial assets remeasured to fair value directly through equity

Where a financial asset, which is held as available-for-sale is impaired, and an increase in the fair value of the financial asset was previously recognised in equity, the increase in the fair value of the financial asset recognised in equity is reversed to the income statement to the extent that the asset is impaired beyond its original cost.

Any additional impairment loss is recognised in the income statement. If in a subsequent period the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event after the write-down, the write –down is reversed through the income statement.

c. Gold

Gold is held by the Bank as part of its foreign reserves and is classified as available for sale for the purposes of measurement. Gold holdings are included in the balance sheet at the prevailing closing spot market price on the London Bullion Market on that date.

Changes in the fair value of gold holdings arising from price changes are recognised directly in equity as part of other reserves.

Foreign exchange gains and losses on gold holdings are for the account of the Government of Ghana and consequently such gains and losses are transferred to Revaluation Account in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612).

d. Foreign Currencies

- Foreign currency transactions

Transactions denominated in foreign currencies are translated into cedis at the rates of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the balance sheet date.

Gains and losses resulting from such transactions are recognised in the income statement except for the following:

Exchange gains and losses arising from translation of holdings in gold, Special Drawing Rights (SDRs) held with International Monetary Fund (IMF) or holdings of foreign securities are recognised directly into Revaluation Account in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612).

- Financial Statements of Foreign Operations

The Bank considers its subsidiary as foreign entity. Consequently, the subsidiary's foreign operations are not considered an integral part of those of the Bank. Accordingly, the assets and liabilities of the foreign operation including any goodwill and fair value adjustments arising on consolidation are translated into cedis at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of the subsidiary are translated to cedis at the average rate for the year. Foreign exchange differences arising on these translations are recognised directly into equity.
The following were the average and the closing rates for the year ended 31st December 2004.

Currency	Average Rate	Closing Rate
	¢	¢
US Dollar	8,982	9,030
GBP	16,407	17,335
EURO	11,145	12,270
SDR	13,256	13,977

e. Special Drawing Rights/ International Monetary Fund Related Transactions

The Bank on behalf of Government of Ghana manages assets and liabilities in respect of Special Drawing Rights with the International Monetary Fund (IMF). Exchange gains and losses arising from translation of SDRs at period ends are treated in accordance with note 5(d) above.

f. Loans and Advances

Loans and advances originated by the Bank are classified as originated loans and receivables. Loans and advances are stated in the balance sheet at the estimated recoverable amounts in accordance with note b(vii).
The recoverable amounts of loans and advances are the present value of expected future cash flows, discounted at the instruments' original effective interest rate. Short-term balances are not discounted.

g. Securities

- Domestic Securities

Domestic securities consist of Government of Ghana redeemable, negotiable and interest bearing securities. These securities are classified as held to maturity and are stated in the balance sheet at amortised cost.

- Foreign Securities

This represents interest bearing short term instruments with fixed maturities held with correspondent banks. These securities are stated at amortised cost. Short- term foreign securities are stated at cost as they approximate their amortised cost. Exchange gains and losses arising from translation of foreign securities are treated in accordance with 5(d).

- Long Term Government Securities

This represents interest bearing and non-interest bearing fixed maturity securities issued by the Government of Ghana to cover the Bank in respect of net exchange losses arising on holdings of gold, SDRs or foreign securities recognised in the Revaluation Account in accordance with section 7 of the Bank of Ghana Act, 2002. The non-interest bearing components of these securities are stated at cost to fairly present the substance of these securities.

h. Equity Shares and Participation Interests

Equity investments are classified as available-for-sale financial assets and measured at fair after initial recognition. Where the fair value of these investments cannot be reliably measurable, they are stated at cost less provision for impairments.

i. Property, Plant and Equipment

Property, plant and equipment are stated in the balance sheet at original purchase price as modified by any revaluation, less accumulated depreciation. Depreciation is calculated using the straight-line method so as to write off the gross value of the property, plant and equipment as over their estimated useful lives.

Subsequent expenditures incurred to replace a component of property, plant and equipment that are accounted for separately, are capitalised. Other subsequent expenditure is capitalised only if it increases the future economic benefits embodied in the item of property, plant and equipment.

The annual depreciation rates generally in use are as follows:

	%
Buildings	4
Plant and Equipment	33 1/3
Motor Vehicles	33 1/3
Furniture and Fittings	20

Capital work-in-progress is recorded at cost. Land is not depreciated.

j. Grants

Grants are recognised in the balance sheet as deferred income when there is reasonable assurance that it will be received and that the Bank will comply with the conditions attaching to it. Grants that compensate the Bank for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same period in which the expenses are incurred. Grants that compensate the Bank for the cost of an asset are recognised in the income statement as revenue on a systematic basis over the useful life of the asset.

k. Deposits

Interest bearing deposits are stated at amortised cost. Non-interest bearing deposits are stated at cost.

l. Pension Costs

The Bank operates a defined benefit scheme which provides benefits based on final pensionable pay. The Bank's obligation for contribution to the scheme is recognised expense in the income statement.

m. Capital and Reserves

Stated capital represents non-distributable capital of the Bank.

With respect to the distribution of surplus for the year, the Bank of Ghana Act provides that after allowing for specified provisions, surplus for the year are distributed as follows

- transfer of one half of the net profit to the General Reserve, if the balance in the Reserve is less than the paid up capital of the Bank; or

- transfer of one quarter of net profit to the General Reserve, if the balance in the Reserve is less than twice the amount of paid up capital;

- any residual to be utilised to settle Government of Ghana indebtedness and/or where none exists, to be paid into the Consolidated Fund.

