BANK OF GHANA

ANNUAL REPORT
2005

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CONTENTS

GOVERNOR'S FOREWORD

Dr. Paul A. Acquah
Governor

Over the past year, the economy experienced for the fifth consecutive year deepening macroeconomic stability and resilience, with rising GDP growth, diminishing inflationary expectations, a stable currency and the build-up of international reserves.

Monetary policy remained sharply focused on steering inflation into low and stable levels in a context in which rising and volatile crude oil prices posed significant downside risks in an otherwise relatively benign external outlook and an improving domestic macro-economic environment.

The fiscal anchor of the financial policy framework underpinning the growth strategy was held firm, as the year closed with the domestic public debt to GDP ratio reduced further to about half the peak reached in 2001. This budgetary consolidation, achieved on the strength of revenue growth and with the aid of external debt relief, contributed to an easing of pressures on the money market, serving as effective adjunct to the anti-inflation monetary policy stance maintained by the Bank.

The Bank's Monetary Policy Committee thought it prudent to lower the Bank of Ghana Prime Rate in two measured steps during the year. Reserve requirements were relaxed. Interest rates and yields on Government debt instruments moved in a downward trend, with the welcome development that banks began to increase lending to the private sector.

Armed with the regulatory powers enshrined in the Banking Law enacted a year earlier, the Bank pursued a policy of rigorous prudential surveillance of banks to safeguard the stability and soundness of the financial system, a core responsibility.

During the year, three new banks were licensed to do universal banking business.

The Bank continued to press ahead with its programme of payment systems infrastructure development. Featuring prominently in this are the cutting-edge Central Securities Depository System and a common platform for electronic transfers and point of sales designed to help position the financial sector competitively in a global financial services industry.

As a corporate organisation, we initiated a major programme of modernization of our systems under the umbrella of IMPACT 05, successfully linking all the regional offices to the Head Office through a Wide Area Network - the first step in establishing a fully integrated information and data management system in the coming year. Meanwhile, we continued to provide staff with extensive skills training in areas central to the core business and mandate of the Bank.

In sum, the year has been challenging and productive. The progress that has become evident in the various areas of the Bank's work and in overall macroeconomic conditions, should encourage all of us - members of the Board and staff - to look ahead with a renewed sense of purpose and determination for the Bank to fulfill its mission of promoting financial stability for growth.

I take this opportunity to thank the Board and staff for their support and hard work, which made possible the progress achieved during the year.

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 TO THE BOARD:

Mr. James A. Odei

MANDATE

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

BOARD OF DIRECTORS

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

Mr. Emmanuel Asiedu-Mante
Deputy Governor

Mr. Lionel Van Lare Dosoo
Deputy Governor

Mr. Nik Amarteifio

Mr. Nik Amarteifio
Lead Director / Business Executive

Membership of other Boards
- Chairman, African Selection Mining Corporation
- Chairman, Dannex Pharmaceuticals Ltd.
- Vice Chairman, Ghana Agro-Food Company Ltd. (GAFCO)

Prof. Fred T. Sai

Prof. Fred T. Sai
Reproductive Health Consultant

Membership of other Boards
- Chairman, Steering Committee - Ghana Aids Commission
- Ghana Academy of Arts & Sciences
- Family Health International,USA

Mrs. Gloria Nikoi

Mrs. Gloria Nikoi
International Consultant

Membership of other Boards:
- Chairperson, Council of Center for Policy Analysis (CEPA)
- Chairperson, ARB Apex Bank Ltd

Mr. K. Agyeman-Manu

Mr. K. Agyeman-Manu
Deputy Minister of Finance & Economic Planning

Membership of other Boards:
- Revenue Agencies Governing Board
- Divestiture Implementation Committee

Mr. Sam Okudzeto

Mr. Sam Okudzeto
Legal Practitioner

Membership of other Boards
- Bonte Gold MInes ltd
- Air Ghana Ltd
- Deng Limited

Prof. K. Asenso-Okyere

Prof. K. Asenso-Okyere
Vice Chancellor, Univ. of Ghana

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

Rev. Dr. Kwabena Darko

Rev. Dr. Kwabena Darko
Industrialist

Membership of other Boards
- Chairman, Darko Farm
- Opportunity International - USA
- Chancellor, Regent University Ghana

Dr. Ishmael E. Yamson

Dr. Ishmael E. Yamson
Business Executive

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

Togbe Afede XIV

Togbe Afede XIV
Investment Banker

Membership of other Boards
- Chairman, Strategic Initiatives Limited
- SAS Investment Management Limited
- Aluworks Limited

Mr. James A. Odei

Mr. James A. Odei
Secretary to the Board

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

Monetary Policy Committee

GOVERNOR

DEPUTY GOVERNOR

- *Banking Supervision*
- *Budget & Accounts*
- *Legal*
- *Medical*
- *Reconciliation &*
- *Investigation*

GOVERNOR

- *Secretary's*
- *Monetary Policy Analysis & Financial Stability*
- *Internal Audit*
- *Treasury*
- *Security*
- *External Financial Relations*
- *Public Affairs Unit*

DEPUTY GOVERNOR

- *Human Resource*
- *Research*
- *General Services*
- *Banking*
- *Issue*
- *Computerisation & Systems*
- *Information, Documentation & Publications Services*

1.0 GOVERNANCE

1.1 The Board of Directors

The Board of Directors as stipulated in the Bank of Ghana Act (Act 612), is the governing body of the Bank. It consists of the Governor, two Deputy Governors, and nine non-executive Directors. The Governor is the Chairman of the Board.

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

The Board is responsible for formulating policies necessary for the achievement of the Bank's objectives which are:

- to maintain stability in the general level of prices;
- to ensure effective and efficient operations of the banking and credit systems and support general economic growth.

1.2 Committees of the Board

For the purpose of carrying out its functions effectively, the Board has five committees, namely;

Human Resource
Corporate Governance
Economy and Research
Strategic Planning and Budget; and
Audit

Human Resource Committee

The responsibilities of the Committee include assessing and establishing 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's responsibilities include initiating policies on bank regulation and supervision, external relations, general functions of the Bank and compliance with statutory obligations.

Members of the Committee are:

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

Economy and Research Committee

The Committee is responsible for the Bank's functions that relate to economic, banking and financial matters. The Committee collaborates with the Research Department on research activities of interest to the Board.

Members of this Committee are:

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

Strategic Planning and Budget Committee

The Committee is responsible for strategic policy issues in the Bank.

Members of the Committee are:

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

Audit Committee

The Committee is responsible for establishing appropriate accounting procedures and controls for the Bank. It ensures compliance with statutory requirements, and considers audit reports on the Bank's operations.

Members of the Committee are:

Prof. Fred T. Sai – Chairman
Mr. Kwaku Agyemang-Manu
Mr. Nik Amarteifio
Dr. Ishmael Yamson
Mr. Emmanuel Asiedu-Mante
Mr. Lionel Van Lare Dosoo

1.3 Major Issues Considered by the Board

In accordance with its work programme for the year, the Board considered a number of issues in line with its responsibilities. These included:

- The Rural Banking System in Ghana.
- Introduction of the National Health Insurance Scheme and its implications on the provision of health service for staff of the Bank.
- Modification of the existing risk assessment methodology to reflect acceptable risk levels for the Bank.
- The Privatisation Programme in Ghana; and
- The Salt Industry in Ghana.

1.4 The Monetary Policy Committee

The Bank of Ghana Act 2002, Act 612, grants the central bank greater operational independence in the conduct of monetary policy. To enhance the management of monetary policy, the Act provides for the establishment of a Monetary Policy Committee (MPC), comprising five representatives of the Bank of Ghana and two nominees of the Government. The members of the MPC are:

Dr. Paul A. Acquah	-	Chairman
Mr. E. Asiedu-Mante	-	Member
Mr. Lionel Van Lare Dosoo	-	Member
Mr. Millison Narh	-	Member
Dr. Ernest K.Y. Addison	-	Member
Dr. Nii Kwaku Sowa	-	Member
Prof. Bartholomew Armah	-	Member

1.5 Management of the Bank

The Governor, assisted by the two deputies, is responsible for the day-to-day management of the Bank. They constitute the Top Executive of the Bank. The Top Executive is assisted by Advisors and Heads of department.

2.0 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 World Output Growth

The world economy continued to expand in 2005 despite downside risks posed by increasing oil prices. Global economic growth was forecast at 4.3 per cent, a decline of 0.8 per cent from 5.1 per cent in 2004. Through the first quarter of 2005 growth picked up strongly, dipping in the second and third quarters to reflect, in part, the impact of higher oil prices.

While growth was widespread, there were marked regional differences. Activity in North America and Asia remained strong while activity in the United Kingdom and Euro area remained soft. In sub-Saharan Africa, it was generally moderate.

Developed Economies

In 2005, output growth in the United States moderated but remained the highest in the G-7, underpinned by solid productivity growth, steady improvements in the labour market, supportive financial market conditions and rising house prices. However, high oil prices, rising short-term interest rates and an unusually disruptive hurricane season contributed to moderate growth of 3.5 per cent compared with 4.2 per cent in 2004. The widening current account deficit estimated at 6.0 per cent of GDP by end-2005 was also a contributory factor.

The Euro area, which recorded a modest recovery in domestic demand in the second half of 2004, slowed considerably in 2005. Growth forecast in 2005 had been revised downward particularly in Italy and the Netherlands following continued weak domestic demand, negative consequences of the euro's real-effective appreciation and oil price increases.

Similarly, output growth in the United Kingdom fell below expectation on account of higher interest rates, oil price increases, weaker exports and continued slowdown in the housing market. Japan's economy also gained momentum, with output growth averaging 2.0 per cent in 2005.

Developing Economies

China's economy expanded by 9.9 per cent in 2005, underpinned by increased exports and surging manufacturing investment. Economic activity in Latin America and the Caribbean slowed down considerably to 4.5 per cent from 5.8 per cent in 2004. This was the result of a lower than expected domestic demand in spite of strong world demand for the region's exports (particularly oil, coffee and copper).

Output growth in Sub-Saharan Africa was 4.8 per cent in 2005 compared to 5.4 per cent recorded in 2004. The economies in the region continued to benefit from strong global demand, improved domestic macroeconomic frameworks, progress with structural reforms and reduced conflicts.

Oil-importing countries in the region however recorded a lower average growth rate (4.3%) compared to oil-exporting countries (5.5 %).

General Price Level

Global headline inflation picked up marginally in 2005 in response to higher prices of crude oil and increased demand pressures in countries with large external surpluses. Consumer price inflation in the US and euro area was 3.2 and 2.5 per cent respectively.

Britain's consumer price inflation exceeded the Bank of England target of 2.0 per cent by 0.1 percentage points. Japan's mild deflation continued as consumer price inflation ended the year at –0.2 per cent.

In the developing economies, average consumer price inflation remained lower than 10 per cent. After falling to 7.8 per cent in 2004, inflation in Africa, while remaining in single digit, increased marginally to an average of 8.2 per cent.

2.2 Monetary Policy Stance and Interest Rates

Monetary policy stance was mixed in 2005. The U.S Federal Reserve raised the policy rate by 25 basis points in December to close the year at 4.5 per cent on account of increasing inflation.

The ECB and Bank of Japan maintained policy rates at 2.0 and 0.0 per cent respectively while the Bank of England kept the rate at 4.5 per cent for the rest of the year, following a 25 basis points reduction in August 2005.

2.3 Foreign Exchange Market

Notwithstanding the increasing current account deficit, the US dollar appreciated modestly against the yen and the euro in 2005, reflecting increasing interest rate differentials and political uncertainties in Europe that followed the rejection of the EU constitution in France and the Netherlands.

The significant revaluation of the Chinese currency by 2.1 per cent in July 2005 and the adoption of a reference basket of currencies left the currency value broadly unchanged against the US dollar.

2.4 Commodities Market

Overall, primary commodity prices increased by 29.0 per cent in US dollar terms. Energy prices, dominated by rising crude oil prices, rose by 41.0 per cent whereas non-fuel commodity prices, led by metal and food prices rose by only 5.0 per cent in US dollar terms over the same period.

Crude Oil

Crude oil prices continued to increase in 2005, peaking at US$70 per barrel immediately after hurricane Katrina in August, thereafter declining to US$62 per barrel, the price prevailing before the hurricane.

Brent crude prices closed the year at US$60.00 per barrel. The high crude oil prices were driven by strong demand and limited supply capacities, due in part to natural disasters, as well as the continuing crises in the Middle East.

Gold

Gold prices surged above US$ 530 an ounce in December 2005, the highest recorded level since January 1980. Demand for gold jewellery and investment gold continued to be firm as people hedged against rising inflation and the uncertainties surrounding the strength of the dollar.

Cocoa

By end-2005, cocoa prices had slipped below the peak of US$1,607 per tonne in June 2005. The lower prices reflected optimistic output prospects due to good weather conditions and modest demand increases.

2.5 Developments in Major Capital Markets

Equity indices in the major markets firmed from the second quarter of 2005 despite high oil prices. Detailed developments were as follows:

- Asian stock markets indices rose to landmark highs as economic confidence swept across Asia. Tokyo's benchmark Nikkei average reached 14,680 in November, its highest close in almost five years. The Hong Kong and Taiwan indices were also up by 0.8 per cent and 1.5 per cent respectively by November 2005.
- In London, the FTSE 250 crossed the 8,000 level for the first time in November 2005.
- Wall Street also made gains, with all the main indices reaching four and a half-year highs due to solid corporate results and a pick-up in merger and acquisition activity. The Dow Jones Industrial average closed above 10,900 while the broader S&P 500 rose to 1,255. The NASDAQ Composite also firmed up, reaching 2,242 during the year.

2.6 Outlook for 2006

The outlook is for continued healthy but moderate growth estimated at 4.3 per cent, as was forecast for 2005. Key risks to global growth are expected to be driven by the behaviour and effects of world energy prices, prospects of further tightening of monetary policy in developed economies and uncertainties associated with unwinding large current account imbalances in the US and China.

Major prospects and expectations are as follows:

- World oil prices are projected to remain high with the possibility of a build-up of inflationary pressures.
- Monetary policy tightening in the US, aimed at correcting the US current account deficit is expected to continue in 2006 and may dampen global demand, with adverse consequences for developing economies; and
- Worsening trade deficits stemming from unfavourable trade with China may compel major economies to pursue protectionist policies. This, together with high oil prices, may also dampen global demand.
- In West Africa, improved macroeconomic framework, favourable rainfall, and strong commodity prices are expected to lift regional growth in 2006.

3.0 MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

Inflationary pressures continued to be subdued in 2005 with prudent fiscal and monetary policies as the anchor. While monetary policy was directed at containing inflation, fiscal policy was aimed at stabilizing and reducing the public domestic debt in relation to GDP. Fiscal consolidation continued with improved revenue collection and expenditure management, and the overall fiscal deficit was reduced in line with projections. The balance of payments recorded an overall surplus and there was a further build-up of reserves to cushion the economy against external shocks.

The Monetary Policy Committee met six times during the year. Monetary policy remained focused on the objective of containing inflation and reducing it to low and stable levels, against the backdrop of rising oil prices, which raised inflationary expectations worldwide. Reduction in the ratio of reserve requirements and abolition of restrictions on medium securities holdings by banks served to enhance liquidity in the money market while competition in the banking system was spurred by the entry of new banks.

The steep rise in Brent crude prices fed through into domestic fuel prices under the deregulation policy leading to a jump in headline inflation from 14 per cent in February to 16.7 per cent in March (See Chart 1).

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

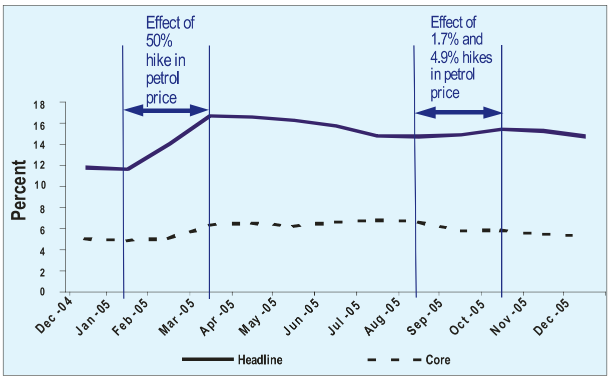
Dr. E. K. Y. Addison

Mr. Millison Narh

Dr. Nii K. Sowa

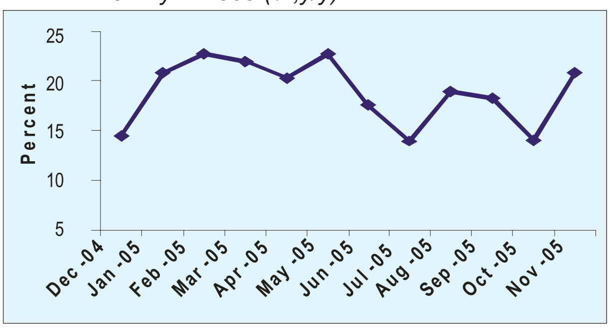
Dr. Bartholomew Nii Armah

Chart 1: Headline and core measures of Inflation (2005)



Source: Bank of Ghana

Chart 2: Growth in the Composite Index of Economic Activity in 2005 (%,y/y)



Source: Bank of Ghana

However, core inflation was relatively stable, even after further crude price increases of 1.7 per cent and 4.9 per cent in August and October respectively. The disinflation process was therefore sustained throughout the year.

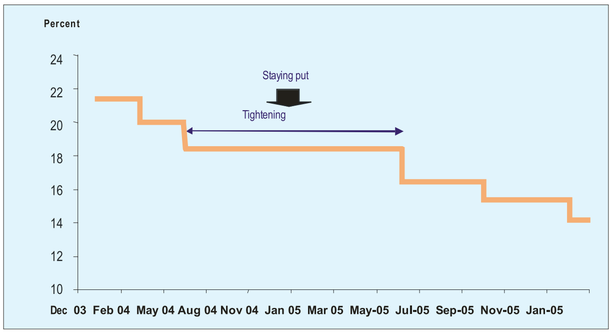
Against this background, economic activity was relatively brisk; the Bank of Ghana Composite Index of Economic Activity (CIEA) grew by 20.7 per cent on year-on-year terms. The Gross Domestic Product (GDP), grew by 5.8 per cent in 2005 (the same as in 2004) with most sectors contributing significantly to the economic expansion (see Chart 2).

3.2 Summary of MPC Decisions

The MPC changed the prime rate twice during the year. The Committee's decisions were based on a total assessment of different measures of inflationary expectations and other economic factors (see Table 1 and Chart 3). The decisions of the Committee during the year clearly indicate that they are taken on the basis of forecasts of future price developments rather than transient price shocks.

