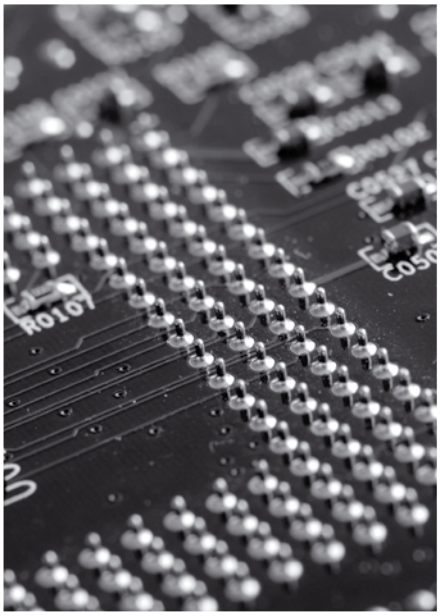
BANK OF GHANA ANNUAL REPORT 2008



BANK OF GHANA ANNUAL REPORT 2008

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FOREWORD BY THE GOVERNOR

Global financial and economic developments in the year under review, challenged policy-makers all over the world in a way that was unprecedented since the great depression, and Ghana was no exception.

The extraordinary speed and severity of the contagion effects of the turmoil that erupted in financial and capital markets, and dismal economic statistics and projections on output and employment stretched the capacity of monetary authorities, regulators, and governments to restore confidence in the workings of the economic system and international financial markets. Sharp energy and food price increases and general volatility in commodity prices early in the year were already fostering destabilising expectations.

In Ghana, growth momentum carried into the year, with GDP rising to a record 7.3 per cent but under conditions of considerable over-heating. At the same time, the economy was buffeted by inflationary pressures from several sources: the cost-price push from the energy supply shock and tariff adjustments; crude oil and food price increases and, most important of all, a surge in government expenditure (made possible in large part by the sovereign bond issue in September 2007 and divestiture of Ghana Telecom) in the run-up to the national elections. And we saw fiscal and external account deficits that were the largest recorded in recent years in relation to GDP.

Indeed the inflation targeting regime of the Bank was severely tested with rapid changes in inflation dynamics and expectations. Headline inflation and the Bank's core inflation measure rose sharply above the single digit inflation target. Also, the cedi experienced considerably more volatility and depreciation in the exchange market.

All this made it imperative that macro policies be re-focused towards restoration of fiscal consolidation and strong stability oriented measures early in the year 2009, a stance adopted by the new Administration.

For the Bank as an institution, the year 2008 was quite eventful as well and a landmark in its own way.

First, the re-denomination exercise was formally rounded off successfully and on schedule.

Second, we made significant advances in developing our payments system infrastructure with the introduction of the common electronic platform (e-zwich) and a biometric smartcard for promoting branchless banking and financial inclusion. Much of the work was completed on the Cheque Codeline Clearing system and the Automated Clearing House which are key components of a state-of-the-art settlement system, placed under the management of the Ghana Interbank Payments and Settlement System (GhIPSS).

Third, the Bank facilitated the passage of three new Laws, namely, the Borrowers and Lenders Act, Non-Bank Financial Institutions Act, and the Home Mortgage Finance Act that should strengthen the regulatory environment for the development of the financial sector. Banks were required to implement a multi-year capitalisation programme to make them less vulnerable to shocks and better able to support a rapidly growing economy.

Fourth, the Impact '05 Project, a comprehensive computerisation of our information and data management and processes, which went live in 2007, was painstakingly nurtured, and embedded in the way we do business at the Bank.

Fifth, to consolidate the IMPACT '05 Project, we initiated the process of acquiring ISO 27001 certification in July 2008, to ensure that our information security and protection system meets the best international standards. Certification has subsequently been obtained, thanks to the hardwork of the staff.

The intellectual capital of the Bank remained central to our human resource policy. The Centre for Training and Professional Development (The Centre) was established in July 2008, and equipped with modern facilities to deliver coordinated and coherent programmes for skills and career development of staff.

Finally, I should say that it certainly has been a very challenging year and one that offers significant lessons especially on how fragile the economic and financial system could be, but also resilient when well managed; and on the power of sound and timely policy interventions in fostering confidence and stability.

For all that we were able to do in these times; I take this opportunity to thank the Board of Directors for their professionalism, support, and dedication and, the staff for their commitment, invaluable contribution, and cooperation.

Thank you.

Paul A. Acquah
Governor

REPORT OF THE NON-EXECUTIVE DIRECTORS

The year 2008 will be remembered for the global financial turbulence brought about by the excessive risk taking and leverage across markets in the developed world. This led to paralyses in much of the world's financial systems and markets.

The Ghanaian economy which had shown appreciable resilience when crude oil prices rose to unprecedented levels, was again severely tested by the global financial crisis. The Non-Executive Directors and the Board concluded that potential areas of impact such as the equities market, bond market, export receipts and remittances still showed signs of resilience during the year. However, depreciation of the cedi against major currencies and a widening government budget deficit in an election year were major challenges to the Bank. Naturally, the ability of the Central bank to handle its core goals of monetary policy and stability of the financial system came under intense scrutiny from both the government and the public.

As the worldwide liquidity crisis continued, the Non-Executive Directors and Board received regular monthly reports on the evolving situation and took steps to mitigate the risks to the Ghanaian financial system. The ability of the central bank to manage such a liquidity crisis in Ghana became the subject of Non-Executive and Board discussions. Indeed the Non-Executive Directors were extensively consulted on the risk-based supervision of the banks and were very supportive of Management's decision on their recapitalisation in order to maintain financial stability. The Non-Executive Directors also supported fully the Bank's launch of the e-zwich payment system which is part of the Bank's agenda to ensure financial inclusion for the unbanked population and the large informal sector.

The Executive Directors consulted with us over several months on organisational changes in the Bank. The Human Resource and Corporate Governance Committees played a major role in this exercise, which resulted in several personnel changes and new appointments to further the policy goal of promotions based on merit and experience. A new department was created to promote training and professional development in the Bank. The Bank also continued the ISO certification process as a follow up to IMPACT 05. Among several papers requested of the Research Department by the Economy and Research Committee were papers on 'Management of Oil Resources in Ghana', 'Offshore Banking and the Prospects for the Ghanaian Economy' and 'The Global Food situation and its 'Implication for Food Prices in Ghana'. The papers were delivered to the Board for consideration and policy briefs forwarded to the appropriate authorities.

We welcomed the new Secretary to the Board, Mr. Alex Bernasko who replaced Mr. James Odei and also the re-appointment of Messrs KPMG as the External Auditors of the Bank.

The Non-Executive Directors congratulate the Executives and Bank staff for their steady commitment to maintaining a stable financial system in these troubled times. We commend the Governor for his firm and dependable leadership and congratulate him for being awarded an honorary doctorate by the University of Ghana.

Finally, I would like to thank the chairs of the various committees and also fellow Directors for their contributions in time and expertise over the past eight years. I wish to acknowledge their valuable work.

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

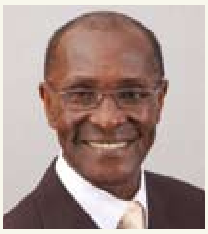
Dr. Mahamudu Bawumia
Deputy Governor

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. Alex Bernasko
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

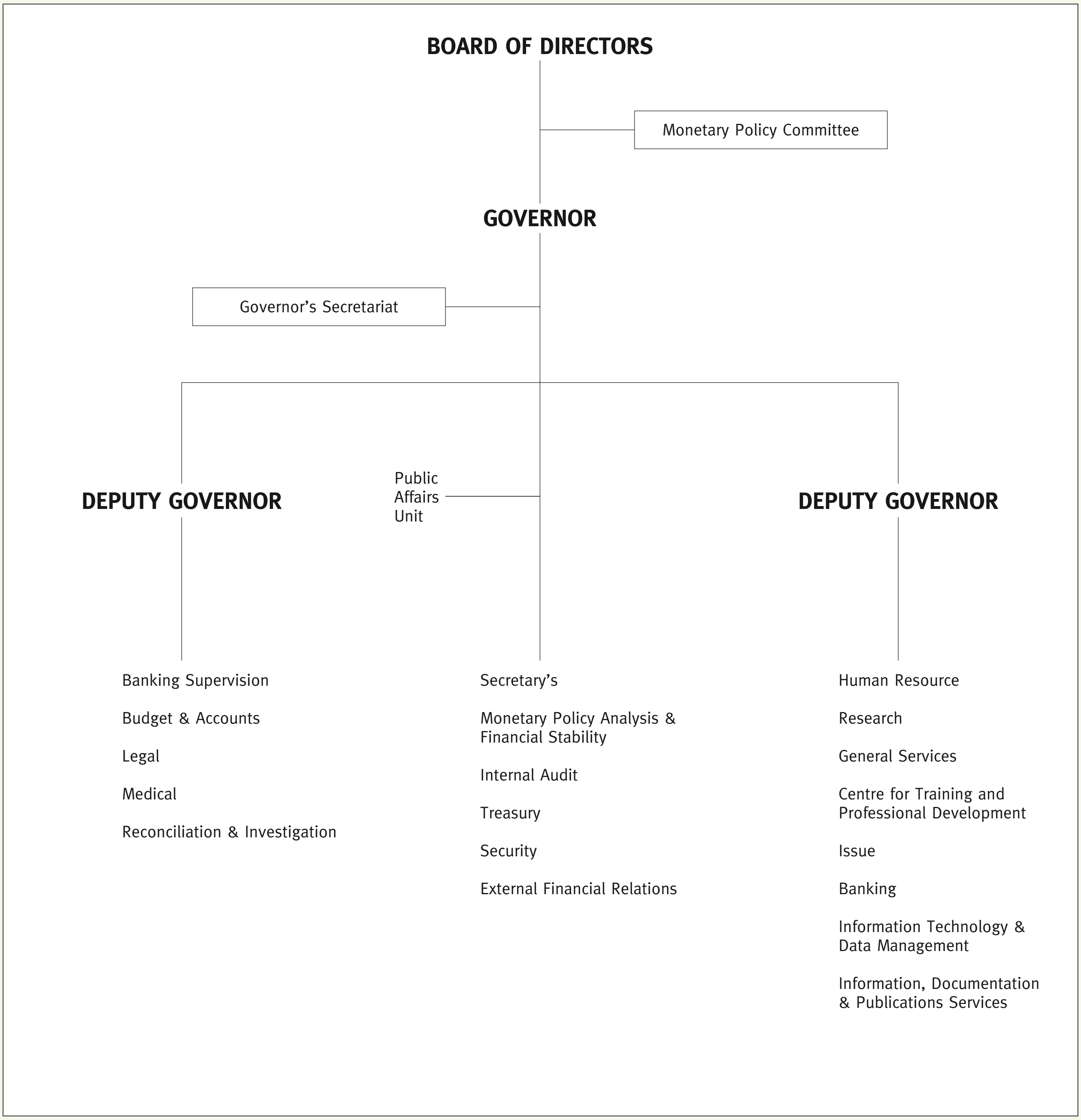
Togbe Afede XIV
Membership of other Boards
› Chairman, Strategic Initiatives Limited
› SAS Investment Management Limited
› Aluworks Limited

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



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. The non-executive directors 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 operation of the banking and credit systems and support general economic growth.