Except that where there is a net loss on the Revaluation Account, the net surplus for the year shall be credited to it.

n. Taxation

The Bank is not subject to tax in respect of its functions under the Bank of Ghana Act. Tax on the profit of the Bank's subsidiary Ghana International Bank Plc for the period comprises current tax charge and the change in deferred tax. Deferred

o. Deferred Taxation

Full provision is made for deferred tax liabilities using the liability method on temporary differences. Deferred liabilities are calculated using the tax rate at the balance sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p. Operating Leases

Operating lease rentals are charged to profit and loss account as they accrue.

q. Comparative Information

Comparative information, where necessary, has been restated to achieve consistency in disclosure of current financial year information.

r. Post-Balance Sheet Events

Events subsequent to the balance sheet date are reflected only to the extent that they relate to the financial statements and their effect is material.

s. Dividend

Dividends are recognised as a liability in the period in which they are declared.

6(i). INTEREST AND SIMILAR INCOME

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Interest Income	457,791	544,408	541,101	599,694
Discount on treasury bill operations	122,871	365,598	123,871	365,598
	580,662	910,006	664,972	965,292

6(ii). INTEREST EXPENSE & SIMILAR CHARGES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
IMF & SDR allocations	30,072	28,999	30,072	28,999
Foreign loans and credits	4,478	8,105	4,478	8,105
Swaps and Repos	133,496	123,528	133,496	123,528
Forex deposits	20	17	20	17
Deposits by customers	-	-	16,924	9,604
Deposits by Banks	-	-	14,497	10,662
Open market operations	671,293	344,656	671,293	344,656
Others	741	-	741	-
	840,100	505,305	871,521	525,571

6(iii). OTHER INCOME

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Exchange Difference	528,127	431,210	527,636	431,210
Other Miscellaneous	30,643	15,387	43,806	21,262
	558,770	446,597	571,442	452,472

7. ADMINISTRATION EXPENSES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Personnel cost	212,225	199,008	242,811	221,664
Foreign and domestic travel	10,591	9,541	11,468	10,015
Motor vehicle maintenance/running	12,464	28,620	12,527	28,666
Communication expenses	15,510	12,848	18,247	15,321
Banking Colleges and Monetary Institutes	3,959	5,061	3,959	5,061
Computer related expenses	3,285	2,588	7,509	5,414
Banking supervision expenses	1,987	1,665	1,987	1,665
Auditors' Remuneration	750	500	1,747	1,223
Directors' Remuneration	1,598	1,500	3,909	3,441
Foreign currency importation	2,428	244	2,428	244
Depreciation – motor vehicles	10,167	7,013	10,391	7,144
Others	17,906	20,739	20,085	22,416
Investment transferred to Trust and Written off	-	2,888	-	2,888
	292,870	292,215	337,068	325,162

The average number of persons employed by the Bank during the period was:

	2004 Bank	2003 Bank	2004 Group	2003 Group
Directors	12	12	20	19
Staff	1,585	1,651	1,626	1,696
	1,597	1,663	1,646	1,715

8. PREMISES AND EQUIPMENT EXPENSES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Rent and rates	2,605	3993	11,007	8,538
Electricity, water and conservancy	8,654	7,785	8,774	7,867
Repairs and renewals	4,189	2,726	10,894	8,134
Insurance – premises and equipment	397	255	2,687	2,318
Depreciation – premises & equipment	100,554	41,359	101,123	44,891
Generator running expenses	124	197	124	197
Police guard	340	321	699	574
Disinfestation	199	213	199	213
Other premises and equipment expenses	4,306	2,862	5,247	3,496
	121,368	59,711	140,754	76,228

9. CURRENCY AND ISSUE EXPENSES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Agency fees	1,802	1,794	1,802	1,794
Notes printing	254,202	344,095	254,202	344,095
Other currency expenses	4,388	2,725	4,388	2,725
	260,392	348,614	260,392	348,614

10. IMPAIRMENT LOSSES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Reversal of impairments of loans & advances	-	(2,557)	-	(2,557)
Reversal of impairments of other assets	(399)	(4,939)	(399)	(4,939)
	(399)	(7,496)	(399)	(7,496)
Impairment of investment	-	3,167	-	3,167
Net Impairment credits	(399)	(4,329)	(399)	(4,329)

11. PROVISIONS

(i) Statutory Provision

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Replacement of Currency	-	15,000	-	15,000
Computerisation/Systems Development	-	40,000	-	40,000
Open Market Operations	-	100,000	-	100,000
Other Provisions	-	11,000	-	11,000
Bank Restructuring	-	60,000	-	60,000
	-	226,000	-	226,000

These provisions represent charges from surplus for the year to support specific operational expenses of the Bank in accordance with section 6 of Bank of Ghana Act, 2002 (Act 612). The resultant provisions are utilised to reduce the impact of costs incurred in respect of the specific transactions for which they were set aside in subsequent years.

The provisions do not represent obligations for any past events in accordance with IAS 37. Their impact on the financial statements has been disclosed under note 37.

12. EXCEPTIONAL ITEM (BANK AND GROUP)

This relates to reduction in provisions made in respect of doubtful items outstanding on nostro account balances. (2003: Nil)

13. TAXATION

(i) Income Tax Payable

(a) The Bank

The Bank is exempted from payment of income taxes. Consequently, no provisions were made in respect of income and deferred taxes.

