BANK OF GHANA ANNUAL REPORT 2007

50th
BANK OF GHANA
EST. 1957
Anniversary
1957 - 2007

BANK OF GHANA ANNUAL REPORT 2007

CONTENTS

FOREWORD BY THE GOVERNOR

Gross Domestic Product (GDP) grew by 6.3 per cent in 2007, and above 6 per cent for the second consecutive year.

Economic activity during the year 2007 was quite strong given that the energy crisis which began in 2006 and electricity load management continued to weigh down on growth especially industrial output for the greater part of the year. The external payments position proved resilient and the exchange market relatively stable amid a rising oil import bill, an increase in the fiscal deficit, and an external environment of turmoil in the financial market and sharp re-alignments of major currencies.

The Monetary Policy Committee (MPC) announced the formal adoption of inflation targeting framework in May, with the objective of achieving an inflation target of 5 per cent within an 18-24 months horizon. This was after operating within the framework for some years

Headline inflation ended the year at 12.7 per cent, moving back up several points above the single digit target range from the third quarter of the year, due in great part to food price increases and the pass-through effects of soaring crude oil prices, and a significant upward adjustment in utility prices. Core inflation, however, remained well within single digit.

As announced by the Bank in November last year, the re-denomination of the cedi (setting ¢10,000 = GH¢1) took effect on July 3, 2007; the new currency – the Ghana cedi and Ghana pesewa – was put into circulation. Some 95 per cent of the old currency (both notes and coins) had been withdrawn by the close of the year, removing the dead weight burden that the old currency regime placed on the economy. Accomplishing this huge exercise of currency reform and with stunning success is a real tribute to cooperation and participation at all levels of national institutions, the financial services industry and the enterprise of the general public.

A number of legal and regulatory instruments were introduced during the year as part of continuing reforms re-positioning the financial sector to support an expanding economy. The Banking Amendment Act (2007) established the statutory basis for off-shore banking. The Credit Reporting Law was passed to allow for Credit Reference Bureaux which will reduce information asymmetry in the rapidly expanding credit market. And the Anti-Money Laundering Law (2007), which is effectively a companion legislation to the Foreign Exchange Act (2006), was passed to safeguard the integrity of the financial system.

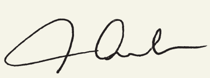
The Bank also prepared the ground for the national electronic switch and common platform – the e-zwich – which is envisaged early in the coming year. It would be a state-of-the-art payment system infrastructure interlinking all banking institutions, and extending financial services to the unbanked.

For the Bank, as an institution, the year was remarkable in several other respects.

› IMPACT 05, the Bank's fully integrated and fully networked information and data management system and operations went live in July, on schedule; thanks to tireless efforts by our consultants (TEMENOS) and staff. The Bank's branches also began to operate with the system, transforming the way we do business. Their dedication ensured the integrity of the data, and the resolution of unforeseen problems that affected the timing of the publication of the financial statements.
› The Bank's Training Centre was fully modernized and equipped to provide well targeted training programmes in furtherance of the policy to ensure that every staff is given a fair chance to enhance their career progression and achieve excellence in their performance and professional development.
› And in a historical landmark, the Bank celebrated its 50th Anniversary (coinciding with the National Golden Jubilee celebrations) under the theme "Fifty Years of Central Banking". Among the highlights was the Symposium on "Central Banking and the Millennium Development Goals", with the Bank playing host to well renowned central bankers, academics, policy makers and investment bankers from across the globe. The reminiscence of past governors in a public forum brought the tradition of oral history to the Bank, as part of a truly memorable programme of festivities in a befitting recognition of the Bank's role in shaping the history of national development.

I take this opportunity to acknowledge the contribution and support of the Board of Directors and staff of the Bank. We look forward to yet another year of fruitful work in cooperation and dedication to the Bank and its mission to promote price stability and soundness of the financial system for accelerated growth.

Thank you.



Paul A. Acquah
Governor

REPORT OF THE NON-EXECUTIVE DIRECTORS

The year 2007 marked the Bank's 50th Anniversary which coincided with Ghana's Golden Jubilee celebrations.

It was the seventh consecutive year of strong economic growth, despite the challenges of the global economy. It was also a year of remarkable achievements for the Bank. The following major activities were successfully undertaken by the Bank:

› The re-denomination of the cedi
› Migration from the traditional compliance approach to the risk-based bank supervision approach
› The IMPACT 05 Project went live as various applications were successfully rolled out.

The Bank also commenced activities towards the introduction of a National Switch and Smartcard Payments System.

The status of legal cases involving the Bank was an important part of the Board's discussions during the year. The Corporate Governance Committee led the Board in developing a policy document on the issue.

The Bank's 2007 budget was designed to link strategies to the Bank's core objectives. The Strategic Planning and Budget Committee met with Bank staff on a quarterly basis to review the performance of the budget. We are confident that progress has been made in costing key strategies needed to meet the Bank's statutory objectives.

The Audit Committee worked with Bank staff assessing risk levels, and in their report to the Board, expressed satisfaction that Management had responded positively and swiftly to the Committee's recommendations.

The Economy and Research Committee, requested studies on key sectors of the economy – notably the telecommunications, tourism, housing and petroleum industries. Conclusions and recommendations from these studies were conveyed to Government through policy briefs.

The year also saw the maiden issue of Ghana's sovereign bond. This was achieved with significant inputs from the Bank. The Non-Executive Directors applaud the contributions of the Governor and the rest of the leadership to the success of this effort and are of the opinion that the process should be evaluated and lessons learned applied to subsequent issues.

Our congratulations go to the Governor on his receipt of various awards that are a testimony to his leadership. The Bank's reputation remains very high within and outside Ghana. Our thanks and appreciation also go to Prof. Kwadwo Asenso-Okyere for his years of service as a Director and we welcome his replacement, Mr. Ellias K.N. Preko. Non-Executive Directors remain committed to and support the leadership of the Bank in pursuing and delivering on the Bank's core objectives.

Nik Amarteifio
Lead Director

BOARD OF DIRECTORS

Mandate

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

Dr. Paul A. Acquah
Governor/Chairman

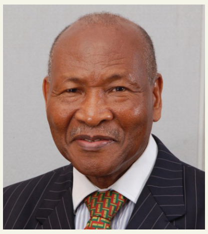
Mr. Lionel Van Lare Dosoo
Deputy Governor

Dr. Mahamudu Bawumia
Deputy Governor

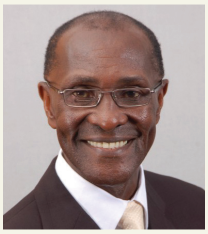
Mr. Nik Amarteifio
Business Executive

Prof. Fred T. Sai
Reproductive Health Consultant

Mrs. Gloria Nikoi
International Consultant



Mr. Sam Okudzeto
Legal Practitioner



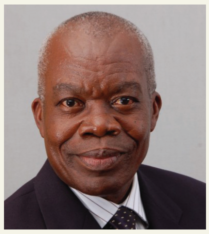
Rev. Dr. Kwabena Darko
Industrialist

Togbe Afede XIV
Investment Banker

Prof. G. Gyan-Baffour
Deputy Minister of Finance and Economic Planning

Lt. Gen (Rtd) Joshua M. Hamidu
Retired Diplomat

Mr. Ellias K. N. Preko
Investments (Funds) Manager



Mr. James A. Odei
Secretary to the Board

Mr. Nik Amarteifio
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
Membership of other Boards
› Chairman, Steering Committee – Ghana Aids Commission
› Ghana Academy of Arts & Sciences
› Family Health International, USA

Mrs. Gloria Nikoi
Membership of other Boards
› Chairperson, Council of Centre for Policy Analysis (CEPA)
› Chairperson, ARB Apex Bank Ltd

Mr. Sam Okudzeto
Membership of other Boards
› Bonte Gold Mines Ltd
› Air Ghana Ltd
› Deng Limited

Rev. Dr. Kwabena Darko
Membership of other Boards
› Chairman, Darko Farms
› Opportunity International, USA
› Chancellor, Regent University Ghana

Togbe Afede XIV
Membership of other Boards
› Chairman, Strategic Initiatives Limited
› SAS Investment Management Limited
› Aluworks Limited

Prof. George Gyan-Baffour
Membership of other Boards
› Council for Scientific and Industrial Research

Lt. Gen. (Rtd.) Joshua M. Hamidu
Membership of other Boards
› Chairman, Narcotics Control Board

Mr. Ellias K. N. Preko
Membership of other Boards
› West African Gas Pipeline Company
› Hercules Capital Partners

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

DEPUTY GOVERNOR

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

1. GOVERNANCE

1.1 The Board of Directors

The governing body of the Bank is the Board of Directors as stipulated in the Bank of Ghana Act, 2002 (Act 612). The Board consists of the Governor, who is also the Chairman, two Deputy Governors and nine non-executive Directors.

The Board is appointed by the President of the Republic of Ghana in consultation with the Council of State. The Governor and the two Deputy Governors are appointed for a term of four years and are eligible for re-appointment. All other members of the Board hold office for a period of three years and are also 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 Changes in Board Membership

Resignation

Prof. Kwadwo Asenso-Okyere resigned as External Director with effect from 8th February 2007.

Appointment

Mr. Ellias K. N. Preko, an investment banker, was appointed to the Board with effect from 1st May 2007.

1.3 Committees of the Board

For the purpose of carrying out its functions, the Board worked through the following committees:

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

Human Resource Committee

The Committee reviewed the human resource policies of the Bank and made recommendations to the Board on recruitment, promotion and other staff welfare matters. Members of the Committee were:

Rev. Dr. Kwabena Darko	Chairman
Prof. Fred T. Sai	
Mr. Sam Okudzeto	
Mr. Ellias K.N. Preko	
Mr. Lionel Van Lare Dosoo	

Corporate Governance Committee

The Committee considered the status of pending legal cases involving the Bank and made recommendations to the Board for the settlement of some of the old cases. Members of the Committee were:

Mr. Sam Okudzeto	Chairman
Mrs. Gloria Nikoi	
Rev. Dr. Kwabena Darko	
Mr. Nik Amarteifio	
Togbe Afede XIV	
Prof. Fred T. Sai	
Lt. Gen. (Rtd) Joshua M. Hamidu	
Dr. Mahamudu Bawumia	

Economy and Research Committee

Several issues considered by the Committee included the high charges and fees of banks and non-banks. It was recommended that the charges and fees of these institutions be publicized to ensure transparency. Members of this Committee were:

Mrs. Gloria Nikoi	Chairperson
Rev. Dr. Kwabena Darko	
Prof. G. Gyan-Baffour	
Togbe Afede XIV	
Mr. Ellias K.N. Preko	
Mr. Lionel Van Lare Dosoo	
Dr. Mahamudu Bawumia	

Strategic Planning and Budget Committee

The Committee considered the draft 2007 Budget and recommended its approval to the Board. All quarterly reports on the Budget performance were also reviewed. Members of the Committee were:

Mr. Nik Amarteifio	Chairman
Mrs. Gloria Nikoi	
Mr. Sam Okudzeto	
Prof. G. Gyan-Baffour	
Lt. Gen. (Rtd) Joshua M. Hamidu	
Dr. Mahamudu Bawumia	

Audit Committee

The Committee endorsed the quarterly reports from the Internal Audit Department and made suggestions to resolve unimplemented audit recommendations. Members of the Committee were:

Prof. Fred T. Sai	Chairman
Lt. Gen. (Rtd) Joshua M. Hamidu	
Prof. G. Gyan-Baffour	
Mr. Ellias K.N. Preko	
Mr. Lionel Van Lare Dosoo	
Dr. Mahamudu Bawumia	

1.4 Major Issues Considered by the Board

In accordance with its work programme for the year, the Board considered the following major issues:

Payments System

The Board approved the establishment of the Ghana Interbank Payment and Settlement System (GhIPSS) Limited, to operate and manage the National Switch and Smartcard System. As part of the project, the introduction of the National Biometric Smartcard would enable banks and non-bank financial institutions to provide financial services for the banked and non-banked public.

The Rural Banking System

The Board observed that changes in the banking and economic environment called for a review of the concept of rural banking in Ghana to ensure effectiveness and sustainability. As part of the review, rural and community banks were to re-focus their activities on micro enterprises and individual entrepreneurs in the rural areas.

High Bank Charges and Fees

The Board examined the high charges and fees of banks and noted that there was the need for the creation of advocacy groups to protect bank customers. Additionally, the Bank should ensure the publication of charges and fees of financial institutions and direct these institutions to disclose the effective cost of credit to promote transparency.

Review of Human Resource Policies of the Bank

The Board approved the review of the Bank's Human Resource policies on recruitment, placement, promotion, leave and other staff welfare matters. The entry requirement for the recruitment of new staff to the officer grade would be a Masters degree or its equivalent professional qualification in specific and core areas of the Bank.

Bank of Ghana 50th Anniversary Celebrations

The Bank celebrated its 50th Anniversary from 31st July to 12th August 2007 under the theme, “Fifty Years of Central Banking and the Millennium Development Goals”. A Steering Committee under the Chairmanship of the First Deputy Governor was approved by the Board to plan and execute the programme.

Re-denomination of the Cedi

The Bank implemented the re-denomination exercise under which a new currency, Ghana Cedi and Ghana pesewa was introduced on July 1, 2007. The withdrawal of the old notes and coins from circulation took place from July 1 to December 31, 2007.

1. GOVERNANCE CONTINUED

Box 1: Research Assignments Undertaken for the Board

1. Accounting for Economic Growth in Ghana – Is it factor accumulation or total factor productivity(TFP) growth)?
This study evaluated the sources of economic growth in Ghana in the period 1965-2006 based on the growth accounting methodology. It was observed that average TFP growth in Ghana over the period was volatile and unpredictable, contributing negative -0.5 per cent to average growth of output per worker. Contribution of physical capital accumulation was the main source of growth, accounting for 2.3 per cent on average. Contribution of labour force to output growth was about 1.7 per cent. The study called for measures to scale up total factor productivity growth, while addressing the wide savings-investment gap.

2. Impact Assessment of Small and Medium Scale Enterprises (SME) Financing Schemes in Ghana
The study sought to among others; compile a database on the variety of financing schemes in Ghana over the past twenty years, evaluate the institutional framework under which each of them was operated, ascertain the constraints faced in administering each of the schemes, ascertain the repayment performance for each of the schemes, and to offer recommendations on how to improve the performance of such schemes in the future. The study called for legislation to facilitate SME development, and a coordination of activities of MDAs involved in SME work as well as a reduction in direct public sector involvement in administering credit schemes.

3. Wages and Labour Market Competitiveness in Ghana: A Comparison with other Sub-Saharan African Countries
The paper highlighted a number of issues regarding the competitiveness of Ghana's labour market in relation to other Sub-Saharan African countries. In particular, it compared wage structures, employment conditions, productivity levels and employment regulation in Ghana and other Sub-Saharan African countries. It also examined the performance of the manufacturing sector in some African countries and drew lessons and policy issues for increased productivity.

4. The Telecommunication Industry in Ghana
The study noted the rapid changes in Ghana's telecommunications sector since its liberalization in 1994, with four mobile phone operators and three operators in the fixed line telephony. Massive investment in transmission capacity had culminated in improved value added services, rising numbers of subscribers, and lower prices. The sector is also a significant source of employment and government taxes as well as other social benefits. Problems identified were weak and ineffective regulatory institutions, high interconnectivity tariffs, and anti-competitive behaviour by large operators. The paper called for a strong regulatory environment, improving the interconnection regime, and enhancing competition through the introduction of number portability, unified licensing and further liberalization.

5. A Framework for the Management of Oil Resources in Ghana: Issues and Proposals.
This paper explored the issues arising from Ghana's new oil find, and called for an independent evaluation of the oil resources and an auction of resource extraction rights before contracts are finalized. It also called for the establishment of a legal framework to guide the management of the oil revenues, and a strengthening of institutions in order to prevent the adverse impacts that oil rents tend to have on oil-producing countries.

Box 2: National Award

At the 2007 National Awards Ceremony, the Governor, Dr. Paul A. Acquah was honoured with the highest award of the nation – Member, Order of the Star of Ghana – by His Excellency President John Agyekum Kufuor.

This was in recognition of the Governor's meritorious service to the nation for initiating and supervising major reforms in the banking industry.

1.5 The Monetary Policy Committee

The Bank of Ghana Act, 2002 (Act 612) grants the Bank 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 and two nominees of the Government. The MPC met four times during the year. Members of the Committee were:

Dr. Paul A. Acquah	Chairman
Mr. Lionel Van Lare Dosoo	
Dr. Mahamudu Bawumia	
Mr. Millison Narh	
Dr. Ernest K.Y. Addison	
Dr. Nii Kwaku Sowa	
Prof. Kofi Opoku Nti	

Members of the Monetary Policy Committee

Dr. Paul A. Acquah
Chairman

Mr. Lionel Van Lare Dosoo

Dr. Mahamudu Bawumia

Mr. Millison Narh

Dr. Ernest K.Y. Addison

Dr. Nii Kwaku Sowa

Prof. Kofi Opoku Nti

2. DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 World Output Growth

The global economy slowed to a modest 4.9 per cent growth in 2007, according to International Monetary Fund (IMF) estimates. The slow-down in growth was marginal, despite the financial turmoil caused by the crisis in the US sub-prime mortgage market and cushioned by robust growth of 7.8 per cent in developing countries. Emerging markets are poised to act as shock absorbers for the global economy, cushioning the impact of the U.S. downturn and ensuring the global economy continues to grow in 2008.

United States and Canada

Following a weak start in 2007, the US economy regained momentum in the second quarter with economic growth surging in the third quarter before the full impact of the worsening housing crisis and turmoil in credit markets took hold. Economic growth slowed down significantly in the fourth quarter due to weakening in manufacturing and housing sector activities, employment and consumption. Against this backdrop, GDP growth was estimated at 2.2 per cent for 2007. The outlook is for the US economy to grow at about 1.5 per cent in 2008 due to the ongoing difficulties in the mortgage markets and higher energy prices.

In Canada, real GDP growth in 2007 stood at 2.1 per cent. Strong domestic demand remained the main driver of growth. The short-term outlook was clouded by weaker prospects in the US and recent global financial market turmoil.

Europe

Estimated growth for the euro area was 2.6 per cent in 2007. Economic growth in the zone in the third quarter was faster than previously estimated, as accelerating investment and exports gave the economy some momentum before higher credit costs threatened to curb the pace of expansion. Growth rate in the fourth quarter of the year was at a more moderate pace compared to the third quarter.

The view of the European Central Bank (ECB) was that fundamentals of the economy remained sound (low unemployment, robust employment and sustained profitability) and supportive of trend growth in GDP. The ECB expects growth in the region to slow down to about 2.0 per cent in 2008. Downside risks to the growth outlook remain, stemming especially from higher oil and other commodity prices and a generally slower growth of the world economy.

In the United Kingdom, expansion continued at a strong and steady pace, with an annual growth of 3.0 per cent led by consumption especially in the second quarter. Growth is expected to ease to 2.3 per cent in 2008 and is likely to be affected by tighter availability of bank credit.

Asia

Growth in the emerging economies of Asia remained exceptionally rapid in the first half of 2007. The regional expansion was led by China where real GDP grew by 11.4 per cent during the year. Growth in China is expected to slow down to 10.0 per cent in 2008.

India recorded a 9.3 per cent year-on-year growth in the first half, underpinned by gains in domestic demand, particularly investment. Growth remained buoyant in the third quarter, with global financial market volatility having a limited impact on the region. These economies benefited from strong domestic demand and more disciplined macroeconomic policy frameworks; with commodity exporters gaining from high food and energy prices as well.

The Japanese economy grew by 1.9 per cent in 2007. The economy recovered in the third quarter as companies raised capital spending to keep up with rising demand from emerging markets like China. Japan's GDP rose by 0.5 per cent in real terms in the third quarter and grew at an annualized rate of 1.8 per cent. The tightening in building standards and the weakening of consumer and business confidence further dampened growth. On the whole the Asian regional economy expanded by 9.6 per cent in 2007 but is expected to drop to 8.6 per cent in 2008.

Latin America

Following a 5.5 per cent growth in 2006, the pace of expansion in South America moderated to 5.0 per cent in 2007 and is projected to drop to 4.3 per cent in 2008 due to supply constraints in the commodity-exporting countries. Growth picked up in Brazil in 2007 but is expected to slow down in 2008. In a number of commodity-exporting countries including Argentina, Colombia and Venezuela, growth rates moderated compared to very high rates in 2006.

Africa

Sub-Saharan Africa experienced another strong year, with overall growth in the region rising from 5.8 per cent in 2006 to 6.0 per cent in 2007. Oil-exporting countries achieved the most rapid growth, while most of the other countries also grew strongly and out-performed historical trends due to sustained improvements in the economic policy environment and strong commodity prices.

It is expected that growth will accelerate further to 6.8 per cent in 2008, driven largely by the coming on-stream of new production facilities in oil-exporting countries like Angola and Nigeria. However, adverse weather and civil strife are likely to negatively affect growth performance in some countries.

2.2 Unemployment

The modest global GDP growth rate of 5.2 per cent in 2007 led to an increase of 45 million new jobs worldwide, with unemployment at 6.0 per cent. The US unemployment rate went up by 0.3 percentage points in December 2007 to a two-year high of 5.0 per cent against the backdrop of high petroleum prices, a sharp rise in consumer and wholesale prices, weak holiday sales and further declines in the housing market. Canada's unemployment rate rose marginally from a 33-year low of 5.8 per cent in October 2007 to 6.0 per cent in December. Australia's unemployment rate stood at 4.3 per cent at the end of the year.

Unemployment in the euro zone eased after peaking at 9.1 per cent in March 2005. It hit a record low of 7.2 per cent in October 2007 and remained unchanged to the end of the year.

Japan's unemployment rate dropped to 3.8 per cent by end-December 2007, after staying at 4.0 per cent for several months, while the jobless rate in China averaged 9.5 per cent in 2007.

2.3 General Price Level

Inflation was high but generally contained in the advanced economies, with rising oil and food prices contributing to heightened pressures.

In the US, headline inflation was 4.1 per cent in December 2007 compared with 2.5 per cent the previous year. Consumer Price Index (CPI) inflation in the euro zone shot up to a six-year high of 3.1 per cent by end-December 2007. Inflation in Germany was 2.8 per cent by the end of the year. CPI inflation in the UK stood at 2.1 per cent compared to 3.0 per cent in the preceding year.

CPI inflation slowed slightly to 6.5 per cent in China by end-December 2007, but this was double the central bank's annual target. The inflation rate in China reached an 11-year high of 6.9 per cent in November 2007. The annual rate of change in the CPI, excluding fresh food, was 0.8 per cent having shot up from 0.4 per cent in November. This was the fastest rate of growth in nine years, as companies passed on rising oil and commodity costs to consumers.

2.4 Monetary Policy Stance and Interest Rates

Concerns about the growing threats to future economic growth, together with disruptions in financial markets, led to progressive reductions in the Fed Funds rate during 2007. After cutting the Funds target rate by 50 basis points in September, the rate was further eased by 25 basis points in October to bring it to 4.5 per cent as at end-December 2007. The Federal Reserve Open Market Committee may ease monetary policy further in 2008 in response to persistent housing market weakness and turbulence in financial markets.

In order to contain inflationary pressures, the Bank of Canada raised its policy rate from 4.25 to 4.50 per cent in August 2007 and left the rate unchanged for the rest of the year. For similar reasons, the Bank of England raised its policy rate from 5.00 per cent, maintained since November 2006, to 5.25 per cent in May 2007. The rate was again raised by 50 basis points to 5.75 per cent in July where it remained for several months before it was lowered by 25 basis points to close the year at 5.50 per cent.

2. DEVELOPMENTS IN THE GLOBAL ECONOMY CONTINUED

From the rate of 3.50 per cent as at December 2006, the ECB raised its policy rate two times by 25 basis points each to bring the rate to 4.00 per cent at the end of December 2007. The benchmark remained underpinned by the fact that overall risks to growth were judged to be on the downside.

The Bank of Japan maintained an accommodative monetary stance, keeping its policy rate steady at 0.50 per cent from February 2007. As central banks in many other countries tightened monetary policy over the year, interest rate differentials with Japan widened.

2.5 Foreign Exchange Markets

The fall of the US dollar in world currency markets that began in 2006 continued in 2007. The currency temporarily regained some grounds in August but resumed a weakening trend, losing as much as 30.0 per cent of its value by November 2007. It gained on the euro on the last day of 2007, ending the year with a 10.0 per cent loss to the euro. The US dollar dropped 6.5 per cent in relation to the yen over the year, while it weakened by 20.0 per cent against the Brazilian real and 18.0 per cent to the Canadian dollar during the year.

The pound sterling ended the year weaker in relation to the euro, dropping 9.0 per cent, but gaining on the US dollar by 2.5 per cent.

In 2007, the yuan recorded the highest rate of appreciation against the US dollar since China ended a fixed exchange rate to the dollar in 2005. It strengthened by 0.4 per cent to 7.32 per dollar at the close of year.

2.6 Commodities Market

The commodities market was tight throughout the year, driven by increasing oil prices. The IMF's commodities and energy price index rose by 21.0 per cent in the first eight months of the year.

Crude Oil

The price of crude oil remained fairly volatile throughout the year. It reached a record US$99 per barrel as the year drew to a close, underpinned by concerns of inadequate winter supplies in the Northern Hemisphere, geo-political tensions in Iraq and Iran, stepped-up violence in Southern Nigeria and robust oil demand from the emerging economies.

Gold

Gold prices averaged US$700 per ounce, gaining 26.0 per cent in the year as against 23.0 per cent the previous year. It soared to a new record of US$875.5 an ounce at the end of the year, driven by rising geo-political tensions in the Gulf, inflation concerns by investors and a weakening US dollar.