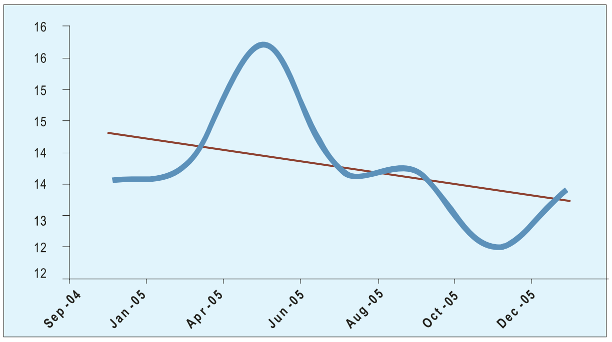
The favourable outcome of monetary policy in 2005 was supported by low inflationary expectations of economic agents, which were partly induced by the Bank's transparent communication with market participants as well as interest rate and exchange rate stability (see Charts 4, and 5).

Chart 3: Developments in the BOG Prime Rate



Source: Bank of Ghana

Chart 4: Business Sector Weighted Inflation Expectations in 2005



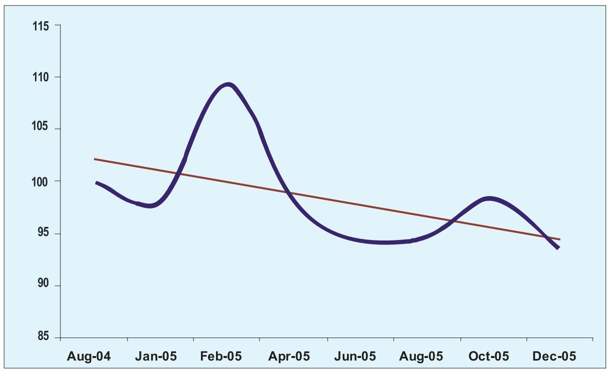
Source: Bank of Ghana

Table 1: Prime Rate Decisions in 2005

Date	Rate %	Decision
24th January	18.50	Unchanged
29th March	18.50	Unchanged
30th May	16.50	Decreased by 200 basis points
25th July	16.50	Unchanged
12th September	15.50	Decreased by 100 basis points
28th November	15.50	Unchanged

Source: Bank of Ghana

Chart 5: Inflation Expectations of Consumers in 2005



Source: Bank of Ghana

Highlights of MPC Decisions in 2005

January Meeting

Major positive factors in the outlook:

- continued convergence toward low and stable inflation
- increased GDP growth, closing the output and employment gaps
- strong external payments position.

Major downside risks in the outlook:

- a softening in the projected prices of Ghana's major export commodities, especially cocoa
- uncertainty with regard oil price developments

The MPC decided to maintain the Bank of Ghana Prime Rate at 18.5 per cent.

March Meeting

Major factors viewed as positive to the outlook:

- a fiscal policy stance with a good balance between fiscal consolidation and growth
- timely disbursements under the Multi-Donor Budget Support (MDBSM) mechanism to maintain the projected levels of spending and bolster underlying fiscal and monetary policy

Major downside risk:

- rising oil prices in the international oil markets

The MPC decided to maintain the Bank of Ghana Prime Rate at 18.5 per cent.

May Meeting

Major positive factors in the outlook:

- monetary aggregates remaining on a low growth path
- improved fiscal and domestic debt positions exerting downward pressure on inflationary expectations
- timely prospective disbursements under the MDBS mechanism giving an added stabilizing influence.
- implementation of the new petroleum pricing mechanism which would avoid the surges in inflation from large petroleum price adjustments
- decline of international crude oil prices from the $55 per barrel level to the lower range of $48-50 per barrel.

There was no significant major downside risk.
The MPC decided to reduce the Bank of Ghana Prime Rate from 18.5 per cent to 16.5 per cent.

July Meeting

Major positive factor in the outlook:

- The monetary and fiscal stance supported consolidation toward low and stable inflation with exchange rate stability

Major downside risk :

- Crude oil prices on the international markets were in the $58-$60 per barrel range and were not expected to decline for the rest of the year given world demand conditions.

The MPC decided to keep the Prime Rate unchanged at 16.5 per cent.

September Meeting

Major positive developments in the outlook:

- continued reduction in the fiscal deficit and the debt-GDP ratio, easing the pressures on the domestic money market.
- economic activity remained on track and business confidence generally optimistic

Major downside risks:

- high and volatile crude oil prices
- a continuing bearish stock market

The MPC decided to reduce the Prime Rate from 16.5 to 15.5 per cent.

November Meeting

Major positive developments in the outlook:

- the economy continued to absorb the progressive easing of inflationary expectations and shifts in savings, investment and lending portfolios associated with the recent realignment in interest rates.
- Government budget remained on course (oriented toward stability while providing stimulus to aggregate demand in the economy)

Major downside risk:

- Continued volatility of crude oil prices on the international market and the potential for the pass-through of its effects into domestic cost and prices.

The MPC decided to maintain the Bank of Ghana Prime Rate at 15.5 per cent.

3.3 Monetary Developments and Interest Rates

The monetary policy framework, which continued to be anchored on inflation targeting, brought about a slowdown in the growth of the monetary aggregates. Both reserve money and M2+ recorded lower growth rates as shown in Chart 6.

Interest rates generally followed a downward trend consistent with the easing of inflationary pressures. As macroeconomic conditions improved, the MPC lowered the Prime Rate from 18.5 per cent in January to 15.5 per cent as at the end December 2005.

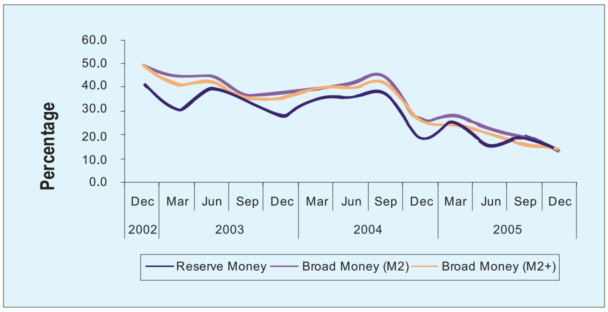
The average interest rate on the 91-day Treasury bill dropped by 5.31 percentage points to 11.77 per cent while the interbank weighted average rate also fell 5.96 percentage points to 10.23 per cent (see Table 2 and Chart 7).

A number of policy decisions directed at creating a vibrant primary market were taken during the year. These were:

- Widening of the interest rate corridor for money market operations from 1.0 per cent to 3.0 per cent.
- Setting of the reverse REPO rate at 2.0 percentage points below the prime rate.
- Reduction of the secondary reserve requirement from 35.0 per cent to 15.0 per cent.
- Abolishing of the requirement on the banks to hold 15 per cent of deposits in the form of medium term securities.

The new policy framework helped shift the structure of the money market from the short to the medium end. The share of short-term instruments in the total portfolio as a result, fell from 72.4 per cent in 2004 to 49.1 per cent in 2005 (see Tables 3a and 3b). This had a positive impact on the yield curve as shown in Chart 8.

Chart 6: Annual Percentage Change in Monetary Aggregates (Dec '02 - Dec '05)



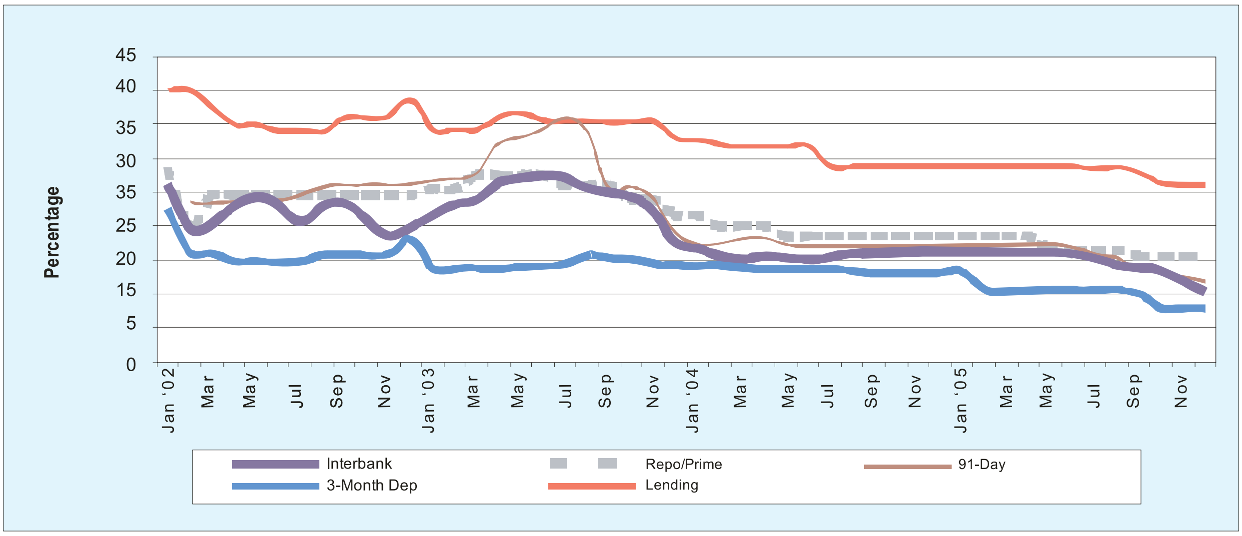
Source: Bank of Ghana

Table 2: Selected Interest Rates of Banks

	Dec-04	Mar-05	Jun-05	Sep-05	Dec-05
Central Bank					
Treasury Bill Discount Rate (91 days)	16.38	16.52	15.84	13.43	11.43
Interest Rate Equivalent	17.08	17.23	16.50	13.90	11.77
Prime	18.5	18.50	16.50	15.50	15.50
Commercial Banks					
Borrowing Rate (%)					
Demand Deposits	7.5	7.50	7.50	7.25	7.13
Savings Deposit	9.5	9.00	9.50	7.50	6.38
Time Deposit					
1 month	10.25	9.25	11.00	8.50	6.13
3 months	13.25	10.50	13.75	9.85	7.75
6 months	13	10.50	13.00	10.00	9.50
12 months	11.25	11.50	11.50	11.00	9.50
Certificate of Deposits	12.25	11.75	12.50	8.00	7.00
Call Money	9.25	7.75	10.18	6.50	6.00
Any other	7.5	7.50	12.50	7.50	7.50
Lending Rates (%)					
Agricultural, Forestry & Fishing	28.75	28.75	31.75	26.00	26.00
Export Trade	28.75	28.75	31.75	26.00	26.00
Manufacturing	28.75	28.75	31.75	26.00	26.00
Mining and Quarrying	28.75	28.75	31.75	26.00	26.00
Construction	28.75	28.75	31.75	26.00	26.00
Other Sectors	28.75	30.75	31.75	26.00	26.00

Source: Bank of Ghana

Chart 7: Interest Rate Trends (Jan-02 – Dec-05)



Source: Bank of Ghana

Table 3a: Structure of Outstanding Short-term Government Securities – (in billions of Cedis)

	Dec.04	Mkt Share	Jun.05	Mkt Share	Dec.05	Mkt Share
Security		(%)		(%)		(%)
91-Day bill	3,382.4	34.5	4,249.2	37.0	1,276.8	11.8
182-Day bill	2,691.3	27.4	2,176.6	18.9	1,940.1	18.0
1-Year Note	1,029.8	10.5	859.3	7.5	2,082.0	19.3
A. Short-Term Inst.	**7,103.5**	**72.4**	**7,285.2**	**63.4**	**5,299.0**	**49.1**

Source: Bank of Ghana

Table 3b: Structure of Outstanding Medium-term Government Securities – (in billions of Cedis)

	Dec.04	Mkt Share	Jun.05	Mkt Share	Dec.05	Mkt Share
Security		(%)		(%)		(%)
2-Year Floating Note	1,599.4	16.3	2,481.5	21.6	2,648.2	24.6
2-Year Fixed Note	332.9	3.4	1,211.8	10.5	2,207.0	20.5
3-Year GGILBS	506.7	5.2	225.0	2.0	225.0	2.1
3-Year Floating Note	113.1	1.2	134.1	1.2	134.2	1.2
3-Year Fixed Note	156.9	1.6	158.6	1.4	271.8	2.5
B. Medium-Term Inst.	**2,709.1**	**27.6**	**4,211.1**	**36.6**	**5,486.3**	**50.9**
Total (A+B)	**9,8127.0**	**100.0**	**11,496.4**	**100.0**	**10,785.3**	**100.0**

Source: Bank of Ghana

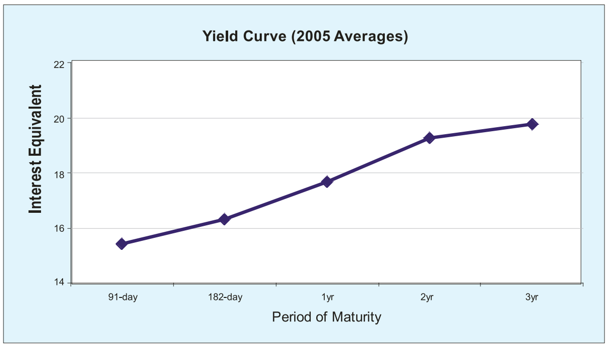
3.4 Price Developments

Headline inflation (combined), which peaked in March after the petroleum adjustment in February 2005, eased considerably by the end of the year dropping from 16.7 per cent in March 2005 to 14.8 per cent in December 2005. This drop reflected the tightening of monetary policy and a supportive fiscal policy.

The relatively low rate of food price inflation in December 2005 (15.0 per cent) was significantly lower than the 2003 and 2004 levels (see Chart 9).

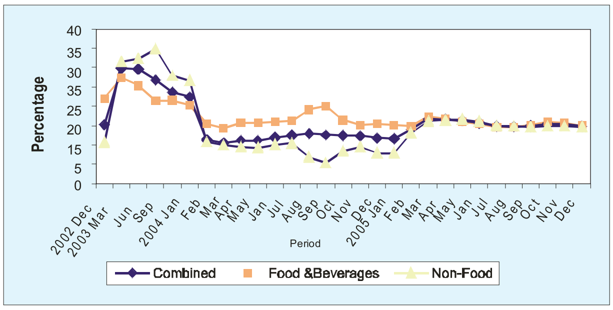
The contribution of each sub-component index to consumer price index during the year as against the preceding year is presented in Table 4. The main sources of pressures on inflation in the fourth quarter were medical care and recreation.

Chart 8: Yield Curve



Source: Bank of Ghana

Chart 9: Combined, Food and Non-Food Inflation: Yr-on-Yr Changes



Source: Ghana Statistical Service

Table 4: Components Analysis: Quarterly Changes

	Combined	Food & Beverages	Alcohol & Tobacco	Clothing & Footwear	Housing & Utilities	H/H Gds, Oper. & Care	Medical, care & Health Exp	Transport & Communi-cations	Recreation , Enter'nment, Edu. & Cu.l Serv.	Misce, Gds & Serv.
2004										
Q1	5.5	7.1	3.8	3.2	7.3	-1.2	7.7	4.9	0.8	3.0
Q2	4.9	8.2	0.1	2.8	2.0	4.0	3.2	1.4	3.1	1.2
Q3	0.5	-0.4	1.4	-0.4	4.8	-0.3	3.4	0.1	-1.9	-2.7
Q4	0.5	0.1	1.1	-1.0	3.9	0.1	4.6	1.0	4.7	1.1
2005										
Q1	10.1	8.8	5.0	4.4	17.0	6.2	8.6	26.9	6.7	4.8
Q2	4.0	6.5	2.3	2.4	0.6	2.8	10.6	2.5	7.8	2.4
Q3	-0.2	-0.7	1.3	0.0	-1.3	1.1	-0.1	1.3	3.4	2.8
Q4	0.4	-0.1	0.7	1.9	0.6	0.9	2.2	1.7	3.4	0.2

Source: Ghana Statistical Service

3.5 Economic Activity and Real GDP Performance

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. A growth rate of 5.8 per cent was also achieved in 2005 (see Chart 10). The trends in key macroeconomic variables indicate that real sector activities picked up significantly during the year with the exception of the agricultural sector.

Overall, the agricultural sector which accounts for over 40 per cent of GDP grew by 6.5 per cent in 2005, down from 7.5 per cent in the previous year. In spite of the high cost of production due to the steady rise in wages and crude oil prices, the industrial sector still grew by 5.6 per cent compared with the 5.1 per cent in 2004.

The services sector also recorded a significant growth of 5.4 per cent compared with 4.7 per cent in 2004 (see Chart 11).

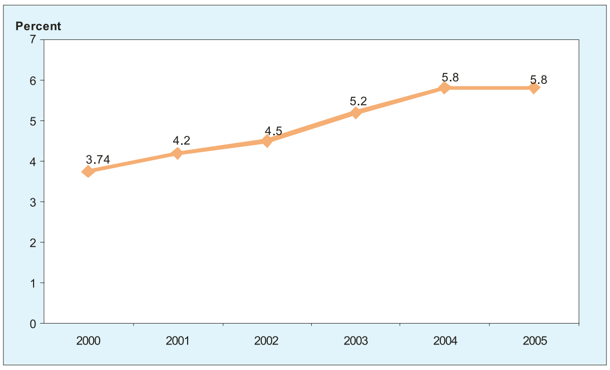
Production in 2005 was generally good. The gold, bauxite, timber, energy, diamond, manganese and building and construction sub-sectors of the economy performed remarkably well with the exception of the cocoa industry, which experienced a decline.

Production in the gold sub-sector increased by 3.4 per cent to 2,124,119 ounces in 2005 (see Chart 12). Gold export earnings amounted to US$945.82 million compared with US$830.13 million realized in 2004, mainly on account of favourable international prices.

Diamond exports totalled 1,013,040 carats valued at US$35.66 million. Exports of manganese and bauxite were 1,915,357 tonnes and 734,477 tonnes valued at US$37.26 and US$3.08 million respectively (see Chart 12).

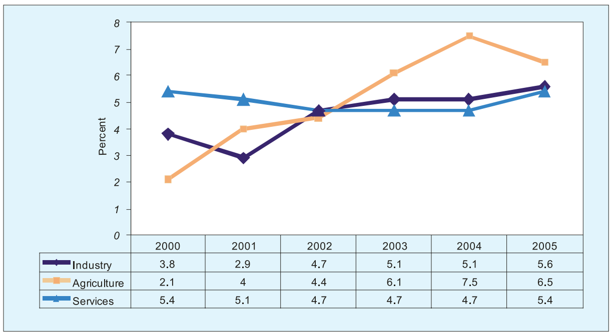
Growth in the cocoa sub-sector fell below the previous year's impressive performance. Output declined by 20.35 per cent to 494,066 tonnes (valued at US$753.30 million).