(b) The Group

	Balance at 1/1/04 ¢'m	Payments during year ¢'m	Charge to income statement ¢'m	Balance at 31/12/04 ¢'m
Up to 2003	7,743	-	-	7,743
2004	-	(5,260)	11,150	5,890
	7,743	(5,260)	11,150	13,633

(ii) Deferred Taxes

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Balance at 1st January	-	-	2,602	2,235
Translation Adjustment	-	-	282	409
Charge for the period [13(iii)]	-	-	410	(42)
Balance at 31st December	-	-	3,294	2,602
The balance on deferred tax comprises:				
Accelerated capital allowances	-	-	1,300	788
Other timing differences	-	-	1,994	1,814
Total	-	-	3,294	2,602

(iii) Income Tax Expense

The tax expense in the consolidated income statement comprises:

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Corporate income tax expense [note 13(i)]	-	-	11,150	4,619
Deferred tax credit for the period [note 13(ii)]	-	-	(410)	(42)
	-	-	10,740	4,577

14. CASH AND AMOUNTS DUE FROM BANKS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Correspondent Bank Balances	2,174,363	3,031,999	1,712,987	2,653,644
Notes and Coins Holdings	286,797	134,194	286,797	134,194
	2,461,160	3,166,193	1,999,784	2,787,838

15. GOLD

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Bank of England Gold set aside	76,365	71,214	76,365	71,214
Bank of England Gold Investment	359,938	335,785	359,938	335,785
Federal Reserve Bank NY Gold	304,919	284,352	304,919	284,352
UBS Gold Investment	327,638	305,422	327,638	305,422
Issue Gold	40,375	37,652	40,375	37,652
	1,109,235	1,034,425	1,109,235	1,034,425

16. BALANCES WITH IMF

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Holdings	186,404	411,972	186,404	411,972
Quota	5,157,513	4,826,889	5,157,513	4,826,889
HIPC Trust	13,730	12,850	13,730	12,850
	5,357,647	5,251,711	5,357,647	5,251,711

17. LOANS AND ADVANCES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Government	6,850,432	6,009,761	6,850,432	6,009,761
Financial institutions	26,865	612,290	3,366,506	3,206,140
Lending (17a)	5,786	58,085	301,967	306,076
	6,883,083	6,680,136	10,518,905	9,521,977
Less: impairments losses	(28,324)	(28,324)	(34,964)	(34,364)
	6,854,759	6,651,812	10,483,941	9,487,613

(a) Analysis of Lending

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Gross lending is analysed as follows;				
Agriculture, forestry and fishing	-	-	52,826	75,263
Mining and Quarrying	-	-	-	30,589
Transport Storage and Communication	-	-	65,519	41,373
Business and Other Services	-	-	175,624	2,696
Commerce and Finance	-	-	-	132,306
Miscellaneous	5,786	58,085	7,998	23,849
	5,786	58,085	301,967	306,076

18. SECURITIES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Long-term Government securities	4,407,494	4,407,494	4,407,494	4,407,494
Money Market instruments	1,093,065	337,934	1,093,065	337,934
Short-Term Securities	11,843,324	8,019,909	12,339,562	8,500,725
Others	937,512	468,827	937,512	468,827
	18,281,395	13,234,164	18,777,633	13,714,980

(i) Long-Term Government Securities

This represents interest and non-interest bearing securities which have been issued by the Government of Ghana to cover net exchange losses arising on gold, special drawing rights or foreign securities in accordance with Article 7 of the Bank of Ghana Act 2002 (Act 612).

(ii) Short-Term Securities

This represents fixed deposits held with correspondent banks.

19. OTHER ASSETS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Items in course of collection	442,877	352,451	442,877	352,451
Bilateral/Barter Trade Balances	328,145	387,511	328,145	387,511
Revaluation Account	567,405	276,581	567,405	276,581
Others	470,419	473,045	514,972	572,370
	1,808,846	1,489,588	1,853,399	1,588,913
Less: Impairment Losses	(25,003)	(25,402)	(25,003)	(25,402)
	1,783,843	1,464,186	1,828,396	1,563,511

The balance on the Revaluation Account represents net exchange losses arising on translation of the Bank's holdings in gold, special drawing rights or foreign securities in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612). The Act requires the Government of Ghana to issue redeemable and interest-bearing securities to cover the balance on the revaluation account. The necessary formalities to enable the issuance of the related securities had not been completed at the year-end.

20. PROPERTY, PLANT AND EQUIPMENT

Bank

	Intangible Assets (Computer Software Licence) ¢'m	Land and Buildings ¢'m	Motor Vehicles ¢'m	Furniture and Fittings ¢'m	Plant and Equipment ¢'m	Work in Progress ¢'m	Total ¢'m
Gross Value							
At 1/1/04	6,744	82,255	34,697	17,969	152,104	47,681	341,450
Adjustments	-	-	-	39	(71)	-	(32)
Additions	-	829	20,291	1,867	168,397	42,850	234,234
Transfers	-	-	-	-	25,112	(25,112)	-
Disposals	-	-	(7)	(202)	-	-	(209)
At 31/12/04	6,744	83,084	54,981	19,673	345,542	65,419	575,443
Accumulated Depreciation							
At 1/1/04	4,720	20,810	30,851	14,338	106,022	-	176,741
Adjustments	-	-	-	-	-	-	-
Charge for the year	1,349	3,212	10,167	1,915	95,426	-	112,069
Released on Disposals	-	-	(7)	(202)	-	-	(209)
At 31/12/04	6,069	24,022	41,011	16,051	201,448	-	288,601
Net Book Value							
At 31/12/04	675	59,062	13,970	3,622	144,094	65,419	286,842
At 31/12/03	2,024	61,445	3,846	3,631	46,082	47,681	164,709