Cocoa

Cocoa prices fluctuated during the year, but remained on average 20.0 per cent higher compared to 2006. The average price for the year was above US$1,900.0 per tonne. Prices rallied to over US$1,800.0 per tonne in February 2007, fell to just under US$1,800.0 per tonne in April before soaring again in September. Price developments during the year were mainly influenced by poor weather conditions in West Africa, especially in Ghana and La Côte d'Ivoire where production fell by 17.0 per cent and 8.0 per cent respectively.

2.7 Developments In Major Capital Markets

Equity market indices in major stock markets in 2007 were characterized by high volatility. After suffering a dip in February and early March, equity prices firmed up and peaked in the middle of June, as worries that the US sub-prime mortgage sector crisis would worsen were allayed. The S&P 500 index rose by 8.5 per cent between the end of 2006 and mid-2007. On average, the US equity market returned 6.1 per cent for the second quarter. During the period, European equities gained 6.4 per cent on the back of merger and acquisition activities. Overall, emerging markets, led by European and Latin American countries significantly outperformed developed markets. Asian economies on the other hand, underperformed slightly.

From mid-2007 however, global markets experienced setbacks on renewed concerns over the deteriorating US housing market and fears of a global credit squeeze. While the markets responded positively in October 2007 to the Federal Reserve Bank's September interest rate cut, a steady stream of negative reports surrounding events in the US housing sector and severe investment banking losses continued to affect investor confidence. Consequently, global equity markets suffered considerable losses during November and December 2007 as fears of slower growth prospects, the loss in market liquidity and the ensuing financial turmoil gained currency. This situation was later aggravated by US recession fears in late December 2007.

2.8 Global Trade Negotiation Issues

The year ended without a breakthrough agreement on cutting tariffs and subsidies on agricultural produce and Non-Agricultural Market Access (NAMA). New draft framework agreements expected by February 2008, would serve as the basis for final-stage negotiations and a deal on modalities for agriculture and NAMA.

The European Commission (EC), and the African, Caribbean and Pacific countries (ACP) were also unable to conclude negotiations of the WTO compatible Economic Partnership Agreement (EPA). The EPA was to replace the non-reciprocal Cotonou preferential trade regime under which about 99 per cent of exports of ACP countries entered the EU duty and quota free. Anxiety over likely disruption in trade arrangements with the EU after the 2007 negotiation deadline prompted some African countries including Ghana and La Côte d'Ivoire, to sign interim agreements with the EC in December 2007.

The full implementation of the UEMOA Common External Tariffs (CET) which is intended to transform the ECOWAS sub-region into a Customs Union by January 2008 could not take off as scheduled because the Type B Exception list and the 50 per cent additional tariff tier proposed by Nigeria are yet to be negotiated, harmonized and agreed upon.

2.9 Outlook for 2008

The outlook is for continued healthy but moderate growth in 2008, expanding by an estimated 4.1 per cent, underpinned by generally sound fundamentals and strong momentum in the emerging market economies.

Key downside risks to global growth in 2008 relate to the following;

› Turbulence in financial markets driven by negative reports surrounding the US housing sector and deepening global loss of liquidity in the markets
› Persistent volatility in the oil markets underpinned by geo-political concerns and capacity constraints which tend to contribute to building up inflationary pressures in many oil-importing countries
› Persistent large and increasing global balance of payments imbalances between the US and some emerging markets, particularly China, and the problems associated with the necessary policy shifts to unwind the imbalances including likely trade protectionist tendencies and rapid currency adjustments.

3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

The economy was resilient and withstood the cost price pressures arising from oil imports, corrective tariff adjustments in the energy and utility sectors and fiscal stimulus. The external payments position remained strong and GDP growth was robust supported by effective intermediation by the banking system. During the year, there was an upturn in inflation requiring some monetary tightening to curb inflationary pressures.

3.2 Economic Activity and Real GDP Performance

The economy demonstrated resilience and recorded strong growth amid energy supply disruptions and rising international crude oil prices. Real GDP grew by 6.3 per cent in 2007, marginally above the 6.2 per cent achieved in 2006 but below the set target of 6.5 per cent for the year. The growth was driven mainly by the services sector. Other real sector indicators such as income and corporate tax collections, workers contributions to social security, cement production, new registration of motor vehicles, retail sales and job vacancies showed continued improvements during the year.

The Agricultural sector experienced a general slowdown during the year recording a growth rate of 4.3 per cent compared with 5.7 per cent in 2006 and the target of 6.1 per cent. This development was due to erratic rainfall patterns and a substantial decline in the Fisheries sub-sector. The dominant Crops and Livestock sub-sector experienced slower growth of 4.0 per cent compared with 6.6 per cent in 2006. Although the contribution of agriculture to overall GDP declined for the second successive year to 34.7 per cent in 2007, it remained the dominant sector.

Growth in the Industrial sector declined from 9.3 per cent in 2006 to 7.4 per cent in 2007 caused by downturns of 2.3 per cent in the Manufacturing and 15.0 per cent in the Electricity & Water sub-sectors. The marked decelerations in these sub-sectors reflected the impact of the energy crisis. These growth declines were however moderated by significant growth rates of 30.0 and 11.0 per cent in the Mining and Construction sub-sectors respectively.

The growth recorded in the Mining sector despite the energy crisis was attributed to the installation of emergency power plants to augment energy supply shortages during the year. The contribution of the industrial sector to GDP improved slightly from 25.4 per cent in 2006 to 26.0 per cent in 2007.

The Services sector grew by 8.2 per cent in 2007 from 6.9 per cent in the previous year, exceeding the target of 6.7 per cent for the year. This development was underpinned by a significant growth of 15.0 per cent in the Finance, Insurance, Real Estate and Business Services sub-sector; almost double the growth rate of 7.6 per cent in 2006. The Wholesale & Retail Trade, Restaurants and Hotels sub-sector maintained a steady growth of 10.0 per cent in 2007 as in the previous year. The Services sector's share of GDP increased marginally to 30.6 per cent from 30.0 per cent in 2006.

Growth Prospects

The Ghanaian economy is forecast to grow at 7.0 per cent in 2008. Achievement of this target will however depend on factors such as full recovery of the industrial sector from the energy crisis, stronger performances in the services sector driven by the Finance, Insurance, Real Estates and Business Services sub-sector and a significant contribution from the Agricultural sector. In addition, the ability of the economy to withstand downside risk factors posed by global economic downturn and volatile crude oil prices will determine prospects for stronger economic growth in 2008.

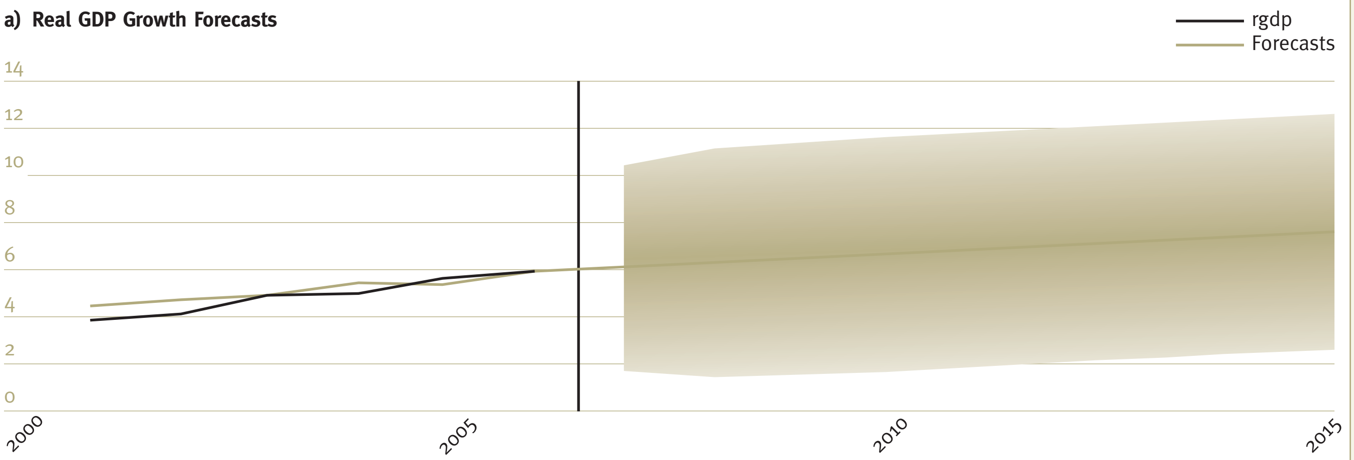
Table 1: Selected Economic Indicators

	2002	2003	2004	2005	2006	2007
Real GDP Growth (%)	4.5	5.2	5.8	5.8	6.2	6.3
Nominal GDP (GH¢ million)	4,886.2	6,615.8	7,980.4	9,701.8	11,490.3	13,976.7
Inflation						
Year-on-year	15.2	23.6	11.8	14.8	10.5	12.7
Annual Average	14.8	26.7	12.6	15.2	10.9	10.7
Exchange Rate (End-period Transaction Rates)						
GH¢/US$	0.8438	0.8852	0.9051	0.9130	0.9235	0.9704
GH¢/Pound Sterling	1.3305	1.5296	1.7411	1.5673	1.8102	1.9511
GH¢/Euro	0.8511	1.0986	1.2309	1.0814	1.2144	1.4398
Commodity Prices						
Cocoa (US$/tonne)	1,260.0	1,949.5	1,586.9	1,524.7	1,719.9	2,072.0
Gold (US$/fine ounce)	309.5	364.5	409.9	445.3	628.9	807.20
OIL, IPE Brent Crude (US$/Barrel)	25.0	28.4	37.8	55.4	62.5	91.9
External Sector						
Exports of Goods and Services (US$'m)	2,570.1	3,192.4	3,486.9	4,211.2	3,735.1	4,194.7
Imports of Goods and Services (US$'m)	3,327.9	4,132.6	5,355.7	6,295.4	6,523.6	8,073.6
Current Account Balance (US$'m)	-31.9	302.3	-151.2	-382.2	-555.9	-1,884.7
Overall Balance of Payments (US$'m)	39.8	558.3	-123.4	110.0	415.1	413.1
Gross International Reserves (end period, in US$'m)	640.4	1,425.6	1,732.4	1,894.9	2,266.7	2,836.7
(months of imports of goods and services)	2.2	3.9	3.8	3.5	3.0	3.1
External Debt (US$'m)	6,131.3	7,548.9	6,447.9	6,347.8	2,177.2	3,586.7
Interest Rates (%)						
Bank of Ghana Prime Rates	24.5	21.5	18.5	15.5	12.5	13.5
91-day Treasury Bill	26.6	18.7	17.1	11.5	10.2	10.6
182-day Treasury Bill	27.2	20.3	17.9	12.8	10.7	10.7
1-year note	27.0	20.5	17.9	16.5	15.0	12.3
2-year Rate			20.0	17.0	15.2	12.8
3-year Rate			21.5	17.5	15.5	12.1
Monetary Aggregates Annual Growth Rates (%)						
Reserve Money	42.6	33.4	18.8	11.2	30.8	30.6
Broad Money (M2+)	50.0	37.8	26.0	14.1	38.8	36.3
Broad Money (M2)	50.0	40.5	26.6	13.8	39.4	43.5
Government Budget (% of GDP)						
Domestic Revenue	18.1	20.8	23.8	23.8	22.3	26.0
Grant	3.1	4.7	6.1	5.2	5.5	6.1
Total Expenditure	26.1	28.7	33.3	30.7	34.9	40.1
Overall Balance (including Grants)	-6.7	-4.6	-3.7	-2.3	-7.8	-8.1
Domestic Primary Balance	2.4	2.3	0.7	3.4	-4.8	-6.2

3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

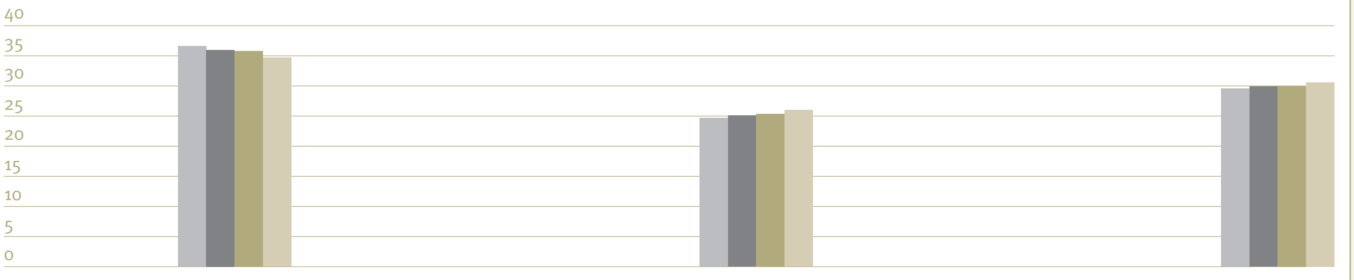
Chart 1: Real GDP Growth – Indicators and Forecasts

a) Real GDP Growth Forecasts



b) Share of Overall GDP by All Sectors

Per cent



	Agriculture	Industry	Services
2004	36.6	24.7	29.6
2005	36.0	25.1	29.9
2006	35.8	25.4	30.0
2007	34.7	26.0	30.6

3.3 External Sector Developments

Balance of Payments

The overall balance of payments recorded a surplus for the third consecutive year. In the review year, the surplus was US$413.1 million (2.9% of GDP). The improvement was attributed to higher net capital and financial inflows, which more than offset an increase in the current account deficit.

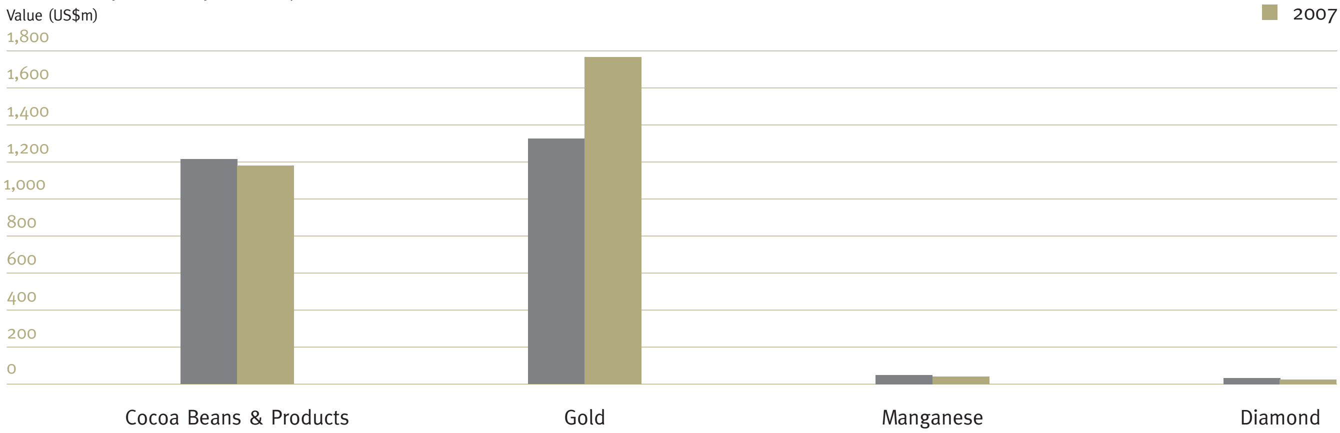
The current account registered a deficit of US$1,884.8 million (12.9% of GDP), an increase of US$1,072.1 million over the deficit in 2006. This development was largely influenced by deterioration in the trade balance, which offset surpluses on the services, transfers and income accounts.

Trade Balance

The trade deficit increased by 28.1 per cent to US$3,878.9 million in 2007 on account of faster growth in imports compared to exports. Imports increased to US$8,073.6 million from US$6,753.9 million in 2006 due to substantial growth in imports of crude oil and refined petroleum products. Strong growth was also recorded in non-oil imports, driven mainly by increased consumption and investment activities in the economy.

Export earnings improved at a much slower pace of 12.6 per cent to US$4,194.7 million in 2007 compared with 33.0 per cent in 2006. The slowdown was attributed to decreased export volumes of cocoa beans. However, higher gold earnings, reflected in both value and volume increases, immensely contributed to the rise in overall export earnings.

Chart 2: Export Receipts of Major Commodities



3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Services, Transfers and Income

The services, transfers and income accounts together showed a surplus of US$1,994.2 million. The net inflow was dominated by remittances but moderated by significant declines in official grants and wider deficits on the services account.

Table 2: Balance of Payments (US$ millions)

	2002	2003	2004	2005	2006	2007
A. Current Account	**-31.9**	**278.0**	**-315.9**	**-773.4**	**-812.7**	**-1,884.7**
Trade Balance	-691.8	-670.4	-1,592.8	-2,545.1	-3,027.0	-3,878.9
Export (fob)	2,015.2	2,562.4	2,704.5	2,802.2	3,726.7	4,194.7
Import (fob)	-2,707.0	-3,232.8	-4,297.3	-5,347.3	-6,753.7	-8,073.6
Services (net)	-66.0	-269.8	-356.2	-157.9	-136.5	-140.8
Transfers (net)	900.2	1,399.2	1,831.0	2,116.7	2,478.2	2,263.6
Official (net)	220.2	382.0	543.9	566.9	833.6	397.5
Private (net)	680.0	1,017.2	1287.1	1,549.8	1,644.6	1,866.1
Income (net)	-174.3	-181.0	-197.8	-187.1	-127.4	-128.7
B. Capital & Financial Account	**-38.6**	**340.4**	**201.6**	**834.5**	**1,053.4**	**2,346.9**
Official	-115.2	85.8	52.5	141.1	212.6	1,195.1
Private	105.7	199.9	332.0	559.3	817.8	793.1
Short-term	-29.1	54.7	-182.9	134.1	23.0	358.7
Errors of Omission	110.4	-60.1	103.8	23.3	174.3	-49.1
Overall Balance	39.8	558.3	-10.5	84.3	415.1	413.1

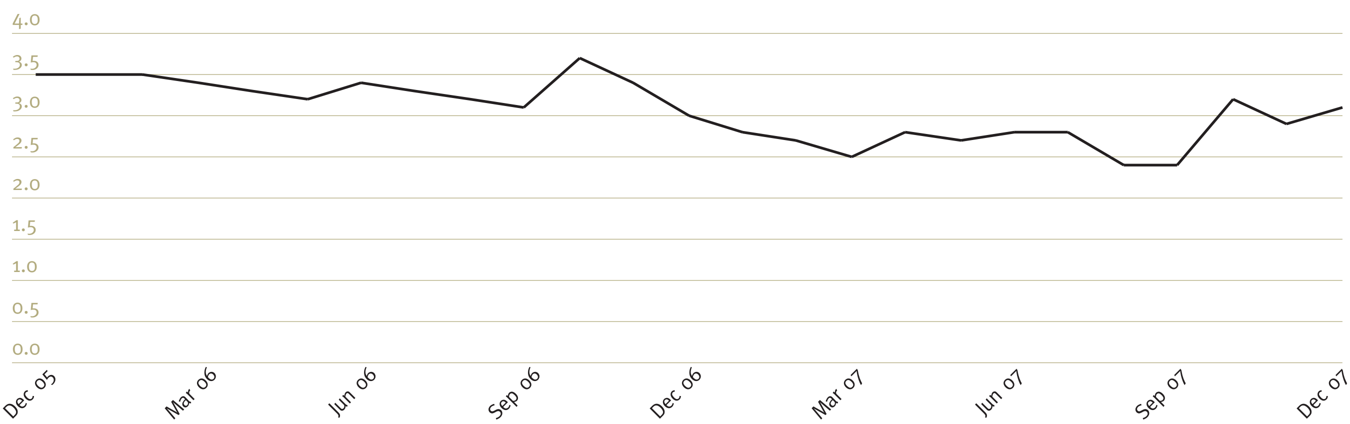
Capital and Financial Account

The capital and financial account recorded a surplus of US$2,346.9 million compared with US$1,053.4 million in 2006. Net inflow on the financial account was mainly influenced by strong official disbursements, following the successful floating of Ghana's Sovereign bond in 2007. The improvement also reflected substantial foreign direct investment in the telecommunications sector and increases in trade credits on account of the continuous rise in oil imports.

International Reserves

The stock of gross international reserves improved by US$566.9 million to US$2,836.7 million at the end of 2007, equivalent to 3.1 months imports cover. This development was the result of strong growth in disposable balances with correspondent banks following the sovereign bond floatation.

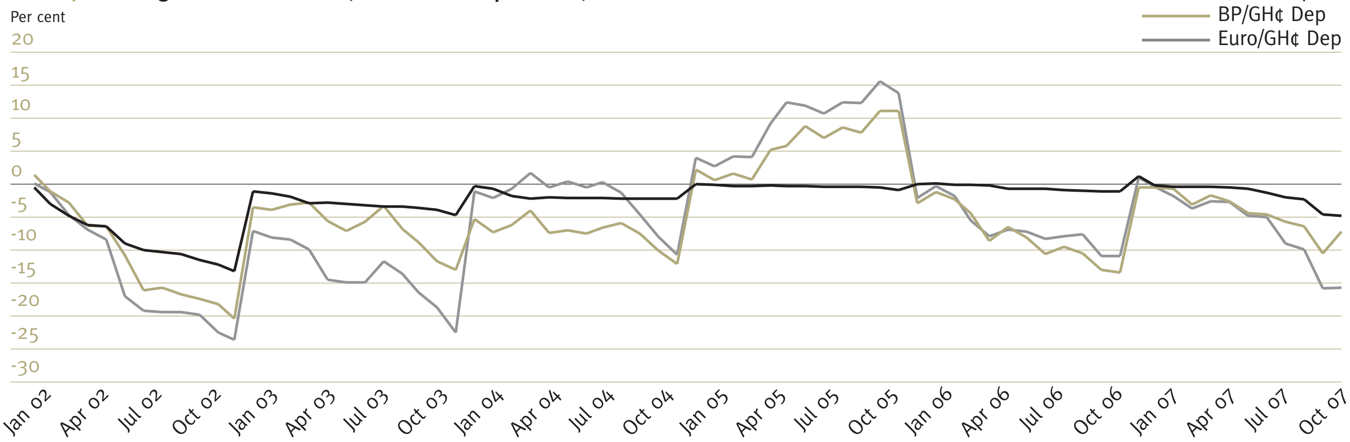
Chart 3: Months of Import Cover



Foreign Exchange Market

The Ghana cedi weakened against all the major currencies in 2007 as a result of demand pressures from energy-related import expenditures and infrastructural developments. On the interbank market, the Ghana cedi depreciated against the US dollar by 4.8 per cent compared with 1.1 per cent in 2006. With regard to the British pound, it depreciated at a much lower rate of 7.2 per cent in 2007 compared with 13.4 per cent in 2006. Against the euro however, the Ghana cedi depreciated significantly by 15.7 per cent compared with 10.9 per cent in 2006.

Chart 4: **Exchange Rate Movements (Year-to-Date Depreciation)**



External Debt

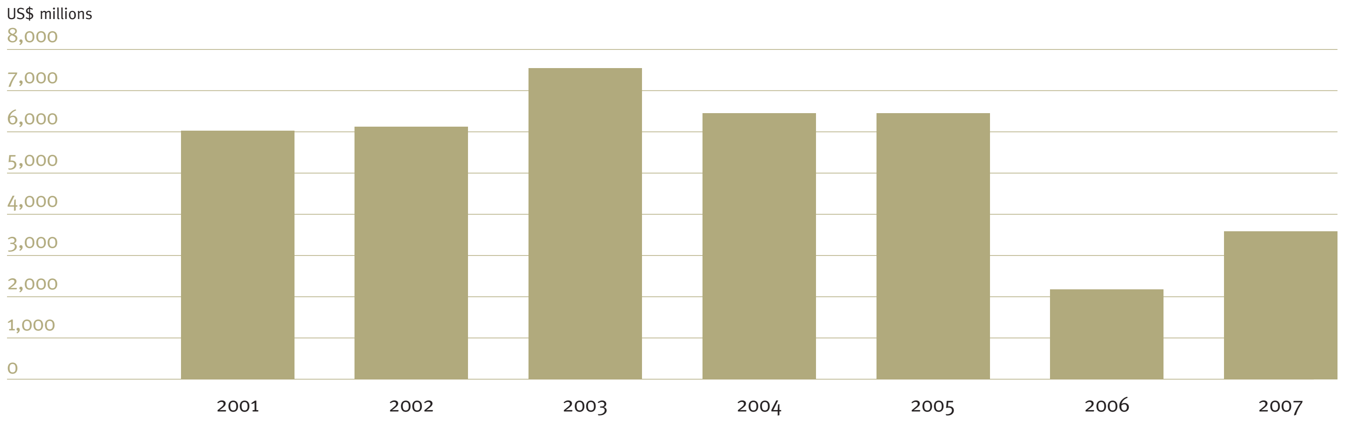
Ghana successfully accessed the international bond market with the debut issue of a US$750 million 10-year sovereign bond in September 2007. The bond was highly over-subscribed and reflected international investors' confidence in the Ghanaian economy.

Debt Stock

External debt stock at the end of 2007 went up sharply due to disbursement of proceeds from the US$750 million 10-year eurobond. Other sources of debt were additional disbursements from multilateral creditors (IDA), bilateral creditors (Netherlands, France and India) and other commercial creditors.

Consequently, the debt stock level was estimated at US$3,586.7 million, registering an annual increase of US$1,409.4 million (64.7%) at the end of the year. Even though the rate of growth of debt outpaced GDP growth rate, the end of year debt stock remained at a sustainable level.