Chart 10: GDP Growth Rate



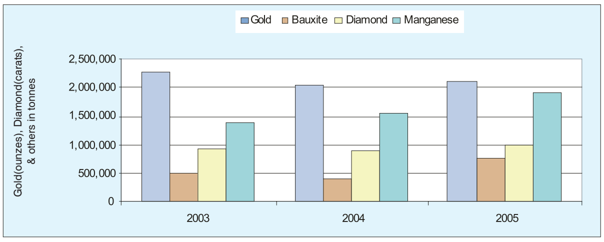
Source: Ghana Statistical Service

Chart 11: Sectoral Growth Rates



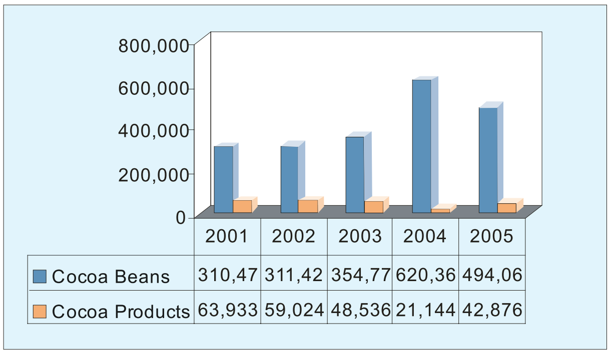
Source: Ghana Statistical Service

Chart 12: Production of Gold, Bauxite, Diamond and Manganese



Source: Bank of Ghana

Chart 13: Cocoa Beans and Cocoa Products (in tonnes)



Source: Bank of Ghana

However, production in terms of value added products from cocoa improved remarkably from 21,144 tonnes (valued at US$ 41.23 million) in 2004 to 42,876 tonnes (valued at US$89.91 million) in 2005 (see Chart 13).

The Coffee and Sheanut sub-sectors also experienced some growth. Coffee exports grew by 5 per cent to 1050 tonnes (valued at US$0.53 million) in 2005. Sheanut exports also grew by about 5 per cent to 52,500 tonnes (valued at US$13.08 million) in 2005 (see Chart 14).

Timber and timber products exported during 2005 amounted to 466,315 cubic metres (valued at US$226.85 million) as against 454,484 cubic metres (valued at US$211.71 million) exported in 2004, indicating about 2.6 per cent growth over the previous period (see Chart 15).

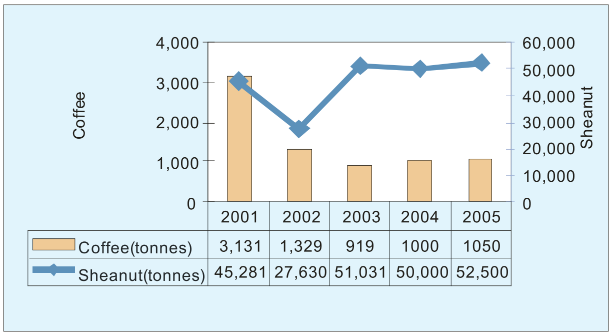
The building and construction sub-sector also registered improved performance in the year under review. This is evidenced by the tremendous increase in commercial bank credit to the sector. The building and construction industry received credit of ¢989.8 billion in 2005 as against ¢772.6 billion in 2004.

The services sector registered an overall growth of 5.4 per cent in 2005 as against 4.7 per cent in 2004. The improved performance was reflected in all sub-sectors but more particularly in tourism.

Tourism remains the fastest growing sub-sector within the service sector and offers a variety of career opportunities and specialized jobs within the sector. It continues to be one of the strategic areas of focus towards accelerated growth with a target of about a million tourists a year. Tourism creates jobs and wealth and has tremendous potential to contribute to economic growth in the country.

In 2005, the sub-sector recorded an average of 30,000 tourist's arrival per month with the lowest number of 26,758 arrivals in April and a peak of 46,998 arrivals in July (see Chart 16).

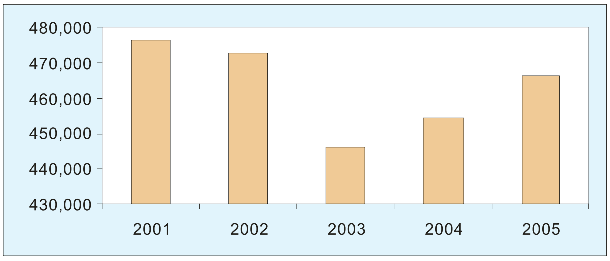
Chart 14: Coffee and Sheanut Production (in tonnes)



	2001	2002	2003	2004	2005
Coffee(tonnes)	3,131	1,329	919	1000	1050
Sheanut(tonnes)	45,281	27,630	51,031	50,000	52,500

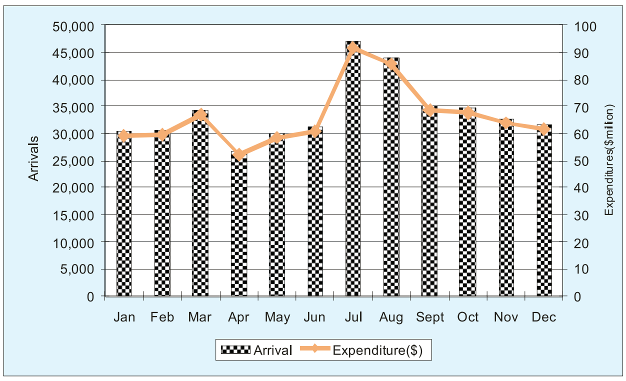
Source: Bank of Ghana

Chart 15: Timber Production (in cubic meters)



Source: Bank of Ghana

Chart 16: International Tourist Arrivals and Expenditures in 2005



Source: Ghana Tourist Board

3.6 Fiscal Developments

Government policies were strengthened to reinvigorate revenue collections and consolidate public expenditure aimed at reducing the domestic debt in relation to GDP. This resulted in an overall budget deficit of 2.4 per cent of GDP compared with 3.2 per cent in 2004. (see Chart 17).

The above outcome reflects the continuing fiscal consolidation which begun in 2001. In line with the above, the government begun a programme of reducing domestic debt in relation to GDP to enable the private sector access credit and lead the growth process. The public domestic debt including revaluation stock as a percentage of GDP fell from 21.7 per cent in 2004 to 18.3 per cent in 2005. (see Charts 18 & 19)

3.7 Stock Market Developments

The overall performance of the market was bearish in spite of the relatively stable macroeconomic environment. The Index started sliding from January and ended the year with a loss of 29.8 per cent. This is in contrast to the 91.3 per cent gain in the previous year.

GSE All-Share Index

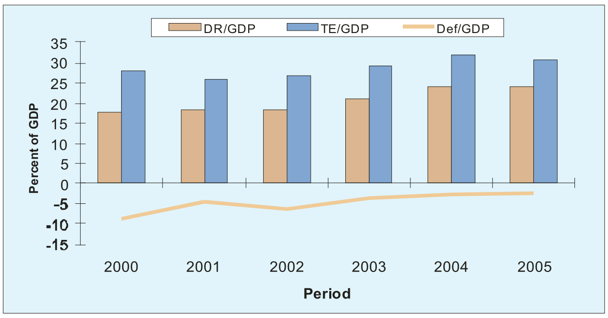
The GSE All-Share Index closed the year at 4,769.02 points down from the previous year's close of 6,798.5 points. The index recorded marginal increases only in September and October when the highest volumes were traded (see Chart 20).

Market Capitalisation

Total market capitalisation fell from ¢97,614.82 billion at end 2004 to ¢91,857.28 billion. AngloGold Ashanti (AGA) remained the most capitalised equity on the market with 86.1 per cent of the total market capitalisation.

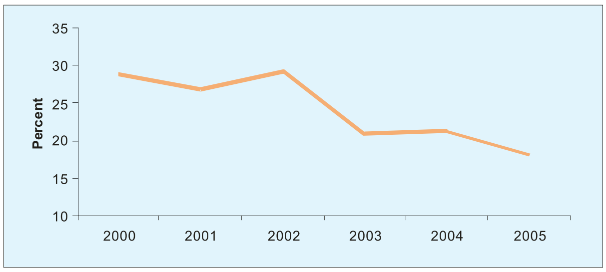
Aryton Drugs Limited received provisional listing, while Golden Web Limited had its listing concluded during the period.

Chart17: Domestic Revenue(DR), Total Expentiture(TE), and Budget Balance(Def) as Percentage of GDP



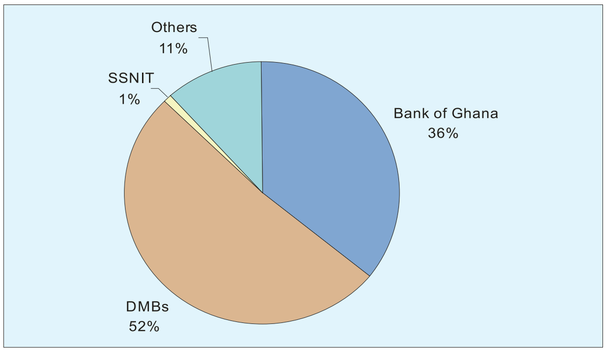
Source: Bank of Ghana

Chart 18: Public Domestic Debt as Percentage of GDP



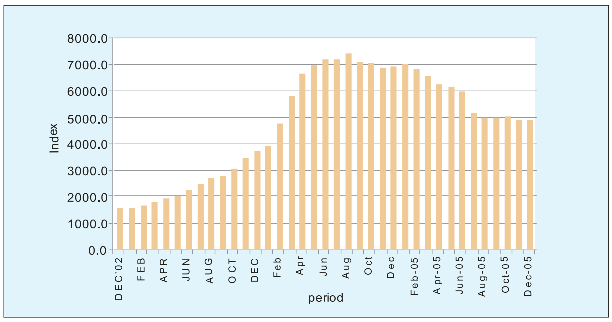
Source: Bank of Ghana

Chart 19: Holdings of Public Domestic Debt



Source: Bank of Ghana

Chart 20: GSE All-Share Index



Source: Ghana Stock Exchange

Corporate Bond Market

The corporate bond market remained relatively quiet. However, the US dollar denominated corporate bonds traded on the market increased by US$ 41,783 to US$115,200.

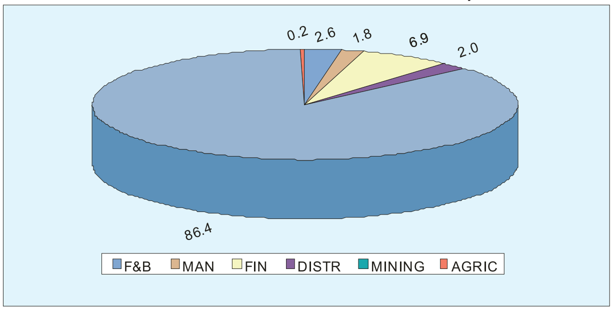
3.8 The External Sector

Balance of Payments

The overall balance of payments recorded a surplus which was largely attributable to significant inflows of both private and official capital into the economy. The substantial inflows offset the current account deficit of US$757.67 million to record a surplus of US$110.4 million.

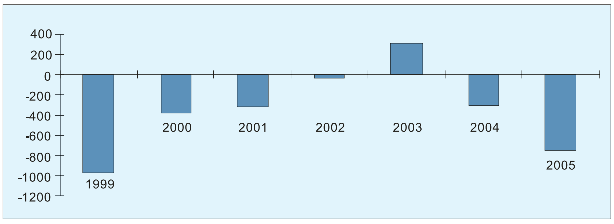
Total exports of goods and services increased by 1.2 per cent to US$ 2,736.6 million in 2005.

Chart 21: Sectoral Distribution of Market Capitalisation



Source: Ghana Stock Exchange

Chart 22: Current Account Balance (in US $ millions)



Source: Bank of Ghana

Table 5: Balance of Payments (US$ Millions)

	1999	2000	2001	2002	2003	2004	2005
Merchandise Exports (f.o.b.)	2,005.3	1,936.3	1,867.1	2,015.1	2,562.4	2,704.5	2,736.6
Merchandise Imports (f.o.b.)	-3,279.8	-2,766.6	-2,968.5	-2,707.0	-3,232.8	-4,297.3	-5,248.3
Non-Oil *	-2,946.6	-2246.4	-2,451.7	-2197	-2,669.9	-3,522.3	-4,156.4
Oil	-333.3	-520.1	-516.8	-510.0	-562.9	-774.9	-1,091.9
Trade Balance	-1,274.5	-830.2	-1,101.4	-691.8	-670.4	-1,592.8	-2,511.7
Services (net)	-310.1	-187.0	-182.1	-240.3	-426.4	-554.0	-303.6
of which interest payments	-131.2	-107.0	-106.0	-124.0	-118.1	-167.5	-159.5
Private Transfers (net)	472.0	499.0	709.7	680.0	1,017.2	1,287.0	1,516.3
Current Account (excl. official transfers)	-1,112.6	-518.3	-573.8	-252.1	-79.7	-859.8	-1,299.0
Official Transfers (net)	148.0	131.9	249.3	220.2	382.0	543.9	541.3
of which HIPC Grants				62	80.2	109.2	175.4
Current Account (incl. official transfers)	-964.5	-386.4	-324.5	-31.9	302.3	-315.8	-757.7
Capital Account	746.0	369.3	392.2	-38.6	340.3	201.6	899.5
Official Capital	144.8	139.7	84.6	-115.2	85.8	52.4	96.53
Private Capital	367.3	176.8	137.3	105.7	199.9	332.0	579.0
Short-term Capital	233.9	52.8	170.3	-29.1	54.7	-182.8	224.0
Errors and Omissions	127.8	-99.6	-59.1	110.3	-84.4	103.8	-31.7
OVERALL BALANCE	-90.7	-116.8	8.6	39.8	558.31	-10.4	110.0

Source: Bank of Ghana

Imports on the other hand grew by 22.0 per cent to US$5,248.3 million. Oil imports rose by 41.0 per cent to US$1,091.9 million. While the volume of oil imports increased marginally by 3.1 per cent, the average price rose by 43.0 per cent. Non-oil imports grew by 18.1 mostly driven by imports of intermediate and capital goods (see Chart 23).

Reserves

Gross international reserves stood at US$ 1,894.9 million at end 2005, indicating an improvement over the 2004 position. In terms of goods and services, it represented an import cover of 3.5 months, lower than 3.8 months recorded in 2004. However, in terms of goods, it amounted to a cover of 4.5 months, marginally higher than the 2004 position of 4.4 months (see Chart 24).

External Debt

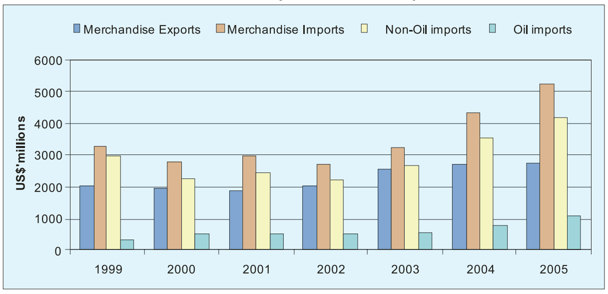
Total debt stock as at end 2005 stood at US$6.1 billion comprising mainly of medium term, long term, and publicly guaranteed external debt (see Chart 25). The closing debt stock in the review year represented US$114.5 million (1.9%) increase over that of 2004.

The increase was mainly driven by the swift disbursement of loans during the year under review. New concessional loans mainly for budgetary support and projects contracted during the year, amounted to US$546.4 million.

The bulk of the total debt stock continued to be owed to multilateral creditors and stood at US$5,490.0 million (89.4% of the total debt stock). Bilateral and commercial creditors represented US$432.6 million (1.9%) and US$219.0 million (3.6%) respectively.

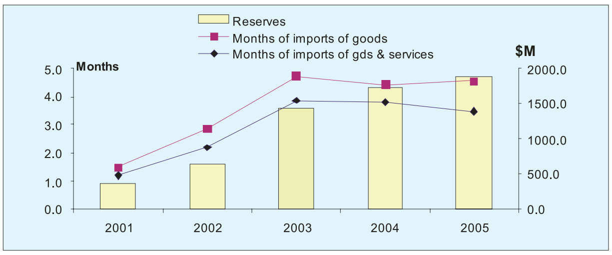
Government debt service obligations during the year were largely on course. An amount of US$229.78 million was paid to various creditor institutions. This amount was higher than the US$192.2 million paid in 2004 (see Chart 26).

Chart 23: Merchandise Exports and Imports



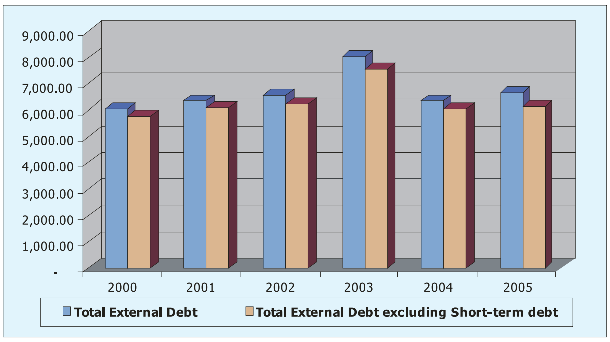
Source: Bank of Ghana

Chart 24: Gross Foreign Reserves



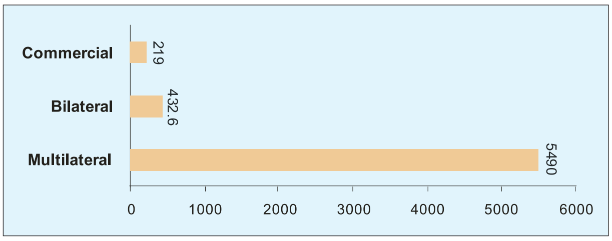
Source: Bank of Ghana

Chart 25: Public and Publicly Guaranteed External Debt (in millions of U.S. dollars)



Source: Bank of Ghana

Chart 26: Composition of Total Debt Stock by Creditors in 2005 (U.S. $millions)



Source: Bank of Ghana

In the course of the year a total of US$209.0 million was realized in the form of HIPC relief inflows as against the US$215.5 million realized in 2004 (see Chart 27).

Debt Sustainability

Key debt sustainability indicators continued to show some positive trends, an indication of the sustained impact of the HIPC initiative on Ghana's debt portfolio. At the end of 2005, external debt to exports ratio stood at 157.6 per cent compared with 176.9 per cent recorded in 2004.

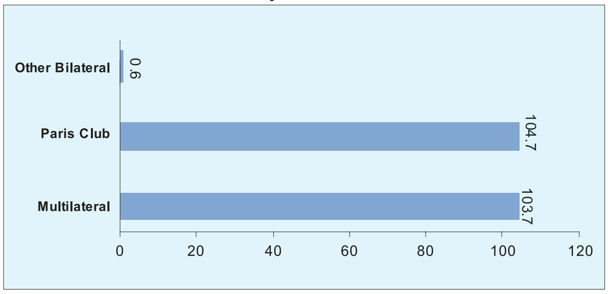
External Debt-to-GDP and domestic revenue stood at 63.0 per cent and 241.7 per cent as against 68.0 per cent and 266.3 per cent in 2004 respectively.

External debt service ratios rose moderately in 2005. Debt service-to-exports increased from 5.4 per cent to 5.9 per cent. Debt service-to-domestic revenue increased from 8.1 per cent to 9.0 per cent while debt service-to-GDP increased from 2.1 per cent to 2.36 per cent.