1.2 Committees of the Board

The Board had the following committees which assisted it to carry out its functions.

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

Human Resource Committee

The Committee formulates policies relating to the human resource management function of the Bank and assesses their effectiveness so as to make necessary reviews when necessary. 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	

The Committee reviewed the human resource policies of the Bank and made recommendations to the Board on organisational changes, recruitment and other staff welfare matters.

Corporate Governance Committee

The Committee formulates policies on governance issues; mainly regulations, supervision, processes and operations to ensure compliance with best practice. 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. Joshua M. Hamidu (Rtd.)	
Dr. Mahamudu Bawumia	

The Committee among others considered the Anti-Money Laundering Act, 2007 (Act 749) and made recommendations on its implementation.

Economy and Research Committee

The Committee is responsible for considering and making policy recommendations on economic, banking and financial issues relating to the Bank's functions and the economy as a whole. It collaborates with the Research Department on research activities to enhance the quality of information provided to the Board, and the public. Members of the Committee were:

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

The Committee considered various papers prepared by the Research Department and made recommendations to the Board.

Strategic Planning and Budget Committee

The Committee formulates and directs the Bank's strategic policies in the fulfilment of its objectives. It collaborates with the Budget and Accounts Department in ensuring that the Bank's Budget is prepared and approved on schedule. Members of the Committee were:

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

The Committee considered the Bank's draft 2009 Budget and recommended its approval to the Board. It also approved the financial framework for technical support and collaboration with the Judiciary. This was to enhance training and logistics for the commercial courts.

Audit Committee

The Committee's primary roles include ensuring that appropriate and adequate accounting procedures and controls are established, as well as supervising compliance with operational, statutory and international standards. Members of the Committee were:

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

The Committee reviewed the quarterly reports of the Internal Audit Department and made suggestions to the Board for the implementation of outstanding audit recommendations. It also reviewed the Audit Plan for 2009 as well as the draft Financial Statements for 2007 and recommended them to the Board for further consideration and approval.

1.3 Major Issues Considered by the Board

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

Audit Plan for 2009

The 2009 Audit Plan highlighted areas of audit and the strategic plan of the Internal Audit Department in it mission to provide independent objective assistance and advisory services. These are intended to add value to the Bank's operations by ensuring compliance with internal control systems so as to protect the Bank against risks.

Anti-Money Laundering Activities

The Board considered the actions to be taken by the Bank and Government to promote the effective implementation of the provisions of the Anti-Money Laundering Act, 2007 (Act 749). These included the process of establishing a Financial Intelligence Centre (FIC), the central institution which would be responsible for administering most of the provisions of the Act.

Establishment of The Centre for Training and Professional Development (The Centre)

The Board approved the establishment of The Centre to provide excellent training and learning opportunities in the Bank with a view to creating a "learning organisation" culture in the Bank. This was to help meet global challenges, the evolutions in Ghana's financial sector, and optimise the gains of Information and Communication Technology (ICT) systems in the Bank.

The Potential Impact of the Global Financial Crisis on the Ghanaian Economy

The Board reviewed the international financial crisis and its implications for the economy of Ghana. It recognised the need to ensure macro-economic stability and intensify domestic revenue mobilisation to shore up any decline in capital inflows. It recommended the review of policies to strengthen the balance of payments position and the financial sector regulatory framework, among others.

Cost of Doing Business in Ghana

The Board observed that Ghana was considered a high cost country for doing business, posing a major challenge that needed to be addressed in order to attract and retain foreign investments and also promote local businesses. Factors identified included high utility bills, high labour costs, high cost of borrowing and the land tenure system.

The Board called for measures to lower the cost of doing business, and for entrepreneurs to apply integrity, discipline and good corporate governance to their business activities.

1. GOVERNANCE CONTINUED

Box 1: Research Assignments Reviewed by the Board

A Framework for the Management of Oil Reserves in Ghana – Issues and Proposals
The study followed the recent discovery of oil in commercial quantities in Ghana as announced by Kosmos Energy, Anadarko Petroleum, and Tullow Ghana Limited – a consortium engaged in oil exploration west of Cape Three Points in the Western Region. Notwithstanding the potential of the discovery of oil to change the economic fortunes of Ghana, the study emphasised the need for careful planning to avoid the situation where oil revenues turned out to be a curse rather than a blessing. It recommended that government conducts an independent evaluation of the quantum of oil resources so as to get a precise sense of the potential underground and also ensure that related contracts are structured appropriately. It also suggested the adoption of auction of resource extraction rights and to design the auction so as to ensure maximum returns on the exploitation of the oil deposits. In terms of the features of the extraction, the study advocated the need to ensure that the resource is optimally exploited and yields full benefit to the Ghanaian economy. It also called for intensified action, including using the established institutional machinery, to address the problem of corruption.

Review of the Kosmos/Tullow Contract and the Oil and Gas Management Framework
This paper reviewed the initial oil contracts signed between the Government and Kosmos/Tullow, focusing on essential issues relating to the petroleum agreements such as the financial, legal, governance, as well as the fiscal framework. It also identified areas that would require improvements in line with the Petroleum Act and international best practices.

Establishment of a Commodities Exchange
The focus of this paper was to identify the benefits of a commodities exchange and ascertain the requirements for the establishment of such an exchange in the country. In particular, it was found that commodities exchanges hold the key to overcoming some of the challenges facing the agricultural industry in economies without the exchange. Through the creation of a competitive environment, price discovery, price risk management, availability of capital and quality assurance, a commodities exchange might be the intervention needed to transform the agricultural industry in Ghana.

The Fisheries Sub-Sector and Ghana's Economy
The study explored the potential of the fishing industry with a view to determining how to scale up output in the industry. The paper made a case for the Ministry of Fisheries to focus on aquaculture given the fact that the country abounds in numerous water bodies.

Survey of the Food Situation in Ghana
This brief explored the food price and food stocks problem across the world in the first half of 2008 and considered its implications for Ghana's economy. It was established that Ghana was not likely to experience the level of food related upheavals as had been witnessed elsewhere. This was because there were adequate food stocks across the regions and with the onset of the harvest season the prevailing food price pressures was expected to ease.

Offshore Banking and the Prospects for the Ghanaian Economy
The main objective of the paper was to highlight the potential benefits of offshore banking to the Ghanaian economy, using both theoretical evidence and selected country case studies. The general consensus in the literature suggested that while offshore banking had a strong potential of contributing to the growth prospect of every economy, certain conditions were necessary if that was to be achieved.

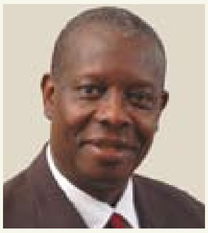
Promoting Agri-Business for Economic Growth in Ghana – The Role of Ghana's MCA Compact
The paper indicated that promoting agricultural modernisation and agriculture as a business in Ghana required a focus on enhancing the viability and competitiveness of the small farm unit. This would require policy interventions at different levels ranging from the enterprise to the national level. Hence, the Millennium Challenge Compact could be regarded as a good complement to ongoing efforts to promote agricultural modernisation. That notwithstanding, the paper wondered whether the MCA fund could not be alternatively used for direct budgetary support, given the complex annual performance indicators that have to be met before disbursement could be allowed. Such direct budgetary support could then be used to support planned programmes under the GPRS II, which were also in line with the objectives of the MCA Compact.

1.4 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. Mr. Phillip Djan, head of Banking Department, joined the Committee in July following the transfer of Mr. Millison Narh to head the newly created Centre for Professional Training and Development. The MPC met five times during the year. Members of the Committee were:

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

Dr. Paul A. Acquah
Chairman



Mr. Lionel Van Lare Dosoo

Dr. Mahamudu Bawumia

Dr. Ernest K.Y. Addison

Mr. Phillip Djan

Dr. Nii Kwaku Sowa

Prof. Kofi Opoku Nti

2. DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 World Output Growth

The global economy in 2008 was characterised by volatile financial markets, weak credit conditions and surges in commodity prices. It also witnessed continuing downturn in the housing markets in the US and other Western European countries and a slump in the stock markets of advanced and emerging economies. Consequently, world output growth declined from 4.9 per cent in 2007 to 3.4 per cent in 2008 with the advanced economies and the emerging and developing economies growing by 1.0 per cent and 6.3 per cent respectively.

The financial crisis that erupted in August 2007 after the collapse of the US sub-prime mortgage market entered a new phase in September 2008 that badly shook confidence in global financial institutions and markets. This intensified solvency concerns and triggered bankruptcies, mergers and public interventions in the United States and Western Europe. In the face of the difficult conditions, developed economies slowed remarkably, growing by 1.0 per cent in 2008 compared to 2.7 per cent in 2007.

United States

After experiencing some expansion in the first half of 2008, US economic activity weakened during the second half, with indications that the US was experiencing a recession. In the last quarter of the year alone, the US economy shrank by 6.2 per cent, on the back of a plunge in exports and a sharp fall in consumer spending which had been affected by the tight credit conditions. For the year as a whole the US economy grew by 1.1 per cent, the slowest pace since 2001, compared to 2.0 per cent recorded in 2007.

Europe

The economies of the 15 countries using the euro grew by 0.7 per cent in 2008. European economies contracted in the fourth quarter of the year, with some countries registering the worst figures in decades. GDP for the euro zone economies for the last quarter of 2008 was down 1.3 per cent from the same quarter of the previous year while the third quarter also contracted by 1.5 per cent.

Germany's economy shrank by 2.1 per cent in the last quarter of 2008, its worst quarterly performance since 1990. For the year, the German economy grew by 1.3 per cent compared with a growth of 2.5 per cent in 2007. GDP in France shrank by 1.2 per cent in the last quarter of 2008 bringing growth for the year down to 0.8 per cent. Italy registered a drop of 1.8 per cent in the fourth quarter of 2008, the steepest drop since 1980, and for the year its economy shrank by 0.6 per cent.

U.K.'s GDP contracted in the third and fourth quarters of 2008 by 0.7 per cent and 1.5 per cent respectively. For the year as a whole, output rose by only 0.7 per cent, compared to a growth of 3.0 per cent in 2007.

Asia

Economic activity decelerated in Asia in 2008. In the fourth quarter of the year, Japan's economy contracted at an annualised rate of 12.7 per cent, the fastest pace in 35 years, as a collapse in global demand battered the world's second-largest economy. For the year as a whole, GDP shrank by 0.3 per cent, compared with an expansion of 2.4 per cent in 2007, driven by sharp falls in demand for Japanese goods from consumers around the world.