Chart 5: **Total External Debt Stock**



3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Currency Composition of Debt

The currency composition of Ghana's external debt shifted in favour of the US dollar by end-2007. Share of the US dollar in total debt increased to 43.6 per cent, overtaking Special Drawing Rights (SDR) as the dominant currency (see Table). The shift in the currency-wise exposure from SDR to the US dollar stemmed from the eurobond issue, which constituted 20.9 per cent of the total debt stock.

Table 3: Currency Composition of Total External Debt (in percentage shares)

	2002	2003	2004	2005	2006	2007
Special Drawing Rights (SDR)	75.16	74.85	75.25	70.43	38.94	35.78
United States Dollar (US$)	15.41	14.48	13.85	14.28	35.53	43.56
Euro (EUR)	5.16	6.14	5.92	10.75	17.03	12.86
Great Britain Pound (GBP)	1.09	0.92	0.80	0.68	0.08	0.03
Japanese Yen (YEN)	2.50	2.51	2.60	2.21	1.21	1.48
Chinese Yuan Renminbi (CNY)	0.00	0.00	0.00	0.00	1.11	1.74
Others*	0.68	1.11	1.58	1.66	6.10	4.55

* includes Swiss Francs(CHF), Saudi Riyals(SAR), Swedish Kroner (SEK), etc

External Debt Indicators

Ratio of debt service payments to exports of goods and services improved marginally from 3.3 per cent at the end of 2006 to 3.2 per cent at the end of 2007 due to higher export receipts. Similarly, debt service as a percentage of domestic revenue went down from 5.5 per cent to 5.1 per cent within the same period as a result of improved government revenue mobilization. Debt stock to GDP however went up to 24.6 per cent at the end of 2007 from 17.5 per cent in 2006.

Table 4: Selected Debt Indicators

	2004	2005	2006	2007
Debt Stock (US$'m)	6,447.9	6,347.8	2,177.2	3,586.7
External Debt Service/Exports	7.2	7.7	4.5	4.6
External Debt Service/ Domestic Revenue	9.3	8.4	5.5	5.1
External Debt Service/Export of Goods & Services	5.7	5.6	3.3	3.2
External Debt Service/GDP	2.2	2.0	1.3	1.3
Debt Stock/GDP	73.0	59.2	17.5	24.6

3.4 Fiscal Sector Developments

Fiscal policy in 2007 was aimed at reversing the widening budget deficit and reducing the domestic debt. However the fiscal deficit turned out to be much larger and was equivalent to 8.1 per cent of GDP, compared with 4.1 per cent budgeted for the year.

Total revenue and grants for the year amounted to GH¢4,488.8 million, 40.6 per cent higher compared to the outturn for the previous year. Domestic revenue as a percentage of GDP increased from 22.3 per cent in 2006 to 26.0 per cent in 2007, indicating an improvement in revenue mobilisation. Total government expenditure amounted to GH¢5,611.1 million, representing 39.9 per cent growth over the expenditure for 2006. The share of government expenditure in GDP was 40.1 per cent.

The net effect of these fiscal developments was a budget deficit of GH¢1,132.2 million (8.1% of GDP) compared with a projected deficit of GH¢559.0 million (4.0% of GDP) and an actual deficit of GH¢897.09 million (7.8% of GDP) in 2006.

Chart 6: **Budget Deficit as a Percentage of GDP**

The deficit for the year, together with a net foreign inflow of GH¢158.8 million, exceptional financing of GH¢91.8 million and non-concessional borrowing of GH¢168.5 million, resulted in a Net Domestic Financing (NDF) of GH¢713.1 million (5.1% of GDP) compared with a target of GH¢75.2 million (1.7% of GDP). The higher than anticipated borrowing was attributed to energy-related expenditures and infrastructural development. Consequently, the domestic debt-GDP ratio increased from 14.7 per cent in 2006 to 18.0 per cent in 2007.

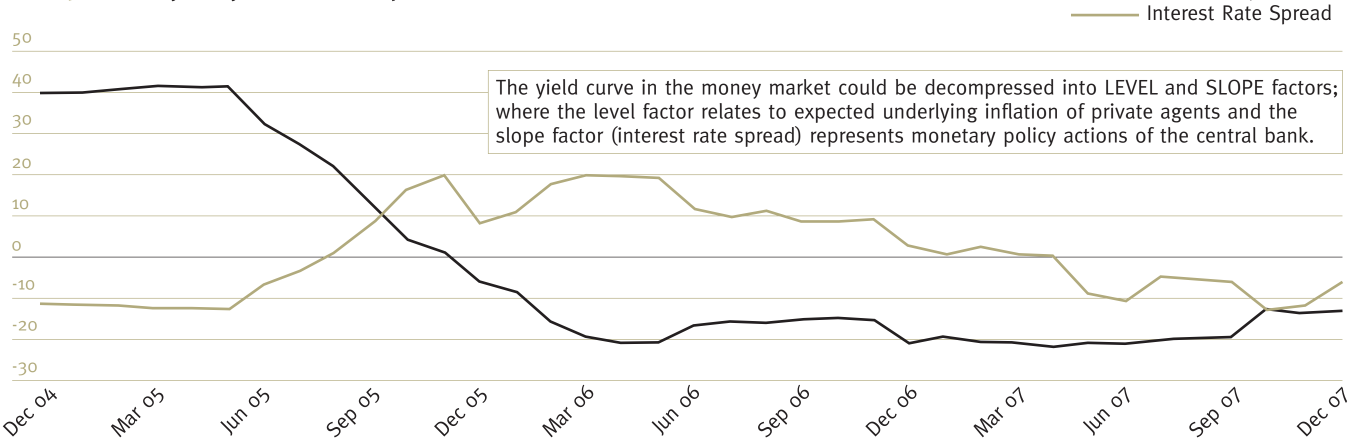
3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

3.5 Monetary Policy and Price Developments

The main objective of monetary policy was to reduce inflation to the lower single-digit range in the medium-term. Towards this end, the MPC formally announced the adoption of a full-inflation targeting framework on May 21, 2007, which would make use of core CPI inflation (excluding energy and utility prices) as the principal variable for tracking underlying inflation in the economy. The MPC periodically evaluates and analyses developments in the macroeconomy and the threats these developments may pose to macroeconomic stability and position the prime rate appropriately to influence inflationary trends.

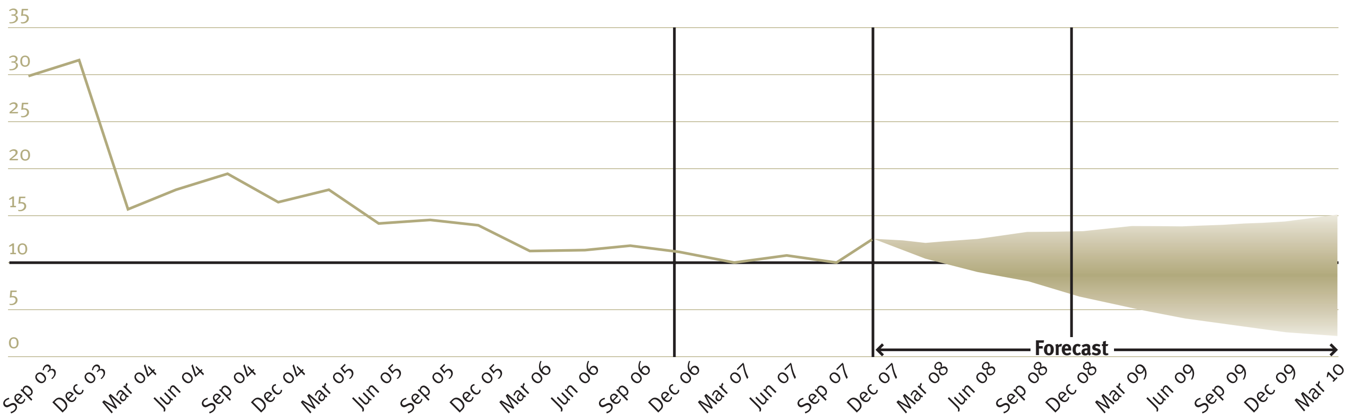
The outcome of monetary policy during the year was influenced by several factors including rises in international crude oil prices and the pass-through to domestic prices, energy supply disruptions, increases in utility tariffs, increased budget deficit and strong domestic demand conditions. As a result of these factors, inflation rates increased steadily, especially during the last quarter of the year and remained above the target range of 7-9 per cent set for 2007. A tight monetary policy stance was maintained to steer inflation expectations towards the lower single-digit path.

Chart 7: Monetary Policy and Inflation Expectations



The inflation projections for 2008 are based on assumptions concerning the nominal effective exchange rate, deviations in money supply growth from an implicit target and changes in the domestic prices of petroleum products. The projections show that price pressures are likely to persist as the recent shocks work through the system but will taper off in the second and third quarters of 2008 reducing inflation to levels a little above the target range of 6-8 per cent set for 2008 (see Chart). Potential risks to the outlook for inflation and real economic activity are uncertainties about oil and food prices as well as domestic demand pressures.

Chart 8: CPI Fan Chart Forecast (Date of Forecast Adjustment: January 2008)



Summary of MPC Decisions

The MPC met four times during the year to review the economy and set the prime rate. The prime rate was changed in November.

Table 5: MPC Decisions in 2007

Date	Prime Rate (%)	Decision
March 19	12.5	No Change
May 21	12.5	No Change
August 27	12.5	No Change
November 6	13.5	Increased by 100 basis points

3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Box 3: Highlights of MPC Decisions

March Meeting
The positive factors in the outlook were the following:

› Economic activity was robust especially in the previous quarter, with the underlying demand growth partly driven by fiscal expansion
› Business and consumer confidence indicators were at high levels; inflation expectations were relatively subdued and there was stability in the foreign exchange markets
› The banking industry was building up strong balance sheets and increasing private sector credit to support continued economic expansion
› The external payments outlook was favourable while prices for cocoa and gold prices remained firm. Crude oil price volatility was also reduced and domestic price adjustments expected to be within tolerable limits.

The downside risk to the outlook was the continued energy supply disruptions constraining activity especially in the energy sensitive sectors.

Given the balance of risks, the MPC maintained the prime rate at 12.5 per cent.

May Meeting
The major positive factors in the outlook were:

› Robust economic activity and strong corporate sector profitability in both listed companies and the banking system. Strong private sector deposit growth in the banking system supported rapid credit expansion
› Favourable external payments outlook with firm commodity prices and steady inflows
› Core CPI inflation continued to track inflation close to the single-digit threshold.

The downside risks to the outlook were associated with:

› Managing the output and cost pressures arising from the energy supply disruptions
› Uncertainty surrounding the outcome of wage negotiations in the public sector
› The lack of synchronisation between spending and budgetary resources, which had enlarged the public sector borrowing requirement and would need unwinding.

In the circumstances, the prime rate was left unchanged at 12.5 per cent.

August Meeting
Major positive factors in the outlook were:

› High consumer confidence about macroeconomic conditions and prospects.
› Strong private sector credit growth funded by a surge in deposits in the banking system.

The downside risks to the outlook were:

› Uncertainty about oil prices and the potential burden on the balance of payments and the pass-through to domestic prices
› The current turbulence in the financial markets due to sub-prime mortgage crises and the possible impact on international commodity markets
› Energy supply disruptions exerting cost pressures on energy sensitive sectors
› The supplementary budget announced in July allocated considerable resources to address the long-term energy deficit and its financing needed to be managed to contain fiscal pressures on the market.

Given the balance of risks, the MPC kept the prime rate unchanged at 12.5 per cent.

November Meeting
The positive factors in the outlook were:

› Robust economic growth, despite energy supply disruptions
› Headline inflation remained stable within a narrow band above the single-digit target range of 7-9 per cent for the year
› The cedi remained relatively stable against the major trading currencies
› The external payments position continued to benefit from favourable commodity prices and steady capital inflows and remittances.

The downside risks to inflation stemmed principally from the following sources:

› The surge in crude oil prices into a trading range significantly above historical levels and its potential pass-through to domestic costs
› The on-going re-alignments of exchange rates of major currencies were a source of potential volatility on the exchange markets
› Possible adjustments in energy and utility tariffs.

The MPC noted that fiscal consolidation and monetary tightening were necessary to place the economy firmly on the path of continued disinflation and to the lower single-digit range within a time horizon of 18 to 24 months. Given the balance of risks, the MPC decided to increase the prime rate to 13.5 per cent.

Price Developments

The year started with a consumer price inflation rate of 10.9 per cent (year-on-year), falling to 10.1 per cent in July and October but shooting up to 12.8 per cent in December, against the single-digit target rate established for the end of the year. The surge in inflation in the latter part of the year emanated from two consecutive upward adjustments in the domestic retail prices of petroleum products, the upward adjustment in tariffs on utilities and higher food prices from the costs associated with food distribution.

Both food and non-food components of the CPI contributed to the outturn for headline inflation, with the non-food group contributing 58.8 per cent while the food and beverages group contributed 41.2 per cent to the change in national CPI. Within the non-food group, the hotels, cafés and restaurants made the highest contribution of 15.8 per cent while the transport group contributed 13.0 per cent to the change in the national index. The housing, water, electricity, gas and other utility group also contributed 11.9 per cent. Within the food and beverage group, bread and cereals contributed the highest change to the national index (10.0%).

The Bank's main measure of core inflation, which excludes energy and utility prices, rose steadily from August 2007 in line with the upward adjustment in petroleum products and consequent increases in transport fares. All the other core measures of inflation also increased from August suggesting that the sources of inflationary pressures particularly in the fourth quarter came from many of the categories of expenditure in the consumer basket.

Chart 9: Combined, Food and Non-Food Inflation

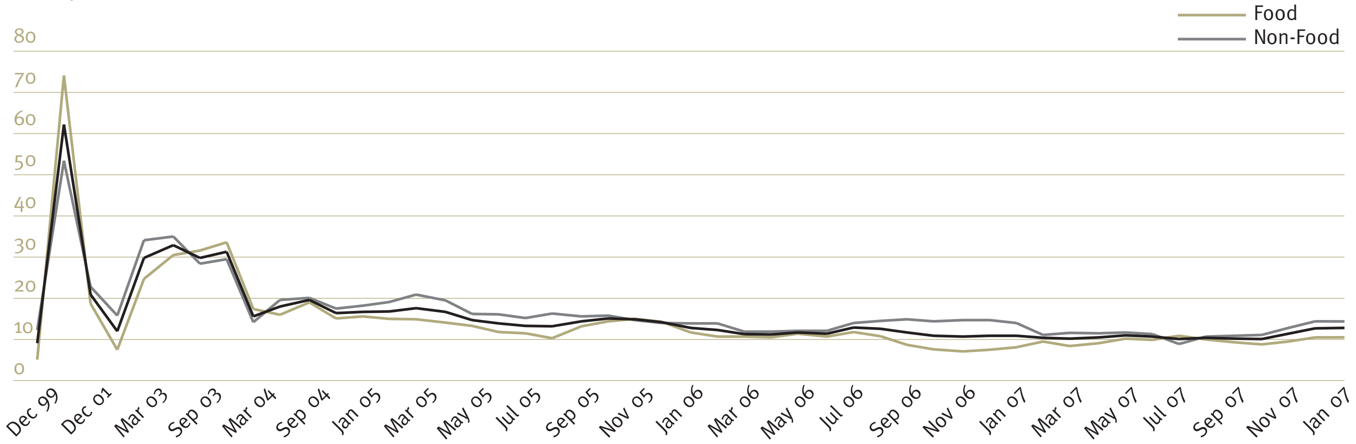
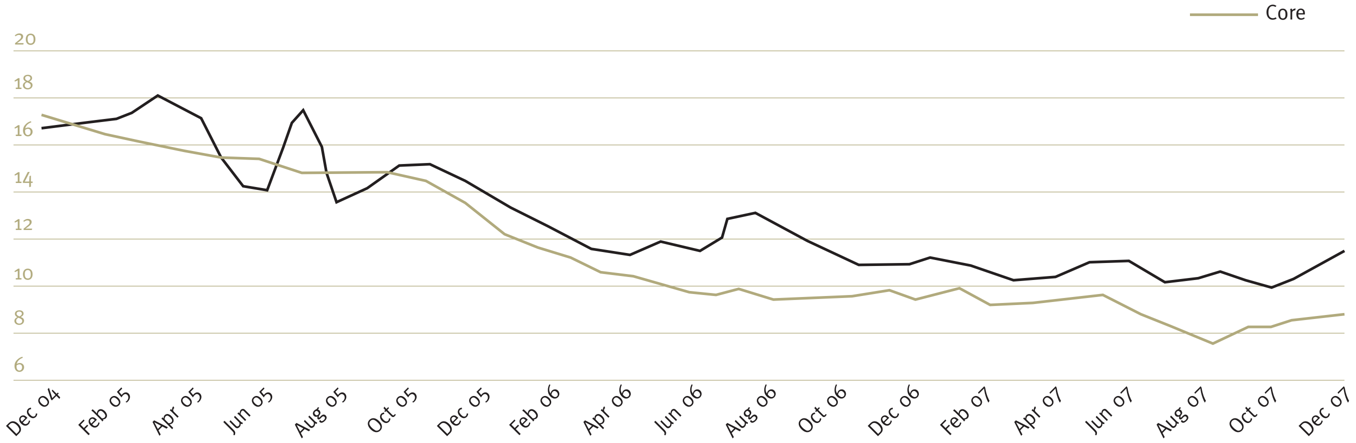


Chart 10: Headline and Core Inflation



3. MONETARY POLICY, INFLATION AND DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

3.6 Monetary Developments

Annual growth of broad money, including foreign currency deposits, eased to 36.3 per cent in 2007 compared with 38.8 per cent in 2006. The growth was underpinned by strong increases in both Net Domestic Assets (NDA) and Net Foreign Assets (NFA) of the banking system.

NDA went up by 56.6 per cent in 2007, driven mainly by claims on private and public sectors. These were partially offset by a decline in net claims on Government. The banking system's claims on the private sector grew by 59.7 per cent while net claims on Government declined by 21.0 per cent.

Narrow money, comprising currency in circulation and demand deposits, grew by 40.7 per cent in 2007 compared with an increase of 35.1 per cent in 2006. Quasi-money (savings and time deposits) also increased by 48.1 per cent compared with 47.5 per cent in 2006.

Interest Rates

After keeping the Bank of Ghana prime rate on hold from December 2006, the Bank raised the policy rate by one percentage point to 13.5 per cent during the last quarter of the year. This decision reflected increased risks to price stability. Interest rates at the short-end of the money market went up slightly in 2007. Average interest rates on the 14-day, 28-day, and 56-day Bank of Ghana securities rose by 34, 1 and 28 basis points to 12.50, 12.60 and 13.00 per cent respectively. Rates on the 91-day and 182-day Treasury bills rose from 9.6 and 10.5 per cent in December 2006 to 10.6 and 10.8 per cent respectively by end-December 2007. Average lending rates of banks however remained stable at 23.8 per cent throughout the year.

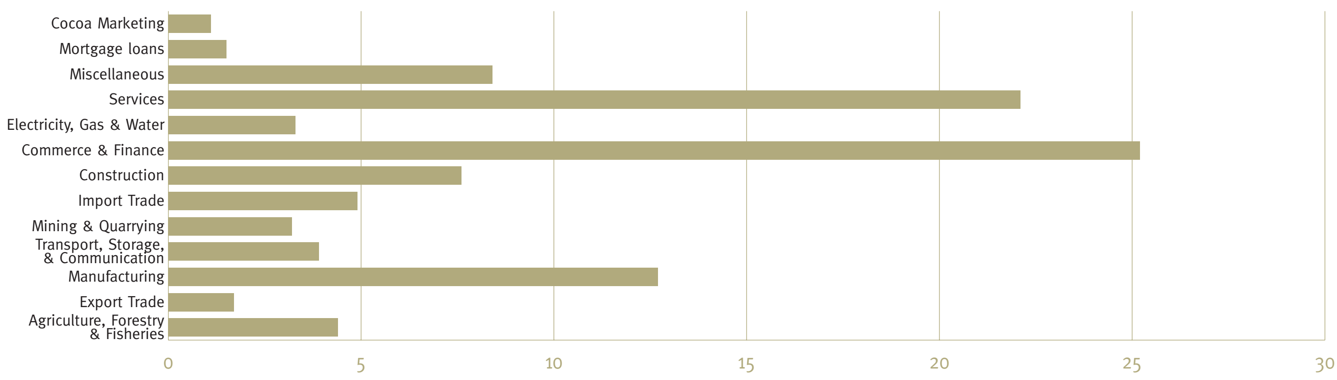
Table 6: Total Liquidity and Sources of Change (GH¢ million)

	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06	Dec-07	Dec-06	Dec-07
1. Total Liquidity (M2+)	**1,536.8**	**2,117.4**	**2,666.7**	**3,046.8**	**4,230.3**	**5,767.4**	**38.8**	**36.3**
A. Broad Money Supply (M2)	**1,181.5**	**1,659.8**	**2,098.6**	**2,387.0**	**3,327.8**	**4,774.4**	**39.4**	**43.5**
i. Currency with Non Bank Public	467.2	633.8	730.3	802.6	1,019.6	1,318.4	27.0	29.3
ii. Demand Deposits	354.6	503.5	728.1	748.4	1,075.2	1,629.4	43.7	51.5
iii. Savings and Time Deposits	359.7	522.5	640.2	836.0	1,233.0	1,826.6	47.5	48.1
B. Foreign Currency Deposits	**355.3**	**457.6**	**568.1**	**659.8**	**902.4**	**992.8**	**36.8**	**10.0**
2. Sources of Change								
A. Net Foreign Assets (NFA)	**429.0**	**1,051.7**	**1,395.6**	**1,563.1**	**2,180.7**	**2,556.8**	**39.5**	**17.2**
BOG	225.6	853.1	1,107.1	1,299.6	1,887.6	2,494.4	45.3	32.2
DMBs	203.4	198.6	288.5	263.6	293.1	62.3	11.2	-78.7
B. Net Domestic Assets (NDA)	**1,107.8**	**1,065.7**	**1,271.1**	**1,483.6**	**2,049.6**	**3,210.6**	**38.1**	**56.6**
i. Claims on Government (net)	855.4	745.3	1,256.9	1,322.4	1,472.0	1,162.7	11.3	-21.0
BOG	286.7	254.6	623.1	501.1	484.5	313.8	-3.3	-35.2
DMBs	568.7	490.7	633.8	821.3	987.5	848.8	20.2	-14.0
ii. Claims on Public Sector	700.7	1,025.3	218.4	333.8	436.2	793.6	30.7	93.5
BOG (net)	–	–	-18.4	3.6	1.7	-10.1	-51.8	-56.1
DMBs	700.7	1,025.3	236.8	330.3	434.5	804.3	31.5	85.1
iii. Claims on Private Sector	27.1	791.2	989.4	1,456.5	2,085.1	3,302.1	43.2	59.7
BOG (net)	27.1	-14.0	11.7	11.0	21.1	4.0	91.1	21.5
DMBs	–	805.2	977.8	1,445.5	2,064.0	3,298.1	42.8	59.8
iv. Other Items Net (OIN)	-475.4	-1496.1	-1193.7	-1629.1	-1943.7	-2,047.8	19.3	7.8

Credit Growth

Total outstanding credit to the private sector increased by 59.7 per cent compared with 42.8 per cent in 2006. In real terms, private sector credit rose by 41.6 per cent compared with 28.7 per cent in 2006. The Indigenous Private Enterprises category was the highest recipient of bank credit with a share of 66.2 per cent, followed by the Household (22.0%) and Foreign Private Enterprises (10.0%) categories. Sectoral credit allocation continued to favour the Commerce & Finance (24.8%), Services (22.1%) and Manufacturing (13.5%) sectors in 2007.

Chart 11: Sectoral Distribution of Outstanding Credit (%)



3.7 Capital Market Developments

Market activity on the Ghana Stock Exchange remained buoyant with a better outturn than the previous year.

The GSE All-Share Index

A sustained momentum in trading activities pushed the GSE All-Share Index up to 6,599.8 points by close of year, an increase of 31.8 per cent over the previous year's close of 5,006.0 points.

Market Capitalisation

Market capitalisation rose from GH¢11,249.6 million in 2006 to GH¢12,368.6 million in 2007 on account of increased share prices, an additional listing, Rights and Bonus issues during the year.

Ghana Oil Company Limited was officially listed on the market in 2007 bringing the total number of equities to thirty-three. Golden Star Resources Limited and State Insurance Company Limited successfully went through the process of Initial Public Offering in December 2007.

Bond Market

A total of forty-eight Government of Ghana 2-year, 3-year and 5-year bonds amounting to GH¢1,337.1 million were issued on the Exchange during the year. HFC Bank also issued a corporate bond (Series J) totalling US$3.9 million.

Government of Ghana bonds worth GH¢3.8 million, Standard Chartered Bank's medium-term bonds totalling GH¢1.4 million and HFC Bank's corporate bonds worth $20,000.0, were traded on the Stock Exchange.

4. DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

Banks and Non-Bank Financial Institutions (NBFIs) recorded significant growth during the year, and responded to growing competition by investing in IT and human capital while introducing new products, services and strategies in the market.

During the year the Banking (Amendment) Act, 2007 (Act 738) was enacted, introducing three types of banking licences; General Banking licence (for universal and off-shore banking), Class 1 Banking licence (for universal banking) and Class 2 Banking licence (for off-shore banking). The first offshore banking operation was launched in September 2007 by Barclays Bank of Ghana Limited.

The Credit Reporting Act, 2007 (Act 726) was also enacted, paving the way for the setting up of credit reference bureaux. Guidelines for the establishment of the bureaux were published towards the end of the year.