3.9 Foreign Exchange Markets

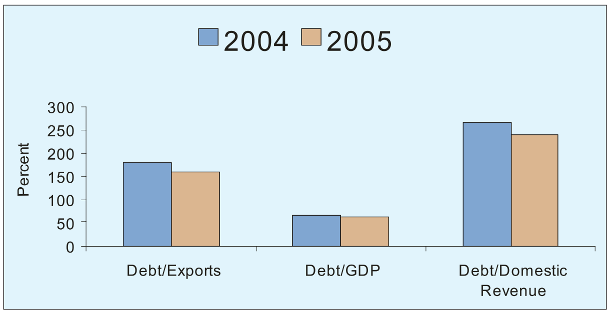
The Cedi remained relatively stable against the major international currencies despite high crude oil prices. It appreciated (in year-on-year terms) by 11.1 per cent and 13.8 per cent against the British pound and euro respectively while it depreciated by 0.9 per cent against the US dollar (see Chart 30).

Chart 27: HIPC inflows by Creditors in 2005



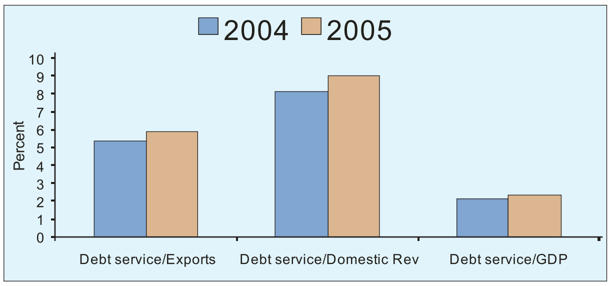
Source: Bank of Ghana

Chart 28: External Debt Ratios



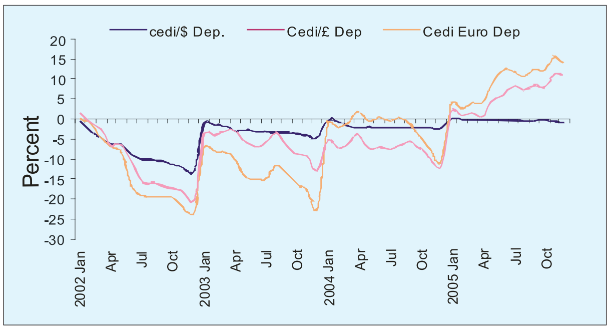
Source: Bank of Ghana

Chart 29: Debt Service Ratios



Source: Bank of Ghana

Chart 30: Exchange Rate Movements (Year-to-Date)



Source: Bank of Ghana

Table 6: Selected Economic Indicators

	1999	2000	2001	2002	2003	2004	2005
Real GDP (%)	4.4	3.7	4.2	4.5	5.2	5.8	58
Inflation							
Year-on-Year	13.8	40.5	21.3	15.2	23.6	11.8	14.8
Annual Average	12.4	25.2	32.9	14.8	26.7	12.6	15.2
Exchange Rate (End-period Transaction Rates)							
¢/US$	3,535.10	7,047.70	7,321.90	8,438.80	8,852.30	9,051.30	9,130.82
¢/£	5,715.50	10,189.90	10,596.70	13,305.20	15,296.00	17,411.50	15,673.30
¢/Euro	3,577.30	6,343.50	6,500.50	8,511.60	10,986.30	12,309.00	10,814.97
Commodity Prices							
Cocoa (US$/tonne)	1,434.00	1,094.00	1,021.00	1,260.00	1,949.50	1,586.90	1524.69
Gold (US$/fine ounce)	278.7	280.40	271.6	309.50	364.5	409.90	445.28
Oil,IPE Brent Crude (US$/Barrel)	18.6	28.40	25	25.00	28.4	37.80	55.44
External Sector							
Exports of goods and services (US$'m)	2,473.10	2,440.60	2,398.80	2,570.10	3,192.40	3,486.90	4,211.15
Imports of goods and services (US$'m)	3,925.90	3,350.20	3,574.50	3,327.90	4,132.60	5,355.70	6,295.43
Current Account Balance (US$'m)	-964.60	-386.5	-324.6	-31.90	302.3	-151.20	-382.24
Overall Balance of Payment (US$'m)	-90.70	-116.8	8.60	39.80	558.30	-123.40	110.04
Gross International Reserves (end period,in US$'m)	420.10	233.4	364.80	640.40	1,425.60	1,732.40	1,894.89
(months of imports of goods and services)	1.20	0.8	1.20	2.20	3.90	3.80	3.5
External Debt (US$'m)	5,960.00	6,062.00	6,376.80	6,585.30	8,034.60	6,367.93	6,692.25
Interest rates (%)							
Bank of Ghana Prime Rate				24.50	21.50	18.50	15.50
91-day Treasury Bill	31.50	42	28.90	26.60	18.70	17.10	11.45
182-day Treasury	26.00	42.4	28.90	27.2	20.30	17.9	12.78
1-year note	22.30	31	29.90	27	20.50	17.9	16.50
2-year Rate *						20.00	17.00
3-year Rate *						21.50	17.50
Monetary Aggregates Growth (Year-on-Year)							
Reserve Money	35.8	52.6	31.3	42.6	33.4	18.8	11.2
Broad Money (M2+)	23.9	46.5	41.4	50	37.8	26	14.1
Broad Money (M2)	24.8	33.4	48.4	50	40.5	26.6	13.8
Nominal GDP (in billion of cedis)	20,580.00	27,153.00	38,071.00	48,862.00	66,158.00	79,803.70	97,018.0
Government Budget (% of GDP)							
Total revenue	16.52	17.7	18.1	18	20.8	23.8	24.1
Grants	1.47	2.1	6.9	3.1	4.7	6.2	4.9
Total Expenditure	24.12	27.7	32.1	26.1	29	32.9	30.2
Overall Balance (including Grants)	-6.51	-9.7	-9	-6.8	2.4	-3.2	-2.4
Domestic primary Balance	2.31	2.6	3.8	2	2.2	0.7	2.7

*Introduced in September 2004
Source: Bank of Ghana

4.0 DEVELOPMENTS IN THE BANK AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The bank and non-bank financial institutions experienced significant growth during the year, buoyed by the relatively stable macroeconomic environment. Banks introduced new products and strategies aimed at maintaining their market shares in the face of increasing competition especially from new banks.

The new Banking Law, Act 673, which became operational in 2005 with its higher Capital Adequacy Ratio requirements, new sanctions regime, as well as higher governance standards ensured that banks remained generally compliant with regulatory and prudential requirements.

4.2 The Banking System

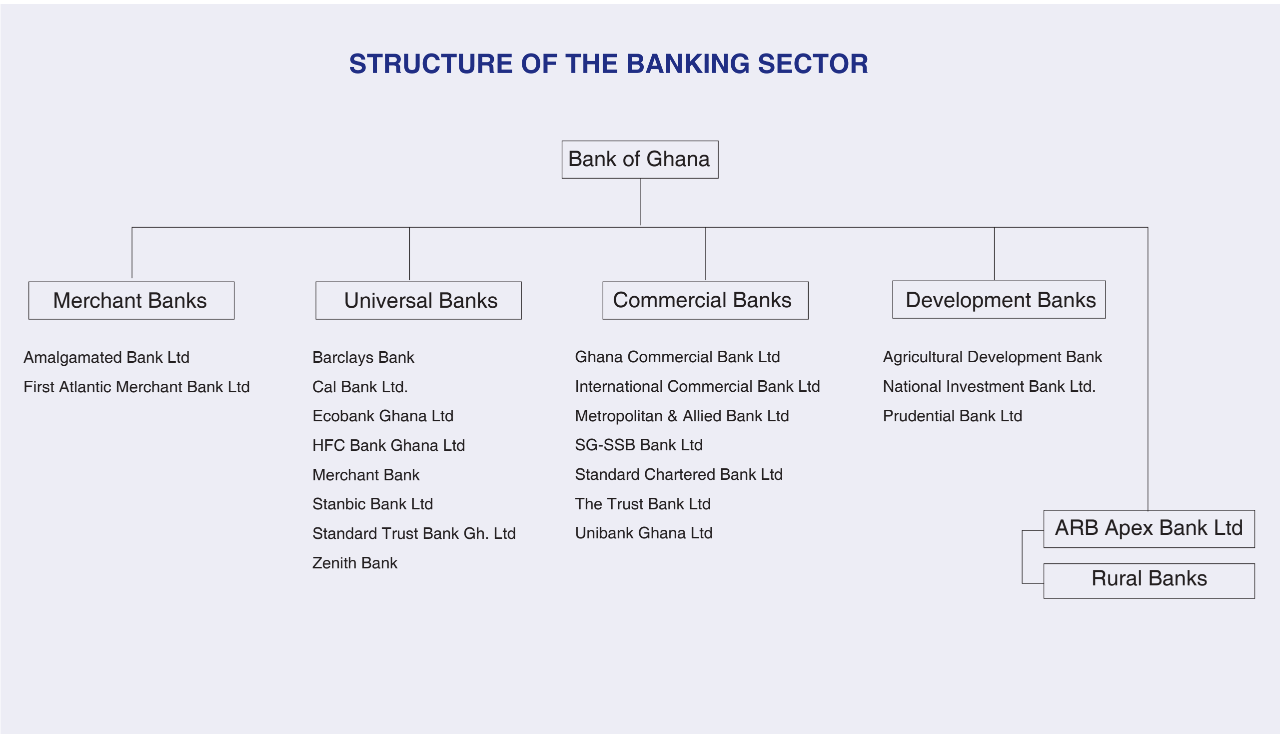
Structure

The banking industry at the end of 2005 comprised 21 banks (including the ARB Apex Bank) as well as 121 Rural and Community Banks. There were 8 universal banks, 7 commercial banks, 2 merchant banks and 3 development banks. Representative offices for Ghana International Bank (GIB) and CitiBank continued to operate in the country.

Growth of Assets and Liabilities

Total assets of the banks grew by 17.62 per cent to ¢36,789.99 billion which represented 89.16 per cent of the total assets of the bank and non-bank financial institutions. The main source of growth was deposits which went up by ¢3,409.34 billion. Six banks accounted for 62.3 per cent of the growth in assets.

Chart 31: Structure of the Banking Sector



The increase in the asset base of the industry reflected mainly in net loans and advances and investments which increased by ¢4,851.52 billion and ¢799.78 billion respectively. Other sources of funds were borrowings, retained earnings, additional capital and foreign liabilities. Contingent liabilities also went up by ¢2,413.89 billion to ¢8,197.72 billion (see Chart 32.)

Credit

Gross loans and advances went up by ¢5,122.19 billion (39.98 %) to ¢17,934.12 billion. The pattern of distribution of credit in the banking industry changed with the Commerce & Finance sector overtaking the Manufacturing sector. The Commerce & Finance sector held 30.04 per cent compared with the Manufacturing sector with 17.43 per cent; followed by the Services sector with 13.57 per cent and Miscellaneous sector with 10.07 per cent. The quality of the credit (proportion of non-performing loans to total loans) improved from 16.13 per cent to 12.54 per cent by end December 2005.

Profitability

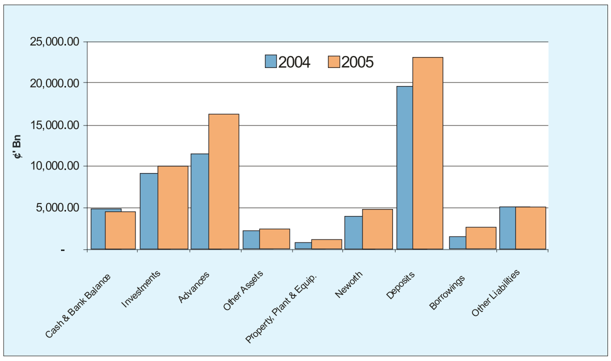
Profitability in the banking sector declined for the third successive year, reflecting the impact of falling rates of interest. This was evidenced by the drop in net interest margin from 9.6 per cent to 6.5 per cent by end 2005. Despite this trend, the banks were generally profitable (see Table 7)

Table 7: Profitability Indicators

	Dec 2003 %	Dec 2004 %	Dec 2005 %
Return On Assets	6.3	4.6	3.3
Return On Earning Assets	8.0	5.9	6.3
Return On Equity	33.4	22.9	24.1
Interest Spread	12.3	8.9	10.8
Expense to Income	63.9	63.5	68.7
Net Interest Margin	10.0	9.6	6.5
Capital Adequacy Ratio	9.3	15.3	27.7

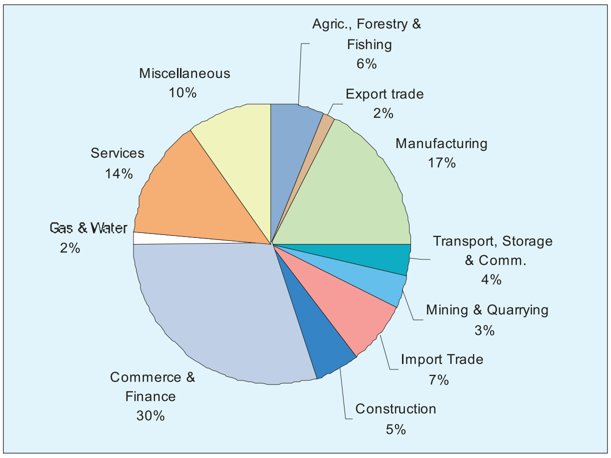
Source: Bank of Ghana

Chart 32: Growth of Assets and Liabilities



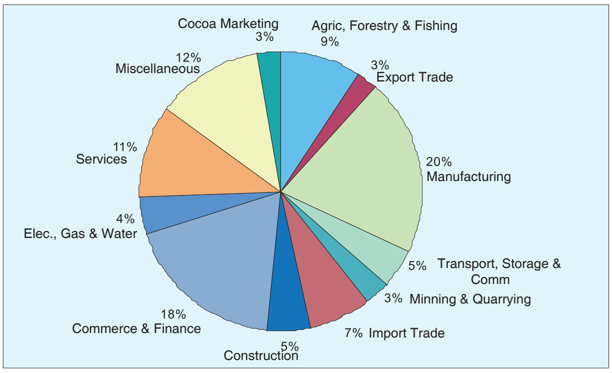
Source: Bank of Ghana

Chart 33a: Sectoral Distribution of Credit – 2005



Source: Bank of Ghana

Chart 33b: Sectoral Distribution of Credit – 2003



Source: Bank of Ghana

Solvency
The banking industry was generally solvent. All, but one bank, had strong solvency positions, and with the expected injection of additional capital to meet the new minimum requirement level, the solvency of the industry will be further strengthened.

Liquidity
The liquidity position of the banking industry was generally satisfactory with most banks meeting the reserve requirements. At the end of December 2005, the industry cash ratio was 9.05 per cent for domestic primary reserves, 12.27 per cent for foreign primary reserves and 44.53 per cent for secondary reserves as against the requirements of 9.0 per cent for both domestic and foreign primary reserves and 15 per cent for secondary reserves.

4.3 Rural and Community Banks

Total assets of Rural/Community Banks (RCBs) increased by 26.22 per cent to ¢2,260.0 billion at end-December 2005 compared with a growth of 40.39 per cent in 2004. The source of growth in the asset base was mainly from deposits and shareholders funds which rose by 24.09 per cent and 30.48 per cent to ¢1,684.27 billion and ¢320.80 billion respectively.

Growth in total assets reflected mainly in loans and advances and investments, which rose by 35.41 per cent and 14.74 per cent respectively.

Total paid–up capital of RCBs stood at ¢54.55 billion compared with ¢33.23 billion at the end of December 2004.

Ninety-eight (98) banks out of the 121 RCBs, had Capital Adequacy Ratio of 6 per cent and above at end December 2005, and were classified as satisfactory.

The number of mediocre rural/community banks however, rose to 7 from 5 at end December 2005, whilst 14 were considered unsatisfactory.

Two relatively new banks opened in the year were not examined.

Capacity building of the RCBs under the Rural Financial Services Project continued during the year with various training programmes and the procurement of equipment.

4.4 The Non-Bank Financial Institutions (NBFIs) Sector

As at end-December 2005 there were 34 NBFIs in operation comprising 12 Savings and Loans Companies, 2 Discount Houses, 15 Finance Companies and 5 Leasing Companies.

Total assets of the NBFIs expanded by 47.98 per cent to ¢2,432.6 billion. The expansion in assets reflected in loans and advances, investments, other assets and fixed assets that increased by 48.06 per cent, 47.45 per cent, 105.81 per cent, and 91.84 per cent respectively.

The major source of funding for the expansion in assets was deposits which increased by 62.47 per cent to ¢811.51 billion. The Discount houses accounted for 82.61 per cent of the total investments held by the NBFI sector.

4.5 Investigations and Consumer Reporting

In line with the Banks' responsibility for ensuring fair banking practices and provision of quality services by financial institutions, the Bank handled various complaints from the general public. These included unfair banking practices, high interest rates and bank charges, poor customer services, irregularities in the forex market and the unauthorised pricing of goods in foreign currency.