In China, GDP grew by 6.8 per cent in the last quarter of 2008, down from 9.0 per cent in the third quarter. For the year as a whole, China's GDP grew by 9.0 per cent, compared to a growth of 13.0 per cent in 2007.

Asia's third largest economy, India, grew by an estimated 7.3 per cent, sharply lower than the 9.3 per cent growth in 2007.

Africa

Economic performance in Africa was adversely impacted by the global financial crises and the fall in commodity prices in the latter part of the year. Output in Africa grew by 5.2 per cent in 2008 compared to a growth of 6.2 per cent in 2007. Growth performance in sub-Saharan Africa was slightly higher at 5.4 per cent for 2008, but down from 6.9 per cent recorded in 2007.

2.2 Unemployment

The US economy shed 2.6 million jobs in 2008, the biggest since 1945, with nearly 2.0 million job cuts in the last four months of the year. The unemployment rate was 7.2 per cent at end December 2008, up from a low of 4.1 per cent in 2007. Canada's unemployment rate similarly leapt from 6.6 per cent as at end December 2007 to 7.2 per cent in December 2008.

Unemployment in the euro region remained steady at 7.2 per cent in the first quarter of 2008 but increased to 8.1 per cent at the end of the year. Unemployment in Britain increased to 6.3 per cent by the end of December 2008, as the unemployment rate reached 1.97 million, the highest level since 1997.

Unemployment in Germany rose in December 2008 for the first time in three years as the economic downturn finally hit the country's hitherto healthy labour market. This increased pressure on the government to support growth. The number of jobseekers rose by a seasonally adjusted figure of 18,000 in December, almost twice as much as expected, bringing the unemployment rate to 7.5 per cent at the end of the year.

Job losses in China's heavily export-oriented economy prompted fears of riots as millions of migrants found themselves without work. The unemployment rate in China as at end 2008 was estimated at above 10 per cent.

2.3 General Price Level

Headline inflation around the world increased to the highest rates since the 1990s, pushed up by surges in fuel and food prices. The persistently sluggish real activity and lower commodity prices later in the year dampened inflationary pressures in advanced economies, which ended the year with headline inflation of 3.5 per cent. In emerging and developing economies, the resurgence of inflation was more marked, increasing from 6.4 per cent in 2007 to 9.2 per cent in 2008.

Inflation in the US fell sharply in December to 0.1 per cent (compared with an average of 3.8 per cent for the whole year), pointing to a growing risk of deflation, largely as a result of the severe weakness of domestic demand and slump in commodity prices.

Europe experienced the steepest drop in inflation in almost two decades in November 2008, as oil prices plunged, giving the European Central Bank (ECB) the leeway to cut interest rates. For the euro area, headline inflation stabilised at 4.0 per cent in the third quarter before easing to 3.8 per cent in the fourth quarter as a result of falling energy prices.

In the UK, consumer price inflation was 3.1 per cent in December which was much higher than expected, given falling costs of fuel and housing and the rising slack in the economy.

In November, China's inflation cooled to the weakest pace in almost two years, giving the central bank room to cut interest-rates and shore up growth. Consumer prices in China rose by 2.4 per cent in November from a year earlier, after gaining 4 per cent in October.

2.4 Monetary Policy Stance and Interest Rates

Renewed concerns about the economy, in particular rising unemployment, as well as continuing difficulties in the financial sector saw the markets scale back expectations with regard to monetary policy.

Between September 2007 and the second quarter of 2008, the Federal Reserve cut its interest rates seven times from 5.25 per cent to 2.0 per cent. It held it at 2.0 per cent through the third quarter till the start of the last quarter when it cut the rate by 50 basis points. The Fed did this together with the ECB, Bank of England and other central banks in an unprecedented coordinated move to ease the economic effects of the financial crisis. In December 2008, the Fed further lowered its target rate to a range of 0.0 per cent – 0.25 per cent, from 1.0 per cent and below the Bank of Japan's 0.3 per cent rate for the first time.

With oil prices down more than two-thirds since a July peak, slowing inflation provided the ECB more scope to further cut rates to spur lending and boost the region's contracting economy. The ECB more than halved its key rate to a record-low of 2.0 per cent.

In the U.K., interest rates were slashed by another percentage point in December 2008, bringing the official cost of borrowing down to 2.0 per cent, equal to the lowest rate since the Bank of England was founded in 1694.

2. DEVELOPMENTS IN THE GLOBAL ECONOMY CONTINUED

Bank of Japan at the end of the fourth quarter of 2008 cut its key rate to 0.1 per cent since doubling it in February 2007. The move was designed to ease the cost of borrowing for Japanese companies struggling to obtain financing amid a global credit crunch.

2.5 Foreign Exchange Market Developments

The US dollar at the end of December 2008 registered its biggest annual decline against the yen in more than two decades on concerns that the US economy was entering into a recession. Among the most active currencies, the yen performed best against the dollar while the pound sterling's performance was the worst.

The euro gained 33.0 per cent against the pound in 2008 after the Bank of England reduced its benchmark interest rate by 3.5 percentage points during the year to limit the fallout from the global financial crisis. The pound fell by 27.0 per cent against the US dollar during the year.

2.6 Commodities Market

Commodity prices continued the robust rise that began in 2007 into the first half of 2008. However, by mid-November, prices had fallen sharply, giving up most of the gains of the first half of the year. The decline was driven by the slow down in global growth and the financial crisis. By July 2008, energy prices were 80 per cent higher in dollar terms than a year earlier, while non-energy prices were 35 per cent higher. Prices of metals and minerals however picked up by 5.0 per cent during the year.

Table 1: Commodity Prices (% Change)

					Forecast	
Commodity	2000-2005	2006	2007	2008	2009	2020
Energy	13.5	17.3	10.8	45.1	-25.0	0.9
Oil	13.6	20.4	10.6	42.3	-26.4	1.8
Natural gas	10.4	33.9	1.0	57.2	-10.8	-4.2
Coal	12.7	3.1	33.9	97.8	-23.1	-10.0
Non-energy	8.3	29.1	17.0	22.4	-19.1	-4.3
Agriculture	6.0	12.7	20.0	28.4	-21.5	-1.3
Foods	6.0	10.0	25.6	35.2	-23.3	-0.3
Grains	4.8	18.4	26.1	50.9	-28.9	2.6
Raw materials	5.0	22.7	9.0	13.0	-16.6	-2.7
Metals and minerals	12.3	56.9	12.0	5.0	-14.4	-5.5
Copper	15.2	87.2	5.9	-0.6	-18.9	-4.2

Source: World Bank

Crude oil price more than doubled between January 2007 and July 2008 before the slump in global demand during the latter part of the year led to a reversal. Despite production cutbacks and geopolitical tensions, oil price slumped by more than 70 per cent after reaching a record high of US$147.27 per barrel in July amid concerns that demand might continue to weaken as the U.S. and other advanced country economies shrank. Oil prices tumbled below US$40 in the third week of December, for the first time since the summer of 2004 despite an announcement from OPEC of a record production cut of 2.2 million barrels a day.

Cocoa price surged to a 23-year high of US$1,820 per tonne in December 2008 as speculative investors poured into the market amid concerns about dwindling supplies from La Cote d'Ivoire, the world's largest producer. The price for cocoa rose by 70 per cent in 2008. The drop in sterling helped push the London-based sterling-denominated cocoa futures higher. Cocoa price proved resilient in the economic downturn, even as other commodity prices slumped.

Gold price hit a historic milestone in March 2008 when the price of the metal reached an all-time high of US$1,030 an ounce. Three months later, the price plummeted to US$681 an ounce, a 21-month low and representing a 33.9 per cent drop from its record high. Gold price in London continued to rise in December as European stock markets stalled and government bonds leapt yet again, squashing UK gilt yields to new record lows. Gold ended the year at US$900 per fine ounce, compared to US$875.5 per fine ounce at the end of 2007.

2.7 Developments in Major Capital Markets

Equity market indices in major stock markets in 2008 remained under pressure almost throughout the year. Global equities were down as record oil prices during the first half of the year fuelled concerns about higher inflation and also the likelihood of more bank write-downs. Equity markets however, rebounded slightly in December.

The Japanese bourse posted a decline of 29.22 per cent, while Switzerland's declined by 30.60 per cent. The US bourse declined by 38.68 per cent with even bigger declines in Ireland (69.94%), Greece (66.50%) and Norway (66.07%) Among the more notable emerging market decliners in 2008 were the "BRIC" countries: Brazil (57.35%), Russia (73.67%), India (64.51%), and China (53.21%).

2.8 Outlook for 2009

According to IMF projections, world growth is expected to fall to 1.0 per cent in 2009, its lowest since World War II and to experience a gradual recovery to 3.0 per cent in 2010. Advanced economies will contract by 3.5 per cent in 2009 before attaining a modest growth of 1.25 per cent in 2010. The rate of growth for emerging economies is expected to be around 4.5 per cent due to the drag of falling export demand and financing, lower commodity prices and much tighter external financing constraints. Growth will fall below 5.0 per cent for the aggregate of developing countries in 2009 for the first time since the downturn of the early 1990s.

Downside risks continue to dominate, as the scale and scope of the current financial crisis has taken the global economy into uncharted waters. In addition, the risks of deflation are rising in a number of advanced economies, while emerging economies' corporate sectors could be badly damaged by continued limited access to external financing. Developing countries in Africa, despite better macroeconomic policy implementation, are in a weaker position than most other regions because of their poverty levels and reliance on commodity exports.

Sluggish real activity and lower commodity prices will continue to dampen inflationary pressures. In the advanced economies, headline inflation is expected to decline from 3.5 per cent to a record low of 0.25 per cent in 2009. In the emerging and developing economies, inflation is also expected to subside to 5.75 per cent in 2009, from 9.5 per cent in 2008. Global financial markets are expected to remain under strain during 2009.

3. DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

Year 2008 was a challenging one for macroeconomic policy management around the world, and Ghana was not exempted. The year witnessed an extraordinary global financial crisis and a global drop in economic activity and employment which spilled over into emerging and developing economies. In Ghana, high international food and energy prices dominated the inflation environment although prices of Ghana's export commodities remained reasonably firm.

The challenges of global developments were complicated by other domestic developments. For example, the 2008 general elections impacted on business sentiments with most investors choosing to withhold key investment decisions until after the elections. Also significant was the very high fiscal expenditures during the year which sought to address problems with electricity generation, infrastructural bottlenecks (financed mainly from the sovereign bond proceeds) and higher wage bills.

It was in this context that the Monetary Policy Committee (MPC) of the Bank of Ghana operated to steer inflation expectations within the inflation target of a single digit in the medium-term. Consequently, the MPC had to increase the prime rate by a cumulative 350 basis (bps) point during the year.