Group

	Intangible Assets (Computer Software Licence) ¢'m	Land and Buildings ¢'m	Motor Vehicles ¢'m	Furniture and Fittings ¢'m	Plant and Equipment ¢'m	Work in Progress ¢'m	Total ¢'m
Gross Value							
At 1/1/04	6,744	82,255	35,341	46,450	152,104	47,681	370,575
Adjustments	-	-	-	39	(71)	-	(32)
Additions	-	829	20,291	2,036	170,210	42,850	236,216
Transfers	-	-	-	-	25,112	(25,112)	-
Translation adjustment	-	-	-	-	-	-	2,891
Disposals	-	-	(7)	(261)	(189)	-	(457)
At 31/12/04	6,744	83,084	55,625	48,264	347,166	65,419	609,193
Accumulated Depreciation							
At 1/1/04	4,720	20,810	30,982	34,868	106,022	-	197,402
Adjustments	-	-	-	-	-	-	-
Charge for the year	1,349	3,212	10,403	2,516	99,539	-	117,019
Translation adjustment	-	-	-	-	-	-	2,049
Released on Disposals		-	(7)	(261)	(189)	-	(457)
At 31/12/04	6,069	24,022	41,378	37,123	205,372	-	316,013
Net Book Value							
At 31/12/04	675	59,062	14,247	11,141	141,794	65,419	293,180
At 31/12/03	2,024	61,445	4,359	11,583	46,082	47,681	173,174

21. DEVELOPMENT LOANS AND INVESTMENTS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Developmental Loans	23	23	23	23
Investments - Banks	60,341	57,457	11,126	8,242
Investments - Other Institutions	1,089	2,347	1,089	2,347
	61,453	59,827	12,238	10,612
Provision for impairments	(7,916)	(7,916)	(7,916)	(7,916)
	53,537	51,911	4,322	2,696
	=====	=====	=====	====

Included in investments - Bank is ¢49,215 million representing 51% equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom.

22. CURRENCY IN CIRCULATION

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Notes and Coins Issued	9,470,988	7,567,822	9,470,988	7,567,822
Less: Cash Account & Agencies	(1,797,089)	(888,083)	(1,797,089)	(888,083)
	7,673,899	6,679,739	7,673,899	6,679,739
	=======	=======	=======	=======

23. DEPOSITS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Government	6,462,705	6,236,619	6,462,705	6,236,622
Financial Institutions/Banks	2,892,563	2,212,668	6,035,991	2,818,058
Others	1,104,632	652,883	1,104,632	2,620,383
	10,459,900	9,102,170	13,603,328	11,675,063
	========	========	=======	========

24. LIABILITIES TO IMF

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
(i) IMF Currency Holdings				
IMF No. 1	474,578	1,326,878	474,578	1,326,878
IMF No. 2	58	55	58	55
IMF Securities	4,682,935	3,500,011	4,682,935	3,500,011
(ii) IMF Facilities				
Enhanced Structural Adjustment Facility	4,216,148	4,006,514	4,216,148	4,006,514
	9,373,719	8,833,458	9,373,719	8,833,458
	=======	=======	=======	========

The Bank has been a member of the International Monetary Fund (IMF) since 20th September 1957. The Bank is a designated fiscal agent and the depository for the IMF's holdings of local currency. The IMF's holdings of local currency amounted to the equivalent of SDR 369 million (2003: SDR 369 million). IMF currency holdings equivalent to SDR 33,954,215 and SDR 4,171 are held in the IMF's No.1 and No. 2 accounts respectively. These are deposit accounts of the IMF with the Bank.

25. LIABILITIES UNDER MONEY MARKET OPERATIONS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Bank of Ghana Instruments	6,129,782	4,090,579	6,129,782	4,090,579
FINSAP Bonds	52,592	52,592	52,592	52,592
	6,182,374	4,143,171	6,182,374	4,143,171
	=======	=======	=======	=======

These are securities issued and utilised by the Bank for monetary policy purpose and are shown as a liability of the Central Bank of Ghana to the buyers.

26. OTHER LIABILITIES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Provisions and Other Liabilities	1,008,582	677,250	1,045,723	684,835
	=======	======	=======	======

27. DEFERRED INCOME

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Balance at 1st January	5,479	10,957	5,479	10,957
Additions during the year	-	-	-	-
Amount transferred to income statement	(5,479)	(5,478)	(5,479)	(5,478)
Balance at 31st December	-	5,479	-	5,479
	====	=====	=====	=====

This represents Government of Ghana grant to the Bank towards the purchase of the Real Time Gross Settlement System Equipment. The deferred income is credited to the income statement in instalments over the expected useful economic life of the underlying asset.

28. STATED CAPITAL

	Number of Shares		Proceeds	
	2004 '000	2003 '000	2004 ¢'m	2003 ¢'m
Registered Number of shares	700,000	700,000		
	======	======		
Issued				
For Cash Consideration	100	100	100	100
Other than Cash	99,900	99,900	99,900	99,900
	100,000	100,000	100,000	100,000
	======	======	======	======

There are no shares in treasury and no instalments unpaid on any share. Shares are of no par value.

29. CAPITAL SURPLUS

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Balance at 1st January and at 31st December	35,962	35,962	35,962	35,962
	=====	=====	=====	======

This represents surplus arising on the revaluation of the bank's properties.