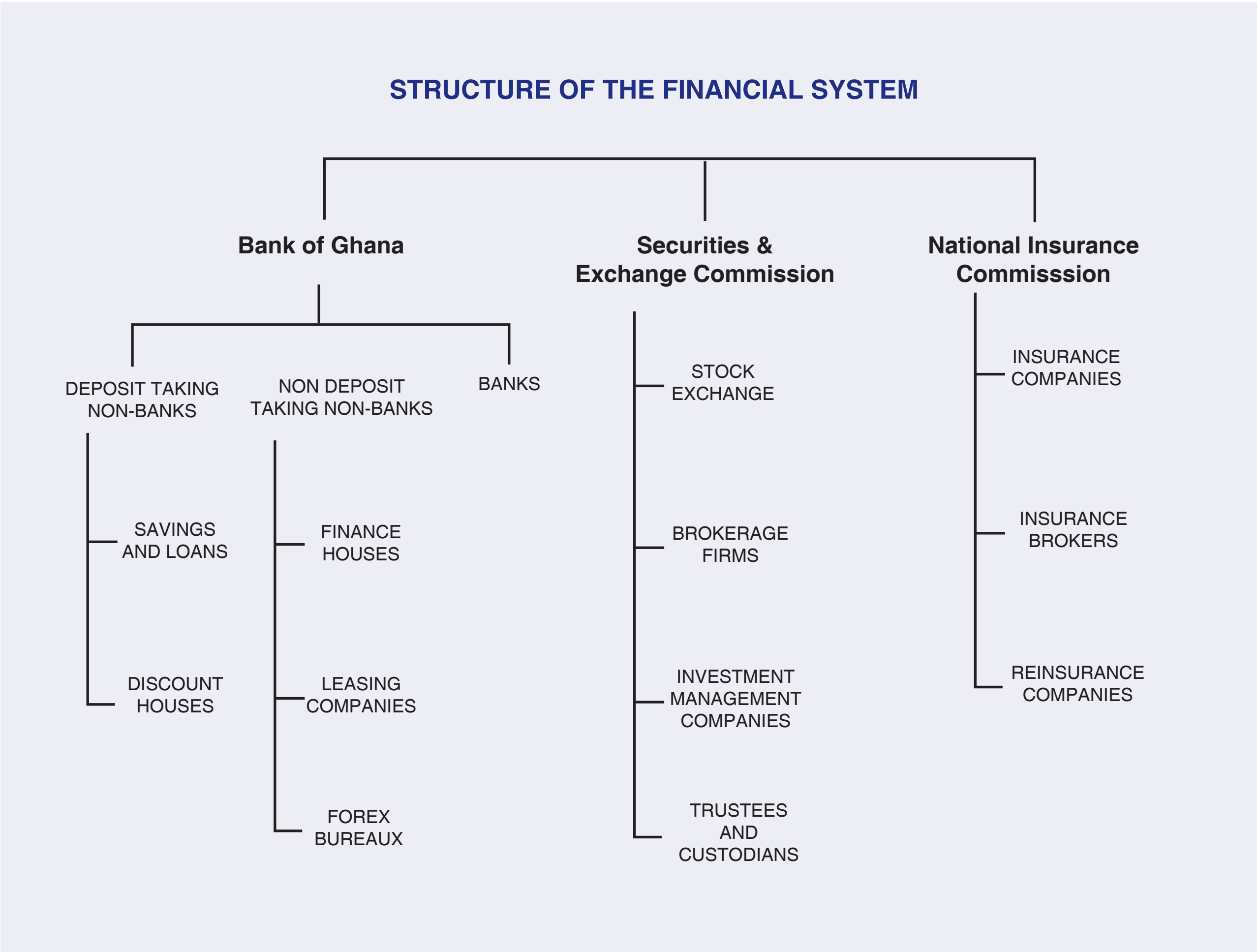
It also investigated fraud cases reported by banks, customers, shareholders and the media.

Cases involving the freezing of assets and bank accounts, closure of unlicensed banks, response to requests from the Serious Fraud Office and the National Security Council and database referencing for the recruitment of bank staff by various rural banks were also handled. A total of 265 cases were received and resolved during the year.

Summary of Cases Handled

Unit	Cases
Consumer Reporting	48
Fraud Investigation	25
Enforcement and Surveillance	192
TOTAL	265

Chart 35: Structure of the Financial System



5.0 PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

5.1 Payment System Developments

The Bank continued with the implementation of policy initiatives under its Payment Systems Development Programme (PSDP), aimed at building the foundation for a sound financial services sector that can support accelerated growth.

The initiatives included legal and institutional framework as well as a payment and settlement infrastructure that will make the financial system robust and competitive in the global trading and capital markets.

The new payment infrastructure is also directed at reducing risks and increasing efficiency in the payment and settlement systems and bringing them in line with current international trends.

Effective oversight ensured adherence to operational rules and compliance with standards by all participants. The various payment, clearing and settlement systems operated satisfactorily during the year.

The Bank reviewed the first phase of its Payment Systems Development Programme, which covered the period 1996 to 2005. Among the significant developments during the period were the automation of cheques clearing, the establishment of a Real Time Gross Settlement (RTGS) system and the introduction of the paper credit clearing system.

The Bank approved a second phase of payment systems implementation as part of its policy and strategy. The major projects planned for implementation are the replacement of the image-based automated cheques clearing system with an Electronic Cheques Clearing (ECC) system and the introduction of an Automated Clearing House (ACH) to handle bulk electronic debits and credits.

The Bank continued to encourage the introduction of electronic retail payment products by the banks. These will include platforms for Automated Teller Machines (ATMs) that ensure interoperability among ATMs owned by different banks, networked Electronic Funds Transfer at Point of Sale (EFTPOS) systems, e-money or stored value cards, telephone and internet banking.

During the year, the Bank supported the establishment of a common ATM platform (switch), the “Ghana National Net Settlement Service” (GNNSS), which linked over 70 ATMs of five banks.

The GNNSS, which was inaugurated in September 2005, has greatly enhanced accessibility and convenience for customers who can now transact business at any ATM belonging to any of the member banks in the switch.

High Value Payments -The GIS System

The Ghana Inter-bank Settlement (GIS) System provided real time gross settlement service for banks to make high value or time critical payments on their own behalf and on behalf of their customers.

The system also settled the net clearing positions of banks from the cheque (debit) and credit clearing systems as well as the payment ‘leg’ of treasury bill transactions from the Central Securities Depository (CSD).

Payment transactions through the GIS system during the year in volume and value terms increased to 48,749 and ¢372,168.5 billion, respectively (see Table 8).

Table 8: GIS Transactions for 2005

	2004	2005
Value (¢billion)	225,188.30	372,168.56
Volume	36,749	48,749
Average Value	6,046	7,667

Low Value Payments – The Cheque Clearing System

The cheques and other debit instruments clearing remained the most important inter-bank paper payment stream in terms of volume and value.

While it is widely used by businesses, its use by individuals continues to be limited as a result of its many shortcomings. The volume and value of cheques cleared in 2005 increased to 4,776,690 and 122,290.93 billion cedis, respectively (see Table 9).

Table 9: Cheques Clearing Operations in 2005

	2004	2005
Value (¢ billion)	112,220.5	122,290.93
Volume	4,675,947	4,776,690
Average Value	24.0	25

Low Value Payments – The Paper Credit Clearing System

The credit clearing system, introduced in 2004, continued to offer a safe and more efficient alternative to the cheque clearing system for making small value payments.

The volume and value of credit clearing operations in 2005 increased to 11,260.00 and 149,771.63 billion cedis, respectively (see Table 10).

Table 10: Credit Clearing Operations in 2005

	(2004 (July-Dec)	2005 (Jan-Dec)
Volume (¢million)	30,098.24	149,771.63
Volume	1,995.00	11,260.00
Average Value	15.09	13.30

Banknote Processing

In line with its objective of enhancing the efficiency of currency examination processing nation-wide, the Bank continued with the automation process in Kumasi during the period under review.

Four Banknote Processing Systems and a Banknote Destruction System were installed at the Kumasi Regional Office to serve the middle and northern sectors.

Currency Processing Centre - Kumasi Office

5.2 Central Securities Depository

The Central Securities Depository (CSD) was established in November 2004 with the following objectives:

- to serve as a central location where records of beneficial ownership of debt and equity instruments are recorded and stored in electronic form.
- to undertake the transfer of securities by book entry and to clear and settle the payment for such securities.
- to promote the replacement of paper or physical certificates of securities with electronic book entries in the depository.

In line with its objectives, the CSD opened over 160,000 accounts for investors in Government securities through depository participants (banks, discount houses and brokerage firms) during 2005.

It also handled all bills issued by Government during the year and maintained electronic certificates for the holders of such bills.

This development will improve activities in the money and capital markets. Maintaining electronic certificates in book entry form is superior to issuing physical certificates which can get lost or be stolen. Electronic certificates do facilitate transfers ensuring savings in terms of documentation and timeliness as well as safety and security of title.

It is envisaged that in due course the CSD will replace all physical certificates of securities in the system with electronic book entries. This will cover listed equity and debt securities on the Ghana Stock Exchange, over the counter securities, mutual funds and unit trust. The CSD is also taking measures to build an electronic network for all depository participants.

5.3 Financial Laws

The Bank continued to provide technical support for the legal and regulatory reform of the financial system to minimize risks and ensure legal certainty especially for electronic transactions. It organized a stakeholders' forum to discuss the new draft Foreign Exchange Bill as a prelude to its consideration by Parliament.

The Bank also continued to monitor various laws at different stages of development. These included the Bills and Cheques bill, the Money Laundering bill, the Central Securities Depository bill, the Credit Reference Bureau bill and the proposed Lenders and Borrowers bill.

5.4 Development of the Domestic Money Market

The Bank in its efforts to deepen and broaden the money market worked closely with money market participants with the aim of establishing a vibrant and liquid local currency and foreign exchange markets in the country.

The Dealers' Club of Ghana was officially inaugurated in August 2005. The Club is made up of dealers from all eligible financial institutions. They meet regularly to discuss pertinent issues affecting the inter-bank market for local currency or foreign exchange.

6.0 MAJOR INTERNAL DEVELOPMENTS

6.1 IMPACT O5 Project

As part of a major business improvement strategy, an ICT programme named "IMPACT 05 Project" was launched in February 2005. The objective of the project was to improve the effectiveness and efficiency of work processes within the Bank through fully networked, automated and integrated infrastructures.

The Project is expected to achieve the following results:

- improved operational efficiency as ICT is leveraged to optimize work processes and minimize cost
- improved customer service and care as customers have access to a broad array of services electronically
- quicker access to online information in the integrated information systems
- better and quicker decision making
- improved standards and performance
- consistent and reliable information

Implementation of the project began during the year and a state-of-the-art Data Centre and Local Area Network linking the head office and regional offices were completed by the end of the year.

A change management programme designed to facilitate staff implementation of the extensive changes expected under the project, was also introduced in all Departments of the Bank.

The change management programme has three strategies designed to reduce business and project risk and facilitate successful implementation. These are:

- management of change and organizational development
- effective communication and
- effective training

6.2 Developments in Financial Reporting and Internal Controls

The Bank in its commitment to increased accountability and transparency in line with international standards and best practices continued to comply with International Financial Standards (IFRS) in its financial reporting and disclosures in 2005. The Bank also began implementation of the risk-based audit adopted in 2004 in compliance with international practice as stipulated by the Institute of Internal Auditors (IIA), while seeking to ensure that internal audit activities are devoted to investigating significant risks that may affect objectives, operations, or resources of the Bank.

During 2005, the Bank planned and conducted 18 individual risk based audits covering Head Office and branch operations. Execution of the audit involved the following processes:

- Identifying and examining the various risks the Bank faces in relation to the activities audited.
- Review of adequacy of controls put in place to protect the Bank against those risks.
- Performance of necessary audit tests to verify the effectiveness of controls.

6.3 Business Continuity Plan

The Bank developed a system-wide Business Continuity Plan (BCP) to ensure the continuation of its activities before, during and after a major crisis event. The BCP will guarantee systematic maintenance and recovery of operations in the event of interruptions resulting from natural disasters, technological failures, human error, terrorism, etc.

The Bank has already instituted preventive controls and actions including physical security procedures, rectifying existing weaknesses and maintaining good general housekeeping.

6.4 Establishment of New Department

To focus on its core activity of ensuring price stability, the Bank reviewed the operations of the Estate & Projects and Support Services Departments and merged them into the General Services Department while outsourcing some of the functions hitherto carried out by them. This was also to streamline the Bank's procurement procedures in order to comply with the new Public Procurement Act, 2003 (Act, 663).

6.5 Human Resource Activities

- *Training and Development*

The Bank reviewed its training and educational policy to make it more responsive to its needs and core responsibilities. Accordingly, a majority of courses and seminars were refocused on monetary, financial, economic and human resource management. A total of 653 staff attended various courses during the year.

Training Programmes in 2005

PROGRAMME	NO. OF COURSES	PARTICIPANTS
Foreign Short Courses	77	87
Staff Training School	11	332
Other Local Courses	50	110
In-House Specialized Programmes	5	124

- *Sporting Activities*

The Bank participated in several sporting disciplines - football, tennis and hockey, among others - involving both male and female teams. The Ladies Football team emerged second runners-up in the All Banks Gala games.

The Bank of Ghana Ladies Football Team

- *Health Care*

The Bank's health education and screening programmes continued throughout the year. As part of the HIV/AIDS education programme, a seminar was held for peer counsellors. Other activities included regional outreach programmes, a health walk and celebration of World AIDS Day. Members of staff were screened for eye diseases, hypertension, prostrate cancer and diabetes.

7.0 EXTERNAL RELATIONS

The year 2005 was quite eventful. The Governor of the People's Bank of China paid a visit to the Bank to consolidate relations between the two institutions. The Bank also held meetings and consultations with the Bretton Woods Institutions (IMF and World Bank). The Association of African Central Banks held its annual meeting in Accra.

Meetings of the West African Monetary Zone (WAMZ), the West African Monetary Agency (WAMA) and West African Institute for Financial and Economic Management (WAIFEM) were also held in Accra. The Society For Worldwide Interbank Financial Communications (SWIFT) also held its African Regional Conference in Accra.

7.1 Visit of the Governor of the People's Bank of China

The Governor hosted Dr. ZHOU Xiaochuan, Governor of the People's Bank of China and his entourage when they paid a four-day working visit to Ghana from February 26 to March 1, 2005. The two Governors held discussions on monetary policy, recent macroeconomic developments as well as the outlook for the medium term in their respective countries.

They also exchanged views on international issues of mutual interest such as growth and poverty reduction, market access for developing countries and sub-regional efforts at creating monetary zones.

7.2 Relations with the IMF and World Bank

Several missions from the IMF and the World Bank were in Ghana during the year. Article IV consultations were held with focus on competitiveness, financial sector issues and medium term fiscal and monetary policy.

There were also missions to assess public expenditure management, public sector reform, financial sector reform and progress towards the Millennium Development Goals (MDGs).

A joint mission from the IMF Independent Evaluation Office and the World Bank Operations Evaluation Office was also in the country to undertake an independent evaluation of the Financial Sector Assessment Programme (FSAP). The Bank also participated in a joint IMF/World Bank survey on the Standards and Codes Initiative.

In June 2005, the IMF Executive Board completed its third review of Ghana's economic performance under the Poverty Reduction and Growth Facility (P.R.G.F.) arrangement. The Board noted that economic performance in Ghana continued to strengthen in 2004, with sustained policy implementation helping to consolidate macroeconomic stability. The Board noted the improvement in execution of fiscal policy in 2005, with the revenue-GDP ratio reaching the highest level ever.

The Bank participated in the Spring and Annual Meetings of the IMF and World Bank in Washington D.C. At the meeting of the International Monetary and Finance Committee (IMFC) of the IMF, Ghana welcomed the G-8 proposal of 100 percent debt cancellation for HIPC countries.

Following its meeting, the IMFC expressed support for the G8 proposal for 100 percent debt cancellation as this would provide significant additional resources for the efforts to attain the MDGs. The Committee emphasised the need for countries to pursue sound policies and high standards of governance in order to benefit from the relief.

Meetings of the Intergovernmental Group of Twenty-Four (G-24) and African Governors were held concurrently with the IMF/World Bank meetings. The G-24 welcomed the continued global expansion but noted that widened global imbalances had increased the risk of sharp movements in exchange rates. It called on the World Bank to redouble its efforts at supporting the achievement of the MDGs. It also stressed that under-representation of developing countries continued to undermine the legitimacy and credibility of the BWI.

African Governors, in their memorandum to the BWI, pledged to continue efforts at trade liberalisation and regional integration and called on the IMF and World Bank to continue playing an advocacy role to complement the Doha round of trade negotiations.

They called on the World Bank to devise new and innovative infrastructure-financing mechanisms and instruments.

In December 2005, the IMF Executive Board approved 100 per cent relief on Ghana's debt to the IMF incurred before January 1, 2005. The debt relief is under the Multilateral Debt Relief Initiative proposed by the G-8 countries. The IMF noted that strong macroeconomic performance, progress in poverty reduction and sound public expenditure management were among the factors that qualified Ghana for the relief.

7.3 West African Monetary Zone

Two West African Monetary Zone (WAMZ) meetings were held. The first set of meetings of the various committees was held in May 2005 in Banjul, The Gambia.

WEST AFRICAN MONETARY ZONE MEETINGS - 2005

Dates and Venues	
May 2 - 6, 2005	Banjul, The Gambia
August 29 - September 1, 2005	Accra, Ghana

Major Decisions and Recommendations

- Monetary union should be rescheduled to December 1, 2009. The intervening period should be used for the attainment of the convergence criteria and the implementation of macroeconomic and structural benchmarks as spelt out in the Action Plan
- Ministers and Governors should make regular presentations to the Convergence Council on the implementation of the Action Plan
- The legal and institutional frameworks of the zone should be re-examined using the intervening period before commencement of monetary union
- Member States committed themselves to the establishment of a single economic space through the abolition of all barriers relating to the free movement of the persons, capital goods and services within the zone, and to ensure:
  - Convertibility and trading among WAMZ currencies not later that December 2006
  - Full capital account convertibility not later than December 2007
  - Cross-listing of stocks and securities in the WAMZ to be implemented not later than December 2006
  - Compliance with ECOWAS Customs Union by January 2008
  - Full participation in the ECOWAS Common External Tariff by December 2007
- WAMI should be restructured and given adequate authority and resources to undertake its mandate effectively
- The WAMZ Convergence Council should be expanded to include Ministers of Justice in order to facilitate the ratification of the legal instruments
- The Technical Committee should meet more regularly, preferably quarterly
- A Governing Board of WAMI with direct oversight responsibility for personnel policy issues, budget, recruitment and performance evaluation should be created
- The full compliment of staff needed for the critical activities of WAMI should be in place by early January, 2006

This was followed by a summit of Heads of States and Governments of the zone in August 2005, with each member affirming its commitment to the Accra declaration (see Box for major decisions and recommendations from these meetings).

7.4 West African Monetary Agency

Meetings of the Committees of the West African Monetary Agency (WAMA) were held in Accra in January and September 2005. The January meeting reviewed the Agency's work programme for 2005 and the attendant budget. It also examined various study reports on the ECOWAS Monetary Cooperation Programme, Capital Account and Financial Account Liberalisation and Developments in Exchange Rates.

The September meeting underscored the importance of improving synergy between WAMA and sister institutions to enhance its contribution to the regional integration process. An ad-hoc working group was set up to formulate concrete proposals on the future role of WAMA.

WEST AFRICAN MONETARY AGENCY MEETINGS - 2005

Dates and Venues

January 9 - 12, 2005	Accra, Ghana
August 26 - 30, 2005	Accra, Ghana

Major Decisions and Recommendations

- Research departments of member central banks should continue to provide technical support to WAMA
- Member states should take concrete steps to address the prevailing difficulties in the movement of goods, services and capital within the community
- Member countries adopted the 2005 budget
- The audited WAMA Financial Statements for 2003 and the revised WAMA Financial Rules and Regulations were adopted
- All member central banks should endeavour to accede to the revised AACB Statutes
- WAMA should improve its synergy with sister institutions and enhance the efficacy of its contribution to the sub-regional integration process. In connection with this an ad-hoc working group drawn from the Technical Committee should be set up to formulate concrete proposals for subsequent consideration
- Greater attention should be paid to the implementation of appropriate economic and monetary policy measures in order to improve the management of the exchange rates of member countries' currencies
- Member states should ensure the establishment and effective functioning of the National Coordinating Committees (NCCs) in their respective countries
- WAMA should be provided with continued support to consolidate progress in the areas of accounting, financial and administrative management
- Directors of Research of member central banks should meet and come up with a proposal on the future role of WAMA in the light of the apparent duplications in the functions of WAMA and WAMI

7.5 Meetings of the Association of African Central Banks

The Bureau of the Association of African Central Banks (AACB) met twice, in Dakar and Accra, during the year. The 29th meeting of the Assembly of Governors of the AACB was also held in Accra on July 29, 2005. The Keynote address was delivered by the President of the Republic of Ghana, His Excellency John Agyekum Kuffuor, who expressed the commitment of a growing critical mass of African leaders to good governance, accountability and the rule of law.