At the end of the year, the economy had withstood the global crisis significantly. According to figures released by the Ghana Statistical Service (GSS), GDP expanded by 7.3 per cent in 2008. More importantly, growth was broad-based, with all the sectors contributing to sustained economic activity.

3.2 Monetary Policy and Inflation Outlook

The overarching objective of monetary policy was to maintain price stability. For most part of the year therefore, the Monetary Policy Committee (MPC) of the Bank tightened monetary policy in response to various challenges emanating from both external and domestic sources. The decisions of the MPC were influenced by several factors including sharp hikes in international crude oil prices and its pass-through to domestic prices, increased budget deficits, strong domestic demand conditions and increased energy subsidies. All these factors heightened inflationary expectations, posing significant risks to price stability. The Bank's main policy tool, the Prime rate, was consequently adjusted upward three times in the year by 350 (bps) cumulatively to 17.0 per cent. The Committee held five policy meetings in the year.

Table 2: MPC Decisions in 2008

Date	Prime Rate (%)	Policy Decision
Jan 22 – 25	13.50	No change
Mar 11 – 14	14.25	Rate increased by 75 basis points
May 13 – 16	16.00	Rate increased by 175 basis points
Jul 15 – 18	17.00	Rate increased by 100 basis points
Oct 22 – 24	17.00	No change

Highlights of MPC Decisions – 2008 First Half

On the external front, 2008 began with severe financial market constraints arising from the unfolding crisis in the US subprime mortgage market. As more homeowners defaulted on their mortgages, financial instruments supported by subprime mortgages turned sour with rippling effects across global financial markets.

The MPC's early response to the developments in the international financial markets included the introduction of a Credit Conditions Survey in January 2008. The objective was to provide the MPC with early warning signals of the effect of the global financial crisis on the domestic financial sector. It was also designed to complement existing statistics on banks' interest rates and credit.

As the financial crisis deepened, international commodity markets turned volatile, especially crude oil and food prices. Given the uncertain trends in commodity prices early in the year, inflation outlook and the relatively stable macroeconomic conditions, the MPC decided at its first meeting in January 2008 to maintain the policy Prime rate at 13.50 per cent.

As the year progressed, mounting inflationary pressures emanating from the global food and fuel crises confronted the economy with pass through effects on the domestic economy. High domestic fuel price increases during the first half of 2008 added to costs associated with distributing food and other consumable items across the country. Consequently, food inflation increased steadily to 17.7 per cent in June 2008, from 10.5 per cent in December 2007.

Projecting further increases in the inflation rate because of the rising oil and food prices, the MPC adjusted the Prime rate upwards by 75 bps in March and 175 bps in May, pushing the rate up to 16.00 per cent by the end of the first half of the year.

Highlights of MPC Decisions – 2008 Second Half

The food and energy crises impacted negatively on the external accounts resulting in a deteriorated balance of payments position of an overall deficit of 9.8 per cent of GDP by June compared with a surplus of 18.1 per cent in the previous half-year. This exerted pressure on the exchange rate, with the cedi depreciating sharply by 9.4 per cent against the US dollar in the third quarter. Given the high import content of non-food items in the consumer basket, non-food inflation, which largely captures the pass-through of exchange rate depreciation, also surged to 18.5 per cent at the end of the third quarter.

Consequently, the risk in the outlook for inflation was on the upside when the MPC met in July. Developments in both the domestic and international markets had pushed the disinflation path further from the target, necessitating a monetary policy switch towards a more vigilant stance to avoid build-up in inflationary expectations. In the circumstances, the MPC decided to further increase the Prime rate by 100 bps to 17.00 per cent.

Towards the final quarter of the year, the global financial crisis had deepened further with the collapse of several financial giants including Lehman Brothers. These developments exacerbated the credit crunch and resulted in a virtual freeze of money markets.

Although the impact of the global economic meltdown on Ghana was not immediate, the MPC nevertheless reviewed the possible channels of transmission of the crisis to the domestic environment. On the financial sector, the review indicated that banks' nostro balances and placements, by way of exposure, were at the time within internationally acceptable prudential limits and were being held with reputable financial institutions. Also, the industry's low net open position (a measure of foreign exchange risk) indicated that the banking system was not over exposed. In addition, outstanding external borrowing by banks as a source of funding their activities was less than 5.0 per cent of total bank funding requirements, an indication of their predominant reliance on domestic deposits.

With regard to the macroeconomy, inflation had begun to ease back towards the disinflation path, with core inflation declining more rapidly. This was attributed to falling oil prices from their peak levels in July and a significant drop in domestic food prices. Both the Bank's business and consumer confidence surveys showed improvements and a rebound of both business and consumer confidence in the second half of the year. Evidence from other real sector indicators also pointed to increased pace in economic activity. Overall, the MPC's assessment of economic prospects at its October meeting was generally positive with regards to the pace of economic growth.

Consequently, the Committee concluded that the risks to growth and inflation were more balanced, and maintained the Prime rate at 17.0 per cent.

Looking ahead, MPC's inflation outlook for 2009 will largely depend on developments in the global economy, international commodity prices, the domestic food situation and government efforts at reducing the widening fiscal deficits. Tight monetary policy alongside fiscal retrenchment may be required to dampen inflation and exchange rate expectations and withdraw some stimulus from the economy. Given the relatively sharp depreciations in the exchange rate and food seasonality, inflation is expected to increase and peak in the second quarter of 2009; and subsequently decline to between 10 per cent and 13 per cent by the end of the year. Potential risk factors to these projections however remain high and include uncertainties in the international commodity markets and the extent to which domestic demand pressures are subdued.

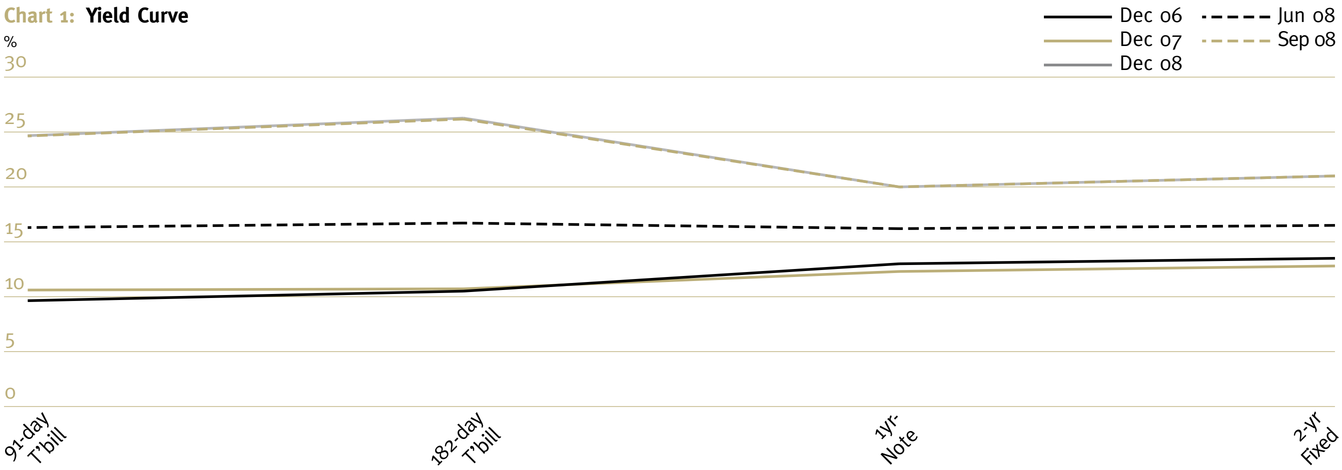
3.3 Interest Rates Developments

In response to upward adjustments in the prime rate, short-term interest rates on the auction market increased significantly, leading to an inversion of the yield curve by December 2008. The benchmark 91-day Treasury bill rate increased by 14.06 percentage points to 24.67 per cent in 2008. The 182-day treasury bill rate similarly went up by 15.55 percentage points to 26.27 per cent in 2008. The 1-year note and the 2-year fixed note however increased by lower rates of 7.7 and 8.2 percentage points to 20.0 per cent and 21.0 per cent respectively in 2008. DMBs rates followed similar patterns, but with some lag. Average commercial bank's savings deposit, 3-month time deposit and lending rates gained 4.45, 7.38 and 3.00 percentage points respectively to 9.00 per cent, 16.38 per cent and 27.25 per cent at the end of 2008.

Developments in the money market reflected a shift in preference towards short-dated securities due to heightened inflationary pressures. The share of short-dated securities (91-day and 182-day treasury bills) in the outstanding stock of government securities more than doubled to 45.7 per cent in 2008, compared with the 20.5 per cent recorded in 2007. Comparatively, the share of 1- and 2- year fixed notes declined by 10.3 per cent and 4.1 per cent respectively.

3. DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Chart 1: **Yield Curve**



3.4 Price Developments

Consumer price inflation increased from 12.8 per cent in January, peaked at a three-year high of 18.4 per cent in June, declined to 17.3 per cent in October but shot up to 18.1 per cent in December. The steep increase in inflation, particularly in the first half year, was triggered by the domestic pass-through effects of high crude oil and food prices and increased demand pressures from expansionary fiscal policy. The development in inflation was broad-based, emanating from both the food and non-food components of the CPI. The Food and Beverages sector contributed 46.8 per cent of the upward movement in the national index while the Non-Food group contributed 53.3 per cent.

The Bank of Ghana's measure of core inflation, which excludes energy and utilities, stood at 13.9 per cent in 2008 against 9.6 per cent observed in 2007. This indicated a significant surge in inflationary pressures in 2008.