The Anti-Money Laundering Act, 2007 (Act 749) promulgated during the year, provides the framework for criminalizing money laundering and establishing a Financial Intelligence Centre. The Centre will help identify and monitor money-laundering activities and make information available to investigating authorities.

The Bank of Ghana published a consultative paper on capitalization of banks and non-bank financial institutions. The paper proposed to increase minimum capital requirements of banks from GH¢7.0 million to a range of GH¢50-60 million and NBFIs from GH¢1.0 million and GH¢1.5 million to a range of GH¢5-8 million.

Box 4: General Banking Licence Under The Banking (Amendment) Act, 2007 (Act 738)

The Banking (Amendment) Act was enacted on June 18th 2007 and established the basis for an International Financial Services Centre (IFSC). The Act provides the framework for an international services gateway that would provide access to a diversified range of financial instruments and services on the global financial market. It is one of the overall legislative reforms (including the Foreign Exchange Act, 2006) aimed at developing an efficient financial services industry in Ghana.

The Act provides for three categories of banking licence:

› Class I Banking licence – allows the holder to transact domestic banking business, currently classified as Universal Banking licence
› Class II Banking licence – allows the holder to conduct banking business or investment banking business with non-residents and other Class II banking licence holders in currencies other than the Ghanaian currency, except to the extent permitted by the Bank of Ghana for trading on the foreign exchange market of Ghana and investment in money market instruments. Foreign banks can now establish branches in Ghana to undertake Class II banking business
› General Banking licence – allows both Class I and Class II banking business in and from within Ghana.

The first General Banking licence was issued to Barclays Bank of Ghana Limited on August 28, 2007. It allows Barclays Bank to operate under the International Banking component of the International Financial Services Centre (IFSC). The IFSC will have a full range of non-bank financial services, and is part of a comprehensive financial sector development programme.

4.2 The Banking and Non-bank Financial System

Structure

The total number of major banks remained at twenty-three (23) and were all in compliance with the minimum capital requirement of GH¢7.0 million for universal banking business under Class I Banking licence.

ARB Apex Bank continued to pursue its objective of providing banking and non-banking support to the rural and community banks (RCBs). Five new rural banks were licensed by Bank of Ghana, three of which commenced operations during the year. Processes were set in motion for the liquidation of one failed rural bank. The total number of rural and community banks was one hundred and twenty-six (126) at the end of the year.

There were forty-one (41) Non-bank Financial Institutions in operation, comprising twenty-one (21) Finance companies, fourteen (14) Savings and Loans companies, four (4) Leasing companies, one (1) Mortgage Finance company, and one (1) Discount House which was granted provisional approval to change its status to a Finance House.

Chart 12: Structure of the Financial System in Ghana

BANK OF GHANA

Class 1 Banking
- Agricultural Development Bank
- Amalgamated Bank
- BPI Bank
- CAL Bank
- Ecobank
- Fidelity Bank
- First Atlantic Merchant Bank
- Ghana Commercial Bank
- Guaranty Trust Bank
- HFC Bank
- Intercontinental Bank
- International Commercial Bank
- Merchant Bank
- National Investment Bank
- Prudential Bank
- SG-SSB
- Stanbic Bank
- Standard Chartered Bank
- The Trust Bank
- uniBank
- United Bank for Africa
- Zenith Bank

General Banking
- Barclays Bank

ARB APEX Bank
- Rural Banks (126)

NBFIs
- Finance Companies (21)
- Savings and Loans Companies (14)
- Leasing Companies (4)
- Discount House (1)
- Mortgage Finance Company (1)

Risk-Based Supervision

The Bank commenced implementation of the Risk-Based Supervision framework. Risk profiles were developed for banks with a view to determining the appropriate supervisory actions. In addition, banks were encouraged to set up risk management departments and install systems for identifying, measuring and managing risks inherent in their activities.

Assets and Liabilities of Banks and NBFIs

Total assets of banks and NBFIs increased by 49.1 per cent to GH¢8,588.3 million. The growth in assets was funded mainly by deposits, which increased by GH¢1,548.7 million, constituting 59.3 per cent of the growth in assets. Banks' total assets grew by 50.4 per cent to GH¢7,795.7 million, representing 90.8 per cent of the total assets of banks and NBFIs. RCBs' total assets grew by 29.2 per cent to GH¢386.2 million, representing 4.5 per cent of the total assets of banks and NBFIs. With regard to NBFIs, total assets rose by 47.4 per cent to GH¢408.0 million, representing 4.7 per cent of the total assets of banks and NBFIs.

The increase in total assets of the industry reflected mainly in net loans and advances which went up by GH¢1,585.4 million. Cash & bank balances and investments also rose by GH¢600.1 million and GH¢171.6 million respectively.

4. DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS CONTINUED

Performance of the Banking System

Profitability

The banking industry remained profitable despite declining trends. The decline in industry profitability was a result of increases in average total assets without a corresponding increase in profit levels, due mainly to narrowing net interest spreads. In addition, the impact of expenditure by the banks in respect of ICT re-engineering resulted in reduced earnings performance.

Table 7: Profitability Ratios

	2003	2004	2005	2006	2007
Return on Assets	6.3	4.6	3.3	4.8	3.7
Return on Earning Assets	8.0	5.9	6.3	6.0	4.8
Return on Equity	33.4	22.9	24.1	27.4	25.8
Net Interest Spread	12.3	8.9	10.8	9.9	8.4
Expense to Income	63.9	63.5	68.7	59.3	62.5
Net Interest Margin	10.6	9.6	6.5	11.2	9.7
Gross Yield	14.7	17.2	17.1	15.6	15.0
Interest Payable	5.6	5.2	6.4	5.7	6.7

Off-Balance Sheet Business

There was an increase in off-balance sheet business as contingent liabilities went up by GH¢318.4 million to GH¢1,303.7 million. The bulk of outstanding contingent liabilities were in respect of documentary credits (62.9%) and guarantees (34.2%) for crude oil and energy generating equipment imports.

Solvency

The banking industry remained solvent throughout the year with all but one bank complying with the required minimum capital adequacy ratio of 10.0 per cent. The industry average was 14.8 per cent.

Liquidity

At the end of the year, banks met the primary reserve requirement of 9.0 per cent. The industry cash ratio was 10.0 per cent in domestic primary reserves and 20.3 per cent in foreign primary reserves.

Rural and Community Banks (RCBs)

Total assets of RCBs grew by 29.2 per cent to GH¢386.2 million. The performance of the rural banking system improved as five more banks moved to the satisfactory category, bringing the total to 87 (up from 82 in 2006), while the number of mediocre banks dropped from 23 to 19. Unsatisfactory banks also declined by one to 15.

Performance of NBFIs

Five new NBFIs were licensed (1 Savings & Loans company and 4 Finance Houses) bringing the number of NBFIs in operation to forty-one. The balance sheet of the NBFIs expanded by 47.4 per cent to GH¢408.0 million. The sources of funding for the expansion in assets were shareholders' funds, deposits and borrowings. The expansion reflected mainly in loans & advances (GH¢100.8 million), cash & bank balances (GH¢12.4 million) and fixed assets (GH¢11.0 million).

4.3 Customer Complaints and Investigations

Bank of Ghana addressed complaints from customers, shareholders and employees of banks relating to a variety of issues. These included non-payment of dividends, high interest rates and bank charges, impropriety on the part of directors of some banks, leakage of bank information, money transfers, loss of land title documents and wrong debits. There were also investigations into fraudulent activities regarding cash withdrawals, ATM withdrawals, transfer of funds and negotiable instruments. The Bank also responded to various requests for information from the Serious Fraud Office, National Security Council, Rural and Community Banks and Diplomatic Missions.

Table 8: Summary of Cases Handled

	2005	2006	2007
Customer Complaints	48	24	76
Fraud Investigations	25	41	130
Enforcement and Surveillance	192	121	151
Total	**265**	**186**	**357**

5. PAYMENT, CLEARING AND SETTLEMENT SYSTEMS

5.1 Developments in the Payment Systems

The Bank continued its programme of modernising the payment systems during the year. The Ghana Interbank Payment and Settlement Systems (GhIPSS) Limited was established by the Bank to operate and manage the National Switch and Smartcard System, the Cheque Codeline Clearing and Truncation System as well as the Automated Clearing House. These projects will provide the requisite infrastructure for electronic delivery of financial services to all segments of the economy on a common platform.

National Switch and Smartcard Payment System

Work on the National Switch (e-zwich) and the Smartcard (e-zwich smartcard) payment system started during the year and is expected to become operational by April 2008. The Switch will support the expansion of Point of Sale (POS) terminals across the country and an increase in the number of Automated Teller Machines (ATMs) and also facilitate the interoperability of ATMs in the country.

The e-zwich smartcard, which incorporates biometric identification, will be used for ATM and POS transactions. It will allow smartcard holders and merchants to load funds, spend and settle various transactions online and offline. It will also assist in integrating both the 'under-banked' and 'unbanked' into the mainstream banking system.

High Value Payments – The Ghana Inter-bank Settlement System (GIS)

Ghana's real time gross settlement system, the Ghana Inter-bank Settlement (GIS) system, continued to provide the platform for making high value and/or time critical payments for banks and their customers.

The system also provided settlement services for the net clearing positions of banks in respect of cheque and credit clearing systems as well as the settlement of Treasury bill transactions generated by the Central Securities Depository.

The volume of transactions effected through the GIS system increased by 32,653 transactions (35.1%) to 125,756 transactions in 2007. The value of transactions also went up by GH¢45.3 billion (95.6%) to GH¢92.7 billion in 2007.

Table 9: High Value Payments – GIS System

	2005	2006	2007
Volume	48,749	93,103	125,756
Value (GH¢ million)	37,116.9	47,415.4	92,739.4
Average Value (GH¢)	761,386.9	509,279.4	737,455.1

5. PAYMENT, CLEARING AND SETTLEMENT SYSTEMS CONTINUED

Low Value Payments – The Cheque Clearing System

Cheques and other paper-based instruments continued to be the most widely used inter-bank payment stream in terms of volume with the cheques remaining the most important paper clearing instrument in both volume and value used by individuals and businesses.

The volume and value of cheques cleared in 2007 were 5,166,344 and GH¢15.9 billion respectively compared with the corresponding figures of 4,994,348 and GH¢13.9 billion in 2006.

Table 10: Low Value Payments – The Cheques Clearing System

	2005	2006	2007
Volume	4,776,690	4,967,638	5,166,344
Value (GH¢ million)	12,229.1	13,938.9	15,891.5
Average Value (GH¢)	2,560.2	2,805.9	3,076.0

Low Value Payments – The Paper Credit Clearing System

The use of credit clearing instruments continued its upward trend during the year under review, complementing cheques and bankers drafts as means of payment. The volume of transfers effected through clearing during the year was 51,643 valued at GH¢68.5 million.

Table 11: Low Value Payments – The Paper Credit Clearing System

	2005	2006	2007
Volume	11,260	29,963	51,643
Value (GH¢ million)	15.0	38.9	68.5
Average Value (GH¢)	1,330.1	1,297.4	1,326.4

5.2 Central Securities Depository

The Central Securities Depository (CSD) continued to expand during the year with the number of account holders increasing by 5.1 per cent to 206,523 at the end of the year. The Depository witnessed significant increases in the holdings of foreign investors following the promulgation of the Foreign Exchange Act in 2006. Out of a total of nineteen 3-year and 5-year bonds issued during the year, foreign investors held 73.3 per cent while 26.6 per cent constituted holdings of domestic investors.

The Central Securities Depository Bill was passed into law as the Central Securities Depository Act, 2007 (Act 733). The Act provides the legal and regulatory framework for the establishment, operation and regulation of central depositories for the development and promotion of vibrant primary and secondary money and capital markets in Ghana. The Act also repealed some provisions in the existing laws to allow the dematerialisation of equities and the trading of electronic shares on the Stock Exchange.

6. RE-DENOMINATION OF THE CEDI

6.1 Overview

The re-denomination of the cedi was announced by the Governor of the Bank of Ghana, Dr. Paul A. Acquah, in November 2006. This was followed by an address to Parliament on December 4, 2006. In accordance with Section 41 (4) of the Bank of Ghana Act, 2002 (Act 612), the re-denomination of the cedi was gazetted on March 23, 2007. Features of the new currency were unveiled by the Governor on May 3, 2007. The exercise took effect on July 3, 2007 with the issuance into circulation of the new currency (Ghana cedis and Ghana pesewas) following a nationwide educational campaign.

The re-denomination of the cedi was designed to address one important lingering legacy of past inflation and macroeconomic instability. The legacy of the past episodes of high inflation had been the rapid increases in the numerical values of prices as well as foreign currency exchange in local currency terms.

The previous note regime placed significant deadweight burden on the economy. This came in several forms such as high transaction costs at the cashiers, general inconvenience and high risks involved in carrying loads of currency for transaction purposes, increasing difficulties in maintaining bookkeeping and statistical records and ensuring compatibility with data processing software, and the strain on the payments system, particularly the ATMs.

6.2 The Messages

The core messages relating to the re-denomination exercise included the following:

› The Bank would re-denominate the cedi and pesewa by the introduction of a new currency to be designated the **Ghana Cedi** and **Ghana Pesewa** from July 2007
› The name and symbol of the new currency would be Ghana cedi (GH¢) and Ghana pesewa (Gp)
› By the re-denomination ten thousand cedis would be set to one Ghana cedi which would be equivalent to one hundred Ghana pesewas, that is, ¢10,000 = GH¢1.00 = 100Gp
› The new notes and coins would have the same purchasing power or value as the equivalent in the existing currency
› The two currencies would be in circulation concurrently for a transitional period of six months from July to December 31, 2007
› During the transitional period, the Bank would begin withdrawing the cedis and pesewas, which would cease to be legal tender by January 1, 2008
› Bank of Ghana and the banks would continue to accept old notes and coins for exchange after December 31, 2007
› From July 2007 the cedis and pesewas may be exchanged at any bank, branch of Bank of Ghana or any designated exchange point at the rate of ¢10,000 to GH¢1.00
› All existing contracts, bank balances, bonds and other securities, payment and exchange instruments denominated in the existing cedi would be automatically converted to the equivalent in the Ghana cedi.

Sub-messages emanating from the core messages served as precautions, warnings and assurances to the public. These included:

› The value would be the same
› The public should avoid middlemen in the exchange process
› There would be no loss of money
› There would be no deadline for the exchange of the old currency for the new
› Old currencies could be exchanged at the banks even after December 31, 2007.

The public was also educated on the security and print features of the various denominations of the new currency to enable them identify genuine notes and not fall prey to counterfeiters.

6.3 The New Currency

On May 3, 2007, the Governor unveiled pictures of the new currency at a ceremony held in the Bank's auditorium, following which series of workshops were organised to educate stakeholders and the public on the security features of the new currency.

On July 3, 2007, the new currency was put into circulation, with the Governor exchanging a wad of bulky cedi notes for a slim pack of the new Ghana cedi notes at the Bank's banking hall.

At the beginning of the exercise in July 2007, the amount of old currency in circulation was ¢9,150.8 billion. At the end of the transition period, 94.5 per cent of the old currency had been withdrawn leaving 5.5 per cent with the public. The re-denomination exercise was generally successful.

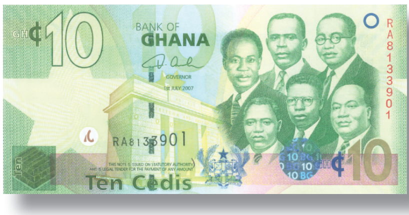
6. RE-DENOMINATION OF THE CEDI CONTINUED

New Bank Notes and Coins Banknotes

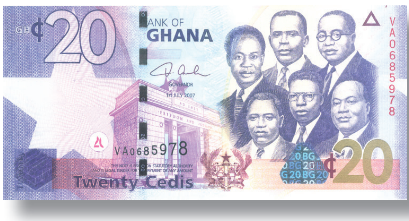
All the notes have one portrait at the front, comprising six distinguished Ghanaians who spearheaded the struggle for Ghana's independence. Also on the front is the Independence Arch, the symbol of the political independence of Ghana.

The GH¢1 has the Akosombo Dam at the back, recognising its key role in generating electricity over the years for industrial and domestic use, which has been the backbone of economic activity.

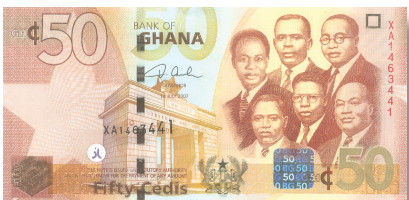
The GH¢5 has the University of Ghana at the back representing the role of education in the social, political and economic development of our nation.



The GH¢10 shows the Bank of Ghana headquarters at the back, acknowledging the Bank as the sole issuer of currency as well as the significant role of the financial system in the overall development of the economy.



The GH¢20 shows the Supreme Court building representing the rule of law in the nation.



The GH¢50 depicts the Christianborg Castle, the seat of Government, capturing the importance of good governance in the Ghanaian society.

New Bank Notes and Coins **Coins**

The Ghana Coat of Arms is shown at the back of all the new series of coins. This captures among other things the mineral and agricultural wealth of the country; the continuing link between Ghana and the Commonwealth; the lodestar of African freedom; and the national aspirations.

The 1Gp has the image of the Adomi Bridge, indicating the significance of infrastructure and freedom of movement of goods and people in a united Ghana.

The 5Gp shows a traditional horn blower, representing the traditional mode of communication in Ghana.

The 10Gp is devoted to a book which also emphasises the role education plays in a democratic society.

The 20Gp depicts the cocoa pod which represents the agricultural wealth of Ghana and the economic importance of cocoa over the years.

The 50Gp bears the image of a market woman which symbolises the significance of women in business and their contribution in building the Ghanaian economy and society as a whole.

The GH¢1 coin has the image of the scale of justice symbolising equity and fairness in the delivery of justice and re-enforces the rule of law in Ghana.

6. RE-DENOMINATION OF THE CEDI CONTINUED

Box 5: Highlights of Activities

Steering Committee
Management set up a Steering Committee to plan and execute the programme for the implementation of the exercise in terms of logistics, technical issues and public education. A timeline of activities was developed and structures were set-up for the execution of the programme. Key issues addressed were the following:

- Legal matters
- Operational preparedness of banks and other financial institutions
- Public education
- Logistics
- Security arrangements.

Three sub-committees were set up:

- **Public Education Committee** – entrusted with the responsibility of educating the general public on the re-denomination exercise and identifying concerns of various groups for remedial measures
- **Technical Committee** – charged to evaluate the implications of the re-denomination of the cedi on consumer pricing, share pricing, exchange rate quotation, accounting systems and banking transactions, and propose actions to mitigate their effect
- **Logistics Committee** – to undertake assessments of overall logistics needs of the banking system in terms of vault capacity, bullion availability for specie movement, and prepare for withdrawal/storage of the old currency and distribution plans for the new currency.

Public Education Programme
Public education was a critical component of the re-denomination exercise. The Bank therefore planned and executed a multi-media education campaign that ensured total accessibility to all the various segments of society countrywide.

The public education campaign was in four (4) main phases. Each phase was determined by time span, purpose, relevant messages and the media mix to be employed to effectively reach the various target groups.

- **Phase 1** (December 2006 to January 31, 2007) – aimed at creating public awareness on the rationale for and timing of the exercise. The messages were effected through radio jingles, advertising strips in the print media, circulation of pamphlets and direct discussions with various stakeholders.
- **Phase 2** (February 1 to March 31, 2007) – creating awareness on equivalents and exchangeability and assuring the public that the exercise would be conducted under conditions of normalcy, devoid of any panic. Dual pricing during the transition period was emphasized.
- **Phase 3** (April 1 to June 30, 2007) – had the objective of intensifying and consolidating earlier messages, introducing conversion charts and creating familiarity with the images and security features of the new currency. Review of activities from previous phases was undertaken with the view to addressing queries and making appropriate changes. Technical guidelines were issued by the Bank on dual pricing, banking transactions and accounting systems.
- **Phase 4** (July 1, 2007 to January 31, 2008) – focused on managing implementation challenges that arose and further education on the security features of the new currency.

A mixed media strategy involving conventional and non-conventional media (direct community contact) was employed to facilitate the transmission of key messages to urban, semi-urban and rural communities using print and electronic media. Other inter-personal modes of communication were music and drama, church and school programmes and community discussions such as fora with opinion leaders (traditional, market and other trade group leaders), district assemblies and public announcements.

Media of Communication
Electronic media employed in disseminating information on the re-denomination exercise included advertisements, radio and television programmes, internet and mobile phone text messaging. Members of staff were on TV and radio talk shows to discuss the re-denomination exercise in the five main local languages.

The Bank also launched a website on the re-denomination exercise in April 2007. Key features included two currency converters; the first converts the cedi to the Ghana Cedi and vice versa; and the second converts the cedi or Ghana Cedi to foreign currencies and vice versa. The launch of the website generated intense interest throughout the period.

The print media was also extensively used during the exercise. Advertising strips were placed in all newspapers while educational materials such as pamphlets, posters and car stickers were widely distributed to the public.

Under the Direct Community Contact (DCC) strategy, rural communities were targeted in interactive encounters on individual, group and community basis. Durbars, speeches, discussions and docu-dramas were some of the communication tools employed.

The Bank of Ghana Ladies Association (BOGLA) participated in the public education programme by visiting markets, churches and mosques. They also organised countrywide floats.

Operational Preparedness
The challenges posed to accounting systems and ICT were analysed and consultations held with all stakeholders for the recalibration of ICT systems and ATMs as well as the modification of accounting systems, before the commencement of the exercise.

Logistics
Additional bullion vans and escort vehicles were procured to augment the existing fleet to ensure efficient distribution of specie during the period. The Bank's storage facilities, including the warehouses at the General Services Complex, were all refurbished in preparation for the exercise. Arrangements were made to ensure that at least 70 per cent of all notes and coins ordered were delivered by mid-November 2007. An assessment of the vault capacity and other logistics of banks and rural banks was undertaken to determine their readiness for the re-denomination exercise.

7. MAJOR INTERNAL DEVELOPMENTS

7.1 50th Anniversary Celebrations

The year 2007 marked the Bank's fiftieth year in operation following its establishment in March 1957. The Bank celebrated the occasion with a number of activities from July 31 to August 12, 2007 under the theme "Fifty Years of Central Banking and the Millennium Development Goals".

Launching Ceremony

His Excellency the President of the Republic of Ghana, Mr. John Agyekum Kufuor launched the celebrations on July 31, 2007 at a ceremony attended by the Board, Management and staff of the Bank, the international and local financial community, government officials, academia, media and the general public. The President also launched commemorative gold coins and a book entitled "History of the Bank of Ghana".

Four surviving pioneer members of staff on retirement were honoured during the ceremony. They were Mr. Albert Adomako, the first Secretary of the Bank who later became Governor between 1965 and 1968, Mr. Salifu Balboni, a Watchman, Mr. I.B.T. Aryee, a Maintenance Foreman and Mr. George Ntow Parry, a Currency Officer.

Winners of an essay competition organized by the Bank for Junior and Senior Secondary School students on the topic "What can I say about the New Ghana Cedi Notes and Coins?" were also honoured.

The President opened an exhibition of currencies issued by the Bank since its establishment and photographs of important events and personalities in the history of the Bank. Also on display were some artefacts including gold dust and cowries used in the early 16th and 17th centuries after the abolition of the barter trade system. Similar exhibitions were held at the Bank's regional branches.

Commemorative Ghana Cedi 24 carat gold coins, issued to celebrate 50 years of central banking

An exhibition showcasing the history, currencies and activities of the Bank at the launch of the celebrations

H.E. President J.A. Kufuor and the Governor at the exhibition of Ghanaian Currencies, Artifacts and Photographs

The President awards a pioneer member of staff, Mr. I.B.T Aryee at the launching ceremony

7. MAJOR INTERNAL DEVELOPMENTS CONTINUED

Box 6: Excerpts of Keynote Address by H.E. John Agyekum Kufuor, President of the Republic of Ghana at the Launching Ceremony of the Bank's 50th Anniversary Celebrations

It is indeed a great pleasure and honour for me to deliver the keynote address. I congratulate the Bank for having come so far, and on behalf of the entire nation, salute all those who contributed in various ways to enable the Bank play its expected role within the economy over the last half century.

Over the years, the objectives of the Bank have expanded to include critical roles for the development of the economy. These changes were influenced by major global developments, new approaches to central banking and events within the financial sector to arrive at a redefined relationship between government and the Central Bank as partners. It is in the light of this partnership that I appreciate the theme for the celebration –"Fifty Years of Central Banking and the Millennium Development Goals", which demonstrates the deep understanding on the part of the Bank of the partnership and co-operation that must exist between it and Government in pursuing their respective mandates to the benefit of the nation.

The Bank's mandate calls for a close partnership with government, not in a subservient role, but rather as a complementor to set the framework for accelerated development. It is in this direction of partnership and co-operation that the economy of Ghana has been positioned on a stable platform, ready for accelerated growth.

The Bank of Ghana should be the cornerstone of the Golden Age of Business. The Bank should set the pace for modernization of the banking and financial sector and also lead in educating the society about the sector's services so that the people can exploit them. With the establishment of an International Financial Services Centre, the launch of such an education programme will ginger banking, legal, accounting and ICT professionals and companies to position themselves for businesses that will emerge.

Further, the Bank must demonstrate a heightened sense of social responsibility. As a regulator, it must prevail on banks to charge conscionable interest rates, compete on fair terms and reach out to all localities. It should support good causes in education, health-care and general sanitation. Additionally, it should exploit its autonomy and authority to let its impact be felt in innovative ways.