The meeting noted the importance of harmonisation of concepts, methods and statistical frameworks and decided to hold a continental seminar in this regard in 2006. It also welcomed continuous cooperation between the AACB and the African Union, and also agreed in principle to set up an expert working group on payments systems.

The theme chosen for the 2006 symposium was ‘Domestic Capital Markets and Mobilization of Resources for Growth and Poverty Reduction’. The Governor of the Bank of Ghana was elected Chairperson of the AACB for the 2005/2006 year.

7.6 West African Institute For Financial and Economic Management (WAIFEM)

The Technical Committee and the Board of Governors of the West African Institute For Financial and Economic Management (WAIFEM) met in Accra in August to consider a progress report on the implementation of the 2005-training programme. The Board also considered and approved the audited financial statements for 2004.

ASSOCIATION OF AFRICAN CENTRAL BANKS MEETINGS - 2005

Date and Venue
July 25 - 29, 2005 Accra, Ghana

Major Decisions and Recommendations

- Sub-regional reports on the African Monetary Cooperation Programme should be submitted to the AACB Secretariat at least one month prior to the Association’s committee meetings to facilitate the monitoring of the implementation of the AMCP
- Sub-regional reports should be prepared in accordance with the comprehensive outline approved by the Assembly of Governors
- A continental workshop on the harmonization of statistical concepts, methodologies and framework should be held in 2006
- A workshop for AACB local website administrators should be organised
- The Bureau of the Association should come up with modalities for the setting up of the Experts working group on the payments system
- The theme for the 2006 AACB Symposium should be ‘Domestic capital markets and the mobilization of resources for growth and poverty reduction
- The 30th Ordinary Meeting of the Association will be held in the South African sub-region
- Bank of Ghana was elected Chairman of the Association for the year 2005/2006

7.7 Society for Worldwide Inter-bank Financial Telecommunications (SWIFT)

The Bank, in conjunction with the SWIFT User Group in Ghana hosted the Swift African Regional Conference in Accra from 23-26 May, 2005. This was the first conference of its kind to be held in West Africa. It brought together over 300 participants, most of whom were foreigners from other parts of Africa.

The theme for the conference was "Market Infrastructure – Your Foundation for Growth." It considered the state of payment and settlement infrastructure in Africa and the need to expand electronic transactions to reduce fraud and improve efficiency and safety. The conference was opened by the Governor who delivered the keynote address. It was agreed that the next Africa Regional Conference be held in Maputo, Mozambique in May, 2006.

8.0 ADDRESS OF THE GOVERNOR AT THE CHARTERED INSTITUTE OF BANKERS (GHANA) ANNUAL DINNER - NOVEMBER 26, 2005.

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

Thank you for the privilege once again to join you at this Annual Dinner. From everything that has transpired so far this evening, you will agree that this event has been a fitting climax to this year's Bankers' Week Celebrations.

It is always an honour for me to be a Guest Speaker at this event. Here, the banking fraternity gets an opportunity to interact and exchange views in a relaxed environment away from our busy schedules following a week long program of activities. Let us all acknowledge the efforts of the President of the Institute and his team in organizing the events of the Week, and this wonderful evening.

Mr. Chairman, I understand that the financial statements related to this event have already been prepared on a fair and transparent basis in accordance with generally accepted accounting principles and have been audited in advance by independent professionals. And the full disclosure of sensitive information underlying the cuisine explains the bubble of exuberance and enthusiasm on display here in this room this evening.

Ladies and Gentlemen, on a serious note, the banking profession thought it most appropriate to choose for this year as a working theme of the Bankers' Week Celebrations a subject that has engaged the attention of the entire development community namely; "Achieving the Millennium Development Goals, Corporate Governance & Private Sector Development". In doing so the banking sector shows that it is dynamic and prepared to be proactive as a major player in the quest for accelerated growth and development, as we aspire to achieve a middle income status, and as an emerging market economy.

We certainly need to build on the current record of macroeconomic and political stability and move to high and sustainable growth if we are to achieve the Millennium Development Goals.

The Millennium Development Goals (MDGs) are global. They are the world's time-bound quantified targets for addressing extreme poverty and hunger in its many dimensions. These call for measures that can help to achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV (AIDS), malaria, and other diseases in the developing world.

These are basic humanitarian goals and yet very demanding from the macroeconomic perspective and the standpoint of the developing world, and in particular sub-Saharan Africa. It means accelerating growth to very high levels, and ensuring that growth is pro-poor and inclusive in a way to cut in half the proportion of people whose income is less than US$1 a day, and similarly also the proportion of people who suffer from hunger.

Ladies and Gentlemen, this is indeed a challenging task. But poverty eradication is not simply an objective, it is a noble cause around which the international community has forged a consensus and a compact built around mutual accountability and responsibility to push the growth and development agenda forward. You will agree that the ultimate responsibility for the implementation of any growth agenda is that of individual developing countries even with the best of cooperation of the international community.

Mr. Chairman, achieving the MDGs is predicated on creating, through sound policies, an environment for broad-based participation in gainful productive activities within the framework of good governance, transparency, the rule of law and respect for human and property rights and enforcement of contracts.

The banking system is the epicentre of industry in every economy. It is therefore only appropriate that the issue of corporate governance and private sector development was featured prominently in the central theme for the Bankers' Week Celebrations.

Corporate governance standards that promote fairness, transparency and accountability are essential for efficient investment decision-making. Good corporate governance acts as a source of competitive advantage by promoting good management and shareholder relations and improving investment climate and the return on capital.

Mr. Chairman, I know that this subject of corporate governance has been discussed in detail during the week by experts, so let me move on to what I consider the central message of my address tonight.

There is no doubt that the current policy debate is about how to move from stability to accelerated growth, so we can achieve a middle income status. This is a paradigm shift. For only a few years ago the issue was how to bring domestic inflation under control and reduce exchange rate volatility and currency depreciation. It was about establishing strong and robust economic fundamentals. It was about policies to achieve fiscal and external payments stability as a basis for growth.There is no doubt about the fact that macroeconomic stability was seen to offer the foundation to facilitate growth and development.

A reduction in inflation for example reduces uncertainty, and helps economic agents to extract information from relative prices thus leading to more efficient resource allocation and higher growth. Moreover, an improvement in general macroeconomic conditions is expected to facilitate domestic and external private capital flows for investment.

And indeed we have seen the acceleration of output growth over the last four years. This has taken place within the context of a relatively stable macroeconomic framework, with monetary policy providing an effective anchor for disinflation with strong support from fiscal consolidation with domestic public debt reduction (and external debt relief).

The experience is reflected in all the macroeconomic indicators - inflation, exchange rate movements, fiscal and external accounts balances, foreign exchange reserves. For example the latest numbers indicate that while headline inflation is still around 15 per cent, the core inflation indicators show stable inflation rates and convergence of headline inflation towards single digits in the year ahead.

Interest rates are now at their lowest levels since 1985, and our resolve is to see these decline further with diminishing inflationary expectations. We have also reined in excessive volatility in the exchange rate both in nominal and real terms. As at the end of October 2005, the Cedi held firm against the dollar throughout the year while appreciating against the British Pound and the Euro by 7.8 per cent and 12.3 per cent respectively in the interbank market.

Certainly, the economy has responded to the favourable macroeconomic environment and demonstrates a good deal of resilience even in the face of external shocks such as hikes in oil prices. And this sets the stage to transform the underlying fiscal and monetary and external debt dynamics into a virtuous self-reinforcing process of growth and structural change while preserving financial stability.

Mr. Chairman, there is no magic formula for achieving a fundamental transformation or for boosting growth into the range that has been typical of the experience of the Asian Tigers and that would be sufficient to achieve the MDGs. But it certainly does not happen by accident. It requires significant changes in the way and the cost of doing business.

And it requires fundamental reforms, clear priorities and a system capable of generating incentives for work, savings, investment and productivity growth.

The nation has established the strategic framework and objectives that should guide the economy going forward in the aspiration to achieve a middle income status. It is embodied in the Growth and Poverty Reduction Strategy (GPRS II).

The GPRS II is a public policy document that requires serious study by all stakeholders interested in the debate on growth. That strategy has a role for everyone in public institutions and enterprises as well as the private sector.
Mr. Chairman, I will not wish to divert your attention to the document now. Rather, I would like to focus on what I see to be the role of the financial sector in this quest to achieve a middle-income status within a decade.

What can the banking profession contribute in this process? In a way this depends upon how we shape the institutions and the infrastructure underpinning the capital market and financial intermediation.

To start with, the banking sector is on a reasonably sound footing and well-positioned to strengthen its intermediation role. Aggregate data for the banking industry as a whole as at the end of September 2005 suggests that the banking system remains well-capitalised, liquid and robust with profit margins comfortable. Capital adequacy levels were at 16.2 per cent compared with the required minimum of 10 per cent.

The non-performing loans ratio was 12.4 per cent down from 16.4 per cent last year, having declined steadily from a peak of 22.7 per cent in December 2002. And we have witnessed a fairly rapid credit expansion in real terms (within the 16-20 per cent range annually) over the last two years, through September 2005.

Recent changes in the regulatory ratios and removal of restrictions on the portfolio investment of banks have increased the scope for cost-effective allocation of investible funds in support of industry.

Universal banking has been in place for some time and several banks are operating under this system. It is another step to underpin capital market development as it gives freedom to financial institutions to be more innovative, diversify their products, integrate markets and spread the risks. This freedom should allow many financial institutions to go into mortgage banking for example, and other activities and tailor their services to grow the economy.

Ladies and Gentlemen, looking ahead, we need a globally competitive banking system and a financial services sector, and the development of a vibrant capital market to broaden the scope for effective intermediation. The reduced volatility of the macroeconomic aggregates has laid the foundation for the development of the capital market in Ghana.

The banking profession and other players in the financial industry can work toward development of the capital market improve the liquidity of trading in equities, and open the financial system to long-term capital flows. This is necessary to make available to domestic industry equity financing and reduce dependence on short term debt financing through the banking system.

A transparent market in which information on trading transactions is disseminated to traders and investors would improve efficiency, lower spreads, and attract more participants by increasing general confidence in the pricing process. Market integrity would need to be protected with rules to deter, and provide investors effective recourse to, misrepresentation and fraud and to sustain confidence in the market.

We should all welcome the introduction of the Venture capital fund as well as the Long Term Savings Act and the pension reform. These will create potentially significant sources of long-term savings to support domestic investment.

Mr. Chairman, as I noted last year, the Bank of Ghana has been implementing a number of policy initiatives to lay the foundation for a financial services sector that can support accelerated growth. We have been 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; a system that is resilient to reduce the vulnerability of the economy to shocks.

In fact, much of this infrastructure is now in place and this has been possible with the cooperation of the banking profession.

- A payments system bill was passed by Parliament in 2003 to provide the legal framework for the development of payments infrastructure.
- 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, a cutting edge technology. 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.
- Currently, there are efforts to enhance the present system for processing cheques at the clearing house. The Central Bank is considering the option of switching to the Codeline Clearing and Cheque Truncation System alongside an Automated Clearing House in line with global progress in cheque processing technology.

Mr. Chairman, it is of great significance to the development of the capital market that we have established a central securities depository system which has been operational for a year now. And I am glad to say that this important infrastructure for capital market development is comparable to any such system in the world and it is working well. 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.

- The system makes it possible for records of ownership of all these instruments to be maintained centrally. This should reduce the risks to investors that arise from possible poor record-keeping or any dealer malfeasance. Next year, it is envisaged that the system will also be extended to include equities listed on the Ghana Stock Exchange.

The money market now features prominently the new medium-term Government Securities introduced in 2004 (two and three year fixed and floating rate bonds). It is hoped that, with time, a benchmark yield curve for Government securities will emerge in an active domestic bond market with broad-based investor participation.

I am also glad to note that an important piece of the legal infrastructure required to support the development of the capital market, A Credit Reference Bureau Law, has now been drafted with an expectation that it will be implemented in 2006.

Mr. Chairman, a capital market is only as strong as its component financial institutions and regulatory regime. There is therefore the need for more rigorous even-handed prudential supervision of the financial system to underpin confidence in the capital market and safeguard its integrity.

I trust that we can count on the bankers present and all financial institutions because they are central to the economic system. We have a lot at stake in this search for growth to achieve a steady improvement in living standards on the way to middle-income status.

I thank you once again for inviting me and for your attention.

Thank you.

FINANCIAL STATEMENTS

BOARD OF DIRECTORS, OFFICIALS AND REGISTERED OFFICE

BOARD OF DIRECTORS	Dr. Paul A. Acquah (Chairman/Governor) Mr. Emmanuel Asiedu-Mante (1st Deputy Governor) Mr. Lionel Van Lare Dosoo (2nd Deputy Governor) Mr. Nik Amarteifio Prof. Fred T. Sai Mrs. Gloria Nikoi Mr. Sam Okudzeto Rev. Dr. Kwabena Darko Prof. K. Asenso-Okyere Hon. Kwaku Agyeman-Manu Togbe Afede XIV Dr. Ishmael Yamson
SECRETARY	Mr. James A. Odei Bank of Ghana Head Office, One 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, One 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 2005.

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

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

In preparing the 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

(a) The financial statements, including comparative year information, are prepared both in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2004 (Act 654) and International Financial Reporting Standards (IFRS) except where the application of the Act leads to non compliance with IFRS. 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 2002 (Act 612) are not entirely consistent with requirements of IFRS.

The application of the Act has led to departures from the requirements of the IFRS as follows:

(i) Treatment of net foreign exchange difference

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; and

(ii) Provisions

Provisions disclosed under note 11 represent charges from surplus for the year to support specific operational expenses at the Bank in accordance with section 6 of the Bank of Ghana Act.

These provisions do not represent obligation for any past events in accordance with IAS 37.
The impact on the financial statements has been disclosed under note 36.

(b) Specific non-compliance with provisions of IFRS

Provision for pension liability
The Bank contracted consultants to carry out actuarial valuation of its pension scheme. The consultants have completed their work at the time of finalising the financial statements. Management is evaluating the report of the consultants to enable it take the necessary decision on the report.

Details of these departures are presented under note 36. The Board has reviewed these treatments and has concluded that the departure from the requirements of IFRS in respect of item (i) is 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

The mission of the Bank is to pursue sound monetary and financial policies aimed at price stability and create an enabling environment for sustainable economic growth.

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. The Bank is engaged in the business of central banking. There was no change in the nature of the business of the Bank during the 2005 financial year.

FINANCIAL STATEMENTS

The results for the year are summarised below:	¢'m
Net Surplus for the year	8,251
	======

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.

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CHAIRMAN (GOVERNOR) DIRECTOR

ACCRA

...........March 30,........... 2006

KPMG

We have audited the consolidated financial statements of Bank of Ghana for the year ended 31st December 2005 set out on pages 50 to 85 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.

Scope

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.

(a) Conflicts between Bank of Ghana Act and IFRS

The Bank's financial statements are prepared in accordance with the provisions of the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2004 (Act 654) and International Financial Reporting Standards (IFRS) except where the application of the Act leads to non-compliance with IFRS. 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) Exchange differences on specified balances

International Financial Reporting Standard IAS 21, The Effects of Changes in Foreign Exchange Rates requires that exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period shall be recognised in profit and loss.

Net unrealised foreign exchange gains of ¢606,804 million (2004: loss of ¢290,824 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).

(ii) Provisions

International Reporting Standards IAS 37, Provisions, Contingent Liabilities and Contingent Assets, states that a provision shall be recognised when an entity has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made.

KPMG

Provisions disclosed under note 11 represent charges from surplus for the year to support specific operational expenses at the Bank in accordance with section 6 of the Bank of Ghana Act. These provisions do not represent obligation for any past events in accordance with IAS 37. The impact on the financial statements has been disclosed under note 36.

(b) Non-compliance with IFRS

Provision for Defined Benefit Scheme

The Bank operates a pension scheme based on final pensionable pay for which management is required to make annual charges based on actual pensions paid and a provision to cover future periods. The pension scheme is a defined benefit scheme. International Financial Reporting Standards IAS 19, Employee Benefits, requires that the liability in terms of a defined benefit fund be recognised on the balance sheet. Management commissioned a consultant to carry out an actuarial valuation of the scheme. The actuarial valuation sets the bank's obligation at approximately ¢1.5 trillion. No provision has been made in the financial statements in respect of the bank's obligation to the scheme as at 31st December 2005. There is no requirement in the Bank of Ghana Act to raise such a liability.

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, 2004 (Act 654) and give a true and fair view of the state of the Bank and the group's position at 31st December 2005, and of the results of their operations and cash flows for the year then ended, in accordance with the provisions of these Acts.