Chart 2: **Combined, Food and Non-Food Inflation**

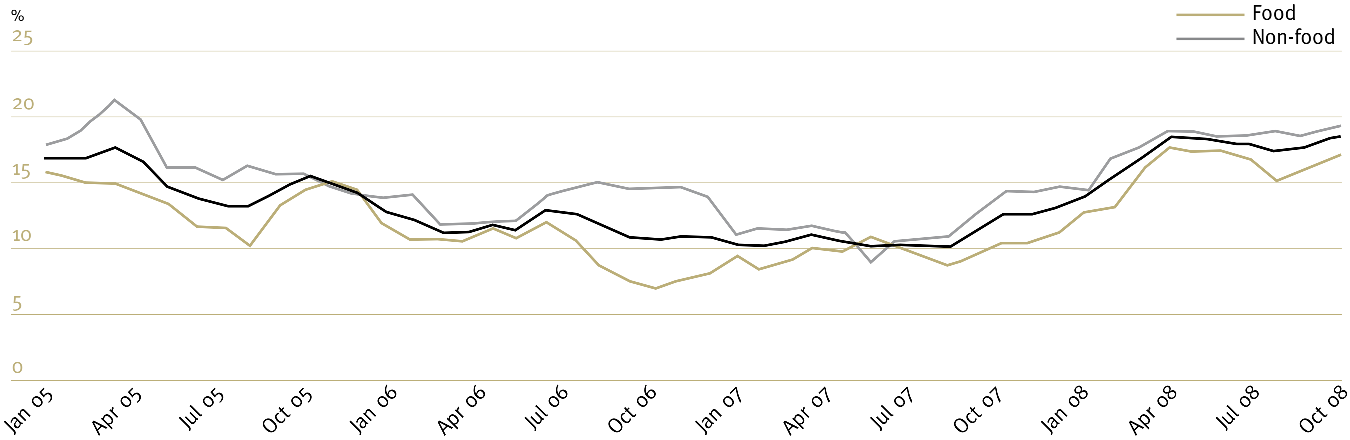
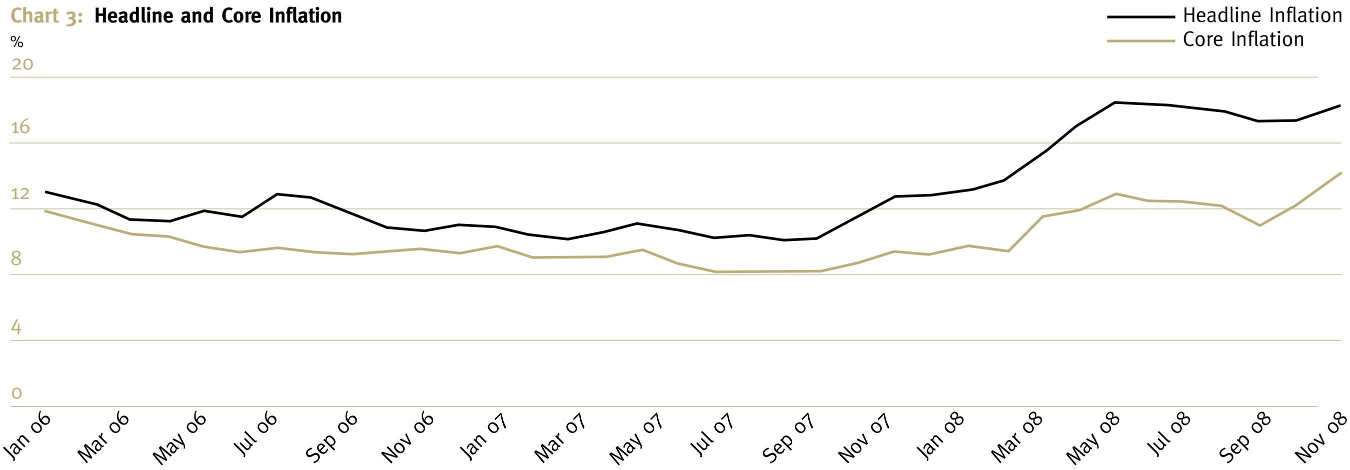


Chart 3: **Headline and Core Inflation**



3.5 Monetary Developments

Monetary developments in 2008 were underpinned by a strong growth in foreign currency deposits particularly in the second half of the year as the cedi depreciated sharply against the major currencies. Broad money including foreign currency deposits (M2+) stood at GH¢8,061.1 million, indicating a year-on-year growth of 40.2 per cent compared with an increase of 35.9 per cent in 2007. The growth in M2+ was explained by expansion in NDA of the banking system. Specifically, net claims on government increased by 117.2 per cent in 2008 compared with a decline of 25.8 per cent in 2007. Claims on the private sector however slowed down to 42.8 per cent in 2008 from 64.6 per cent in 2007.

The increase in total liquidity was driven by total deposits with a growth of 43.8 per cent in 2008 against 38.6 per cent in 2007. Foreign currency deposits increased by 82.9 per cent compared with 10.0 per cent growth in 2007 on the back of a sharp depreciation of the Ghana cedi. Annual growth of currency outside banks, on the other hand, remained stable at 27.8 per cent in 2008. Consequently, the currency ratio eased to 0.26 in December 2008 from the 0.29 observed in 2007.

Reserve money recorded an annual growth of 27.1 per cent at the end of 2008 compared with 30.5 per cent in 2007, following a decline in Net Foreign Assets of the Bank of Ghana. Growth in net domestic assets of the Bank however, remained strong mainly on account of net claims on government.

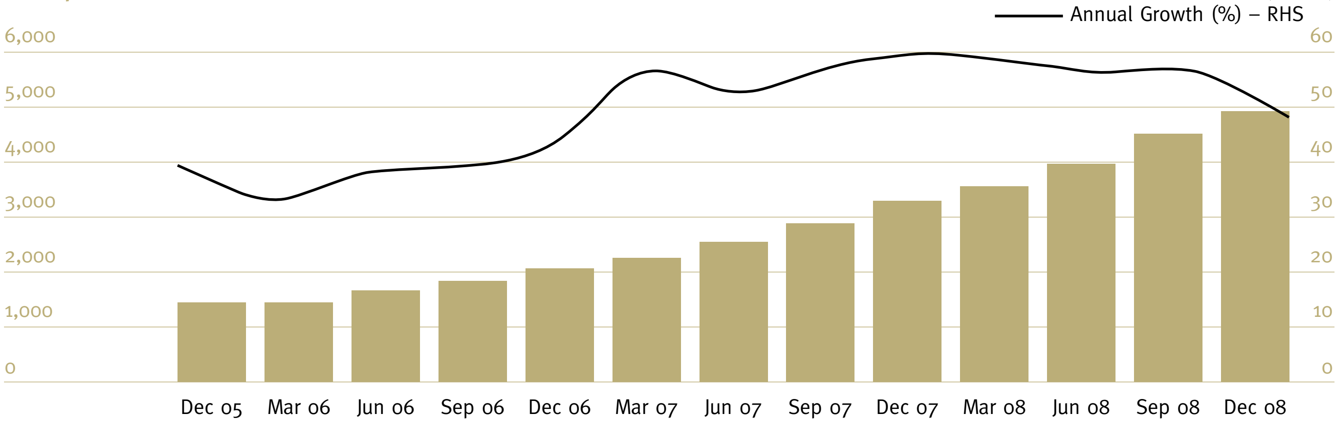
Developments in Deposit Money Banks' Credit

In response to monetary tightening, bank credit to the private sector and public institutions moderated during the year. Deposit Money Banks' (DMBs) credit increased to GH¢5,966.8 million, representing 43.9 per cent growth in 2008 compared with 64.6 per cent in 2007. Similarly, the annual growth rate of credit to the private sector declined to 48.2 per cent compared with 59.7 per cent in 2007. In real terms, DMBs credit to the private sector fell to 25.4 per cent in 2008 compared with 41.8 per cent in 2007.

The distribution of the credit flow remained broad-based but skewed in favour of three main sectors namely, Services (24.1%), Commerce & Finance (26.4%) and Manufacturing (12.0%). By type of holder, Indigenous Enterprises accounted for the dominant share of 67.6 per cent of the total outstanding credit, followed by the Household and Foreign Enterprises sectors with 21.5 and 9.2 per cent respectively.

3. DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Chart 4: **DMBs Credit to the Private Sector**



3.6 Real Sector Performance and Economic Activity

The Ghanaian economy remained fairly resilient in the face of severe global financial crisis coupled with hikes in food and crude oil prices which spread across advanced economies with spillover effects on developing countries. Real GDP grew by 7.3 per cent in 2008, above both the targeted level of 7.0 per cent and 6.3 per cent achieved in 2007. The growth was driven by improved performance in the Agricultural and Industrial sectors. 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 recorded strong growth during the year.

Table 3: **GDP Growth by Sectors (%)**

	2006	2007	2008	2008*
Agriculture	4.5	3.1	4.9	5.0
Industry	9.5	6.6	8.3	9.8
Services	6.7	10.0	6.9	7.3
Overall GDP Growth	6.2	5.7	7.3	7.0

Source: Ghana Statistical Service
* Target

The expansion of the economy was reflected in the Bank of Ghana's Composite Index of Economic Activity (CIEA) which increased by 21.8 per cent, indicating an increased pace of economic activity during the year. A number of other key economic indicators recorded significant growth. In particular, new vehicle registrations went up by 18.6 per cent to 97,894 against 82,571 in 2007. Similarly, retail sales increased by 35.1 per cent, while cement production increased to 2,169,368 tonnes from 2,011,567 tonnes in 2007, representing a 7.8 per cent growth over the period. Employers' intention to hire remained upbeat throughout the year despite the challenging economic environment. Advertised job vacancies increased by 35.3 per cent to 11,576 compared with 8,558 in 2007. Contrasting this with a significant decline of 62.0 per cent in declared redundancies, suggests that on the aggregate, employment opportunities may have increased in 2008.

Table 4: Selected Economic Indicators

	2004	2005	2006	2007	2008
Real GDP Growth (%)	5.6	5.9	6.4	5.7	7.3
Nominal GDP (GH¢ million)	7,980.4	9,726.1	11,672.0	14,045.8	17,617.6
Inflation					
Year-on-Year	11.8	14.8	10.5	12.7	18.1
Annual Average	12.6	15.2	10.9	10.7	16.5
Exchange Rates(End-period Transaction Rates)					
GH¢/US$	0.9051	0.9130	0.9235	0.9704	1.2141
GH¢/Pound Sterling	1.7412	1.5673	1.8102	1.9511	1.8049
GH¢/Euro	1.2309	1.0814	1.2144	1.4398	1.7211
Commodity Prices					
Cocoa US$/tonne	1,586.9	1,524.5	1,584.1	1,787.2	2,072.5
Gold US$/fine ounce	410.0	445.3	602.4	686.5	858.8
OIL, IPE Brent Crude (US$/Barrel)	38.7	56.0	67.1	75.8	101.0
External Sector					
Exports of Goods and Services (US$' m)	3,406.78	3,908.69	5,109.52	6,004.00	7,070.63
Imports of Goods and Services (US$' m)	5,355.76	6,620.40	8,286.49	10,064.70	12,566.50
Current Account Balance (US$' m)	(566.88)	(1,104.61)	(1,042.61)	(2,151.47)	(3,543.12)
Overall Balance of Payments (US$' m)	(10.46)	84.34	415.12	413.11	(940.75)
Gross International Reserves (end period, in US$' m)	1,732.40	1,894.89	2,266.71	2,836.65	2,036.22
(months of imports of goods and services)	3.0	3.8	3.0	2.7	2.1
External Debt (US$' m)	6,447.89	6,347.80	2,177.24	3,590.37	3,982.60
Interest Rates (%)					
Bank of Ghana Prime Rate	18.5	15.5	12.5	13.5	17.0
91-day Treasury Bill	17.1	11.5	10.2	10.6	24.7
182-day Treasury Bill	17.9	12.8	10.7	10.7	26.2
1-year note	17.9	16.5	15.0	12.3	20.0
2-year note	20.0	17.0	15.2	12.8	21.0
Monetary Aggregates Annual Growth Rates (%)					
Reserve Money	18.8	13.0	32.3	30.5	27.1
Money Supply (M2+)	25.9	14.3	38.8	35.9	40.2
Money Supply (M2)	26.6	13.8	39.4	43.5	31.2
Government Budget (% of GDP)					
Domestic Revenue	23.8	23.9	22.3	26.1	27.9
Grant	6.1	5.2	5.5	6.1	4.8
Total Expenditure	31.9	30.5	34.9	40.2	46.5
Overall Balance (Including Divestiture)	(2.8)	(2.0)	(7.8)	(8.1)	(11.5)
Domestic Primary Balance	0.3	3.4	(4.9)	(6.2)	(10.3)

3. DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

3.7 Fiscal Developments

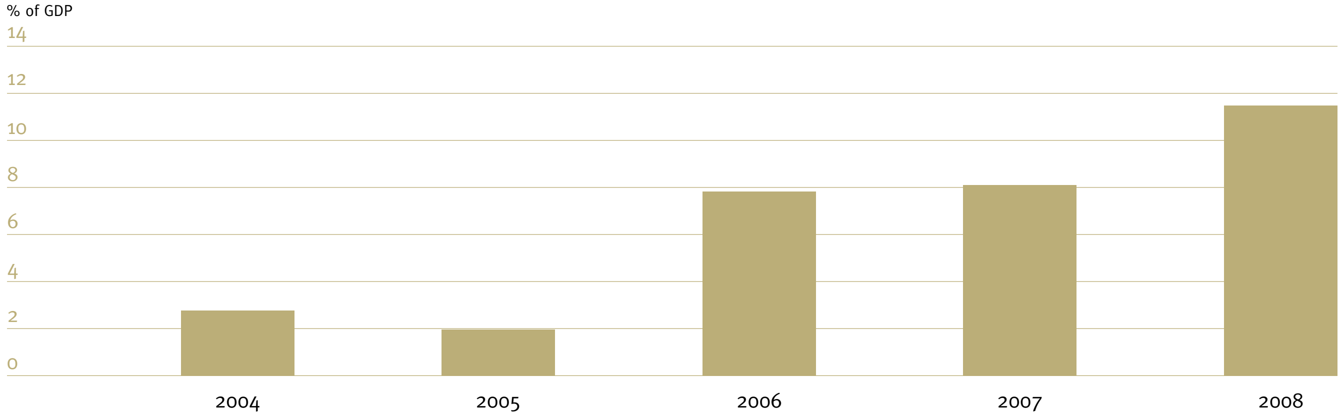
The fiscal policy thrust for 2008 was to reverse the 2007 fiscal slippages. Consequently, new fiscal measures such as communication sales tax and special tax audits were introduced to boost revenue mobilisation. Notwithstanding these, the global economic challenges of 2008 weighed heavily on government finances and the fiscal deficit (including divesture) turned out much larger than anticipated, equivalent to 11.5 per cent of GDP compared with 4.7 per cent programmed for the year.

Total government revenue and grants increased from GH¢4,508.22 million (32.1% of GDP) in 2007 to GH¢5,619.70 million (32.7% of GDP) in 2008. Despite delayed implementation of the communication tax and reduction of duties and taxes on some food imports to dampen the effects of the global crises, revenue mobilisation improved significantly. Tax revenue collections amounted to GH¢4,368.48 million (25.4% of GDP), 0.67 per cent higher than budgeted.

Total government expenditures increased from GH¢5,624.53 million (40.0% of GDP) in 2007 to GH¢8,009.82 million (46.5% of GDP) in 2008. The strong fiscal stimulus observed during the year was mainly the result of high energy-related expenses, infrastructural developments and the social mitigating expenditures. The huge public sector personal emoluments bill (the single highest item of expenditure) continued to exert pressure on government finances, registering a growth of 27.4 per cent and constituting 37.8 per cent of recurrent expenditure.

The net effect of these fiscal developments was an overall deficit of GH¢2,390.13 million (13.9% of GDP) on commitment basis compared with GH¢849.46 million (6.1% of GDP) programmed for the year. On cash basis, the overall balance (including divestiture) was a deficit to GH¢1,976.5 million (11.5% of GDP) compared with GH¢653.4 million (4.5% of GDP). The deficit was financed by domestic borrowing amounting to GH¢1,152.7 million (58.3%) and the remaining 41.7 per cent was foreign financed.

Chart 5: Budget Deficit



3.8 External Sector Developments

Increased international prices of Ghana's main export commodities as well as higher production levels led to improved export earnings in 2008. However, this was offset by higher imports driven by increased pace in economic activity and higher crude oil prices. These trends culminated in a trade deficit of US$4,998.8 million in 2008 compared with a deficit of US$3,893.9 in 2007. Similarly, the current account balance widened to a deficit of US$3,543.1 million (21.3% of GDP) against a deficit of US$2,151.5 million (14.7% of GDP) in 2007. At the end of 2008, the overall balance of payments recorded a deficit of US$940.7 million compared with a surplus of US$413.1 million in 2007. The deficit was mainly financed by a drawdown of reserves, including the balances of sovereign bond proceeds of US$750 million that were part of the build-up of reserves in 2007.

Table 5: **Balance of Payments (US$ millions)**

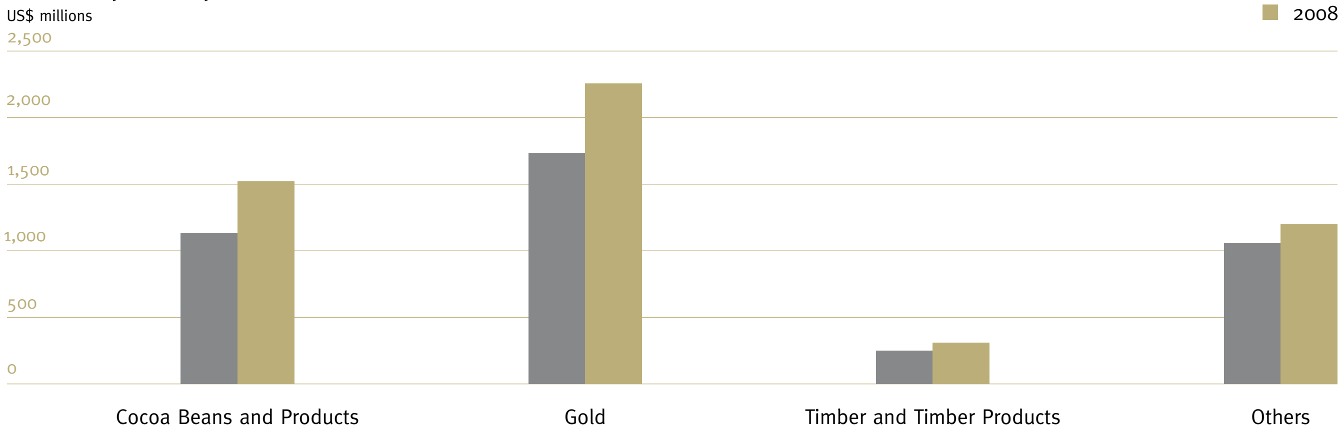
	2005	2006	2007	2008
A. Current Account	**-1104.6**	**-1042.6**	**-2151.47**	**3,543.12**
Trade Balance	-2545.1	-3027.00	-3893.98	4,998.77
Export (fob)	2802.21	3726.67	4172.14	5,269.73
Import (fob)	-5347.31	-6753.68	-8066.11	-10,268.50
Services (net)	1440.5	1984.4	1742.51	1,455.65
Factor	-187.11	-127.36	-138.62	-258.68
Non-Factor	-166.61	-136.5	-162.05	-497.17
Private Transfers	1549.76	1644.58	1833.81	1,970.39
Official Transfers	244.46	603.68	209.37	241.11
B. Capital and Financial Account	**1165.7**	**1484.9**	**2591.4**	**2,806.48**
Capital Account	331.2	229.9	188.1	463.31
Official Grants	331.2	229.9	188.1	463.31
Financial Account	834.5	1255.0	2403.3	2,343.17
Private Capital	559.3	1019.4	1,061.48	2,307.20
Direct Investment (Net)	145.0	636.0	855.38	1211.59
Divestiture	0.0	0.0	115.0	900.0
Others	414.3	383.3	91.1	195.61
Other Investments	275.2	235.6	1327.4	84.99
Official	141.1	212.6	1168.6	486.62
Disbursements	501.3	498.9	1305.4	717.87
o/w Sovereign Bond	0.0	0.0	750.0	0.0
Amortisation	-360.2	-286.3	-136.8	-231.25
Short-term	134.1	23.0	158.7	-401.64
Errors and Omissions	23.26	-27.17	-26.84	-204.12
C. Overall Balance	**84.34**	**415.12**	**413.11**	**-940.75**

Trade in Goods

Export earnings recorded an annual growth of 26.3 per cent, amounting to USS$5,269.73 million in 2008. Gold export earnings increased to US$2,246.25 million (29.0% annual growth) in 2008 on the back of higher prices and export volumes. The average realised price of gold went up by 25.9 per cent to US$864.03 per fine ounce, while production volumes increased by 2.9 per cent to 2.60 million ounces. Export of cocoa beans increased to US$1,225.11 million in 2008 compared with US$975.7 million in 2007. Volume of cocoa beans exported went up by 3.3 per cent to 563,951 tonnes at the end of 2008. Timber exports also increased by 27.2 per cent to US$316.8 million in 2008. This was attributed to a price increase of 14.6 per cent (US$539.81 million per cubic metre) and a 11.02 per cent growth in volume to 586,865 cubic metres. Non-traditional exports were estimated at US$1,481.58 million in 2008, compared to US$1,213.7 million in 2007.