30. GENERAL RESERVE

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Balance at 1st January and 31st December	72,548	72,548	72,548	72,548
	=====	=====	=====	======

The Statutory Reserve presents portions of surplus for the years that have been set aside in accordance with section 6 of the Bank of Ghana Act, 2002 (Act 612).

31. OTHER RESERVES

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
Balance at 1st January and 31st December	598,147	545,453	780,154	702,278
	======	======	======	======

This represents the unrealised gains and losses on revaluation of gold holdings as a result of the change in the spot market price and exchange gains and losses arising from the translation of the subsidiary's financial statements for consolidation purposes.

32. DIVIDENDS

The Directors of the Ghana International Bank Plc declared dividend after the balance sheet date amounting to ¢6,370 million (2003: ¢3,020 million).

33. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Guarantees and Performance Bonds

The Bank enters into various commitments in the normal course of its business, which are not reflected in the accompanying balance sheet. The amount of guarantees and performance bonds outstanding, some of which are offset by corresponding obligations of the Government, as at 31 December 2004 was ¢133.6 billion (2003: ¢7,854 billion).

(b) Capital Expenditure

The Bank had capital expenditure commitments of ¢13,501 million not provided for in the financial statements as at 31 December 2004 (2003: ¢112,355 million).

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Bank amounting to ¢212.4 billion (2003: ¢194.3 billion).

(d) Documentary Credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank UK amounted to about 165 billion (2003: nil).

34. RELATED PARTY TRANSACTIONS

Transactions with Government of Ghana/IMF

The Bank and the Government of Ghana have borrowings from the IMF, which have been undertaken through the Bank. The Government's IMF borrowings, as shown on the balance sheet of the Bank, have been matched by a receivable from the Government.

In order for the Bank to eliminate foreign exchange risk in this regard, the Government receivable is denominated in SDRs.

Interest on such borrowings is the responsibility of, and payable by, the Government. Accordingly no interest revenue is included in these accounts for the receivable nor is interest expense included on the Government's portion of the IMF borrowings.

IMF quota is supported by promissory notes jointly signed by the Bank and the Government.

Government Bank Accounts

Government budget organisations and other government organisations have normal customer banking arrangements with the Bank.

35. RISK MANAGEMENT DISCLOSURES

The Bank maintains active trading positions in non-derivative financial instruments. To carry out its functions, the bank carries an inventory of money market instruments and maintains access to market liquidity by dealing with other market makers. As dealing strategies adopted by the Bank depend on its specific function of a central bank, its positions are managed in concert to maximise net trading income by defining acceptable risk levels and endeavouring to maximise income at those levels.

The Bank manages its activities by type of risk involved and on the basis of the categories of investments held.

The discussion below sets out the various risks to which the Bank is exposed as a result of its operational activities, and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the Bank's risk management and control procedures.

(a) Credit Risk

The Bank is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process.

The risk that counter parties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparts of good credit standing.

The risk that counter parties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments. To manage the level of credit risk, the Bank deals with counter parties of good credit standing. The credit risk on debt instruments is evaluated at one of the two highest quotations of two internationally acknowledged credit rating agencies.

(b) Liquidity Risk

Liquidity risk arises in the general funding of the Bank's activities and in the management of positions. It includes both the risk of being unable to fund assets to appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Bank usually has access to a diverse funding base. Funds are raised using a range of instruments including deposits, other liabilities regulated by law and other credit facilities. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Bank strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Bank continually assesses liquidity risk by identifying and monitoring changes in funding required to meets its goals and targets set in terms of overall Bank Strategy. In addition, the Bank holds a portfolio of liquid assets as part of its liquidity risk management strategy.

(c) Market Risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market directions directly affect net trading income.

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

(d) Interest Rate Risk

The Bank's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Bank is also exposed to basis risk, which is the difference between re-pricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Bank's strategies.

Asset-liability risk management activities are conducted in the context of the Bank's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier to later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and amongst currencies.

The rates below show the extent to which the Bank's interest rate exposures on assets and liabilities are matched. These are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity.

MATURITY PROFILE ANALYSIS

The Bank

	Up to 1 mth ¢'m	B/n 1 & 3 mths ¢'m	B/n 3 mths & 1yr ¢'m	B/n 1yr & 5 yrs ¢'m	Over 5 yrs ¢'m	2004 Total ¢'m	2003 Total ¢'m
ASSETS							
Cash and Amounts due from banks	2,461,160	-	-	-	-	2,461,160	3,166,193
Gold	76,365	327,638	705,232	-	-	1,109,235	1,034,425
Balances with IMF	200,134	5,157,513	-	-	-	5,357,647	5,251,711
Securities	9,273,258	1,885,087	2,854,117	839,466	3,429,467	18,281,395	13,234,164
Loans and Advances	6,854,759	-	-	-	-	6,854,759	6,651,812
Other Assets	1,783,843	-	-	-	-	1,783,843	1,464,186
Fixed Assets	-	-	29,287	146,384	111,171	286,842	164,709
Development Loans and Investments	48,210	-	-	-	5,327	53,537	51,911
TOTAL ASSETS	20,697,729	7,370,238	3,588,636	985,850	3,545,965	36,188,418	31,019,111