With confidence the entire nation should build on the gains that have been made in order to achieve even higher rates of growth and poverty reduction in line with the Millennium Development Goals.

Box 7: Welcome Address by Dr Paul A. Acquah, Governor of the Bank of Ghana, at the 50th Anniversary Launching Ceremony

I deem it a great pleasure and honour to welcome you all to this important ceremony to launch the 50th Anniversary celebration of the Bank of Ghana. Fifty years of central banking is a significant milestone in the history of any institution and more significant as it coincides with the 50th anniversary of the nation. We are privileged to have H.E President John Agyekum Kufuor, with us here today to launch the programme of celebrations. The first President of the Republic of Ghana, Dr. Kwame Nkrumah, inaugurated the Bank at its inception, and it is now for this President, His Excellency, to grace this occasion, to usher us into the next 50 years. Your Excellency, we very much appreciate the fact that you have taken this time to come.

Let me also recognize the presence of the former Governors and Deputy Governors of the Bank who have helped steer this institution and in various ways shaped its history.

To mark the Bank's 50th Anniversary, we have put together a week-long programme which attempts to capture the historical and organic life of the Bank. Exhibition of old currencies, documentation, and pictures would be mounted to outline how the functions of the Bank have evolved over time. In the rich tradition of oral history, public interaction and presentations by past Governors would amount to a guided tour of the history of the Bank. We are crowning the celebrations with a high level International Symposium on the theme "Central Banking and the Millennium Development Goals", which in a sense should frame the Bank's role in advancing to the middle income status and towards a fully industrialized economy.

Ladies and Gentlemen, on occasions like this, it is in order to recount some of the history of the Bank. In this connection, we have prepared a commemorative history book of the Bank, which will be launched by His Excellency the President today.

The Bank's policies and activities have been shaped by changing conditions over the years. The Bank of Ghana Ordinance (No. 34) of 1957 clearly defined the role of the Bank to suit the circumstances at that time. From the optimism that characterized the country's independence and aspirations, the Bank of Ghana pursued proactive policies to foster the credit system, creating financial institutions as growth-promoting vehicles, while exercising its fundamental responsibilities of currency management and acting as the Government's banker. The Bank has been driven by the power of ideas; by the influence of men and women in public roles and those privileged to serve the Bank; and by the twist and turns on the path of social and economic progress of the nation.

Monetary policy geared to supporting fiscal expansion for rapid growth under fixed exchange rate regime in a rapidly changing economic environment brought on balance of payments difficulties. This prompted Parliament to arm the Bank with the Exchange Control Act to manage trade and foreign exchange transactions.

Box 7: Welcome Address by Dr Paul A. Acquah, Governor of the Bank of Ghana, at the 50th Anniversary Launching Ceremony
continued

The exchange controls and their administration came with their own problems, in terms of waste of resources and perverse incentives associated with distorted pricing, low growth and unemployment. The system over-extended the powers the Bank was able to exercise and the economy became caught in monetary and fiscal instability. A prominent feature of the economic history is the gradual process of dismantling these controls and liberalization of the economy, culminating in the passage of the Foreign Exchange Act last year on the heels of stabilization of the economy.

Ladies and Gentlemen, it has been fifty years and the Bank is operating in a different statutory and macroeconomic context. To respond to changing domestic conditions and developments in central banking and monetary policy worldwide, the Bank of Ghana Act (2002) was enacted which bestowed independence on the central bank, leaving it free to re-focus its policies on price and financial stability as a principal mandate. This marked the beginning of a new paradigm in defining what the Bank of Ghana represents and its role in monetary and financial management.

The Bank has taken seriously its mandate to focus on price stability as its primary goal, and as a guiding operational principle. We take it as a demand by the public for price stability, and aversion to high inflation and currency volatility. The mandate is in a sense a search to entrench macroeconomic stability.

That is a situation in which price and exchange rate movements are not a source of public anxiety, but rather a situation in which businesses and consumers can stretch their horizon and plan based on stable expectations with regard to investments, savings, productivity and value for their money. This is the best contribution that monetary policy and financial stability can make to accelerated growth on sustained basis.

So, under the Bank's monetary policy framework, the Monetary Policy Committee's work really turns on promoting disciplined macroeconomic policies, with the budget and monetary policy playing complementary roles to promote growth with stability. Monetary policy is most effective when the public is willing to hold and use the currencies introduced by the Bank as legal tender andffas a store of their wealth because of confidence that the value will be stable over time – the value is the same – and by implication prices will remain fairly stable as well. But the key here is the credibility of macroeconomic policies.

At the time of independence, the banking industry consisted of 3 banks. This has grown over the years to 23 banks with a network of some 500 branches, 126 rural banks, 13 savings and loans companies, as we celebrate this Golden Jubilee. These operate alongside an array of non-bank financial institutions, insurance companies, and other micro-credit institutions. We now have a banking industry that is reasonably competitive and well capitalized, sound and liquid, having withstood the pressures of rapid disinflation over the past years.

Your Excellency, as we look forward, the Bank of Ghana has a responsibility to promote the development of a financial system that is effectively integrated and in tune with the global financial market; and that is capable of providing a diversified range of financial instruments and services to support a dynamic growing economy.

The Bank is building the nucleus of a payments system infrastructure and a financial system that can develop over time into a vibrant segment of the international financial industry in the West African Region; a financial centre of global standards in terms of the quality and incentives built into the regulatory environment, financial institutions and the services they can deliver. This positioning of the industry is even more important in the context where the entire ECOWAS regional market may well come under a common currency regime, and become a single economic space; with free mobility of capital, goods, services, and labour.

The future of the financial sector should be one that is vibrant and well anchored in price and financial stability, better to serve as a pillar for economic growth towards achieving the Millennium Development Goals and middle income status. This is the theme of the symposium organised as part of these celebrations.

Your Excellency, the quality of public institutions, and for that matter the public service, is an important determinant of the financial sophistication of the state; and the central bank – the Bank of Ghana – has a pivotal role in pioneering the process. Ghana@50 –the nation's Golden Jubilee –had the theme "Championing African Excellence". We see in this occasion, an imperative for the Bank of Ghana to strive to be a Champion Institution in the community of central banks.

To conclude, I should say that I consider it a privilege and an honour to be here and be part of this important milestone of the nation's central bank. I would like to welcome you all to this ceremony and we look forward to your participation in the activities lined up for the Jubilee celebrations. Thank you for your attention.

7. MAJOR INTERNAL DEVELOPMENTS CONTINUED

Inauguration of the Staff Training Centre

The Governor inaugurated a refurbished Staff Training Centre (formerly the Training School) on August 1, 2007. As part of this programme, three children of employees of the Bank who excelled in the 2006 Basic Education Certificate Examination were honoured.

Time with Past Governors

A symposium was organized to enable former Governors share with staff and the general public their wealth of diverse experiences during their respective tenures.

Former Governors who participated in the programme were:

Mr. Albert Adomako	4th Governor	1965-1968
Mr. Alex E. K. Ashiabor	7th Governor	1977-1982
Mr. John S. Addo	8th Governor	1983-1987

Anniversary Symposium

A two-day symposium was organized from August 6–7, 2007 for delegates from African central banks, the European Union, the International Monetary Fund and senior officials and renowned economists from international and local institutions on the theme, “Fifty Years of Central Banking and the Millennium Development Goals”.

The symposium was under the chairmanship of Mr. J. H. Mensah, Chairman of the National Development Planning Commission. The Special Adviser to the President, Mrs. Mary Chinery-Hesse delivered the keynote address on behalf of H.E. President John Agyekum Kufuor. The Minister of Finance and Economic Planning, Mr. Kwadwo Baah-Wiredu and the Governor, Dr. Paul A. Acquah, delivered the opening statement and the welcome address respectively.

Social Activities

A number of social activities including a health walk, a health talk, a dinner dance and a thanksgiving service were organized as part of the celebrations. The two longest serving officers, Mrs. Martha Yeboah and Mr. Samuel Amoako were honoured at the dinner dance. Similar activities were also organised at the regional branches.

Box 8: **50th Anniversary Symposium – Topics and Speakers**

Achieving the Objectives of the Central Bank
Chair: Mr. Abbas Mirakhor – Executive Director, IMF
Inflation Targeting: Theoretical Issues and Challenges Issues for Emerging Markets
Speaker: Dr. Ibrahim Stevens, Centre for Central Banking Studies, Bank of England
The Experience of Brazil
Speaker: Mr. Carlos H.V. Araujo, Head of Research, Central Bank of Brazil
Growth Acceleration to Middle Income Status: Challenges and Opportunities for Low Income Countries
Speaker: Mr. Tom Bernes, Director, Independent Evaluation Office, IMF
Governance and the International Monetary Fund (IMF): An Institution at the Crossroads
Speaker: Mr. Jack Boorman, Former Director and Counsellor, IMF

Stability, Investment and Growth
Chair: Dr. Moeen Qureshi – Chairman, EMP Global
Accelerated Investment Strategy and Macro Stability – The Role of Fiscal Policy
Speaker: Mrs. Teresa Ter-Minassian, Director, Fiscal Affairs Department, IMF
Accelerated Investment Strategy and Macro Stability – The Role of the Business Environment
Speaker: Dr. Ishmael Yamson, Chairman, Ishmael Yamson and Associates, Ghana
Domestic Bond Market and Capital Formation: The South African Experience
Speaker: Mr. Tom Lawless, Lawless and Associates, South Africa
The Role of Financial Markets and Access to Global Finance.
Speaker: Mr. Steve Taran –Citi Group
International Financial Architecture & Stability
Speaker: Sir Andrew Crockett, JP Morgan Limited

Structural Reforms and Growth
Chair: Hon. J.H. Mensah, Chairman, National Development Planning Commission, Ghana
The Role of Labour and Commodity Markets and Export Diversification
Speaker: Professor Paul Collier, Oxford University
Structural Convergence and Monetary Policy Effectiveness in a Monetary Union
Speaker: Mr. Phillipe Moutot, European Central Bank
Regional Single Currency Zone: The CFA Experience and Lessons for the Future
Speaker: Justin Baro, Governor, BCEAO
The African Peer Review Mechanism (APRM) and Stability
Speaker: Dr. Francis Appiah, APRM Secretariat, Ghana

Round-table Discussion
Chair: Mr. Kwame Pianim – Chairman, Public Utilities Regulatory Commission, Ghana

Discussants:
› Mrs. L. Mohohlo, Governor, Bank of Botswana
› Mr Ken Ofori-Atta, CEO, Databank
› Dr. Mrs. Sarah O. Alade, Deputy Governor, Central Bank of Nigeria
› Professor Ernest Aryeetey, Director, Institute of Statistical Social and Economic Research, Ghana
› Dr. Nii Kwaku Sowa, Director-General, Securities and Exchange Commission and Member, Bank of Ghana Monetary Policy Committee

Concluding Remarks
Dr. Paul A. Acquah, Governor, Bank of Ghana

7. MAJOR INTERNAL DEVELOPMENTS CONTINUED

7.2 Human Resource Activities

Staff Position

The total staff population of the Bank was 1508 in 2007 made up of:

Management Staff	140 (9.3%)
Middle Level Staff	798 (52.9%)
Junior Staff	570 (37.8%)

Total number of female staff was 443, constituting 29.4 per cent of the total staff population with the following grade categorization:

Management Staff	28
Middle Level Staff	309
Junior Staff	106

Total recruitment was 65, out of which 39 were contracted for a 6-month period in connection with the re-denomination exercise. Eight (8) other contract staff were engaged for a 3-year period. Eighteen (18) new staff were given permanent appointment to strengthen the currency processing and IT units.

Seventy-six (76) staff left the service of the Bank during the year, made up of 13 resignations, 11 retirements, 2 dismissals, 2 terminations and 3 deaths. The remaining 45 completed their contracts and included 39 drivers and security staff engaged for the currency re-denomination exercise.

Training

A re-furbished Staff Training Centre designed to enhance the Bank's human resource capacity building was commissioned on August 1, 2007. The Centre is equipped with modern training and teaching facilities including a 50-seater lecture theatre; two computer laboratories with a seating capacity of forty each; five syndicate rooms and one language laboratory, among others.

A total of 833 employees participated in various local and foreign programmes.

Table 12: Training Programmes in 2007

Programme	Courses	Participants
Foreign	79	134
Local*	66	152
Staff Training Centre	12	547

* Local training outside the Staff Training Centre

Sporting Activities

The Bank participated in various sporting activities including football, hockey and tennis during the year. The Bank's hockey team emerged as champions in the National Hockey League.

7.3 IMPACT 05 Project

The Bank carried out a Process Improvement Project in 2001/2002 to review, evaluate and improve work processes to achieve greater efficiency and effectiveness. As a follow-up to this exercise, a more comprehensive project, IMPACT 05 Project – **I**ntegrating and **M**odernizing **P**rocesses to **A**chieve **C**ontinuous **T**ransformation – was launched by the Bank in February 2005.

Aims of IMPACT 05 Project

› To improve the effectiveness and efficiency of methods of working within the Bank
› To achieve a fully networked, automated and integrated I.C.T infrastructure responsive to the needs of all stakeholders.
› To improve customer care and service delivery
› To improve working standards and performance
› To enable better and quicker decision-making processes.

Phases of the Project

The Project was grouped into two main phases:

› Phase I: Procurement and installation of ICT infrastructure to link all Bank of Ghana sites in the country.
› Phase II: Procurement and installation of fully integrated and networked IT solutions for the Bank.

As part of the implementation process, members of staff from selected departments were given customized functional and technical training. In addition to this, a total of 1,470 members of staff were given end-user training in various applications. This was to build capacity in the usage of the new system. A Help Desk was set up to deal with emerging problems. The Bank procured various hardware and an additional bandwidth to improve connectivity between the Head Office and the regional branches. The Project went live in July 2007 after the various implementation deliverables had been successfully rolled out.

Box 9: Applications Rolled Out

› Banking Applications (Temenos T24) which has modules for retail banking, vault management system, treasury, trade services and project administration/loans
› Database Application System (Oracle 10G)
› Oracle ERP (Enterprise Resource Planning) Applications, notably financials, procurement, human resource, asset management and data warehousing functionalities
› e-FASS (electronic Financial Analysis Surveillance System) Banking Supervision Application which facilitates automated data submission by financial institutions and off-site surveillance by the central bank
› Datastore 32 Document Management System for the archiving of reports, cheques, paper documents, etc.

The remaining activities at the end of 2007 were:

› Interface between Temenos T24 and SWIFT
› Interface between Temenos T24 and the Ghana Interbank Settlement (GIS) system
› Workflow module within the Datastore 32 application
› Implementation of iDecision Data Warehousing application.

7.4 Re-location of Office Premises

The Takoradi Regional Office of the Bank relocated to its newly built premises during the year. An agency was opened at the Agona-Swedru branch of Ghana Commercial Bank in February 2007 to provide currency services in areas previously served by the Agona-Nyakrom Currency Office.

8. EXTERNAL RELATIONS

8.1 Overview

The Bank continued to play its role on the international financial scene and collaborated with all its affiliated international institutions. It participated in the meetings of the International Monetary Fund, The World Bank, the Association of African Central Banks and the West African Monetary Zone, among others. It also hosted foreign dignitaries including the US Treasury Secretary and the Deputy Managing Director of the IMF.

8.2 International Monetary Fund (IMF) and World Bank

The Ghanaian authorities, during the first quarter of 2007, concluded Article IV consultations with the IMF. In its assessment, the Executive Board of the Fund commended Ghana for continued implementation of sound economic policies and structural reforms, which have provided the country with a unique opportunity to achieve the Millennium Development Goals (MDGs). They commended Bank of Ghana's progress in building capacity for inflation targeting. They also welcomed the soundness of Ghana's banking system and the focus on structural reforms critical for higher growth.

During the year, the IMF launched the October 2007 edition of the World Economic Outlook and the maiden issue of the African Regional Economic Outlook (AREO) in Accra. According to the AREO, Africa in 2007 recorded its strongest growth and lowest inflation in over 30 years with a positive outlook for 2008. The region is well poised to maintain the momentum, however the recent global financial market turbulence remained a major risk to the outlook. The report indicated that sustaining the expansion will require the efficient use of fiscal and debt space, and structural and institutional reforms that increase productivity, boost resilience to shocks, and attract private investment.

The Deputy Managing Director of the IMF, Mr Takatoshi Kato, accompanied by Mr. Bio-Tsane, Director of the African Department, paid a visit to Ghana. They held discussions with the Minister for Finance and Economic Planning, Mr. Kwadwo Baah-Wiredu and the Governor of Bank of Ghana, Dr. Paul A. Acquah on the Ghanaian economy. They were briefed on the monetary policy framework, exchange rate policy, the re-denomination of the cedi, public sector reform and wages, and the crude oil discovery.

The Bank of Ghana was represented at the 2007 Spring and Annual Meetings of the IMF/World Bank held in Washington D.C. At the Annual Meetings, the International Monetary and Financial Committee (IMFC) noted that strong fundamentals and robust growth of emerging markets and developing countries continued to underpin strong global growth. It also stressed the importance of implementing the programme of quota and voice reforms. On its part, the Development Committee welcomed the progress made by low income countries in strengthening development strategies and urged governments to implement policies that promote economic resilience. It noted the enhanced capacity of developing countries to absorb larger amounts of aid productively and called on donors to meet their commitment to scale up aid and address financing gaps for them to achieve the MDGs.

The World Bank Executive Board endorsed the 2008 Country Assistance Strategy for Ghana. Under this, the World Bank would support Ghana's Poverty Reduction and Growth Strategy (GPRS) II to enable the country to achieve middle income status and the MDGs. The Board also approved supplementary funding for the on-going Economic Management Capacity Building project, to support the Government of Ghana to perform its role as a facilitator for economic development.

Ministers of the G24 held their seventy-eighth meeting in October 2007, concurrently with the Annual Meetings. They welcomed Mr Robert Zoellick as the new World Bank President and Mr. Dominique Strauss-Khan as the new Managing Director of the IMF and expressed their appreciation to Mr. Paul Wolfowitz and Mr. Rodrigo de Rato. The Ministers noted that the limited impact of the prevailing turbulence on developing countries reflected progress made in strengthening economic fundamentals, but acknowledged that significant risks remained. They reiterated the need for significant re-distribution of voting power in favour of emerging market and developing countries, and called for the strengthening of staffing resources available to the Executive Directors elected by a large number of countries.

8.3 West African Monetary Zone (WAMZ)

The Committee of Governors and the Convergence Council of Ministers & Governors of the West African Monetary Zone both held meetings in May and December 2007. These meetings were preceded by those of the Technical Committee, the Legal and Institutional Affairs Committee and the Sensitization Committee. The meetings reviewed the status of macroeconomic convergence and harmonization of payment systems. The main decisions taken included the need for member countries to adopt Fiscal Responsibility Acts as a strategy to ensure fiscal prudence. The member states adopted a uniform WAMZ cheques system.

Box 10: West African Monetary Zone Meetings

Dates	Venue
May 10, 2007	Abuja, Nigeria
December 6, 2007	Conakry, Guinea

Major decisions and recommendations:

› Member countries should adopt Fiscal Responsibility Acts as a strategy to ensure fiscal prudence
› Member countries should demonstrate their commitment to the WAMZ project and ratify the WAMZ statutes
› All the vestiges of exchange control should be abolished from the statute books of member countries. Central banks were enjoined to provide the macroeconomic environment necessary for a stable exchange rate regime
› Approved the adoption of a uniform WAMZ Cheque Standard and the Automated Cheque Processing (ACP) Standard as a model for the member countries
› Council approved and urged member states to fund the National Sensitization Committees for effective sensitization on the WAMZ project; Council further urged that WAMZ stakeholders should be engaged in the sensitization process. The national sensitization infrastructure should be reviewed for effective communication of WAMZ activities, and terms of reference provided to incorporate clear activities and timelines
› Directed WAMI to develop a scorecard on the implementation of structural benchmarks and the Banjul Declaration Action Plan by member countries; The score card will reveal and ascertain the level of country commitment.
› Directed that the WAMI Statute should be amended to incorporate
  (i) a Governing Board, comprising the Central bank Governors and the Director General
  (ii) a Management Committee, comprising the Director General and the other Directors of WAMI.
› WAMI should elaborate on the content, methodology and processes for computing the performance scorecard, including indicators of sustainability and viability of the WAMZ convergence criteria, to be considered at the statutory meeting of Council in May 2008

› WAMI should prepare a report on the structure and financing of the West African Central Bank (WACB). It should review the study on the appropriate capitalization of the West African Central Bank, taking into consideration inputs from member central banks in respect of sources of income, cost of open market operations (OMO), cost of printing and distribution of currency, etc.

8. EXTERNAL RELATIONS CONTINUED

8.4 West African Monetary Agency (WAMA) and ECOWAS

The Authority of Heads of State and Government of the Economic Community of West African States (ECOWAS) called for a review of the two-track approach to monetary integration within the sub-region with a view to adopting a single-track approach. In furtherance of this, an extraordinary meeting of the Convergence Council to discuss the ECOWAS Single Currency Initiative was held in October 2007 in Ouagadougou, Burkina Faso. The Council agreed to commission a study on the best option and a time-table for achieving a single currency for ECOWAS.

8.5 Association of African Central Banks (AACB)

The AACB held its Annual Meeting in Tripoli, Libya in August 2007. The African Union Commission (AUC) participated in the meeting. The Assembly of Governors agreed to form a joint committee with the AU Commission to define a common strategy for establishing the African Central Bank. In subsequent meetings, the AACB and the AUC agreed that macroeconomic convergence should remain a pre-requisite for the introduction of a common currency and the creation of an African Central Bank, and that there is the need to create an African Common Market prior to attaining monetary integration.

8.6 West African Institute for Financial and Economic Management (WAIFEM)

The Board of Governors of WAIFEM held its Annual Meeting in Conakry, Republic of Guinea in December 2007 during which the Institute's 2008 training programme and budget were approved.

8.7 African Export-Import Bank (Afreximbank)

The Bank of Ghana, in collaboration with the Ministry of Finance, hosted the 14th General Meeting of shareholders of Afreximbank in September 2007. The meeting discussed Afreximbank's Annual Report and Audited Financial Statements for 2006. The meeting was held to coincide with a colloquium on "Africa and the new Commodity Boom: Riding the Tiger?", and an investment forum and trade exhibition on Ghana.

8.8 Visit by US Treasury Secretary

The US Treasury Secretary, Henry Paulson, visited Ghana in November 2007. During his visit, Mr. Paulson held a round table discussion with the Governor, Paul A. Acquah, as well as some financial sector executives on financial sector developments in Ghana. The President of the African Development Bank, Mr. Donald Kaberuka, participated in the meetings.

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

The Bank participated in the 14th SWIFT African Regional Conference in Dakar, Senegal in May 2007. The conference, which was on the theme, "Growth, Profitability and Performance: Achieving More Together", reflected on the positive developments in African economies in recent years and the challenges of sustaining the momentum for infrastructural reform. The conference also discussed the influence of banks and governments' strategic decisions on the pace of growth of the payments system. In addition, it provided an update on SWIFT's performance to date and offered the perspective on how SWIFT was evolving to meet the needs of African countries. The challenge was for the market to devise its strategies and for SWIFT to define how it could support them.

The Bank also participated in the SWIFT International Banking Operations Seminar (SIBOS) which took place in Boston, USA in October, 2007. The seminar, which was on the theme "Gaining Momentum", served as a platform to discuss how participants could speed up the implementation and adoption of strategic opportunities to derive maximum benefits.

SWIFT commenced a major rationalization of its operations by decentralizing its operations to four main markets, namely, the USA, Europe, Asia and Africa. This is to provide convenience to its clientele and also facilitate market intelligence gathering activities.

9. ADDRESS OF THE GOVERNOR AT THE CHARTERED INSTITUTE OF BANKERS (GHANA) ANNUAL DINNER –DECEMBER 15, 2007

Mr. Chairman,
President of the Chartered Institute of Bankers,
Fellow Members of the Institute,
Members of the Banking Fraternity,
Distinguished Guests,
Ladies and Gentlemen.

I have always looked forward to this day. It is indeed a great pleasure and honour. But today's event is truly special. First of all it is taking place just before Christmas and the New Year. And for some of us it may well be the kick-off for the holiday season.

Certainly the sumptuous cuisine for this dinner measures up to this occasion – rather delightfully. There is no free lunch or free dinner. Every economist gets this right. And I do not mind to pay the price. I mean for my portion only. So I am tasked to speak; and the price for you is to listen.

Mr. Chairman, seriously speaking, this event is very special and historic. And this resonates in the theme chosen for the 11th National Banking Conference, namely: *"Ghana@50: The Achievements, Challenges of the Financial Services Sector and the Expectations for the next 50 years"*.

The theme is very fitting for this special year of double Golden Jubilee. As you are aware, Ghana@50 also coincides with Bank of Ghana@50, and a series of events were put together to mark fifty years of central banking in Ghana. Today the economy is growing in stable macroeconomic conditions and it has proven relatively resilient to shocks.

Flashing back to the time of Independence (Ghana@zero), the banking industry consisted of three banks operating in a monocrop economy. The landscape of the financial services industry has changed as we celebrate the Golden Jubilee Year. There are 23 banks with a network of some 500 branches, 126 rural banks, 13 savings and loans companies. These operate alongside an array of non-bank financial institutions, insurance companies, and other micro-credit institutions. We now have a reasonably diversified, dynamic, and competitive financial services industry. Relatively strong individual component institutions operate in a more diversified economy. The International Financial Services Centre (IFSC) and off-shore banking are being introduced as important components in the financial sector development strategy. It establishes the framework to open the economy to cross-border capital flows and the global financial markets.