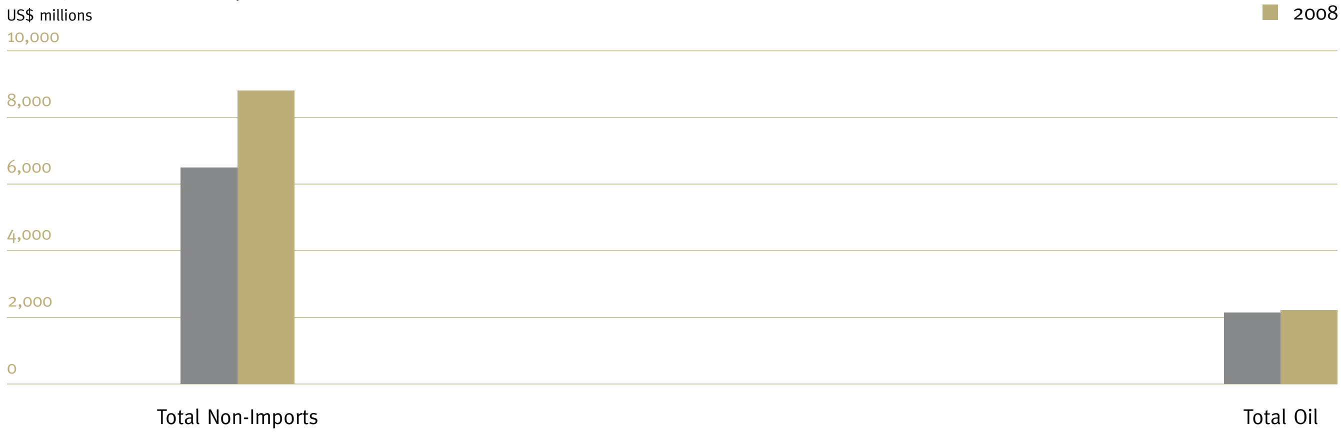
3. DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Chart 6: **Export Receipts**



Total merchandise imports increased to US$10,268.50 million (27.3% annual growth) in 2008. Non-oil imports amounted to US$7,911.75 million, representing a 32.5 per cent annual growth. This was attributed to increased imports of capital, intermediate and consumption goods with respective annual growth rates of 34.3 per cent, 25.1 per cent and 19.9 per cent in 2008. The oil import bill also increased to US$2,356.75 million in 2008 compared with US$2,095 million in 2007 due to the sharp rise in international crude oil prices.

Chart 7: **Merchandise Imports**



Services, Transfers and Income

The services, current transfers and income account recorded a surplus of US$1,455.65 million, marginally below the surplus of US$1,742.5 million in 2007. Private transfers grew by 7.5 per cent to US$1,970.39 million while official transfers increased by 15.2 per cent to US$241.11 million. These were however moderated by relatively higher outflows in services and investment income.

Capital and Financial Account

The capital and financial account recorded a surplus of US$2,806.48 million compared with a surplus of US$2,591.42 million in 2007. Net private capital inflows increased by US$1,231.3 million to US$2,307.20 million on the back of proceeds from the divestiture of Ghana Telecom. Direct investment went up to US$1,211.59 million in 2008 from US$855.38 million in 2007. Net official investments however declined significantly by 55.2 per cent to US$486.62 million in 2008 because of slower disbursements.

Box 2: Official Launch of Foreign Private Capital Flow Survey

On 29th September 2008, the Governor officially launched the Foreign Private Capital Flow (FPCF) Survey at the La Palm Royal Beach Hotel, Accra. The objective of the Survey was to establish prudent recording systems that capture private capital flows in order to monitor trends across sectors as well as its impact on the economy. Other speakers included Dr. Ishmael Yamson, Mr. Robert Ahomka-Lindsay – CEO, Ghana Investment Promotion Council and Dr. Grace Bediako, Government Statistician. The launch was followed by a half-day workshop to sensitise the business community on data requirements for the Survey and solicit support for effective collaboration with the Bank of Ghana.

The FPCF Survey aimed at collecting data on foreign private capital flows for the period 2006-2007 and investor perceptions in 2008.

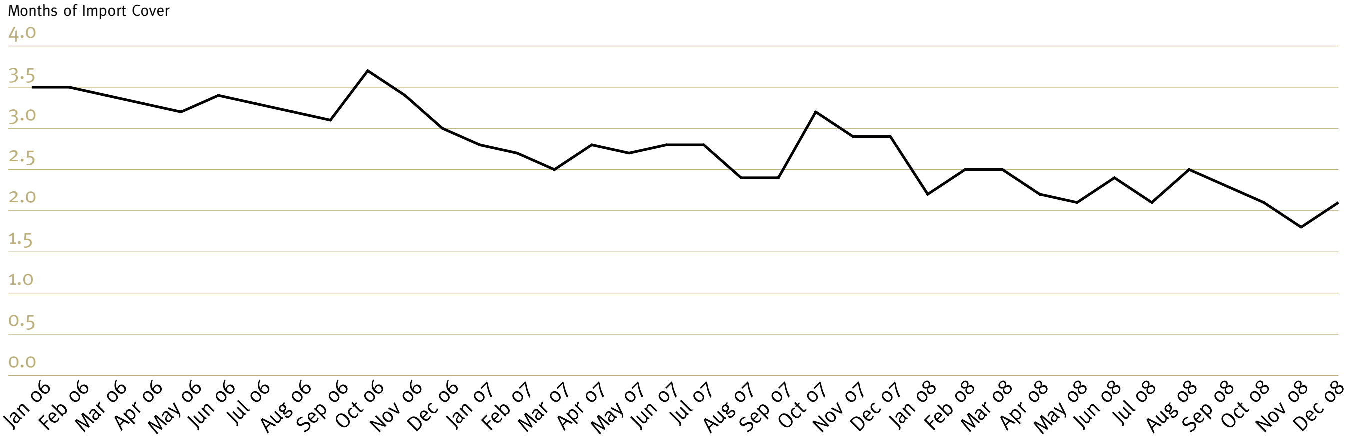
Private sector foreign investment consists of equity capital and reinvested earnings, portfolio investments, and 'other' investments (trade credits, loans, and currency and deposits). Questionnaires were administered to a representative sample of 286 business entities across the Accra-Tema metropolis, Eastern, Western, Central, Brong-Ahafo and Ashanti Regions between October and November 2008.

The findings from the survey were expected to improve the coverage of private sector foreign investments for compilation of Balance of Payments estimates and International Investment Position (IIP) statement towards effective policy formulation. It was also anticipated that the survey findings would be disseminated at a Workshop by mid-2009.

International Reserves

The stock of gross international reserves declined by US$800.43 million to US$2,036.22 million at the end of 2008, equivalent to 2.1 months of import cover. This compares with US$2,836.7 million in 2007 which included balances from the sovereign bond floatation. Net international reserves also decreased by US$940.73 million to US$1,300.59 million at the end of 2008.

Chart 8: Gross International Reserves

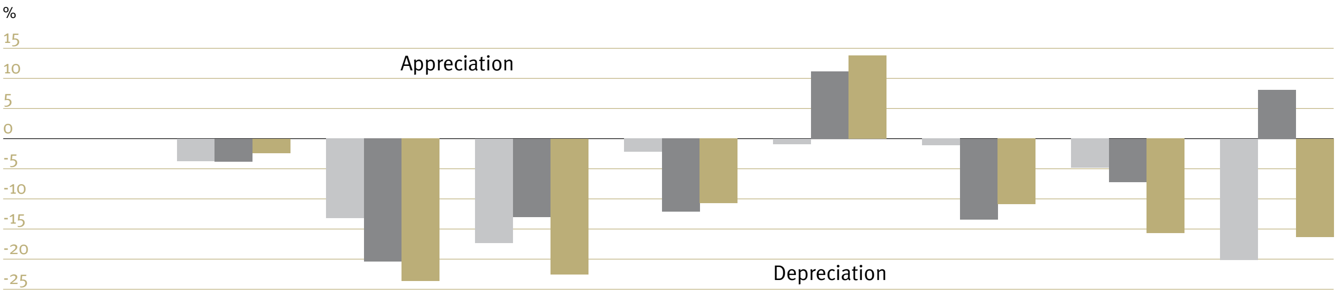


3. DEVELOPMENTS IN THE GHANAIAN ECONOMY CONTINUED

Foreign Exchange Market

The Ghana cedi weakened against the US dollar and euro following a surge in demand for foreign exchange to meet higher oil bills and food prices, servicing of external debts, and high expenditures on infrastructural development. On the inter-bank market, the Ghana cedi depreciated by 20.1 per cent and 16.3 per cent against the US dollar and the euro respectively and appreciated by 8.1 per cent against the pound sterling. This compares with depreciation rates of 4.8 per cent, 15.7 per cent and 7.2 per cent against the US dollar, the euro and the pound sterling respectively in 2007.

Chart 9: Annual Growth in Interbank Exchange Rates



	2001	2002	2003	2004	2005	2006	2007	2008
¢/USD	-3.7	-13.2	-17.3	-2.2	-0.9	-1.1	-4.8	-20.1
¢/Pound	-3.8	-20.4	-13	-12.1	11.1	-13.4	-7.2	8.1
¢/Euro	-2.4	-23.6	-22.5	-10.7	13.8	-10.9	-15.7	-16.3

3.9 External Debt Stock and Debt Service

External debt stock at the end of 2008 was estimated at US$3,982.60 million, representing an annual increase of US$392.24 million. The change in debt stock was attributed to new borrowings and revaluation. A total of US$1,439.15 million loan facilities targeted at the energy, water resources and health sectors were signed with Ghana's multilateral and bilateral creditors, with maturities ranging from 4 years to 50 years. Multilateral and bilateral creditors held US$1,958.78 million (49.20%) and US$1,096.28 million (27.5%) respectively. Commercial debt stock stood at US$927.6 million representing 23.3 per cent of total debt stock.

Total debt service on government and government-guaranteed external debt amounted to US$333.24 million in 2008, compared with US$190.43 million in 2007. The payments comprised principal of US$213.22 million and interest & charges of US$120.02 million.

Debt Indicators and Debt Sustainability

Despite increased debt stock in 2008, the debt service burden remained within sustainable levels. Debt-to-GDP ratio increased marginally to 28.1 per cent at the end of 2008, compared with 24.9 per cent in 2007. Other debt indicators, that is, debt service-to-GDP, debt service-to-domestic revenue and debt service-to-exports of goods went up in 2008 reaching respective ratios of 2.2 per cent, 7.8 per cent and 4.3 per cent in 2008.

Table 6: Selected Debt Indicators

	2004	2005	2006	2007	2008
Debt stock (US$ m)	6,447.9	6,347.8	2,177.2	3,590.4	3,982.6
External Debt Service/Exports (%)	7.2	7.7	4.5	4.6	5.8
External Debt Service/Exports of goods & services (%)	5.7	5.5	3.3	3.2	4.3
External Debt Service/ Domestic Revenue (%)	9.3	8.4	5.5	5.1	7.8
External Debt Service/GDP (%)	2.2	2	1.3	1.3	2.2
Debt Stock/GDP (%)	73.1	59.6	17.2	24.9	28.1

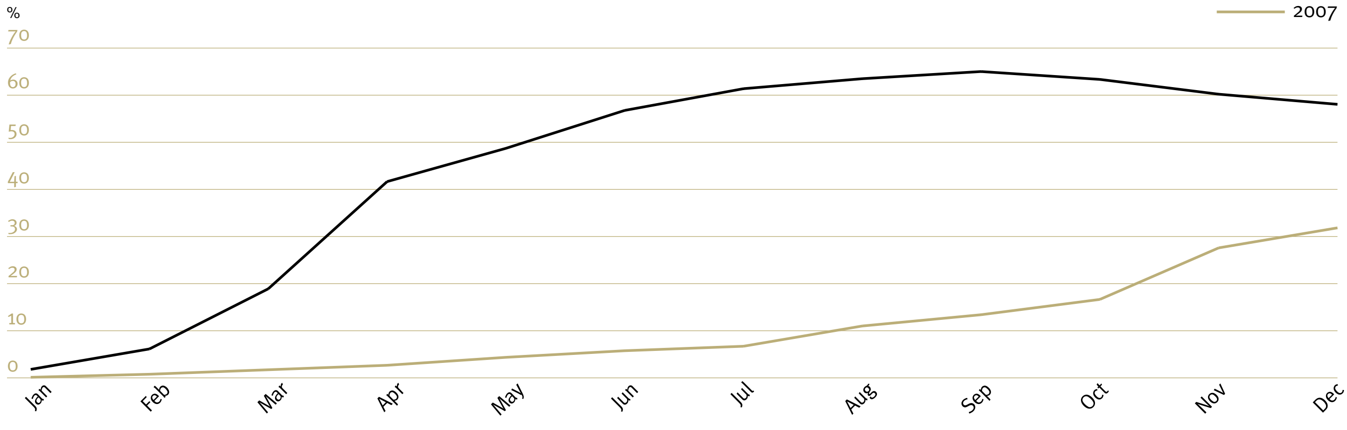
3.10 Capital Market Developments

The stock market posted strong returns in the face of falling equity prices across global capital markets. Market activities were mixed, characterised by a buoyant first half year, as share prices for most of the listed companies increased and a bearish second half performance as domestic inflation increased and investor preference shifted towards the money market.