LIABILITIES	Up to 1 mth ¢'m	B/n 1 & 3 mths ¢'m	B/n 3 mths & 1yr ¢'m	B/n 1yr & 5 yrs ¢'m	Over 5 yrs ¢'m	2004 Total ¢'m	2003 Total ¢'m
Currency in Circulation	-	-	-	-	7,673,899	7,673,899	6,679,739
Allocation of Special Drawing Rights	880,313	-	-	-	-	880,313	823,881
Deposits	10,459,900	-	-	-	-	10,459,900	9,102,170
Liabilities to IMF	-	5,157,571	4,216,148	-	-	9,373,719	8,833,458
Liabilities under Money Market Instruments	1,155,712	5,024,513	-	2,149	-	6,182,374	4,143,171
Other Liabilities	848,584	-	107,407	52,591	-	1,008,582	677,250
Deferred Income	-	-	-	-	-	-	5,479
TOTAL LIABILITIES	13,344,509	10,182,084	4,323,555	54,740	7,673,899	35,578,787	30,265,148
Maturity Surplus (Short fall)	7,353,220	(2,811,846)	(734,919)	931,110	(4,127,934)	609,631	(753,963)

The Group

	Up to 1 mth ¢'m	B/n 1 & 3 mths ¢'m	B/n3 mths &1yr ¢'m	B/n 1 & 5 yrs ¢'m	Over 5yrs ¢'m	2004 Total ¢'m	2003 Total ¢'m
ASSETS							
Cash and Amounts due from banks	1,999,784	-	-	-	-	1,999,784	2,787,838
Gold	76,364	327,638	705,233	-	-	1,109,235	1,034,425
Balances with IMF	200,134	5,157,513	-	-	-	5,357,647	5,251,711
Securities	9,271,630	2,318,462	2,881,058	877,012	3,429,471	18,777,633	13,714,980
Loans and Advances	9,533,023	519,465	224,760	189,191	17,502	10,483,941	9,487,613
Other Assets	1,828,396	-	-	-	-	1,828,396	1,563,511
Property Plant and Equipment	-	-	29,287	146,384	117,509	293,180	173,174
Development Loans and Investments	4,322	-	-	-	-	4,322	2,696
Deferred Tax Assets	-	-	-	3,294	-	3,294	2,602
TOTAL ASSETS	22,913,653	8,323,078	3,840,338	1,215,881	3,564,482	39,857,432	34,018,550

	Up to 1 mth ¢'m	B/n 1 & 3 mths ¢'m	B/n 3 mths & 1yr ¢'m	B/n 1yr & 5 yrs ¢'m	Over 5 yrs ¢'m	2004 Total ¢'m	2003 Total ¢'m
LIABILITIES							
Currency in Circulation	-	-	-	-	7,673,899	7,673,899	6,679,739
Allocation of Special Drawing Rights	880,313	-	-	-	-	880,313	823,881
Deposits	12,968,709	634,619	-	-	-	13,603,328	11,675,063
Liabilities to IMF (Foreign Liabilities)	-	5,157,571	4,216,148	-	-	9,373,719	8,833,458
Corporate Tax	13,633	-	-	-	-	13,633	7,743
Liabilities under Money Market Instruments	1,155,712	5,024,513	-	2,149	-	6,182,374	4,143,171
Other Liabilities	859,725	-	107,407	52,591	26,000	1,045,723	684,835
Deferred Income	-	-	-	-	-	-	5,479
TOTAL LIABILITIES	15,878,092	10,816,703	4,323,555	54,740	7,699,899	38,772,989	32,853,369
Minority Interest	-	-	-	-	251,265	251,265	225,612
Maturity Surplus (Shortfall)	7,035,561	(2,493,625)	(483,217)	1,161,141	(4,386,682)	833,178	939,569

INTEREST RATE REPRICING ANALYSIS

The Bank

	3 months or less ¢'m	Between 3 & 12 months ¢'m	Over 1 Year ¢'m	Non-Interest bearing ¢'m	2004 Total ¢'m	2003 Total ¢'m
ASSETS						
Cash and Amounts due from banks	-	2,174,363	-	286,797	2,461,160	3,166,193
Gold	-	705,232	-	404,003	1,109,235	1,034,425
Balances with IMF	-	5,357,647	-	-	5,357,647	5,251,711
Securities	11,303,952	541,800	2,698,302	3,737,341	18,281,395	13,234,164
Loans and Advances	-	-	-	6,854,759	6,854,759	6,651,812
Other Assets	-	-	-	1,783,843	1,783,843	1,464,186
Fixed Assets	-	-	-	286,842	286,842	164,709
Development Loans and Investments	-	-	-	53,537	53,537	51,911
TOTAL ASSETS	11,303,952	8,779,042	2,698,302	13,407,122	36,188,418	31,019,111
LIABILITIES						
Currency in Circulation	-	-	-	7,673,899	7,673,899	6,679,739
Allocations of Special Drawing rights	-	-	-	880,313	880,313	823,881
Deposits	-	-	-	10,459,900	10,459,900	9,102,170
Liabilities to IMF	-	9,373,719	-	-	9,373,719	8,833,458
Liabilities under Money Market Instruments	-	6,182,374	-	-	6,182,374	4,143,171
Other Liabilities	-	-	-	1,008,582	1,008,582	677,250
Deferred Income	-	-	-	-	-	5,479
TOTAL LIABILITIES	-	15,556,093	-	20,022,694	35,578,787	30,265,148
Asset – Liability gap	11,303,952	(6,777,051)	2,698,302	(6,615,572)	609,631	753,963