The growth experience of the banking industry is intertwined with that of the economy as a whole. And the industry has necessarily been central to economic policy and structural reforms because a sound and efficient banking system is indispensable for financial stability and for a healthy and robust economy.

The introduction of a new capital requirement as part of the design of the universal banking concept in 2003 started a new process of reforms in the financial sector which I will like to call a phase of "stabilisation, recovery, and adaptation" to the new disinflation policy environment. This came along with the liberalization of entry and encouraging foreign banks and investors in the financial services industry. Since then, we have seen increased competition as well as the introduction of strong business practices, technology, new products, and risk management systems in the banking industry. Banks which were virtually de-capitalised and saddled with high non-performing loans (NPLs) at the time, have developed into sound and profitable entities.

9. ADDRESS OF THE GOVERNOR AT THE CHARTERED INSTITUTE OF BANKERS (GHANA) ANNUAL DINNER – DECEMBER 15, 2007 CONTINUED

Reforms in the legal and regulatory framework have changed the environment. In particular, the Banking (Amendment) Act, the Foreign Exchange Act, and the Anti-Money Laundering Bill just passed by Parliament, together constitute a step-change in the regulatory and incentive structure in support of a market-based economy, with the financial sector truly serving as a pivot. To a large extent, these reforms provide the necessary foundation on which to establish Ghana as a financial centre in the sub-region to enable it begin to compete in the global market for savings and investments.

At the same time, we have developed a state-of-the-art payments and settlement infrastructure (that is the Real Time Gross Settlement system, the Central Securities Depository system, etc). We have seized the opportunity to leapfrog into the most efficient technological platform. As you may be aware, we are building a common electronic and payments platform and a vehicle (e-zwich) to deliver financial services and promote financial inclusion of the "unbanked" and the wider population. It would be possible to make payments for a wide range of goods and services electronically (by the e-zwich smartcard), instead of by cash, as is currently the predominant practice in the economy. The e-zwich will be introduced early in the coming year.

Access to credit on predictable and cost effective terms is part of the process of economic development and financial intermediation, and success here depends on macroeconomic policies and reforms. But it also depends on the private sector's own initiative, resourcefulness, and capacity to take advantage of opportunities in the market.

Successful intermediation may also be measured by the extent to which the SMEs have access to credit, especially from the standpoint of employment, growth, and distributive justice. The financial system needs to provide a mechanism for the sector to become integrated into the core of the economy.

The promulgation of the Credit Reporting Act allows for the establishment of Credit Reference Bureaux. These new institutions will pool credit information in accordance with international best practice, and create the framework for better assessment and pricing of risk, and expand access to credit-worthy borrowers on cost effective terms.

Distinguished Ladies and Gentlemen, the Ghanaian economy is growing and becoming increasingly complex with high value financial transactions likely to result in the near future. The economy is also getting integrated into a global economy that is subject to large cross-border capital flows and shifts in investor sentiments. The risk of contagion can easily spread from one country to another. The repercussions of the on-going sub-prime crisis, and potential risk of disorderly unwinding of global imbalances are examples of the challenges that confront an economy that is open and building an efficent financial sector with global linkages.

An emerging market economy must have the capacity and skills to properly assess, manage, and price risks, and the capacity to manage capital flows to derive full benefits. The financial sector and the economy should be robust and resilient.

The task ahead is to position the financial services industry in Ghana to leverage the current gains in macroeconomic performance to support the growth acceleration process, to catch-up and not fall once again behind countries (such as Malaysia and Korea) that started the development process at the same level and the same time with us some fifty years ago. The financial sector is at the stage that it can begin to drive the private-sector-led growth strategy to achieve the objective of a middle-income status and more.

A dynamic growth-oriented financial system must be strong, well capitalised, and effectively supervised within a friendly regulatory environment in accordance with international best practices and standards.

Distinguished Ladies and Gentlemen, looking ahead to the future, an efficent domestic banking system and domestic capital market are vital pillars for the economy, for market discipline, and efficient allocation and use of resources. They demand improved corporate governance, disclosure, accounting standards, and transparency in the market place. They foster more stable and diversified sources of investment and financing, high economic growth, lower macroeconomic volatility, and greater financial stability.

One of the immediate challenges in developing the capital market is to rope in the corporate sector. In particular, the parastatals who command significant amount of resources must be re-engineered to shift from dependence on fiscal transfers and quasi-fiscal subsidies and become reliant on the capital market based on the strength of their balance sheets. The pension funds, insurance companies and social security, which have been placed largely under public administration, also constitute potentially key players. They can release the pool of captive resources under their management to be channelled to provide depth and liquidity to the capital market.

The listing of the 5-year government bond and the proposed issuance of the 10-year government bond are important policy measures as they establish the yield curve and benchmark for corporate sector activities. This along with the successful sovereign bond issue during the year represent significant development in the growth of the capital market.

Ladies and Gentlemen, you would like to know that the sovereign bond has won the international award of the best overall Emerging Market Bond for 2007 and the best in Eastern European, Middle East and Africa regional category award.

The success of all these initiatives and reforms hinges on prudent fiscal management and monetary policy. The gains in macroeconomic stability, falling inflation, and relative exchange rate stability, and the rising pace of economic growth cannot be taken for granted. With the oil resources on the horizon, we need the capacity to manage capital inflows and public resources to avoid the resource curse syndrome over the long term.

It is to prepare the financial sector for the opportunities and challenges ahead that the Bank of Ghana issued a consultation paper on the revision of the minimum capital requirement for both banks and non-bank financial institutions for discussions with the industry and stakeholders.

The capitalisation programme will increase the ability of banks to broaden the scope of intermediation and capacity to support a growing and diversified loan portfolio in the context of financial stability. In short, the proposed capitalisation aims at building a financial sector underpinned by a modern and safe payments and settlements infrastructure to better position the industry to lead the growth process in the next fifty years.

In closing, Ladies and Gentlemen, let me take advantage to advertise a product. You would recall that at our dinner last year, I announced the re-denomination exercise. It was reported that the immediate response was “dead silence” in the room. In retrospect, I now can interpret that “dead silence” as a resounding offer of cooperation and overwhelming support on the part of the banking industry. We thank you for your cooperation and support, and that of all other stakeholders and the entire population for the exercise.

The advertisement is that the exercise is coming to an end. The transition period where the two currencies run concurrently would end on December 31 2007, in about two weeks. The old notes and coins would cease to be legal tender. However, they can still be changed at any bank, rural bank, and savings & loans company before getting value for them for transaction. I would say that to avoid the inconvenience involved, this is the time to change for the new currency.

Mr. Chairman, Distinguished Ladies and Gentlemen, on this note, let me once again thank you all for your attention.

I wish you all a Merry Christmas and a Happy and Prosperous New Year.

Thank you for your attention.

10. FINANCIAL STATEMENTS

Corporate Information

Board of Directors	Dr. Paul A. Acquah (Chairman/Governor) Mr. Lionel Van Lare Dosoo (1st Deputy Governor) Dr. Mahamudu Bawumia (2nd Deputy Governor) Mr. Nik Amarteifio (Lead Director) Prof. F. T. Sai Mrs. Gloria Nikoi Mr. Sam Okudzeto Rev. Dr. Kwabena Darko Prof. K. Asenso-Okyere (Resigned, 1/5/07) Togbe Afede XIV Prof. George Gyan-Baffour Lt. Gen. (Rtd) Joshua Hamidu Mr. Ellias K. N. Preko (Appointed, 1/5/07)
Secretary	Mr. James A. Odei Bank of Ghana Head Office, One Thorpe Road P. O. Box GP 2674 Accra, Ghana
Auditors	KPMG Chartered Accountants 13 Yiyiwa Drive 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 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 31 December 2007.

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 2007 financial year.

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; and
› prepare the financial statements on a 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 Legislation and Accounting Framework

The financial statements, including comparative year information, are prepared both in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2006 (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.

(a) Departure from IFRS

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

› Treatment of net foreign exchange difference; and
› Net foreign exchange differences on holdings of gold, Special Drawing Rights or foreign securities which have been treated in accordance with the Bank's accounting policy and presented under notes 17 and 18.

Details of this departure are presented under note 34.
The Board has reviewed this treatment and has concluded that the departure from the requirements of IFRS 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).

(b) Specific non-compliance with provisions of IFRS

Provision for pension liability

The Bank operates a pension scheme based on final pensionable pay for which the Bank is required to make annual charges based on actual pensions paid and provisions to cover future period as required by IAS 19. The Bank has so far made a partial provision of GH¢40 million in respect of its obligation to the scheme as set by actuarial valuation of GH¢297 million at 31 December 2007.

REPORT OF THE DIRECTORS TO THE MEMBERS OF BANK OF GHANA CONTINUED

Currency Re-Denomination Cost

During the year under review, the Bank undertook a currency re-denominative replacement exercise at a cost of GH¢89 million.

The total expenditure includes GH¢58.8 million for printing and minting cost of the replacement of notes (1,930,987,734 number of notes) and coins (844,575,000 pieces) in circulation and normal growth requirements for 2008 and 2009; and should be set against expenditure without re-denomination comprising:

(i) Cost of printing new notes to cover purchases of 2007/2008 cocoa crop (estimated historical cost of US$27.5 million (£13.74 million)),

(ii) Bid cost (US$58.3 – US$80 million by international tender) of printing the cedi currency notes only under normal printing programme over same period; and

(iii) Income from existing stock of demonetized coins at about US$10 million in vaults.

Financial Statements

The results for the year are summarised below:

	2007 GH¢'000	2006 GH¢'000
Net surplus for the year for the Bank	81,250	55,757
Net surplus for the year for the Bank and Subsidiary	90,268	61,798

Subsidiary Company

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

Chairman (Governor)

Director

ACCRA

31 July 2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK OF GHANA

We have audited the consolidated and separate financial statements of Bank of Ghana, which comprise the balance sheet at 31 December 2007, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 55 to 97.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act and the Financial Administration Act of Ghana. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion in accordance with International Financial Reporting Standards and the Financial Administration Act of Ghana, and our unmodified opinion in accordance with the Bank of Ghana Act.

Basis for Qualified Opinion in accordance with International Financial Reporting Standards and the Financial Administration Act of Ghana

a) 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 or loss in the period in which they arise. Net unrealised foreign exchange gains of GH¢3.898 million on holdings of gold, Special Drawing Rights and foreign securities with the International Monetary Fund have been recognised directly in the Revaluation account included in Other Assets under note 18, in accordance with Section 7 of the Bank of Ghana Act.

b) The Bank operates a defined benefit pension scheme based on final pensionable pay. International Financial Reporting Standard IAS 19 Employee Benefits, requires that the liability in terms of the benefit that employees have earned in respect of their services in current and prior periods be estimated using actuarial techniques and discounted to present value using the Projected Unit Credit Method. Management commissioned a consultant to carry out an actuarial valuation of the scheme in 2007 using the Projected Unit Credit Method. The actuarial valuation, as contained in the report of the consultant, set the bank's obligation at GH¢297 million at 31 December 2007. Management is required by the Bank of Ghana Act to make annual charges based on actual pensions paid and a provision to cover future periods, but the Act does not specify the basis on which the provision should be calculated. Accordingly, a provision of GH¢40 million has so far been made in the financial statements in respect of the bank's obligation to the scheme.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BANK OF GHANA CONTINUED

Qualified opinion in accordance with International Financial Reporting Standards and the Financial Administration Act of Ghana

In our opinion, except for the effects of the matters described above in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the consolidated and separate financial position of Bank of Ghana at 31 December 2007, and its consolidated and separate financial performance and the consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the Financial Administration Act of Ghana.

Unqualified opinion in accordance with the Bank of Ghana Act

In our opinion, the financial statements give a true and fair view of the consolidated and separate financial position of the Bank of Ghana at 31 December 2007, and its consolidated and separate performance and the consolidated and separate cash flows for the year then ended in accordance with the Bank of Ghana Act.

Chartered Accountants
13 Yiyiwa Drive
P O BOX GP 242
ACCRA

31 July 2008

BALANCE SHEET
AS AT 31 DECEMBER 2007

		The Bank		The Group	
		2007	2006	2007	2006
	Note	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Assets					
Cash and amounts due from Banks	13	228,650	200,394	36,391	75,161
Gold	14	228,741	164,255	228,741	164,255
Balances with IMF	15	565,790	514,510	565,790	514,510
Securities	17	3,448,228	2,402,516	3,622,779	2,508,161
Loans and Advances	16	301,432	609,686	814,114	1,046,569
Other Assets	18	255,577	169,024	259,360	171,085
Property, Plant and Equipment	19(i)	98,248	84,253	100,362	85,864
Intangible Assets	19(ii)	–	190	–	190
Development Loans and Investments	20	5,084	5,084	162	162
Deferred Tax	12(ii)	–	–	176	96
Total Assets		**5,131,750**	**4,149,912**	**5,627,875**	**4,566,053**
Liabilities					
Currency in Circulation	21	1,449,907	1,090,751	1,449,907	1,090,751
Allocations of Special Drawing Rights		96,219	87,401	96,219	87,402
Deposits	22	1,977,679	1,299,254	2,386,519	1,634,459
Liabilities to IMF	23	713,311	654,567	713,311	654,567
Taxation	12(i)	–	–	593	1,546
Liabilities under Money Market Instruments	24	514,419	553,648	514,419	553,648
Other Liabilities	25	107,424	242,233	123,073	262,551
Total Liabilities		**4,858,959**	**3,927,854**	**5,284,041**	**4,284,924**
Shareholders' Funds					
Stated Capital	26	10,000	10,000	10,000	10,000
Asset Revaluation Reserve	27	58,930	58,930	58,930	58,930
General Reserve	28	28,760	8,350	28,760	8,350
Other Reserve	29	173,298	163,385	194,540	182,117
Retained Earnings		1,803	(18,607)	14,431	(9,616)
Total Equity attributable to Equity Holders of the Bank		272,791	222,058	306,661	249,781
Minority Interest		–	–	37,173	31,348
Total Equity		272,791	222,058	343,834	281,129
Total Liabilities And Equity		**5,131,750**	**4,149,912**	**5,627,875**	**4,566,053**

Chairman (Governor)
31 July 2008

Director

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

		The Bank		The Group	
	Note	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Interest and similar income	6(i)	201,356	157,332	229,252	177,529
Fee and commission income		17,838	11,712	24,317	16,945
Dividend income		1,980	1,168	–	–
Other operating income	6(iii)	107,866	62,318	112,764	64,740
Operating Income		329,040	232,530	366,333	259,214
Interest expense and similar charges	6(ii)	(77,217)	(76,992)	(90,408)	(86,335)
Net impairment loss	10	207	(2,019)	207	(2,019)
Operating expenses		(170,780)	(77,762)	(181,749)	(85,866)
Administration	7	64,842	40,895	78,257	46,987
Premises and Equipment	8	16,880	12,700	19,864	14,712
Currency and Issue	9	89,058	24,167	89,058	24,167
		81,250	75,757	94,833	84,994
Defined benefit expense	11	–	(20,000)	–	(20,000)
Surplus before taxation		81,250	55,757	94,833	64,994
Taxation	12(iii)	–	–	(4,097)	(3,196)
Surplus for the year		81,250	55,757	90,268	61,798
Surplus attributed to:					
Equity shareholders of the Bank		81,250	55,757	84,888	58,266
Minority Shareholders		–	–	5,398	3,532
Surplus for the year		81,250	55,757	90,268	61,798

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

The Bank

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve GH¢'000	General Reserve GH¢'000	Other Reserve GH¢'000	Total GH¢'000
Balance at 1 January 2006	10,000	(19,289)	58,930	7,667	55,275	112,583
Surplus for the year		55,757				55,757
Transfer to General Reserve		(683)		683		–
Reclassification from other liabilities					22,743	22,743
Price/exchange movements in gold & other foreign assets					32,367	32,367
Revaluation Loss Account		(1,392)				(1,392)
Transfer to Other Reserve		(53,000)			53,000	–
Balance at 31 December 2006	**10,000**	**(18,607)**	**58,930**	**8,350**	**163,385**	**222,058**
Balance at 1 January 2007	10,000	(18,607)	58,930	8,350	163,385	222,058
Surplus for the year		81,250				81,250
Transfer to General Reserve		(20,410)		20,410		–
Price/exchange movements in gold & other foreign assets					(5,087)	(5,087)
Transfer to Other Reserve		(40,430)			40,430	–
Transfer to Other Liabilities					(25,430)	(25,430)
Balance at 31 December 2007	**10,000**	**1,803**	**58,930**	**28,760**	**173,298**	**272,791**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
CONTINUED

The Group

	Stated Capital GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve GH¢'000	General Reserve GH¢'000	Other Reserve GH¢'000	Translation Reserve GH¢'000	Total GH¢'000	Minority Interest GH¢'000	Total GH¢'000
Balance at 1 January 2006	10,000	(12,808)	58,930	7,667	55,275	14,420	133,484	24,960	158,444
Net Surplus for the year		58,266					58,266	3,532	61,798
Transfer to General Reserve		(683)		683					–
Reclassification from other Liabilities					22,743		22,743		22,743
Price & Exchange movement in gold and other foreign assets					32,367		32,367		32,367
Transfer to Revaluation loss		(1,392)					(1,392)		(1,392)
Transfer to Other Reserve		(53,000)			53,000		–		–
Foreign currency translation reserve						4,313	4,313	2,856	7,169
Balance at 31 December 2006	**10,000**	**(9,617)**	**58,930**	**8,350**	**163,385**	**18,733**	**249,781**	**31,348**	**281,129**
Balance at 1 January 2007	10,000	(9,617)	58,930	8,350	163,385	18,733	249,781	31,348	281,129
Net Surplus for the year		84,888					84,888	5,398	90,286
Transfer to General Reserve		(20,410)		20,410			–		–
Price & Exchange movement in gold and other foreign assets					(5,087)		(5,087)		(5,087)
Transfer to Other Reserve		(40,430)			40,430				
Foreign currency translation reserve						2,509	2,509	427	2,936
Transfer to Other Liabilities					(25,430)		(25,430)		(25,430)
Balance at 31 December 2007	**10,000**	**14,431**	**58,930**	**28,760**	**173,298**	**21,242**	**306,661**	**37,173**	**343,834**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

The Bank

	2007		2006	
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash (outflows)/inflows from operating activities (Note 33a)		(279,799)		4,602
Cash flows from investing activities				
Change in Development Loans and Investments	–		102	
Property, Plant & Equipment Purchased	(28,130)		(12,795)	
Proceeds from Sale of Property, Plant & Equipment	275		1	
Change in Balances with IMF	(51,280)		(31,457)	
Net cash used in investing activities		(79,135)		(44,149)
		(358,934)		(39,547)
Cash flows from financing activities				
Change in FINSAP bond	(5,259)		–	
Change in Bank of Ghana Instruments	(33,970)		(144,011)	
Change in Currency in Circulation	359,156		238,699	
Change in Allocation of SDRs	8,818		5,341	
Change in Short Term Credits	51,660		139,101	
Change in Enhanced Structural Adjustment Facility	7,083		(345,775)	
Net cash from/(used in) financing activities		387,488		(106,645)
Net change in cash and cash equivalents		28,554		(146,192)
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1 January		200,394		346,586
Net Cash Inflow/(Outflow)		28,554		(146,192)
Effect of exchange rate fluctuations on cash held		(298)		–
Balance at 31 December		228,650		200,394

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
CONTINUED

The Group

	2007	2007	2006	2006
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash outflows from operating activities (Note 33b)		(338,724)		(70,577)
Cash flows from investing activities				
Change in Development Loans and Investments	–		102	
Property, Plant & Equipment Purchased	(29,113)		(14,438)	
Proceeds from Sale of Property, Plant & Equipment	275		12	
Change in Balances with IMF	(51,280)		(31,457)	
Net cash used in investing activities		(80,118)		(45,781)
		(418,842)		(116,358)
Tax Paid		(5,121)		(2,626)
Cash flows from financing activities				
Dividend Paid to Minority Interest	(1,970)		(1,135)	
Change in FINSAP Bond	(5,259)		–	
Change in Bank of Ghana Instruments	(33,969)		(144,011)	
Change in Currency in Circulation	359,155		238,699	
Change in Allocation of SDRs	8,818		5,340	
Change in Short Term Credits	51,660		139,101	
Change in Enhanced Structural Adjustment Facility	7,083		(345,775)	
Net cash from/(used in) financing activities		385,518		(107,781)
Net change in cash and cash equivalents		(38,445)		(226,765)
Analysis of Changes in Cash and Cash Equivalents during the Year				
Balance at 1 January		75,161		301,926
Net Cash Outflow		(38,445)		(226,765)
Effect of exchange rate fluctuations on cash		(325)		–
Balance at 31 December		36,391		75,161

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

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; and
› 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 2007 comprise the Bank and its subsidiary, together referred to as "The group".

2. Basis of Preparation

a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Bank of Ghana Act 2002 (Act 612) the Financial Administration Act, 2006 (Act 654) and International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) 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 34.

b. Basis of Measurement

These consolidated financial statements are presented in Ghana cedis, which is the Bank's functional currency, rounded to the nearest thousand. They are prepared on the historical cost basis except for the following financial assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments that are fair value through profit or loss and financial instruments classified as available-for-sale. The group's accounting policies have been applied consistently with those used in the previous year.

c. Use of Estimates and Judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgment about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, significant areas of estimation of uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in note 3(n), 30 and 32.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

3. Summary of Significant Accounting Policies

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

a. Basis of Consolidation

(i) Subsidiaries

Subsidiaries are all entities including special purpose entities over which the Bank has the power to directly or indirectly govern their financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable are taken into account.

Subsidiaries are consolidated from the date on which the bank effectively obtains control until the date that control ceases.

(ii) Special Purpose Entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective. SPEs are consolidated where the substance of the relationship is that the Bank controls the SPE.

(iii) Transactions Eliminated on Consolidation

Intra-group balances, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing these consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. Revenue Recognition

(i) Fair Value Gains and Losses

Gains and losses arising from changes in the fair value of financial assets and liabilities held at fair value through profit or loss, as well as any interest receivable or payable, is included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains and losses from monetary items, are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement.

(ii) Dividends Received

Dividends are recognised in the income statement when the Bank's right to receive payment is established.

c. Interest Income and Expense

Interest income and expense on available-for-sale assets and financial assets or liabilities held at amortised cost are recognised in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the income statement in the period they arise.

d. Fees and Commissions

Fees and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

e. Other Operating Income

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities, derecognised available for sale financial assets, and foreign exchange differences.

f. Foreign Currency

(i) Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency of group entities using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Non-monetary assets and liabilities that are measured at fair value are translated at historical exchange rates if held at historical cost, and retranslated to the functional currency at the exchange rate at the date that the fair value was determined if they are carried at fair value. The resulting foreign exchange gains and losses are recognised in the income statement or shareholders' equity as appropriate 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).

(ii) Financial Statements of Foreign Operations

The Bank considers its subsidiary as foreign entity. Accordingly, the assets and liabilities of the foreign operation, including any goodwill and fair value adjustments arising on acquisition are translated into Ghana cedis at the foreign exchange rates ruling at the balance sheet date. The revenues and expenses of the subsidiary are translated to Ghana cedis at the average rate for the year. Foreign exchange differences arising on these translations are recognised directly into equity, being foreign currency translation reserve.

When a foreign operation is disposed of, in part or full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

The following were the average and the closing rates for the year ended 31 December 2007.

Currency	Average Rate GH¢	Closing Rate GH¢
US Dollar	0.9357	0.9682
GBP	1.8772	1.9381
EURO	1.2862	1.4206
SDR	1.4577	1.5277

g. Special Drawing Rights and International Monetary Fund related Transactions

The Bank, on behalf of Government of Ghana, manages assets and liabilities in respect of Special Drawing Rights (SDRs) with the International Monetary Fund (IMF). Exchange gains and losses arising from translation of SDRs at period ends are treated in accordance with note 3(f) above.

h. Leases

(i) Classification

Leases that the group assumes substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the leased asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are classified as operating leases.

(ii) Lease Payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the period of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Minimum lease payments made under finance leases are apportioned between the finance expense and as reduction of the outstanding lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

i. Financial Assets and Liabilities

(i) Classification of Financial Assets and Liabilities
The group classifies its financial assets in the following categories: financial assets held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or other financial liabilities. Management determines the categorisation of its financial assets and liabilities on initial recognition.

(ii) Held-to-Maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

(iii) Financial Assets and Liabilities held at Fair Value through Profit or Loss
This category has two sub-categories: financial assets and liabilities held for trading, and those designated as at fair value through profit or loss at inception. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

(iv) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are loans and receivables created by the group providing money to a debtor other than those created with the intention of short-term profit taking.

(v) Available-for-Sale Financial Assets
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as financial assets at fair value through profit or loss, loans and receivable and held to maturity.

(vi) Financial Liabilities measured at Amortised Cost
This relates to all other liabilities that are not designated at fair value through profit or loss.

(vii) Initial Recognition
Purchases and sales of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on trade date (the date the group commits to the contractual provisions of the instrument). Loans and receivables are recognised when cash is advanced to customers or borrowers.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction cost except for those that are at fair value through profit or loss.

(viii) Subsequent Measurement
Available-for-sale financial assets are subsequently carried at fair value with the resultant fair value changes recognised in equity. The fair value changes on available-for-sale financial assets are recycled to the income statement when the underlying asset is sold, matured or derecognised.

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value with the resultant fair value changes recognised in the income statement

Loans and receivables, held-to-maturity instruments and other liabilities are subsequently carried at amortised cost using the effective interest method.