Additionally, except for the effect on the financial statements of the matters referred to in (a) and (b) above, the financial statements give a true and fair view of the state of the Bank and the group's financial position at 31st December 2005 and of the results of their operations and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

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

27-04-, 2006

CONSOLIDATED BALANCE SHEET AT 31ST DECEMBER, 2005

		The Bank		The Group	
		2005	2004	2005	2004
	Note	¢'m	¢'m	¢'m	¢'m
ASSETS					
Cash and Amounts due from Banks	14	**3,465,860**	2,461,160	**3,019,261**	1,999,784
Gold	15	**1,316,463**	1,109,235	**1,316,463**	1,109,235
Balances with IMF	16	**4,830,532**	5,357,647	**4,830,532**	5,357,647
Securities	18	**18,751,485**	18,281,395	**19,676,894**	18,777,633
Loans and Advances	17	**6,921,067**	6,854,759	**9,065,950**	10,483,941
Other Assets	19	**2,033,877**	1,783,843	**2,122,140**	1,828,396
Property, Plant and Equipment	20	**826,906**	286,842	**830,123**	293,180
Development Loans and Investments	21	**51,863**	53,537	**2,648**	4,322
Deferred Tax	13(ii)	**-**	-	**1,520**	3,294
TOTAL ASSETS		**38,198,053**	**36,188,418**	**40,865,531**	**39,857,432**
LIABILITIES					
Currency in Circulation	22	**8,520,521**	7,673,899	**8,520,521**	7,673,899
Allocations of Special Drawing Rights		**820,606**	880,313	**820,606**	880,313
Deposits	23	**11,356,189**	10,459,900	**13,446,450**	13,603,328
Liabilities to IMF	24	**8,612,413**	9,373,719	**8,612,413**	9,373,719
Taxation	13(i)	**-**	-	**10,504**	13,633
Liabilities under Money					
Market Instruments	25	**6,976,589**	6,182,374	**6,976,589**	6,182,374
Other Liabilities	26	**785,908**	1,008,582	**893,999**	1,045,723
Deferred Income	27	**-**	-	**-**	-
TOTAL LIABILITIES		**37,072,226**	**35,578,787**	**39,281,082**	**38,772,989**
MINORITY INTEREST				**249,601**	**251,265**
SHAREHOLDERS' FUNDS					
Stated Capital	28	**100,000**	100,000	**100,000**	100,000
Asset Revaluation Reserve	29	**589,304**	35,962	**589,304**	35,962
General Reserve	30	**76,673**	72,548	**76,673**	72,548
Other Reserve	31	**552,750**	598,147	**696,949**	780,154
Income Surplus		**(192,900)**	(197,026)	**(128,078)**	(155,486)
		1,125,827	609,631	**1,334,848**	833,178
TOTAL LIABILITIES/MINORITY INTEREST AND SHAREHOLDERS' FUNDS		**38,198,053**	**36,188,418**	**40,865,531**	**39,857,432**

……………………………… CHAIRMAN (GOVERNOR)

……………………………… DIRECTOR

The financial statements were approved by the Board of Directors on March 30 *2006*

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

		The Bank		The Group	
		2005	2004	2005	2004
	Note	¢'m	¢'m	¢'m	¢'m
Interest and similar income	6(i)	**1,432,954**	580,662	**1,575,094**	664,972
Fee and commission income		**95,099**	96,255	**138,228**	130,036
Dividend income		**6,296**	3,295	**-**	5
Other income	6(iii)	**28,552**	558,770	**44,341**	571,442
Operating Income		**1,562,901**	1,238,982	**1,757,663**	1,366,455
Interest expense and similar charges	6 (ii)	**(1,066,822)**	(840,100)	**(1,131,652)**	(871,521)
Net provision for impairments	10	**108**	399	**108**	399
Operating expenses		**(727,742)**	(674,630)	**(798,211)**	(738,214)
Administration	7	**342,375**	293,210	**392,620**	337,767
Premises and Equipment	8	**115,130**	121,028	**135,354**	140,055
Currency and Issue	9	**3,919**	260,392	**3,919**	260,392
Other Expenses	6 (iv)	**266,318**	-	**266,318**	-
Deficit before Provisions And Exceptional Item		**(231,555)**	(275,349)	**(172,092)**	(242,881)
Provisions	11	**(10,000)**	-	**(10,000)**	-
Deficit before Exceptional Item		**(241,555)**	(275,349)	**(182,092)**	(242,881)
Exceptional Item	12	**249,806**	78,323	**249,806**	78,323
Surplus/(Deficit) before taxation		**8,251**	(197,026)	**67,714**	(164,558)
Taxation	13(iii)	**-**	-	**(20,104)**	(10,740)
Surplus/(Deficit) after Taxation and before Minority Interest		**8,251**	(197,026)	**47,610**	(175,298)
Minority Interest		**-**	-	**(22,372)**	(12,259)
Surplus/(Deficit) after Taxation and Minority Interest		**8,251**	(197,026)	**25,238**	(187,557)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Stated Capital	Income Surplus	Asset Revaluation Reserve	General Reserve	Other Reserve	Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
Balance at 1st January 2004	100,000	-	35,962	72,548	545,453	753,963
Net Deficit for the year		(197,026)				(197,026)
Changes in the price of gold					52,694	52,694
Balance at 31st December 2004	**100,000**	**(197,026)**	**35,962**	**72,548**	**598,147**	**609,631**
Balance at 1st January 2005	100,000	(197,026)	35,962	72,548	598,147	609,631
Net Surplus for the year		8,251				8,251
Transfer to General Reserve		(4,125)		4,125		-
Revaluation Surplus			553,342			553,342
Price/exchange movements in gold & other foreign assets					(45,397)	(45,397)
Balance at 31st December 2005	**100,000**	**(192,900)**	**589,304**	**76,673**	**552,750**	**1,125,827**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2005

	Stated Capital	Income Surplus	Asset Revaluation Reserve	General Reserve	Other Reserve	Translation Reserve	Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
Balance at 1st 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 and 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**
Balance at 1st January 2005	100,000	(155,486)	35,962	72,548	598,147	182,007	833,178
Net Surplus for the year		25,238					25,238
Transfer to General Reserve		(4,125)		4,125			-
Revaluation Surplus			553,342				553,342
Restatement of group reserves		6,295					6,295
Price & Exchange Difference					(45,397)		(45,397)
Foreign currency translation reserve						(37,808)	(37,808)
Balance at 31st December 2005	**100,000**	**(128,078)**	**589,304**	**76,673**	**552,750**	**144,199**	**1,334,848**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

		2005		2004
	¢'m	¢'m	¢'m	¢'m
Net Cash Outflow from Operating Activities (Note 35a)		**(251,540)**		(3,988,023)
Investing Activities				
(Decrease)/Increase Development Loans and Investments	**1,674**		(1,626)	
Property, Plant & Equipment Purchased	**(92,373)**		(234,234)	
Proceeds from Sale of Property, Plant & Equipment	**-**		209	
(Decrease)/Increase in Balances with IMF	**527,115**		(105,936)	
Net Cash Outflow from Investing Activities		**436,416**		(341,587)
Net Cash Outflow before Financing		**184,876**		(4,329,610)
Financing				
Decrease in Finsap Bonds	**-**		-	
Increase in Bank of Ghana Instruments	**794,215**		2,039,203	
Increase in Currency in Circulation	**846,622**		994,160	
(Decrease)/Increase in Allocation of SDRs	**(59,707)**		56,432	
(Decrease)/Increase in Short Term Credits	**(2,911)**		330,627	
(Decrease)/Increase in Enhanced Structural Adjustment Facility	**(758,395)**		209,634	
Deferred Income	**-**		(5,479)	
Net Cash Inflow from Financing Activities		**819,824**		3,624,577
Increase/(Decrease) in Cash and Cash Equivalents		**1,004,700**		(705,033)
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1st January		**2,461,160**		3,166,193
Net Cash (Outflow)/Inflow		**1,004,700**		(705,033)
Balance at 31st December		**3,465,860**		2,461,160
Analysis of changes in cash and cash equivalents are shown under note 14.				
Interest received		**1,191,535**		445,868
Interest paid		**1,062,498**		839,886

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2005

	2005		2004	
	¢'m	¢'m	¢'m	¢'m
Net Cash Outflow from Operating Activities (Note 35b)		**(207,668)**		(4,060,641)
Investing Activities				
Development Loans and Investments	**1,674**		(1,626)	
Property, Plant & Equipment Purchased	**(93,684)**		(236,216)	
Proceeds from Sale of Property, Plant & Equipment	**-**		209	
(Decrease)/Increase in Balances with IMF	**527,115**		(105,936)	
Net Cash Outflow from Investing Activities		**435,105**		(343,569)
Net Cash Inflow/(Outflow) before Financing		**227,437**		(4,404,210)
Tax Paid		**(21,691)**		(5,260)
Financing				
Dividend Paid to Minority Interest	**(6,093)**		(3,161)	
Decrease in Finsap Bonds	**-**		-	
Increase in Bank of Ghana Instruments	**794,215**		2,039,203	
Increase in Currency in Circulation	**846,622**		994,160	
(Decrease)/Increase in Allocation of SDRs	**(59,707)**		56,432	
(Decrease)/Increase in Short Term Credits	**(2,911)**		330,627	
(Decrease)/Increase in Enhanced Structural Adjustment Facility	**(758,395)**		209,634	
Deferred Income	**-**		(5,479)	
Net Cash Inflow from Financing Activities		**813,731**		3,621,416
Increase/(Decrease) in Cash and Cash Equivalents		**1,019,477**		(788,054)
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1st January		**1,999,784**		2,787,838
Net Cash Inflow/(Outflow)		**1,019,477**		(788,054)
Balance at 31st December		**3,019,261**		1,999,784
Analysis of changes in cash and cash equivalents are shown under note 14.				
Interest received		**1,301,225**		530,029
Interest paid		**1,027,993**		871,307

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).

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 2005 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, 2004 (Act 654) and International Financial Reporting Standards (IFRS) except where the application of the Act leads to non-compliance with IFRS. 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 36.

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, 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, do not originate from the Bank, or are not 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 2005.

Currency	Average Rate ¢	Closing Rate ¢
US Dollar	9,057	9,117
GBP	16,580	15,669
EURO	11,356	10,789
SDR	13,435	13,029

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.

- 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	10 - 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 as an 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 with 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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Interest Income	**1,227,393**	457,791	**1,369,533**	541,101
Discount on treasury bill operations	**205,561**	122,871	**205,561**	123,871
	1,432,954	580,662	**1,575,094**	664,972

6(ii). INTEREST EXPENSE AND SIMILAR CHARGES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
IMF & SDR allocations	**37,632**	30,072	**37,632**	30,072
Foreign loans and credits	**12,217**	4,478	**12,217**	4,478
Forex deposits	**41**	20	**41**	20
Deposits by customers	**-**	-	**28,145**	16,924
Deposits by Banks	**-**	-	**36,685**	14,497
Interest on money market instruments	**1,016,932**	804,789	**1,016,932**	804,789
Others	**-**	741	**-**	741
	1,066,822	840,100	**1,131,652**	871,521

6(iii). OTHER INCOME

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Net exchange gain	**-**	528,127	**-**	527,636
Other Miscellaneous	**28,552**	30,643	**44,341**	43,806
	28,552	558,770	**44,341**	571,442

6(iv). OTHER EXPENSES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Net Exchange Loss	**266,318**	-	**266,318**	-

7. ADMINISTRATIVE EXPENSES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Personnel cost	**257,588**	212,225	**292,304**	242,811
Foreign and domestic travel	**9,285**	10,591	**9,918**	11,468
Motor vehicle maintenance/running	**14,471**	12,464	**14,628**	12,527
Communication expenses	**14,773**	15,510	**17,683**	18,247
Banking Colleges and Monetary Institutes	**4,612**	3,959	**4,612**	3,959
Computer related expenses	**4,402**	3,285	**7,753**	7,509
Banking supervision expenses	**1,400**	1,987	**1,400**	1,987
Auditors' Remuneration	**900**	750	**1,918**	1,747
Directors' Remuneration	**1,864**	1,598	**5,205**	3,909
Foreign currency importation	**1,408**	2,428	**1,408**	2,428
Depreciation – motor vehicles	**9,107**	10,167	**9,332**	10,391
Others	**22,565**	18,246	**26,459**	20,784
	342,375	293,210	**392,620**	337,767

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

	The Bank		The Group	
	2005	2004	2005	2004
Directors	**12**	12	**19**	20
Staff	**1,573**	1,585	**1,607**	1,626
	1,585	1,597	**1,626**	1,646

8. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Rent and rates	**2,155**	2,605	**10,988**	11,007
Electricity, water and conservancy	**8,475**	8,654	**8,596**	8,774
Repairs and renewals	**4,398**	4,189	**11,860**	10,894
Insurance – premises and equipment	**618**	397	**2,814**	2,687
Depreciation – premises & equipment	**93,972**	100,554	**94,577**	101,123
Generator running expenses	**837**	124	**1,843**	124
Disinfestation	**217**	199	**217**	199
Other premises and equipment expenses	**4,458**	4,306	**4,459**	5,247
	115,130	121,028	**135,354**	140,055

9. CURRENCY AND ISSUE EXPENSES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Agency fees	**2,172**	1,802	**2,172**	1,802
Notes printing	**977**	254,202	**977**	254,202
Other currency expenses	**770**	4,388	**770**	4,388
	3,919	260,392	**3,919**	260,392

10. IMPAIRMENT/LOSSES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Reversal of impairments of other assets	**(108)**	(399)	**(108)**	(399)
	(108)	(399)	**(108)**	(399)
Impairment of investment	**-**	-	**-**	-
Net Impairment credits	**(108)**	(399)	**(108)**	(399)

11. PROVISIONS

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Replacement of Currency	-	-	-	-
Computerisation/Systems Development	-	-	-	-
Open Market Operations	-	-	-	-
Other Provisions	10,000	-	10,000	-
Bank Restructuring	-	-	-	-
	10,000	-	10,000	-

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 36.

12. EXCEPTIONAL ITEM (BANK AND GROUP)

This relates to reversal of provisions made in respect of doubtful items outstanding on nostro account balances in prior years of ¢8,403 million (2004:¢78,323 million) and ¢241,403 million in respect of unrealised exchange gains on doubtful assets that have been recovered.

13. TAXATION

(i) Income Tax Payable

(a) The Bank

The Bank is exempt from payment of income taxes. Consequently, no provisions have been made in respect of income and deferred taxes.

(b) The Group

	Balance at 1/1/05	Payments during year	Charge to income statement	Balance at 31/12/05
	¢'m	¢'m	¢'m	¢'m
Up to 2004	13,633	-	-	13,633
2005	-	(21,691)	18,562	(3,129)
	13,633	(21,691)	18,562	10,504

(ii) Deferred Tax

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Balance at 1st January	-	-	3,294	2,602
Translation Adjustment	-	-	(232)	282
Charge for the year [13(iii)]	-	-	(1,542)	410
Balance at 31st December	-	-	1,520	3,294
The balance on deferred tax comprises:				
Accelerated capital allowances	-	-	1,520	1,300
Other timing differences	-	-	-	1,994
Total	-	-	1,520	3,294

(iii) Income Tax Expense

The tax expense in the consolidated income statement comprises:

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Corporate income tax expense [note 13(i)]	-	-	18,562	11,150
Deferred tax charge for the period [note 13(ii)]	-	-	1,542	(410)
	-	-	20,104	10,740

14. CASH AND AMOUNTS DUE FROM BANKS

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Correspondent Bank Balances	**3,224,878**	2,174,363	**2,778,280**	1,712,987
Notes and Coins Holdings	**240,982**	240,981	**286,797**	286,797
	3,465,860	2,461,160	**3,019,261**	1,999,784

Cash and amounts due from banks are in respect of foreign denominated currencies.

15. GOLD

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Bank of England Gold set aside	**90,620**	76,365	**90,620**	76,365
Bank of England Gold Investment	**427,131**	359,938	**427,131**	359,938
Federal Reserve Bank NY Gold	**361,841**	304,919	**361,841**	304,919
UBS Gold Investment	**388,959**	327,638	**388,959**	327,638
Gold -Local Holdings	**47,912**	40,375	**47,912**	40,375
	1,316,463	1,109,235	**1,316,463**	1,109,235

16. BALANCES WITH IMF

	The Bank		The Group	
	2005	**2004**	**2005**	**2004**
	¢'m	**¢'m**	**¢'m**	**¢'m**
Holdings	**10,032**	186,404	**10,032**	186,404
Quota	**4,807,701**	5,157,513	**4,807,701**	5,157,513
HIPC Trust	**12,799**	13,730	**12,799**	13,730
	4,830,532	5,357,647	**4,830,532**	5,357,647

17. LOANS AND ADVANCES

	The Bank		The Group	
	2005	**2004**	**2005**	**2004**
	¢'m	**¢'m**	**¢'m**	**¢'m**
Government	**6,851,485**	6,850,432	**6,851,485**	6,850,432
Financial institutions	**26,650**	26,865	**1,770,035**	3,366,506
Lending (Note 17a)	**71,256**	5,786	**473,402**	301,967
	6,949,391	6,883,083	**9,094,922**	10,518,905
Less: impairments/losses	**(28,324)**	(28,324)	**(28,972)**	(34,964)
	6,921,067	6,854,759	**9,065,950**	10,483,941

(a) Analysis of Lending

	The Bank		The Group	
	2005	**2004**	**2005**	**2004**
	¢'m	**¢'m**	**¢'m**	**¢'m**
Gross lending is analysed as follows;				
Agriculture, forestry and fishing		-	**60,042**	52,826
Mining and Quarrying	**-**	-	**2**	-
Transport Storage and Communication	**-**	-	**241,966**	65,519
Business and Other Services	**-**	-	**162,199**	175,624
Commerce and Finance	**-**	-	**-**	-
Miscellaneous	**71,256**	5,786	**9,193**	7,998
	71,256	5,786	**473,402**	301,967

18. SECURITIES

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Long-term Government securities	**4,930,504**	4,407,494	**4,930,504**	4,407,494
Money Market instruments	**1,363,200**	1,093,065	**1,363,200**	1,093,065
Short-Term Securities	**12,457,506**	11,843,324	**13,382,915**	12,339,562
Others	**275**	937,512	**275**	937,512
	18,751,485	18,281,395	**19,676,894**	18,777,633

(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 section 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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Items in course of collection	**635,516**	442,877	**635,516**	442,877
Bilateral/Barter Trade Balances	**-**	328,145	**-**	328,145
Revaluation Account	**(39,399)**	567,405	**(39,399)**	567,405
Others	**1,462,655**	470,419	**1,550,918**	514,972
	2,058,772	1,808,846	**2,147,035**	1,853,399
Less: Impairment Losses	**(24,895)**	(25,003)	**(24,895)**	(25,003)
	2,033,877	1,783,843	**2,122,140**	1,828,396

The balance on the Revaluation Account represents net exchange gains/(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.