The Group

	3 months or less ¢'m	Between 3 & 12 months ¢'m	Over 1 Year ¢'m	Non interest bearing ¢'m	2004 Total ¢'m	2003 Total ¢'m
ASSETS						
Cash and Amounts due from banks	-	1,712,987	-	286,797	1,999,784	2,787,838
Gold	-	705,232	-	404,003	1,109,235	1,034,425
Balances with IMF	-	5,357,647	-	-	5,357,647	5,251,711
Securities	11,737,327	568,741	2,734,224	3,737,341	18,777,633	13,714,980
Loans and Advances	3,178,084	224,761	226,338	6,854,759	10,483,941	9,487,613
Other Assets	-	-	-	1,828,396	1,828,396	1,563,511
Fixed Assets	-	-	-	293,180	293,180	173,174
Development Loans and Investments	-	-	-	4,322	4,322	2,696
Deferred Tax	-	-	-	3,294	3,294	2,602
TOTAL ASSETS	14,915,411	8,569,368	2,960,562	13,412,091	39,857,432	34,018,550

	3 months or less ¢'m	Between 3 & 12 months ¢'m	Over 1 Year ¢'m	Non interest bearing ¢'m	2004 Total ¢'m	2003 Total ¢'m
LIABILITIES						
Currency in Circulation	-	-	-	7,673,899	7,673,899	6,679,739
Allocations of Special Drawing Rights	-	-	-	880,313	880,313	823,881
Deposits	2,462,483	51,605	3,772	11,085,468	13,603,328	11,675,063
Liabilities to IMF (Foreign Liabilities)	-	9,373,719	-	-	9,373,719	8,833,458
Provision for Corporation Tax	-	-	-	13,633	13,633	7,743
Liabilities under Money Market Instruments	-	6,182,374	-	-	6,182,374	4,143,171
Other Liabilities	-	-	-	1,045,723	1,045,723	684,835
Deferred Income	-	-	-	-	-	5,479
TOTAL LIABILITIES	2,462,483	15,607,698	3,772	20,699,036	38,772,989	32,853,369
Minority Interest	-	-	-	251,265	251,265	225,612
Asset - Liability gap	12,452,928	(7,038,330)	2,956,790	(7,286,945)	833,178	939,569

(e) Currency Risk

The Bank is exposed to currency risk through transactions in foreign currencies. It does not make investments in foreign operations.

The Bank prepares and presents its financial statements in terms of the Ghana cedi. As a result movement in the exchange rates of the various foreign currencies in which the Bank maintains selected assets and liabilities impacts these financial statements.

The Bank's foreign currency denominated transactions and balances give rise to exchange gains and losses that are recognised in the financial statements in accordance with note 5 (d).

The foreign currency exposures are as follows:

CURRENCY EXPOSURE ANALYSIS

2004 The Bank

	December 2004 ¢'m	December 2003 ¢'m
ASSETS		
Cedi	15,082,542	13,267,801
US Dollar	10,950,124	8,998,871
Pound Sterling	2,531,416	1,855,408
Euro	1,918,530	1,568,226
Special Drawing Rights	5,357,647	5,251,711
Others	348,159	77,094
Total	36,188,418	31,019,111

	December 2004 ¢'m	December 2003 ¢'m
LIABILITIES & EQUITY		
Cedi	22,582,893	18,392,717
US Dollar	2,744,144	2,423,846
Pound Sterling	214,126	263,239
Euro	364,454	262,964
Special Drawing Rights	10,254,033	9,657,338
Others	28,768	19,007
Total	36,188,418	31,019,111
NET POSITION		
Cedi	(7,500,351)	(5,124,916)
US Dollar	8,205,980	6,575,025
Pound Sterling	2,317,290	1,592,169
Euro	1,554,076	1,305,262
Special Drawing Rights	(4,896,386)	(4,405,627)
Others	319,391	58,087
Total	0	0

2004 The Group

	December 2004 ¢m	December 2003 ¢m
ASSETS		
Cedi	15,079,247	12,842,833
US Dollar	13,130,953	11,251,688
Pound Sterling	3,706,441	2,788,174
Euro	2,218,325	1,797,631
Special Drawing Rights	5,357,647	5,251,711
Others	364,819	86,513
Total	39,857,432	34,018,550

CURRENCY EXPOSURE ANALYSIS (Contd.)

LIABILITIES & EQUITY

	December 2004 ¢'m	December 2003 ¢'m
Cedi	22,579,598	17,967,749
US Dollar	4,924,090	4,675,940
Pound Sterling	1,390,894	1,198,368
Euro	664,042	491,834
Special Drawing Rights	10,254,033	9,657,338
Others	44,775	27,321
Total	39,857,432	34,018,550
NET POSITION		
Cedi	(7,500,351)	(5,124,916)
US Dollar	8,206,863	6,575,748
Pound Sterling	2,315,547	1,589,806
Euro	1,554,283	1,305,797
Special Drawing Rights	(4,896,386)	(4,405,627)
Others	320,044	59,192
Total	0	0

36. NOTES TO CASH FLOW STATEMENT

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2004 ¢'m	2003 ¢'m
Operating (Loss) / Profit	(197,026)	301
Increase in Other Assets	(319,657)	(667,047)
Increase in Other Liabilities, Assets & Reserve Adjustments	384,058	542,356
Depreciation	112,069	51,068
(Profit) on Sale of Property, Plant & Equipment	(209)	(104)
Net Increase in Deposit Accounts	1,357,730	729,648
Net Increase/(Decrease) in Advances	(202,947)	1,002,586
Price change/exchange adjustment in Gold	(74,810)	(219,829)
Increase in Securities	(5,047,231)	(4,208,314)
Net Cash Outflow from Operating Activities	(3,988,023)	(2,769,335)

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2004	2003
	¢'m	¢'m
Operating (Loss) / Profit	(164,558)	15,870
Increase in Other Assets	(77,328)	(587,872)
Increase in Other Liabilities, Assets & Reserve Adjustments	429,328	387,191
Depreciation	117,019	54,732
Profit on Sale of Property, Plant & Equipment	(209)	(104)
Net Increase in Deposit Accounts	1,928,265	1,938,593
Net Increase in Advances	(996,328)	(72,742)
Price change/exchange adjustment in Gold	(74,810)	(219,829)
Increase in Securities	(5,222,020)	(4,237,146)
	-------------	-------------
Net Cash Outflow from Operating Activities	(4,060,641)	(2,721,307)
	=======	=======

37. DEPARTURES FROM IFRS

The following represents material departures from IFRS.