(ix) Derecognition
Financial assets are derecognised when the contractual right to receive cash flows from the financial assets has expired or where the group has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that is created or retained by the group is recognised as a separate asset.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

(x) Fair Value Measurement
The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or financial liability is not actively traded or unlisted securities, the group establishes fair value by using valuation techniques. These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

For complex instruments such as swaps, the group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may derive from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the balance sheet.

(xi) Offsetting
Financial assets and liabilities are set off and the net amount presented in the balance sheet when, and only when, the group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(xii) Amortised Cost Measurement
The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(xiii) Identification and Measurement of Impairment
The group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrowers.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

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.

Impairment of non-financial Assets The carrying amounts of the group's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

Impairment losses are recognised in the income statement.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xiv) Designation at fair value through Profit or Loss
The group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

(xv) Designation at fair value through Profit or Loss
Note 30 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

j. Gold

Gold is held by the group 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).

k. 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 I (iv).

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.

l. 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 bearing and non-interest bearing components of these securities are stated at amortised cost to fairly present the substance of these securities.

m. Equity Shares and Participation Interests

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

n. Property, Plant and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment ("PPE") have different useful lives, they are accounted for as separate items (major components) of PPE.

(ii) Subsequent Costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives.

The annual depreciation rates generally in use for the current and comparative year 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.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses on disposals are included in the income statement.

(iv) Revaluation

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset after revaluation equals its revalued amount. Where assets carrying amount is increased as a result of revaluation, the increase is credited to equity under the heading of Asset Revaluation Reserve. However, the increase is recognised in income statement account to the extent that it reverses a revaluation decrease of the same asset previously recognised in income statement account.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Conversely, where the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in the profit and loss account. However, the decrease shall be debited directly to equity under the heading Asset Revaluation Reserve to the extent of any credit balance existing in the Asset Revaluation Reserve in respect of that asset.

o. Intangible assets

Software

Software acquired by the group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

p. Deposits

This is mainly made up of customer, government, commercial banks and other financial institutions' deposit accounts. They are categorised as other financial liabilities carried in the balance sheet at amortised cost. Interest bearing deposits are stated at amortised cost. Non-interest bearing deposits are also stated at armortised cost.

q. Employee benefits

(i) Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

(ii) Defined Benefit Plans

The Bank of Ghana 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.

The Bank's net obligation in respect of defined benefit pension plans is to be calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs. The discount rate is the yield at the reporting date on a long-dated instrument on the Ghana market. The calculation is performed by a qualified actuary using the projected unit credit method. Changes in the present value of the plan liabilities are to be recognised in the income statement.

When the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(iii) Termination Benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

r. 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 is 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.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

s. Taxation
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

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. Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recover from) the tax authorities on the taxable income for the year, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

t. Deferred Taxation
Provision is made for deferred tax liabilities using the liability method on temporary differences. Deferred tax assets are recognised to the extent that there is reasonable certainty of realisation.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is 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 reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

u. 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.

v. Cash and Cash Equivalents
Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the financial statements.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

w. Provisions

A provision is recognised if, as a result of past obligating event, the settlement amount can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the net present value of the lower of the expected cost to terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the group recognises any impairment loss on the assets associated with that contract.

x. Financial Guarantees

Financial guarantees are contracts that require the group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee liabilities are initially recognised at their fair value, and the initial fair value is amortised over the life of the financial guarantee. The guarantee liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

4. Comparative Information

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

The Government of Ghana re-denominated the currency with effect from 1 July 2007 by exchanging ¢10,000.00 (Ten Thousand Cedis) for GH¢1.00 (One Ghana Cedi). Transactions from 1 January to 30 June 2007 have been converted to Ghana Cedis, so also the comparative 2006 corresponding figures.

5. Commitments and Contingent Liabilities

(a) Guarantees and Performance Bonds

The Bank enters into various commitments in the normal course of its business, which are not reflected in the accompanying balance sheet. The amount of guarantees and performance bonds outstanding, some of which are offset by corresponding obligations of the Government, as at 31 December 2007 was GH¢194.2 million (2006: GH¢110.3 million).

(b) Capital Expenditure

The group had capital expenditure commitments of GH¢5.46 million not provided for in the financial statements as at 31 December 2007 (2006: GH¢17.96 million).

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the group amounting to GH¢11.7 million (2006: GH¢1.84 million).

(d) Documentary credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank Plc amounted to about GH¢23.29 million (2006: GH¢1.96 million).

(e) Operating Lease

There was no commitment in respect of operating lease during the year (2006: Nil).

6(i). Interest and Similar Income

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Interest on overnight borrowings, government securities, medium/long term notes and bonds	77,865	75,071	105,761	95,268
Interest on foreign correspondent accounts and foreign investments	107,916	62,191	107,916	62,191
Interest Income	185,781	137,262	213,677	157,459
Discount on treasury bill operations	15,575	20,070	15,575	20,070
	201,356	157,332	229,252	177,529

Included within various captions under interest income for the year ended 31 December 2007 is a total of GH¢200 million (2006: GH¢152 million) earned on financial assets as analysed below.

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Cash and Cash Equivalents	41,583	43,769	41,583	43,769
Loans and Advances to banks	2,033	700	24,293	14,994
Investment Securities	156,625	107,553	162,261	113,456
	200,241	152,022	228,137	172,219
Others	1,115	5,310	1,115	5,310
	201,356	157,332	229,252	177,529

6(ii). Interest Expense and Similar Charges

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
IMF & SDR allocations	3,653	3,940	3,653	3,940
Foreign loans and credits	6,349	2,082	6,349	2,082
Forex deposits	6	–	6	–
Deposits by customers	–	–	7,208	5,239
Deposits by Banks	–	–	5,983	4,104
Interest on money market instruments	67,209	70,970	67,209	70,970
	77,217	76,992	90,408	86,335

6(iii). Other Operating Income

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Exchange gain	103,119	59,827	103,119	59,827
Other Miscellaneous	4,747	2,491	9,645	4,913
	107,866	62,318	112,764	64,740

7. Administrative Expenses

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Personnel Cost	44,361	30,850	49,722	34,901
Foreign and Domestic Travel	1,654	1,198	1,788	1,261
Motor vehicle Maintenance/running	2,468	1,334	2,486	1,356
Communication Expenses	2,295	1,767	2,626	2,098
Banking Colleges and Monetary Institutes	650	272	650	272
Computer Related Expenses	5,099	736	5,753	1,242
Banking Supervision Expenses	134	389	134	389
Auditors' Remuneration	119	99	257	202
Directors' Remuneration	370	306	1,145	896
Foreign Currency Importation	181	186	181	186
Depreciation – motor vehicles	2,635	824	2,659	841
Others	4,876	2,934	5,426	3,343
	64,842	40,895	72,827	46,987

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

	The Bank		The Group	
	2007	2006	2007	2006
Directors	12	12	19	19
Staff	1,498	1,518	1535	1,552
	1,510	1,530	1,554	1,571

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

8. Premises and Equipment Expenses

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Rent and Rates	340	544	1,345	1,360
Electricity, Water and Conservancy	1,053	709	1,089	726
Repairs and Renewals	3,186	938	4,820	1,728
Insurance – Premises and Equipment	66	71	283	255
Depreciation – Premises & Equipment	11,020	9,693	11,063	9,756
Generator Running Expenses	286	191	323	315
Other Premises and Equipment Expenses	929	554	941	572
	16,880	12,700	19,864	14,712

9. Currency and Issue Expenses

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Agency Fees	102	152	102	152
Notes Printing	38,649	23,715	38,649	23,715
Coin Minting	20,182	–	20,182	–
Other Currency Expenses	30,125	300	30,125	300
	89,058	24,167	89,058	24,167

Included in the currency and issue expenses is GH¢85,596,116 (2006: Nil) in respect of costs incurred on redenomination of the cedi. Of this amount, GH¢58,831,730 (2006: GH¢23,714,896) was incurred on the bank's recurrent expenditure of note printing and coin minting.

10. Impairment Losses

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Charge (Reversal) of impairments of other assets	(207)	2,019	(207)	2,019
Balance at 1 January	8,132	6,113	8,132	6,113
Impairment loss recognised/(reversal)	(207)	2,019	(207)	2,019
Balance at 31 December	7,925	8,132	7,925	8,132

This is in respect of impairment made on loans and advances, other assets and development loans and investments, disclosed in notes 16, 18 and 20 respectively whose recoverability have become doubtful.

11. Defined Benefit Expense

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Pension Fund	–	20,000	–	20,000
	–	20,000	–	20,000

The above is to cover part of the liability towards the banks pension fund as at 31 December 2007.

12. 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 1/1/07 GH¢'000	Payments during year GH¢'000	Charge to income statement GH¢'000	Balance at 31/12/07 GH¢'000
Up to 2006	1,546	–	–	1,546
2007	–	(5,121)	4,168	(953)
	1,546	(5,121)	4,168	593

A UK corporation tax rate of 30% is applied on profit on ordinary activities of the bank's subsidiary registered in the UK. An effective tax rate of 31% was applied on profit on ordinary activities.

(ii) Deferred Tax

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Balance at 1 January	–	–	96	152
Translation Adjustment	–	–	9	18
Credit/(Charge) for the year [12(iii)]	–	–	71	(74)
Balance at 31 December	–	–	176	96

The balance on deferred tax comprises:

Accelerated capital allowances	–	–	176	96
Other timing differences	–	–	–	–
Total	–	–	176	96

(iii) Income Tax Expense

The tax expense in the consolidated income statement comprises:

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Corporate income tax expense [note 12(i)]	–	–	4,168	3,122
Deferred tax (credit)/charge for the period [note 12(ii)]	–	–	(71)	74
	–	–	4,097	3,196

(iv) Reconciliation of effective Tax Rate

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Profit before tax	75,072	55,757	88,205	64,994
Income tax using U.K. Tax rate at 30% on subsidiary's profits			4,534	3,121
Non-deductible expenses	–	–	59	61
Tax exempt revenues	–	–	(183)	(102)
Tax incentives not recognised in income statement	–	–	(54)	(54)
Originating/reversals of timing differences	–		(259)	170
Current tax charge	–	–	4,097	3,196

Effective tax rate after removing the holding company's non-taxable income is 31% (2006: 34%).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

13. Cash and Amounts Due From Banks

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Correspondent Bank Balances	205,598	181,422	13,339	56,189
Notes and Coins Holdings	23,052	18,972	23,052	18,972
	228,650	200,394	36,391	75,161

Included in cash and amounts due from Banks is an amount of GH¢25.7million (2006: GH¢6.3 million) in respect of cash pledged as collateral security to cover letters of credit issued by Ghana International Bank (GIB) on behalf of the Bank of Ghana.

14. Gold

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Bank of England Gold set aside	15,746	11,307	15,746	11,307
Bank of England Gold Investment	74,216	53,293	74,216	53,293
Federal Reserve Bank NY Gold	62,871	45,147	62,871	45,147
UBS Gold Investment	67,583	48,530	67,583	48,530
Gold – Local Holdings	8,325	5,978	8,325	5,978
	228,741	164,255	228,741	164,255

15. Balances With IMF

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Holdings	568	1,086	568	1,086
Quota	563,721	512,061	563,721	512,061
HIPC Trust	1,501	1,363	1,501	1,363
	565,790	514,510	565,790	514,510

16. Loans and Advances

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Government	282,164	608,395	282,164	608,395
Financial institutions	2,901	2,646	445,910	386,908
Lending (Note 16a)	19,012	1,477	88,685	54,098
Gross amount	304,077	612,518	816,759	1,049,401
Less: Impairment Losses	(2,645)	(2,832)	(2,645)	(2,832)
Carrying amount (Note 16b &c)	301,432	609,686	814,114	1,046,569

(a) Analysis of Lending (Sectorial)

Gross lending is analysed as follows;

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Commerce and Finance	–	–	69,673	52,621
Miscellaneous	19,012	1,477	19,012	1,477
	19,012	1,477	88,685	54,098

(b) Loans and Advances (valuation)

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Loans and advances at fair value through P&L	282,164	608,395	282,164	608,395
Loans and advances at amortised cost (Note 16c)	19,268	1,291	531,950	438,174
	301,432	609,686	814,114	1,046,569

(c) The Bank
Loans and Advances at Amortised Cost

	2007			2006		
	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000
Government	282,164	–	282,164	608,395	–	608,395
Financial Institutions	2,901	(2,645)	256	2,646	(2,646)	–
Other secured lending	19,012	–	19,012	1,477	(186)	1,291
	304,077	(2,645)	301,432	612,518	(2,832)	609,686

(d) The Group
Loans and Advances at Amortised Cost

	2007			2006		
	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000
Government	282,164	–	282,164	608,395	–	608,395
Financial Institutions	445,910	(2,645)	443,265	386,908	(2,646)	384,262
Other secured lending	88,685	–	88,685	54,098	(186)	53,912
	816,759	(2,645)	814,114	1,049,401	(2,832)	1,046,569

17. Securities

The Bank

	Gross Amount GH¢'000	Amortisation GH¢'000	2007 Carrying Amount GH¢'000	2006 Carrying Amount GH¢'000
Long-term Government securities	915,155	(520)	914,635	493,050
Money Market instruments	329,372	(225)	329,147	179,713
Short-Term Securities	2,205,282	(836)	2,204,446	1,729,753
	3,449,809	(1,581)	3,448,228	2,402,516

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

The Group

	Gross Amount GH¢'000	Amortisation GH¢'000	2007 Carrying Amount GH¢'000	2006 Carrying Amount GH¢'000
Long-term Government securities	915,155	(520)	914,635	493,050
Money Market instruments	329,372	(225)	329,147	179,712
Short-Term Securities	2,380,016	(1,019)	2,378,997	1,832,170
Others	–	–	–	3,229
	3,624,543	(1,764)	3,622,779	2,508,161

(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 and investments held with overseas fund managers.

18. Other Assets

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Items in course of Collection	6,762	26,312	6,762	26,312
Revaluation Account	(2,506)	–	(2,506)	–
Others	255,707	147,119	259,490	149,180
	259,963	173,431	263,746	175,492
Less: Impairment Losses	(4,386)	(4,407)	(4,386)	(4,407)
	255,577	169,024	259,360	171,085

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.

19(i). Property, Plant and Equipment

Bank

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Gross Value						
At 1/1/06	40,090	5,500	1,106	36,718	13,115	96,529
Additions	180	441	351	1,016	10,626	12,614
Transfers	372	–	(105)		(267)	–
Disposals	–	–	(5)	(2)	–	(7)
Balance at 31/12/06	40,642	5,941	1,347	37,732	23,474	109,136
Gross Value						
At 1/1/07	40,642	5,941	1,347	37,732	23,474	109,136
Additions	3,081	7,462	50	1,221	15,836	27,650
Transfers	6,060	–	–	2,896	(8,956)	–
Disposals	–	(324)	(33)	(15)	–	(372)
Balance at 31/12/07	49,783	13,079	1,364	41,834	30,354	136,414
Accumulated Depreciation & Impairment Losses						
At 1/1/06	1,328	5,012	222	7,848	–	14,410
Charge for the year	1,350	823	270	8,032	–	10,475
Disposal	–	–	(1)	(1)	–	(2)
Balance at 31/12/06	2,678	5,835	491	15,879	–	24,883
Accumulated Depreciation & Impairment Losses						
At 1/1/07	2,678	5,835	491	15,879	–	24,883
Charge for the year	1,715	2,634	274	9,032	–	13,655
Disposal	–	(324)	(33)	(15)	–	(372)
Balance at 31/12/07	4,393	8,145	732	24,896	–	38,166
Carrying Amounts						
Balance at 1/01/06	38,762	488	884	28,870	13,115	82,119
Balance at 31/12/06	37,964	106	856	21,853	23,474	84,253
Balance at 31/12/07	45,390	4,933	633	16,938	30,354	98,248

The residual values and useful lives of assets have been reviewed at the year end and expectations do not differ from previous estimates.

Impairment review of various categories of assets was carried out to identify indicators of accelerated impairment. There was no material impairment loss recognised or reversed during the year and in the prior year.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

The Group

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Gross Value						
At 1/1/06	40,090	5,564	1,540	39,142	13,115	99,451
Additions	180	533	351	2,566	10,627	14,257
Transfers	373	–	(105)	–	(268)	–
Disposals	–	(74)	(5)	(1)	–	(80)
Translation Adjustment	–	10	66	371	–	447
Balance at 31/12/06	40,643	6,033	1,847	42,078	23,474	114,075
Gross Value						
At 1/1/07	40,643	6,033	1,847	42,078	23,474	114,075
Additions	3,081	7,461	94	2,161	15,836	28,633
Transfers	6,060	–	–	2,896	(8,956)	–
Disposals	–	(324)	(425)	(2,801)	–	(3,550)
Translation Adjustment	–	6	36	317	–	359
Balance at 31/12/07	49,784	13,176	1,552	44,651	30,354	139,517
Accumulated Depreciation and Impairment Losses						
At 1/1/06	1,328	5,067	561	10,052	–	17,008
Charge for the Year	1,350	842	338	8,348	–	10,878
Released on Disposal	–	(71)	(1)	(1)	–	(73)
Translation Adjustment	–	9	52	337	–	398
Balance at 31/12/06	2,678	5,847	950	18,736	–	28,211
Accumulated Depreciation and Impairment Losses						
At 1/1/07	2,678	5,847	950	18,736	–	28,211
Charge for the Year	1,716	2,660	300	9,557	–	14,233
Released on Disposal	–	(324)	(406)	(2,801)	–	(3,531)
Translation Adjustment	–	1	33	208	–	242
Balance at 31/12/07	4,394	8,184	877	25,700	–	39,155
Carrying Amounts						
Balance at 01/01/06	38,762	497	979	29,090	13,115	82,443
Balance at 31/12/06	37,965	186	897	23,342	23,474	85,864
Balance at 31/12/07	45,390	4,992	675	18,951	30,354	100,362

The residual values and useful lives of assets have been reviewed at the year end and expectations do not differ from previous estimates.

Impairment review of various categories of assets was carried out to identify indicators of accelerated impairment. There was no material impairment loss recognised or reversed during the year and in the prior year.

19(ii). Intangible Assets

	The Bank	The Group
Cost		
Balance at 01/01/06	1,434	1,434
Balance at 31/12/06	1,434	1,434
Amortisation and Impairment		
Balance at 01/01/06	864	864
Amortisation for the year	380	380
Balance at 31/12/06	1,244	1,244
Cost at 1/01/07	1,434	1,434
Additions	394	394
Balance at 31/12/07	1,828	1,828
Amortisation and Impairment		
Balance at 01/01/07	1,244	1,244
Amortisation for the year	584	584
Balance at 31/12/07	1,828	1,828

	The Bank	The Group
Carrying Amounts		
Balance at 01/01/06	570	570
Balance at 31/12/06	190	190
Balance at 31/12/07	–	–

Intangible asset is in respect of cost of software licence renewable every two (2) years. The acquired licence is amortised over the two-year useful life on a straight line basis.

During 2006 and 2007, the bank reconsidered their future requirements in relation to information software and has not recognised any impairment in line with its planned replacement in the near term

20. Development Loans and Investments

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Developmental Loans	2	2	2	2
Investments – Banks	5,867	5,867	945	945
Investments – Other Institutions	109	109	109	109
	5,978	5,978	1,056	1,056
Impairment Losses	(894)	(894)	(894)	(894)
	5,084	5,084	162	162

Included in investments – Bank is GH¢4,921,500 representing 51% equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom. This amount has been eliminated in the consolidated financial statements.

21. Currency In Circulation

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Notes and Coins Issued	2,041,854	1,321,697	2,041,854	1,321,697
Less: Cash Account & Agencies	(591,947)	(230,946)	(591,947)	(230,946)
	1,449,907	1,090,751	1,449,907	1,090,751

22. Deposits

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Government	1,327,056	797,714	1,327,056	797,714
Financial Institutions/Banks	556,299	424,629	657,644	531,883
Others	94,324	76,911	401,819	304,862
	1,977,679	1,299,254	2,386,519	1,634,459

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

23. Liabilities To IMF

(i) IMF Currency Holdings

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
IMF No. 1	50,532	48,268	50,532	48,268
IMF No. 2	6	6	6	6
IMF Securities	513,190	463,793	513,190	463,793

(ii) IMF Facilities

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Poverty Reduction and Growth Facility	149,583	142,500	149,583	142,500
	713,311	654,567	713,311	654,567

The Bank has been a member of the International Monetary Fund (IMF) since 20 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 (2006: SDR 369 million). IMF currency holdings equivalent to SDR 33,076,533 (2006: SDR 34,782,985) and SDR 4,171 (2006: 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.

24. Liabilities Under Money Market Operations

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Bank of Ghana Instruments	514,419	548,389	514,419	548,389
FINSAP Bonds	–	5,259	–	5,259
	514,419	553,648	514,419	553,648

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.

25. Other Liabilities

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Accruals and account payable	23,310	15,169	28,100	19,551
Defined pension fund liability (Note 25a)	40,000	20,000	40,000	20,000
IMF Debt relief escrow account	–	164,000	–	164,000
Others	44,114	43,064	54,973	59,000
	107,424	242,233	123,073	262,551

(a) Pension Fund Liability

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Balance at 1 January	20,000	–	20,000	–
Additions	25,430	20,000	25,430	20,000
Payment	(5,430)	–	(5,430)	–
Balance at 31 December	40,000	20,000	40,000	20,000

Management commissioned a consultant to carry out an actuarial valuation of the scheme in 2004. The actuarial valuation, as contained in the draft report of the consultant, set the Bank's obligation at approximately GH¢150 million at 31 December 2005. A provision of ¢40 million relating to prior period obligations has so far been made in the financial statements in respect of the Bank's obligation to the scheme.

Included in "Others" are credit balances at the year end of GH¢37 million (2006: GH¢21 million) in various asset accounts that have been reclassified into other liabilities.

26. Stated Capital

	Number of Shares		Proceeds	
	2007 '000	2006 '000	2007 GH¢'000	2006 GH¢'000
Registered Number of shares	700,000	700,000		
Issued				
For Cash Consideration	100	100	10	10
Other than Cash	99,900	99,900	9,990	9,990
	100,000	100,000	10,000	10,000

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

27. Asset Revaluation Reserve

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Balance at 1 January	58,930	58,930	58,930	58,930
Balance at 31 December	58,930	58,930	58,930	58,930

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

28. General Reserve

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Balance at 1 January	8,350	7,667	8,350	7,667
Transfer from Profit	20,410	683	20,410	683
Balance at 31 December	28,760	8,350	28,760	8,350

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).

29. Other Reserves

	Price Exchange GH¢'000	Transfer to Other Liabilities GH¢'000	Transfer from Surplus GH¢'000	2007 GH¢'000	2006 GH¢'000
The Bank					
Balance at 1 January	–	–	–	163,385	55,275
(Decrease)/ Increase in the year	(5,087)	(25,430)	40,430	9,913	85,367
Reclassification from Liabilities	–	–	–	–	22,743
Balance at 31 December	(5,087)	(25,430)	40,430	173,298	163,385

Reclassification from other liabilities in the prior year was in respect of funds which were included in other liabilities in previous years that ought to have been in reserves as per Bank of Ghana Act. The impact of the correction of the error stated above on the financial statements is shown below:

	2007 GH¢'000	2006 GH¢'000
Other Reserves	163,385	140,642
Reclassification	–	22,743
Other reserves restated	163,685	163,385
Other liabilities	107,424	264,976
Reclassification	–	(22,743)
Other liabilities restated	107,424	242,233

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

	Price & Exchange Difference GH¢'ooo	Translation Reserve GH¢'ooo	Transfer from Surplus GH¢'ooo	Transfer to other Liabilities GH¢	2007 GH¢'ooo	2006 GH¢'ooo
The Group						
Balance at 1 January	–	–	–	–	182,118	69,694
(Decrease)/Increase in the year	(5,087)	2,509	40,430	(25,430)	12,422	89,680
Reclassification from Liabilities	–	–	–	–	–	22,743
Balance at 31 December	(5,087)	2,509	40,430	(25,430)	194,540	182,117

Other reserves 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. The balance also includes amounts set aside from surplus for the year to support specific operational expenses in accordance with Section 6 of the Bank of Ghana Act, 2002 (Act 612).

30. Financial Instruments Classification and Summary

Financial instruments are classified between four (4) recognition principles: held to maturity, held at fair value through profit and loss (comprising trading and designated), available-for-sale, and loans and receivables. These categories of financial instruments have been combined for presentation on the face of the balance sheet.