20. PROPERTY, PLANT AND EQUIPMENT

The Bank	Intangible Assets (Computer Software Licence)	Land and Buildings	Motor Vehicles	Furniture and Fittings	Plant and Equipment	Work in Progress	Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
Gross Value							
At 1/1/05	6,744	400,631	54,981	9,837	352,543	62,529	887,265
Additions	7,595	272	23	1,223	14,635	68,625	92,373
At 31/12/05	14,339	400,903	55,004	11,060	367,178	131,154	979,638
Comprising:							
Cost of assets Revalued	-	83,084	-	19,674	345,542	11,110	459,410
Surplus on Revaluation	-	317,547	-	(9,837)	7,001	538	315,249
	-	400,631	-	9,837	352,543	11,648	774,659
Cost of Assets Not Revalued	14,339	272	55,004	1,223	14,635	119,506	204,979
	14,339	400,903	55,004	11,060	367,178	131,154	979,638
Accumulated Depreciation							
At 1/1/05	6,069	24,022	41,011	16,051	201,448	-	288,601
Charge for the year	2,573	13,282	9,107	2,212	78,478	-	105,652
Released on valuation	-	(24,022)	-	(16,051)	(201,448)	-	(241,521)
At 31/12/05	8,642	13,282	50,118	2,212	78,478	-	152,732
Net Book Value							
At 31/12/05	5,697	387,621	4,886	8,848	288,700	131,154	826,906
At 31/12/04	675	59,062	13,970	3,622	144,094	65,419	286,842

The Group	Intangible Assets (Computer Software Licence)	Land and Buildings	Motor Vehicles	Furniture and Fittings	Plant and Equipment	Work in Progress	Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
Gross Value							
At 1/1/05	6,744	400,631	55,689	14,688	380,733	62,529	921,014
Additions	7,595	272	23	1,458	15,710	68,625	93,683
Disposals				(282)	(2,314)	-	(2,596)
Translation Adjustment			(68)	(466)	(2,709)	-	(3,243)
At 31/12/05	14,339	400,903	55,644	15,398	391,420	131,154	1,008,858
Comprising:							
Cost of assets Revalued	-	83,084	-	19,674	345,542	11,110	459,410
Surplus on Revaluation	-	317,547	-	(9,837)	7,001	538	315,249
	-	400,631	-	9,837	352,543	11,648	774,659
Cost of Assets Not Revalued	14,339	272	55,644	5,561	38,877	119,506	234,199
	14,339	400,903	55,644	15,398	391,420	131,154	1,008,858
Accumulated Depreciation							
At 1/1/05	6,069	24,022	41,391	19,494	225,038	-	316,014
Charge for the year	2,573	13,282	9,320	2,784	81,514	-	109,473
Released on valuation	-	(24,021)	-	(16,051)	(201,449)	-	(241,521)
Released on Disposal	-	-	-	(282)	(2,314)	-	(2,596)
Translation Adjustment	-	-	(37)	(332)	(2,266)	-	(2,635)
At 31/12/05	8,642	13,283	50,674	5,613	100,523	-	178,735
Net Book Value							
At 31/12/05	5,697	387,620	4,970	9,785	290,897	131,154	830,123
At 31/12/04	675	59,062	14,247	11,141	142,636	65,419	293,180

The Bank's Land & Buildings, Furniture & Fittings and Plant & Equipment were professionally revalued on the basis of open market value for existing use by Messrs Valuation & Investment Associate, Messrs estate Consult, Messrs Valuation & Appraisal Consult and Messrs KOA Consult, Chartered Surveyors on 30th September 2004. The valuation figures of the assets were incorporated in to the books of the Bank on 1st January 2005.

21. INVESTMENTS

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Developmental Loans	**23**	23	**23**	23
Investments - Banks	**58,667**	60,341	**9,452**	11,126
Investments - Other Institutions	**1,089**	1,089	**1,089**	1,089
	59,779	61,453	**10,564**	12,238
Provision for impairments	**(7,916)**	(7,916)	**(7,916)**	(7,916)
	51,863	53,537	**2,648**	4,322

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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Notes and Coins Issued	**10,898,126**	9,470,988	**10,898,126**	9,470,988
Less: Cash Account & Agencies	**(2,377,605)**	(1,797,089)	**(2,377,605)**	(1,797,089)
	8,520,521	7,673,899	**8,520,521**	7,673,899

23. DEPOSITS

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Government	**7,531,388**	6,462,705	**7,531,388**	6,462,705
Financial Institutions/Banks	**2,734,548**	2,892,563	**3,297,159**	6,035,991
Others	**1,090,253**	1,104,632	**2,617,903**	1,104,632
	11,356,189	10,459,900	**13,446,450**	13,603,328

24. LIABILITIES TO IMF

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
(i) IMF Currency Holdings				
IMF No. 1	**442,389**	474,578	**442,389**	474,578
IMF No. 2	**54**	58	**54**	58
IMF Securities	**4,365,312**	4,682,935	**4,365,312**	4,682,935
(ii) IMF Facilities				
Enhanced Structural Adjustment Facility	**3,804,658**	4,216,148	**3,804,658**	4,216,148
	8,612,413	9,373,719	**8,612,413**	9,373,719

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 (2004: 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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Bank of Ghana Instruments	**6,923,997**	6,129,782	**6,923,997**	6,129,782
FINSAP Bonds	**52,592**	52,592	**52,592**	52,592
	6,976,589	6,182,374	**6,976,589**	6,182,374

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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Accruals and Account payable	**133,513**	121,096	**164,753**	132,853
Provisions	**20,681**	29,084	**20,681**	29,084
Others	**631,714**	858,402	**708,565**	83,786
	785,908	1,008,582	**893,999**	1,045,723

27. DEFERRED INCOME

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Balance at 1st January	**-**	5,479	**-**	5,479
Additions during the year	**-**	-	**-**	-
Amount transferred to income statement	**-**	(5,479)	**-**	(5,479)
Balance at 31st December	**-**	-	**-**	-

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	
	2005	2004	2005	2004
	'000	'000	¢'m	¢'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. ASSET REVALUATION RESERVE

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Balance at 31st December	**589,304**	35,962	**589,304**	35,962

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

30. GENERAL RESERVE

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Balance at 31st December	**76,673**	72,548	**76,673**	72,548

The Statutory Reserve represents 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

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Balance at 31st December	**552,750**	598,147	**696,949**	780,154

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. 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 31st December 2005 was ¢823 billion (2004: ¢133.6 billion).

(b) Capital Expenditure

The Bank had capital expenditure commitments of ¢179,609 million not provided for in the financial statements as at 31st December 2005 (2004: ¢13,501 million). The commitment for the current year includes an amount of ¢169 billion in respect of the Bank's computerisation project.

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Bank amounting to ¢329.5 billion (2004: ¢212.4 billion).

(d) Documentary Credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank UK amounted to about ¢75 billion (2004: ¢165 billion).

33. 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.

34. 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 as 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.

Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for banks for counter parties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

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
2005 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	2005 Total ¢'m	2004 Total ¢'m
ASSETS							
Cash and Amounts due from banks	3,465,860	-	-	-	-	**3,465,860**	2,461,160
Gold	90,620	-	1,225,843	-	-	**1,316,463**	1,109,235
Balances with IMF	22,831	4,807,701		-	-	**4,830,532**	5,357,647
Securities	3,478,379	6,082,227	3,208,037	1,012,940	4,969,902	**18,751,485**	18,281,395
Loans and Advances	6,921,067	-	-	-	-	**6,921,067**	6,854,759
Other Assets	2,033,877	-	-	-	-	**2,033,877**	1,783,843
Fixed Assets	-	-	119,057	333,005	374,844	**826,906**	286,842
Development Loans and Investments	-	-	-	-	51,863	**51,863**	53,537
TOTAL ASSETS	16,012,634	10,889,928	4,552,937	1,345,945	5,396,609	**38,198,053**	36,188,418

	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	2005 Total ¢'m	2004 Total ¢'m
LIABILITIES							
Currency in Circulation	-	-	-	-	8,520,521	**8,520,521**	7,673,899
Allocation of Special Drawing Rights	820,606	-	-	-	-	**820,606**	880,313
Deposits	11,356,189	-	-	-	-	**11,356,189**	10,459,900
Liabilities to IMF	-	5,154,660	3,457,753	-	-	**8,612,413**	9,373,719
Liabilities under repurchase Agreement	292,033	6,682,404	-	2,152	-	**6,976,589**	6,182,374
Other Liabilities	518,369	-	214,947	52,592	-	**785,908**	1,008,582
TOTAL LIABILITIES	12,987,197	11,837,064	3,672,700	54,744	8,520,521	**37,072,226**	35,578,787
Maturity Surplus (Short fall)	3,025,437	(947,136)	880,237	1,291,201	(3,123,912)	**1,125,827**	609,631

MATURITY PROFILE ANALYSIS
2005 The Group

	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	2005 Total ¢'m	2004 Total ¢'m
ASSETS							
Cash and Amounts due from banks	3,019,261	-	-	-	-	**3,019,261**	1,999,784
Gold	90,620	-	1,225,843	-	-	**1,316,463**	1,109,235
Balances with IMF	22,831	4,807,701	-	-	-	**4,830,532**	5,357,647
Securities	3,565,808	6,792,706	3,317,324	1,031,154	4,969,902	**19,676,894**	18,777,633
Loans and Advances	8,211,648	274,124	271,654	289,745	18,779	**9,065,950**	10,483,941
Other Assets	2,122,140	-	-	-	-	**2,122,140**	1,828,396
Fixed Assets	-	-	119,057	333,005	378,061	**830,123**	293,180
Development Loans and Investments	-	-	-	-	2,648	**2,648**	4,322
Deffered Tax	-	-	-	-	1,520	**1,520**	3,294
TOTAL ASSETS	17,032,308	11,874,531	4,933,878	1,655,424	5,369,390	**40,865,531**	39,857,432

	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	2005 Total ¢'m	2004 Total ¢'m
LIABILITIES							
Currency in Circulation	-	-	-	-	8,520,521	**8,520,521**	7,673,899
Allocation of Special Drawing Rights	820,606	-	-	-	-	**820,606**	880,313
Deposits	11,871,256	1,355,753	219,441	-	-	**13,446,450**	13,603,328
Liabilities to IMF	-	5,154,660	3,457,753	-	-	**8,612,413**	9,373,719
Taxation	10,504	-	-	-	-	**10,504**	13,633
Liabilities under Money Market Instruments	292,032	6,682,404	2,153	-	-	**6,976,589**	6,182,374
Other Liabilities	549,609	-	214,947	52,592	76,851	**893,999**	1,045,723
TOTAL LIABILITIES	13,544,007	13,192,817	3,892,141	54,745	8,597,372	**39,281,082**	38,772,989
Minority Interest						**249,601**	251,265
Maturity Surplus (Shortfall)	3,488,301	(1,318,286)	1,041,737	1,600,680	(3,227,982)	**1,334,848**	833,178

INTEREST RATE REPRICING ANALYSIS
2005 The Bank

	3 months or less	Between 3 & 12 months	Over 1 Year	Non Interest bearing	2005 Total	2004 Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
ASSETS						
Cash and Amounts due from banks	299,921	2,924,958	-	240,981	**3,465,860**	2,461,160
Gold	-	427,131	-	889,332	**1,316,463**	1,109,235
Balances with IMF	-	4,817,733	-	12,799	**4,830,532**	5,357,647
Securities	12,596,498	6,152,881	1,830	276	**18,751,485**	18,281,395
Loans and Advances	-	-	-	6,921,067	**6,921,067**	6,854,759
Other Assets	-	-	-	2,033,877	**2,033,877**	1,783,843
Fixed Assets	-	-	-	826,906	**826,906**	286,842
Development Loans and Investments	-	-	-	51,863	**51,863**	53,537
TOTAL ASSETS	12,896,419	14,322,703	1,830	10,977,101	**38,198,053**	36,188,418

	3 months or less	Between 3 & 12 months	Over 1 Year	Non Interest bearing	2005 Total	2004 Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
LIABILITIES						
Currency in Circulation	-	-	-	8,520,521	**8,520,521**	7,673,899
Allocations of Special Drawing rights	-	-	-	820,606	**820,606**	880.313
Deposits	-	-	-	11,356,189	**11,356,189**	10,459,900
Liabilities to IMF	-	8,612,413	-	-	**8,612,413**	9,373,719
Liabilities under repurchase Agreement	-	6,976,589	-	-	**6,976,589**	6,182,374
Other Liabilities	-	-	-	785,908	**785,908**	1,008,582
TOTAL LIABILITIES	-	15,589,002	-	21,483,224	**37,072,226**	35,578,787
Asset – liability gap	12,896,419	(1,266,299)	1,830	(10,506,123)	**1,125,827**	609,631

INTEREST RATE REPRICING ANALYSIS
2005 The Group

	3 months or less	Between 3 & 12 months	Over 1 Year	Non Interest bearing	2005 Total	2004 Total
ASSETS	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
Cash and Amounts due from banks	(146,678)	2,924,959	-	240,980	**3,019,261**	1,999,784
Gold	-	427,131	-	889,332	**1,316,463**	1,109,235
Balances with IMF	-	4,817,733	-	12,799	**4,830,532**	5,357,647
Securities	13,389,403	6,267,170	20,045	276	**19,676,894**	18,777,633
Loans and Advances	1,564,057	271,654	309,172	6,921,067	**9,065,950**	10,483,941
Other Assets	-	-	-	2,122,140	**2,122,140**	1,828,396
Fixed Assets	-	-	-	830,123	**830,123**	293,180
Development Loans and Investments	-	-	-	2,648	**2,648**	4,322
Deferred Tax Assets	-	-	-	1,520	**1,520**	3,294
TOTAL ASSETS	14,806,782	14,708,647	329,217	11,020,885	**40,865,531**	39,857,432

The Group	3 months or less	Between 3 & 12 months	Over 1 Year	Non Interest bearing	2005 Total	2004 Total
	¢'m	¢'m	¢'m	¢'m	¢'m	¢'m
LIABILITIES						
Currency in Circulation	-	-	-	-	**8,520,521**	7,673,899
Allocations of Special Drawing Rights	-	-	-	820,606	**820,606**	880,313
Deposits	1,442,706	219,442	-	11,784,302	**13,446,450**	13,603,328
Liabilities to IMF	-	8,612,413	-	-	**8,612,413**	9,373,719
(Foreign Liabilities)						
Provision for Corporation Tax	10504	-	-	-	**10,504**	13,633
Liabilities under repurchase Agreement	-	6,976,589	-	-	**6,976,589**	6,182,374
Other Liabilities	-	-	-	893,999	**893,999**	1,045,723
TOTAL LIABILITIES	1,453,210	15,808,444	-	22,019,428	**39,281,082**	38,772,989
Minority Interest					**249,601**	251,265
Asset – liability gap	13,353,572	(1,099,797)	329,217	(10,998,543)	**1,334,848**	833,178

(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
2005 The Bank

	December 2005	December 2004
	¢m	¢m
ASSETS		
Cedi	**16,025,665**	15,082,542
US Dollar	**12,747,623**	10,950,124
Pound Sterling	**2,282,441**	2,531,416
Euro	**1,715,920**	1,918,530
Special Drawing Rights	**4,830,532**	5,357,647
Others	**595,872**	348,159
Total	**38,198,053**	36,188,418

The Bank	December 2005	December 2004
	¢m	¢m
LIABILITIES & EQUITY		
Cedi	**26,801,477**	22,582,893
US Dollar	**1,894,442**	2,744,144
Pound Sterling	**115,832**	214,126
Euro	**286,345**	364,454
Special Drawing Rights	**9,086,114**	10,254,033
Others	**13,843**	28,768
Total	**38,198,053**	36,188,418
NET POSITION		
Cedi	**(10,775,812)**	(7,500,351)
US Dollar	**10,853,181**	8,205,980
Pound Sterling	**2,166,609**	2,317,290
Euro	**1,429,575**	1,554,076
Special Drawing Rights	**(4,255,582)**	(4,896,386)
Others	**582,029**	319,391
Total	**0**	0

2005 The Group

	December 2005	December 2004
	¢m	¢m
ASSETS		
Cedi	**16,025,664**	15,079,247
US Dollar	**14,334,287**	13,130,953
Pound Sterling	**3,321,274**	3,706,441
Euro	**1,838,728**	2,218,325
Special Drawing Rights	**4,830,532**	5,357,647
Others	**515,046**	364,819
Total	**40,865,531**	39,857,432
LIABILITIES & EQUITY		
Cedi	**26,801,476**	22,579,598
US Dollar	**3,477,665**	4,924,090
Pound Sterling	**1,069,174**	1,390,894
Euro	**408,613**	664,042
Special Drawing Rights	**9,086,114**	10,254,033
Others	**22,489**	44,775
Total	**40,865,531**	39,857,432

NET POSITION		
Cedi	**(10,775,812)**	(7,500,351)
US Dollar	**10,856,622**	8,206,863
Pound Sterling	**2,252,100**	2,315,547
Euro	**1,430,115**	1,554,283
Special Drawing Rights	**(4,255,582)**	(4,896,386)
Others	**492,557**	320,044
Total	**0**	0

35. NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2005

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2005	2004
	¢'m	¢'m
Surplus/(Deficit) for the year	**8,251**	(197,026)
Increase in Other Assets	**(261,413)**	(319,657)
(Decrease)/Increase in Other Liabilities, Assets & Reserve Adjustments	**(268,071)**	384,058
Depreciation	**105,652**	112,069
(Profit) on Sale of Property, Plant & Equipment	**-**	(209)
Net Increase in Deposit Accounts	**896,289**	1,357,730
Net Decrease in Advances	**(66,308)**	(202,947)
Price change in Gold	**(195,850)**	(74,810)
Increase in Securities	**(470,090)**	(5,047,231)
Net Cash Outflow from Operating Activities	**(251,540)**	(3,988,023)

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2005	2004
	¢'m	¢'m
Surplus/(Deficit) for the year	**67,714**	(164,558)
Increase in Other Assets	**(305,122)**	(77,328)
(Decrease)Increase in Other Liabilities, Assets Reserve Adjustments	**(214,016)**	429,328
Depreciation	**109,473**	117,019
Profit on Sale of Property, Plant & Equipment	**-**	(209)
Net (Decrease)/Increase in Deposit Accounts	**(156,878)**	1,928,265
Net Increase in Advances	**1,417,991**	(996,328)
Price change in Gold	**(195,849)**	(74,810)
Increase in Securities	**(930,980)**	(5,222,020)
Net Cash Outflow from Operating Activities	**(207,668)**	(4,060,641)

36. DEPARTURES FROM IFRS

The following represent material departures from IFRS.

(i) Treatment of exchange differences on specified balances

As discussed in Note 5(d), net unrealised foreign exchange gains/(losses) of ¢39,398 million (2004: loss of ¢290,824 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.

(ii) Provision for Defined Benefit Scheme

As stated in note 5(l) the Bank operates a pension scheme based on final pensionable pay for which management is required to make annual charges based on actual pensions paid and a provision to cover future periods. The pension scheme is a defined benefit scheme. Management commissioned a consultant to carry out an actuarial valuation of the scheme. The actuarial valuation sets the bank's obligation at approximately ¢1.5 trillion. No provision has been made in the financial statements in respect of the bank's obligation to the scheme as at 31st December 2005.

(iii) Statutory Provisions

Provisions stated under note 11 were charged against surplus for the 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 of the departures stated under (i) above on the financial statements is shown below.

	The Bank		The Group	
	2005	2004	2005	2004
	¢'m	¢'m	¢'m	¢'m
Income Statement				
Surplus/(Deficit) for the year	**8,251**	(197,026)	**25,238**	(187,557)
Exchange gain/(loss) charged to Revaluation Account	**606,804**	(290,824)	**606,804**	(290,824)
Provisions	**10,000**	-	**10,000**	-
Surplus/(Deficit)- for the year restated	**625,005**	(487,850)	**642,042**	(478,381)
Equity/Net Assets				
Net assets reported	**1,125,827**	609,631	**1,334,848**	833,178
Restatements per above	**616,804**	(290,824)	**616,804**	(290,824)
Net assets restated	**1,742,631**	318,807	**1,951,652**	542,354

37. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets at 31st December 2005 and 2004 were in the following ranges:

	2005	2004
ASSETS		
Securities - Government	**0 - 28%**	0 - 28%
External	**1 - 3 %**	1 - 3 %
Loans and Advances	**15.5% - 18.5%**	18.5%-21.5%
LIABILITIES		
Deposits	**0%**	0%
Liabilities under Money Market Operations	**11.43% - 21.5%**	16.1%-21.7%

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