(i) Treatment of exchange differences on specified balances

As discussed in Note 5(d), net unrealised foreign exchange losses of ¢290,824 million (2003: ¢276,581 million) on gold, Special Drawing Rights (SDRs) with the International Monetary Fund or holdings of foreign securities were charged directly to Revaluation Account included in other assets under note 19. in accordance with requirement under Section 7 of the Bank of Ghana Act, 2002 (Act, 612) instead of the income statement as required by IAS 21.15.

(ii) Statutory Provisions

Provisions stated under note 11 for the prior year were charged against surplus for that year in accordance with section 6 of the Bank of Ghana Act, 2002 (Act 612). These charges do not represent obligations arising from past events in accordance with IAS 37.

The impact on the departures stated under (i) and (ii) above on the financial statements is shown below:

	2004 Bank ¢'m	2003 Bank ¢'m	2004 Group ¢'m	2003 Group ¢'m
(i) Income Statement				
(Deficit)Surplus for the year	(197,026)	301	(187,557)	1,845
Exchange loss charged to Revaluation Account	(290,824)	(276,882)	(290,824)	(276,882)
Statutory charges	-	266,000	-	226,000
(Deficit)/Surplus for the year restated	(487,850)	(50,581)	(478,381)	(49,037)
(ii) Equity/Net Assets				
Net assets reported	609,631	753,963	833,178	939,569
Restatements per above	(290,824)	(50,581)	(290,824)	(49,037)
Net assets restated	318,807	703,382	542,354	890,532

(iii) Valuation of Defined Benefit Scheme

As stated in note 5(l) the Bank operates a pension scheme based on final pensionable pay for which management makes annual charges based on actual pensions paid and a provision to cover future periods. The pension scheme is a defined benefit scheme but no actuarial valuation has been carried out on the scheme to accrue for and provide information on the Bank's outstanding obligation to the scheme at 31st December 2004.

The impact of this departure on the financial statements could not be determined at the balance sheet date as the relevant information was not readily available.

(iv) Departures from Subsidiary's Financial Statements

- The doubtful debt provision is calculated as a general provision based on 1% of outstanding non cash collateralised exposures.
- Under IAS there are specific criteria set out in IAS 39 relating to various factors which have to be taken account of in determining impairment provisions and it is unclear to what extent in Ghana International Bank's (GIB) case these factors would lead to a provision at this level;

- Loan arrangement fees are currently taken to profit and loss account as the loan is advanced. Under IAS they would normally be spread over the term of the loan in line with the effective interest rate method;

- Under IAS discounts/premiums on treasury stocks etc would be charged/credited over the period of the instrument to maturity on an effective interest rate (curve) basis, rather than the straight basis which GIB currently uses.

38. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets at 31st December 2004 and 2003 were in the following ranges:

		2004	2003
Assets			
Securities -	Government	0 - 28%	0 - 25%
	External	1 - 3 %	
Loans and Advances		18.5% - 21.5%	24%
Liabilities			
Deposits		0%	0%
Liabilities under Money Market Operations		16.1% - 21.7%	24 - 25%

39. RECLASSIFICATION OF COMPARATIVE INFORMATION

The following significant reclassifications were made to the 2003 comparative information to achieve consistency in disclosure with current year financial information.

i. Balances on revaluation account of ¢276,581 million which was included in securities in the 2003 financial statements were reclassified to other assets in the 2003 comparative information.

ii. Loans & advances/deposits

Credit balances on loans and advances account amounting to ¢6,043,598 million were reclassified to deposits in 2003 comparative information.

iii. Miscellaneous income/administrative expenses

Utilisation of a provision of ¢110 billion that was included in miscellaneous income in 2003 financial statements has been set off against related expenses included under administrative expenses.

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Fax: 061-27260

NORTHERN REGION
P.O. Box 340
Tamale
Tel: (071) 22130, 22664, 25381
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BRONG-AHAFO REGION
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Sunyani
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VOLTA REGION
P.O. BOX 116
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CURRENCY OFFICES

SEFWI-BOAKO
P.O. Box 176
Sefwi-Wiawso
Western Region
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NYAKROM
P.O. Box NK56
Agona Nyakrom
Central Region
Tel: (041) - 20410
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Ghana Commercial Bank Ltd.
P.O. Box 65
Cape Coast
Central Region
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Ghana Commercial Bank Ltd.
P.O. Box 286
Koforidua
Eastern Region
Tel: (081)-23049, 23069, 23059

Ghana Commercial Bank Ltd.
P.O. Box 272
Nkawkaw
Eastern Region
Tel: (0842) - 22105

Ghana Commercial Bank Ltd.
Tema Main
P.O. Box 152
Tema - Greater Accra Region
Tel: (022) 202760, 202764, 202768

Ghana Commercial Bank Ltd.
P.O. Box 66
Wa
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Tel: (0756) - 22025, 22038-9, 20501

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