The bank's classification of its principal financial assets and liabilities is summarised below:

Assets

i. The Bank 2007

	Notes	Trading GH¢'ooo	Held to Maturity GH¢'ooo	Designated at fair value through P&L GH¢'ooo	Available for Sale GH¢'ooo	Loans & Receivables GH¢'ooo	Total Carrying Amount GH¢'ooo	Fair Values GH¢'ooo
Cash and balances with correspondent banks	13	–	–	–	–	228,650	228,650	228,650
Government securities	17	–	914,635	–	–	–	914,635	914,635
Money market instruments	17	–	329,147	–	–	–	329,147	329,147
Short term securities	17	627,824	–	–	1,576,622	–	2,204,446	2,204,446
Loans and Advances	16	–	–	–	–	301,432	301,432	301,432
Other Assets	18	–	–	–	–	255,577	255,577	255,577
Total at 31/12/07		**627,824**	**1,243,782**	**–**	**1,576,622**	**785,659**	**4,233,887**	**4,233,887**

ii. The Bank 2006

	Notes	Trading GH¢'ooo	Held to Maturity GH¢'ooo	Designated at fair value through P&L GH¢'ooo	Available for Sale GH¢'ooo	Loans & Receivables GH¢'ooo	Total Carrying Amount GH¢'ooo	Fair Values GH¢'ooo
Cash and balances with correspondent banks	13	–	–	–	–	200,394	200,394	200,394
Government securities	17	–	493,050	–	–	–	493,050	493,050
Money market instruments	17	–	179,713	–	–	–	179,713	179,713
Short term securities	17	985,149	–	–	744,604	–	1,729,753	1,729,753
Loans and Advances	16	–	–	–	–	609,686	609,686	609,686
Other Assets	18	–	–	–	–	169,024	169,024	169,024
Total at 31/12/06		**985,149**	**672,763**	**–**	**744,604**	**979,104**	**3,381,620**	**3,381,620**

Liabilities

i. The Bank 2007

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Government Deposits	22	–	–	1,327,056	1,327,056	1,327,056
Due to Banks and Financial Institutions	22	–	–	556,299	556,299	556,299
Other Short Term deposits	22	–	–	94,324	94,324	94,324
Money Market Instruments	24	–	514,419	–	514,419	514,419
Other Liabilities	25	–	–	67,424	67,424	67,424
Total as 31/12/07			514,419	2,045,103	2,559,522	2,559,522

ii. The Bank 2006

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Government Deposits	22	–	–	797,714	797,714	797,714
Due to Banks and Financial Institutions	22	–	–	424,629	424,629	424,629
Other Short Term deposits	22	–	–	76,911	76,911	76,911
Money Market Instruments	24	–	553,647	–	553,647	553,647
Other Liabilities	25	–	–	222,233	222,233	222,233
Total as 31/12/06		–	553,647	1,521,487	2,075,134	2,075,134

Assets

i. The Group 2007

	Notes	Trading GH¢'000	Held to Maturity GH¢'000	Designated at fair value through P&L GH¢'000	Available for Sale GH¢'000	Loans & Receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Cash and balances with correspondent banks	13	–	–	–	–	36,391	36,391	36,391
Government securities	17	–	914,635	–	–	–	914,635	914,635
Money market instruments	17	–	329,147	–	–	–	329,147	329,147
Short term securities	17	802,375	–	–	1,576,622	–	2,378,997	2,378,997
Loans and Advances	16	–	–	–	–	814,114	814,114	814,114
Other Assets	18	–	–	–	–	259,360	259,360	259,360
Total at 31/12/07		802,375	1,243,782	–	1,576,622	1,109,865	4,732,644	4,732,644

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

ii. The Group 2006

	Notes	Trading GH¢'000	Held to Maturity GH¢'000	Designated at fair value through P&L GH¢'000	Available for Sale GH¢'000	Loans & Receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Cash and balances with correspondent banks	13	–	–	–	–	75,161	75,161	75,161
Government securities	17	–	493,050	–	–	–	493,050	493,050
Money market instruments	17	–	179,712	–	–	–	179,712	179,712
Short term securities	17	1,087,566	–	–	744,604	–	1,832,170	1,832,170
Loans and Advances	16	–	–	–	–	1,046,569	1,046,569	1,046,569
Other Assets	18	–	–	–	–	171,085	171,085	171,085
Total at 31/12/06		1,087,566	672,762	–	744,604	1,292,815	3,797,747	3,797,747

Liabilities

i. The Group 2007

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Government Deposits	22	–	–	1,327,056	1,327,056	1,327,056
Due to Banks and Financial Institutions	22	–	–	657,644	657,644	657,644
Other Short Term deposits	22	–	–	401,819	401,819	401,819
Money Market Instruments	24	–	514,419	–	514,419	514,419
Other Liabilities	25	–	–	123,073	123,073	123,073
Total as 31/12/07		–	514,419	2,509,592	3,024,011	3,024,011

ii. The Group 2006

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Values GH¢'000
Government Deposits	22	–	–	797,714	797,714	797,714
Due to Banks and Financial Institutions	22	–	–	531,883	531,883	531,883
Other Short Term deposits	22	–	–	304,862	304,862	304,862
Money Market Instruments	24	–	553,648	–	553,648	553,648
Other Liabilities	25	–	–	262,551	262,551	262,551
Total as 31/12/06		–	553,648	1,897,010	2,450,658	2,450,658

The fair values of financial assets and liabilities disclosed above approximate their carrying values.

31. 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. These are as disclosed in notes 15 and 23 respectively.

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.

Key management personnel compensation for the period comprised:

	The Bank	
	2007 GH¢'000	2006 GH¢'000
Short-term employee benefits	292	215
Termination Benefit	222	167
Post-employment benefits	67	51
	581	433

32. 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.

Credit Risk

The group 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 group'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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Exposure to Credit Risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date was:

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Loans and advances	301,432	609,686	814,114	1,046,569
Cash and cash equivalent	228,650	200,394	36,391	75,161
	530,082	810,080	850,505	1,121,730

Impairment Losses

The aging of loans and advances at the reporting date was:

The Bank

	2007		2006	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	282,164	–	608,395	–
Past due 31-120 days	19,268	–	1,291	–
More than 1 year	2,645	2,645	2,832	2,832
Gross amount (Note 16)	304,077	2,645	612,518	2,832

The Group

	2007		2006	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	282,164	–	608,395	–
Past due 31-120 days	531,950	–	438,174	–
More than 1 year	2,645	2,645	2,832	2,832
Gross amount (Note 16)	816,759	2,645	1,049,401	2,832

Liquidity Risk

Liquidity risk arises in the general funding of the group'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 group 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 group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The group 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 group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The following are contractual maturities of financial liabilities:

The Bank
31 December 2007

	Amount GH¢'000	6mths or less GH¢'000	6-12 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	1,327,056	567,701	759,355
Deposits by banks and Financial Institutions	556,299	556,299	–
Other short term Deposits	94,324	94,324	–
Money Market Instruments	514,419	495,296	19,123
Other Liabilities	107,424	107,424	–
Balance at 31/12/07	2,599,522	1,821,044	778,478

The Bank
31 December 2006

	Amount GH¢'000	6mths or less GH¢'000	6-12 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	797,714	527,148	270,566
Deposits by banks and Financial Institutions	424,629	424,629	–
Other short term Deposits	76,911	76,911	–
Money Market Instruments	553,648	502,246	51,402
Other Liabilities	242,233	242,233	–
Balance at 31/12/06	2,095,135	1,773,167	321,968

The Group
31 December 2007

	Amount GH¢'000	6mths or less GH¢'000	6-12 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	1,327,056	476,651	850,405
Deposits by banks and Financial Institutions	657,644	657,644	–
Other short term Deposits	401,819	401,819	–
Money Market Instruments	514,419	472,363	42,056
Other Liabilities	123,073	123,073	–
Balance at 31/12/07	3,024,011	2,131,550	892,461

The Group
31 December 2006

	Amount GH¢'000	6mths or less GH¢'000	6-12 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	797,714	525,268	272,446
Deposits by banks and Financial Institutions	531,883	531,883	–
Other short term Deposits	304,862	304,862	–
Money Market Instruments	553,648	499,488	54,160
Other Liabilities	262,551	262,551	–
Balance at 31/12/06	2,450,658	2,124,052	326,606

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.

Cashflow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date will have increased/decreased profit or loss by amounts shown below. Each analysis assumes all other variable, in particular foreign currency rates remain constant.

The analysis is performed on the same basis for 2006.

Effects in cedis

	100BP Increase GH¢'000	200BP Decrease GH¢'000
31 December 2007		
Average for the Period	361,783	(361,783)
Maximum for the Period	723,566	(723,566)
Minimum for the Period	514	(514)
31 December 2006		
Average for the Period	375,845	(375,845)
Maximum for the Period	751,490	(751,490)
Minimum for the Period	33	(33)

Interest Rate Risk

The group'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 group 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 group's strategies.

Asset-liability risk management activities are conducted in the context of the group'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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Maturity Profile Analysis – Liquidity Risk

The Bank

31 December 2007

	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	› 5years GH¢'000	Total GH¢'000
Liabilities						
Currency in Circulation	–	–	–	–	1,449,907	1,449,907
Allocations of Special Drawing Rights	96,219	–	–	–	–	96,219
Deposits	1,977,679					1,977,679
Liabilities to IMF	–	–	152,093	561,218	–	713,311
Liabilities under Money Market Operations	93,281	28,929	86,283	305,926	–	514,419
Other Liabilities	67,424	–		–	40,000	107,424
Total	**2,234,603**	**28,929**	**238,376**	**867,144**	**1,489,907**	**4,858,959**

31 December 2006

	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	› 5years GH¢'000	Total GH¢'000
Liabilities						
Currency in Circulation	–	–	–	–	1, 090,751	1,090,751
Allocations of Special Drawing Rights	87,402	–	–	–	–	87,402
Deposits	1,299,253	–	–	–	–	1,299,253
Liabilities to IMF	–	–	142,499	512,068	–	654,567
Liabilities under Money Market Operations	102,937	48,248	219	402,244	–	553,648
Other Liabilities	207,067	–	15,166	–	20,000	242,233
Total	**1,696,659**	**48,248**	**157,884**	**914,312**	**1,110,751**	**3,927,854**

The Group
31 December 2007

	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	› 5years GH¢'000	Total GH¢'000
Liabilities						
Currency in Circulation	–	–	–	–	1,449,907	1,449,907
Allocations of Special Drawing Rights	96,219	–	–	–	–	96,219
Deposits	1,952,068	396,460	37,991	–	–	2,386,519
Liabilities to IMF	–	–	152,093	561,218	–	713,311
Liabilities under Money Market Operations	93,281	28,929	86,283	305,926	–	514,419
Other Liabilities	67,424	–		4,792	50,857	123,073
Total	**2,208,992**	**425,389**	**276,367**	**871,936**	**1,500,764**	**5,283,448**

31 December 2006

	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	› 5years GH¢'000	Total GH¢'000
Liabilities						
Currency in Circulation	–	–	–	–	1,090,751	1,090,751
Allocations of Special Drawing Rights	87,402	–	–	–	–	87,402
Deposits	1,362,366	245,654	26,439	–	–	1,634,459
Liabilities to IMF	–	–	142,499	512,068	–	654,567
Liabilities under Money Market Operations	102,937	48,248	219	402,244	–	553,648
Other Liabilities	207,093	–	15,166	4,382	35,910	262,551
Deferred Income						
Total	**1,759,798**	**293,902**	**184,323**	**918,694**	**1,126,661**	**4,283,378**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Interest Rate Repricing Analysis

The Bank

	3 mnths or less GH¢'000	B/n 3 & 12 mnths GH¢'000	Over 1 yr GH¢'000	Non Interest bearing GH¢'000	Total GH¢'000	2006 GH¢'000
Assets						
Cash and Amounts due from Banks	205,598		–	23,052	228,650	200,394
Gold	–	204,671	–	24,070	228,741	164,255
Balances with International Monetary Fund	–	564,290	–	1,500	565,790	514,510
Securities	2,226,298	140,718	659,642	421,570	3,448,228	2,402,516
Loans and Advances	–	–	–	301,432	301,432	609,686
Other Assets	–	–	–	255,577	255,577	169,024
Property, Plant and Equipment	–	–	–	98,248	98,248	84,253
Intangible Assets	–	–	–	–	–	190
Development Loans and Investments	–	–	–	5,084	5,084	5,084
Total Assets	**2,431,896**	**909,679**	**659,642**	**1,130,533**	**5,131,750**	**4,149,912**
Liabilities						
Currency in Circulation	–	–	–	1,449,907	1,449,907	1,090,751
Allocations of Special Drawing Rights	–	–	–	96,219	96,219	87,401
Deposits	–	–	–	1,977,679	1,977,679	1,299,254
Liabilities to IMF	–	713,310	–	–	713,310	654,567
Liabilities under Money Market	–	514,419	–	–	514,419	553,648
Other Liabilities	–	–	–	107,424	107,424	242,233
Total Liabilities	**–**	**1,227,729**	**–**	**3,631,229**	**4,858,959**	**3,927,854**
Assets-liability gap	**2,431,896**	**(318,050)**	**659,642**	**(2,500,696)**	**272,791**	**222,058**

The Group

	3 mnths or less GH¢'000	B/n 3 & 12 mnths GH¢'000	Over 1 yr GH¢'000	Non Interest bearing GH¢'000	TOTAL GH¢'000	2006 GH¢'000
Assets						
Cash and Amounts due from Banks	13,339		–	23,052	36,391	75,161
Gold	–	204,671	–	24,070	228,741	164,255
Balances with International Monetary Fund	–	564,290	–	1,500	565,790	514,510
Securities	2,378,119	151,343	671,746	421,571	3,622,779	2,508,161
Loans and Advances	390,385	53,130	69,167	301,432	814,114	1,046,569
Other Assets	–	–	–	259,360	259,360	171,085
Property, Plant and Equipment	–	–	–	100,362	100,362	85,864
Intangible Assets	–	–	–	–	–	190
Development Loans and Investments	–	–	–	162	162	162
Deferred Tax Assets	–	–	–	176	176	96
Total Assets	**2,781,843**	**973,434**	**740,913**	**1,131,685**	**5,627,875**	**4,566,053**
Liabilities						
Currency in Circulation	–	–	–	1,449,907	1,449,907	1,090,751
Allocations of Special Drawing Rights			–	96,219	96,219	87,402
Deposits	348,564	40,469	0	1,997,486	2,386,519	1,634,459
Liabilities to IMF		713,311	–	–	713,311	654,567
Provision for corporation tax	–	–	–	593	593	1,546
Liabilities under Money Market	–	514,419			514,419	553,648
Other Liabilities	–	–	–	123,073	123,073	262,551
Deferred Income	–	–	–	–	–	–
Total Liabilities	**348,564**	**1,268,199**	**0**	**3,667,278**	**5,284,041**	**4,284,924**
Minority Interest					37,173	31,348
Assets-liability gap	**2,433,279**	**(294,765)**	**740,913**	**(2,535,593)**	**306,661**	**249,781**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Currency Risk
The Bank is exposed to currency risk through transactions in foreign currencies. It owns a foreign subsidiary and therefore it is also exposed to foreign currency conversion risk.

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 3(f).

The foreign currency exposures are as follows:

Currency Exposure Analysis
The Bank

	December 2007 GH¢'000	December 2006 GH¢'000
Assets		
Cedi	3,293,019	1,552,774
US Dollar	1,094,335	1,931,733
Pound Sterling	48,501	82,117
Euro	30,773	39,861
Special Drawing Rights	659,026	514,813
Others	6,096	28,614
Total	**5,131,750**	**4,149,912**
Liabilities & Equity		
Cedi	3,375,575	3,127,932
US Dollar	991,328	367,308
Pound Sterling	29,519	16,651
Euro	43,286	36,740
Special Drawing Rights	659,947	599,468
Others	32,095	1,813
Total	**5,131,750**	**4,149,912**
Net Position		
Cedi	-82,556	-1,575,158
US Dollar	103,007	1,564,425
Pound Sterling	18,982	65,466
Euro	-12,513	3,121
Special Drawing Rights	-921	-84,655
Others	-25,999	26,801
Total	**0**	**0**

The Group

	December 2007 GH¢'000	December 2006 GH¢'000
Assets		
Cedi	3,293,019	1,552,773
US Dollar	1,399,860	2,182,139
Pound Sterling	213,068	223,383
Euro	53,155	62,096
Special Drawing Rights	659,026	514,813
Others	9,747	30,849
Total	**5,627,875**	**4,566,053**
Liabilities & Equity		
Cedi	3,375,575	3,127,932
US Dollar	1,331,708	617,056
Pound Sterling	158,574	158,617
Euro	67,195	58,881
Special Drawing Rights	659,967	599,469
Others	34,856	4,098
Total	**5,627,875**	**4,566,053**
Net Position		
Cedi	-82,556	-1,575,159
US Dollar	68,152	1,565,083
Pound Sterling	54,494	64,766
Euro	-14,040	3,215
Special Drawing Rights	-941	-84,656
Others	-25,109	26,751
Total	**0**	**0**

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
Currency	2007 GH¢	2006 GH¢	2007 GH¢	2006 GH¢
US Dollar	0.9357	0.915	0.9682	0.9224
GBP	1.8772	1.6829	1.9381	1.8064
EURO	1.2862	1.1490	1.4206	1.2148
SDR	1.4577	1.3432	1.5277	1.3877

Sensitivity Analysis

A 10% strengthening of the Ghana Cedi against the following currencies at 31 December will have increased (decreased) profit or loss by the amount shown below.

These analysis assumes that all other variables, in particular interest rates remains constant. The analysis is performed on the same basis for 2006.

Effects in thousands of Ghana Cedis

	Profit or (Loss)
31 December 2007	
US Dollar	(6,816)
GBP	(5,449)
EURO	1,404
SDR	94
31 December 2006	
US Dollar	(156,508)
GBP	(6,477)
EURO	(321)
SDR	8,465

A 10% weakening of the Ghana cedi against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

Capital management
The Bank does not have any regulator that sets and monitors its capital requirements. The subsidiary's banking operations are directly supervised by its local regulators.

There is no regulation for the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets, for example. The Bank of Ghana Act stipulates the authorised number of shares to be seven hundred billion of no par value to be taken up from time to time by the Government, which may be increased from time to time. The Act further stipulates that the shares shall not be transferable or subject to any encumbrance.

The provisions of the Act seek to ensure that the Government of Ghana continues to own a hundred percent stake to bear all financial risks and rewards.

33. Notes to Cash Flow Statement for the Year Ended 31st December 2007

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2007 GH¢'000	2006 GH¢'000
Surplus for the year	81,250	55,757
Change in Other Assets	(86,168)	32,959
Change in Other Liabilities	(134,808)	271,893
Depreciation	14,238	10,897
(Profit)/Loss on Sale of Property, Plant & Equipment	(275)	4
Movement in Reserves	(30,517)	(54,392)
Change in Deposit Accounts	678,425	163,634
Change in Advances	308,254	82,421
Price change in Gold	(64,486)	(31,204)
Change in Securities	(1,045,712)	(527,367)
Net cash (outflows)/inflows from operating activities	(279,799)	4,602

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2007 GH¢'000	2006 GH¢'000
Surplus/(Deficit) for the year	94,383	64,994
Change in Other Assets	(85,592)	94,041
Change in Other Liabilities	(139,478)	173,151
Change in Reserves	(28,008)	58,031
Depreciation	14,817	11,297
Profit on Sale of Property, Plant & Equipment	(256)	(4)
Change in Deposit Accounts	752,060	289,814
Change in Advances	232,454	(139,974)
Price change in Gold	(64,486)	(31,204)
Change in Securities	(1,114,618)	(590,723)
Net cash outflows from operating activities	(338,724)	(70,577)

34. Departures From IFRS

The following represent material departure from IFRS.

(a) Treatment of exchange differences on specified balances

As discussed in Note 3(f), net unrealised foreign exchange gain of GH¢3.897 million (2006: loss of GH¢5.332 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 18 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.

The impact of the departure stated above on the financial statements is shown below.

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Income Statement				
Surplus for the year	81,250	55,757	84,888	58,266
Exchange gain/(loss) charged to Revaluation Account	3,897	(5,332)	3,897	(5,332)
Surplus/(Deficit) for the year restated	85,147	50,425	88,785	52,934
Equity/Net Assets				
Net assets reported	272,791	222,058	306,661	249,781
Restatements per above	3,897	(5,332)	3,897	(5,332)
Net assets restated	276,688	216,726	310,558	244,449

(b) Treatment of pension fund liability on specified balances

As discussed in the auditor's report, IAS 19 Employee Benefits, requires that the liability in terms of the benefit that employees have earned in respect of their services in current and prior periods be estimated using actuarial techniques and discounted to present value using the Projected Unit Credit Method. Management commissioned a consultant to carry out an actuarial valuation of the scheme in 2007 using the Projected Unit Credit Method. The actuarial valuation, as contained in the report of the consultant, set the bank's obligation at GH¢297 million at 31 December 2007. Management is required by the Bank of Ghana Act to make annual charges based on actual pensions paid and a provision to cover future periods, but the Act does not specify the basis on which the provision should be calculated. Accordingly, a provision of GH¢40 million has so far been made in the financial statements in respect of the bank's obligation to the scheme.

The impact of the departure stated above on the financial statements is shown below.

	The Bank		The Group	
	2007 GH¢'000	2006 GH¢'000	2007 GH¢'000	2006 GH¢'000
Income Statement				
Surplus for the year	81,250	55,757	84,888	58,266
Defined benefit expense	(81,314)	(16,000)	(81,314)	(16,000)
Surplus/(Deficit) for the year restated	(64)	39,757	3,574	42,266
Equity/Net Assets				
Net assets reported	272,791	222,058	306,661	249,781
Defined benefit cost (prior period)	(176,000)	(180,000)	(176,000)	(180,000)
Restatements per above	(81,314)	(16,000)	(81,314)	(16,000)
Net assets restated	15,477	26,058	49,347	53,781

35. Effective Interest Rates of Financial Assets and Liabilities

The effective interest rates for the principal financial assets at 31 December 2007 and 2006 were in the following ranges:

	2007	2006
Assets		
Securities – Government	0 – 28%	0 – 28%
External	1 – 3%	1 – 3 %
Loans and Advances	12.5% – 13.5%	15.5% – 18.5%
Liabilities		
Deposits	0%	0%
Liabilities under Money Market Operations	10.0% – 12.75%	9.94% – 11.43%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 CONTINUED

36. Recently Issued Accounting Pronouncements

At the date of authorisation of the financial statements of Bank of Ghana for the year ended 31 December 2007, the following Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date
IAS 1	Presentation of Financial Statements	Annual periods commencing on or after 1 January 2009*
IAS 23	Borrowing Costs	Annual periods commencing on or after 1 January 2009*
IAS 27 amendment	Consolidated and Separate Financial Statements	Annual periods commencing on or after 1 July 2009*
IAS 32 & IAS 1 amendment	IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	Annual periods commencing on or after 1 January 2009*
IFRS 2 amendment	IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	Annual periods commencing on or after 1 January 2009*
IFRS 3	Business Combinations	Annual periods commencing on or after 1 July 2009*
IFRS 8	Operating Segments	Annual periods commencing on or after 1 January 2009*
IFRIC 11	IFRS 2 – Group and Treasury Share Transactions	Annual periods commencing on or after 1 March 2007*
IFRIC 12	Service Concession Arrangements	Annual periods commencing on or after 1 January 2008*
IFRIC 13	Customer Loyalty Programmes	Annual periods commencing on or after 1 July 2008*
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods commencing on or after 1 January 2008*
IFRIC 15	Agreements for the construction of Real Estate	Annual periods commencing on or after 1 January 2009*
IFRIC 16	Hedges of a net Investment in a Foreign Operation	Annual periods commencing on or after 1 October 2008*
Improvements to International Financial Reporting Standards		Annual periods commencing on or after 1 January 2009*

* All Standards and Interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the group).

IFRS 2 amendment, IFRS 8, IFRIC 11, IFRIC 12, IFRIC 13, IFRIC 15 and IFRIC 16 are not applicable to the business of the entity and will therefore have no impact on future financial statements. The directors are of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:

IAS 1
IAS 1 will be adopted by Bank of Ghana for the first time for its financial reporting period ending 31 December 2009.

The group will present all non-owner changes in equity in a single statement of comprehensive income (which will include the current income statement) and owner changes in equity in the statement of changes in equity.

Reclassification adjustments and income tax relating to each component of other comprehensive income will be disclosed on the face of the statement of comprehensive income. Currently these components are available-for-sale fair value gains/losses reserve and the foreign currency translation reserve.

IAS 23
IAS 23 will be adopted by Bank of Ghana group for the first time for its financial reporting period ending 31 December 2009.

The group will capitalise borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that commence on or after 1 January 2009. Currently these borrowing costs are expensed. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

The group's existing accounting policy on borrowing costs will change as a result of the adoption of the revised IAS 23.

IAS 27 Amendments
IAS 27 will be adopted by the group for the first time for its financial reporting period ending 31 December 2010.

In accordance with IAS 27 amendments, acquisitions of additional non-controlling equity interests in subsidiaries have to be accounted for as equity transactions. Disposals of equity interests while retaining control are also accounted for as equity transactions. When control of an investee is lost, the resulting gain or loss relating to the transaction will be recognised in profit and loss.

It has always been the group's accounting policy to treat all acquisitions of additional interests in subsidiaries, as well as disposals of interests in subsidiaries as equity transactions. The group will, however, change its accounting policy relating to the loss of control when an equity interest is retained. In future, when control is lost, through sale or otherwise, the resulting gain or loss recognised in profit and loss will include any remeasurement to fair value of the retained equity interest.

The amendments to IAS 27 also require that losses (including negative "other comprehensive income" as detailed in the revised IAS 1) have to be allocated to the non-controlling interest even if doing so causes the non-controlling interest to be in a deficit position. The group will in future change its accounting polices on the allocation of losses to non-controlling interests. In the past losses were allocated only until the non-controlling interests had a zero balance.

IAS 32 and IAS 1 Amendments
The amendment to IAS 32 and IAS 1 will be adopted by the group for the first time for its financial reporting period ending 31 December 2009.

IAS 32 requires certain puttable instruments that meet the definition of a financial liability to be classified as equity if and only if they meet the required conditions.

IFRS 3
The revised IFRS 3 will be adopted by the group for the first time for its financial reporting period ending 31 December 2010.

IFRS 3 applies to all new business combinations that occur in the year beginning on or after 1 July 2009. For these future business combinations, the group will change its accounting policies to be in line with the revised IFRS 3. In future all transaction costs will be expensed and contingent purchase consideration will be recognised at fair value at acquisition date. For successive share purchases, any gain or loss for the difference between the fair value and the carrying amount of the previously held equity interest in the acquiree will be recognised in profit and loss.

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