GSE All-Share Index

The GSE-All Share Index gained 58.1 per cent in 2008 compared with a gain of 31.8 per cent in 2007 due to new listings and increased trading activities. Stocks in the Finance, Manufacturing and Food & Beverage sectors grew by 65.7 per cent, 63.0 per cent and 50.6 per cent respectively in 2008.

Chart 10: **Growth in GSE All-Share Index**



Market Performance

Trading was brisk in the first half of the year. Total volume of shares traded increased to 545.8 million valued at GH¢380.4 million, compared with 287.2 million shares valued at GH¢140.7 million in 2007. Ecobank Transnational Incorporated (ETI) shares recorded the highest turnover with 383.4 million traded shares accounting for 70.3 per cent of the total volume of trade and 70.4 per cent of the total value.

Market Capitalisation

Market capitalisation increased appreciably from GH¢12,368.6 million (88.4% of GDP) to GH¢17,895.1 million (104% of GDP) at the end of 2008, up by 53.7 per cent. This was attributed to a general increase in share prices as well as the listing of SIC Insurance, Golden Star Resources and UT Financial Services, additional issues by HFC Bank Ltd, Super Paper Products Co Ltd, CFAO Ghana Ltd and Pioneer Kitchenware Ltd and a rights issue by ETI.

The Bond Market

A total of GH¢1,237.5 million Government bonds consisting of 2-year, 3-year and 5-year maturities were listed on the Ghana Stock Exchange as at the end of the year. The other listed bonds on the market were HFC bonds (series H '$' and series J '$') and SCB Medium-Term Notes amounting to US$6.4 million and GH¢35.0 million respectively. There were no trades in both the HFC bonds and SCB Medium-Term Notes. However, GH¢3.4 million worth of Government bonds were traded in 2008.

4. DEVELOPMENTS IN THE FINANCIAL SYSTEM

4.1 Overview

The year witnessed major developments in the payment systems infrastructure with the launch of the Ghana Interbank Payment and Settlement System (GhIPSS) platform and the roll-out of e-zwich biometric smart cards to support branchless banking and a strategy of promoting financial inclusion. In addition, implementation of the Cheque Codeline Clearing (CCC) with cheque truncation as well as the establishment of an Automated Clearing House (ACH) commenced during the year.

The first credit reference bureau in Ghana, XDS Data Limited, was issued with a provisional licence under the Credit Reporting Act (Act 726) to provide credible information on prospective borrowers and reduce the information asymmetry that had characterised the lending function.

To further enhance the environment for effective financial intermediation, the Bank actively supported the passage of three new Laws, namely, the Borrowers and Lenders Act, Non-bank Financial Institutions Act and the Home Mortgage Finance Act.

New capitalisation levels for major banks were also announced for implementation over the 2009 – 2012 period. The policy aimed at strengthening the capital base of the banks to enable them assume greater levels of risk and also position them to support the upcoming oil industry.

For the first time, banks in Ghana were set to report their financial position and performance for the year in accordance with the International Financial Reporting Standards (IFRS) to enhance transparency and improve on their operations.

Ghana remained an attractive destination for financial institutions, evidenced by the opening of two major banks, two rural banks and four non-bank financial institutions during the year. There was also an increase in major bank branches from 595 in 2007 to 640 in 2008. The banking industry remained profitable and resilient throughout the year.

4.2 The Banking and Non-bank Financial System

Structure

Two new major banks were issued Class 1 banking licence during the year, increasing the total number of major banks to twenty-five (25), made up of 24 in Class 1 banking and 1 in General banking. A total of 45 branches were opened during the year.

ARB Apex Bank continued to pursue its objective of providing banking and non-banking support to the rural and community banks (RCBs). Two new rural banks were licensed to operate during the year. The total number of rural and community banks in operation stood at one hundred and twenty-nine (129) at the end of the year.

Four new non-bank financial institutions were licensed during the year. These comprised one finance house, two savings and loans companies and one leasing company. This increased the total number of NBFIs to 45.

Table 7: Growth of the Banking and Non-Bank Financial System

	2004	2005	2006	2007	2008
Major Banks	20	21	24	24	26
Branches	360	392	450	595	640
Rural Banks	119	121	125	127	129
Agencies	–	–	–	–	486
Non-Banks	–	–	36	41	45

Re-Capitalisation Policy

During the year the Bank firmed up its policy to raise the minimum capital of banks from GH¢7million to GH¢60 million after due consultation with the banking industry. All foreign owned banks were required to attain the new level by December 2009, while Ghanaian owned banks had up to December 2012 to attain the same level of capital[1]. However, the Ghanaian owned banks were required to reach GH¢25 million Ghana cedis by end 2009.

Minimum capital adjustments were also announced for rural banks in June 2008 with the mandatory capital level pegged at GH¢150,000.00 for new rural banks. Existing rural banks were required to attain the new level in due course with banks branch expansion and dividend payment tied to the attainment of this higher capital level. Similar upward adjustments were planned for NBFIs once the new NBFI Act comes into force in 2009. A consultative paper to that effect was issued to the industry.

Branchless Banking

In August 2008, the Bank published guidelines on branchless banking. The import of the notice was to allow banks to harness ICT to provide banking and financial services through partnerships and agency relationships to a wider audience than that afforded by their brick and mortar structures. Following that, a number of private sector companies, including mobile networks, have indicated interest in designing small value payment products. These innovations are expected to complement the GhIPSS platform in increasing access to financial services by the hitherto unbanked segment of the population under the strategy of promoting financial inclusion.

Risk-Based Supervision (RBS)

The Bank consolidated its implementation of risk-based supervision of banks, which started in 2007. Most banks made progress in improving risk management, with the establishment of risk management departments/units with well trained personnel. Risk identification, measurement, monitoring and management were scaled up by all banks. Aspects of risk-based supervision were also introduced into the supervision of non-bank institutions and rural banks. The Bank benefited from technical assistance from the Office of the Superintendent of Financial Institutions (OSFI) of Canada to deepen the knowledge and skills of Banking Supervision department staff in the on-going implementation of RBS.

[1] Foreign owned banks are classified as banks with 60 per cent or more foreign ownership while the opposite holds for Ghanaian owned banks

International Financial Reporting Standards (IFRS) Implementation

In collaboration with the Institute of Chartered Accountants, Ghana, banks in Ghana were set to report their financial position and performance in accordance with International Financial Reporting Standards (IFRS) by end December 2008. A number of banks had already done so since December 2007, while the remainder indicated their state of preparedness to comply for the 2008 financial year. The adoption of IFRS by all major banks would enhance transparency and improve comparability of information not only across banks domestically but also internationally.

4.2.1 Performance of the Banking System

Assets and Liabilities of Banks and NBFIs

Total assets of banks (including RCBs) and NBFIs increased by 37.0 per cent to GH¢11,764.2million as at end 2008. The growth in assets was funded mainly by deposits, which increased by GH¢2,073.8 million, constituting 65.2 per cent of the growth. Banks' total assets grew by 37.2 per cent to GH¢10,692.2 million, representing 90.8 per cent of the total assets of banks and NBFIs. RCBs' total assets grew by 19.8 per cent to GH¢463.7 million, representing 4.5 per cent of the total assets of banks and NBFIs. With regard to NBFIs, total assets rose by 49.6 per cent to GH¢608.3 million, representing 4.8 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¢1,848.6 million. Cash & bank balances and investments also rose by GH¢889.4 million and GH¢188.4 million respectively.

Profitability

The banking industry remained profitable despite its continued declining trend. The continuous decline in industry profitability indicators was as a result of increases in average total assets without a corresponding grown in profit levels, due mainly to narrowing net interest spreads.

4. DEVELOPMENTS IN THE FINANCIAL SYSTEM CONTINUED

Table 8: Profitability Indicators (%)

	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08
Return on Assets	4.6	3.3	4.8	3.7	3.2
Return on Earning Assets	5.9	6.3	5.9	4.8	4.3
Return on Equity	22.9	24.1	27.5	25.8	23.7
Net Interest Spread	8.9	10.8	9.9	8.4	8.6
Expense to Income	63.5	68.7	59.3	62.5	64.7
Net Interest Margin	9.6	6.5	11.3	9.7	10.1
Gross Yield	17.2	17.1	15.6	15	17
Interest Payable	5.2	6.4	5.7	6.7	8.4

Off-Balance Sheet Business

There was an increase in off-balance sheet business as contingent liabilities went up by GH¢496.2 million to GH¢1,750.0 million. The outstanding contingent liabilities were in respect of documentary credits (62.5%) and guarantees (37.5%).

Solvency

The banking industry remained solvent throughout the year with all banks complying with the required minimum capital adequacy ratio of 10.0 per cent. The industry average was 13.8 per cent as at end 2008.

Liquidity

At the end of the year, all banks had met the primary reserve requirement of 9.0 per cent with the exception of one bank which failed to comply with both the domestic and foreign primary reserves. The industry cash ratio was 9.0 per cent in domestic primary reserves and 19.5 per cent in foreign primary reserves.

Rural and Community Banks (RCBs)

Total assets of RCBs grew by 20.6 per cent to GH¢463.7 million. The performance of rural banks improved significantly as seventeen more banks moved to the satisfactory category, bringing the total to 104 (up from 87 in 2007). The number of mediocre banks increased from 19 to 25.

Non-Bank Financial Institutions (NBFIs)

Four new NBFIs were licensed (1 finance house, 2 savings and loans and 1 leasing company) bringing the number of NBFIs in operation to forty-five (45). The balance sheet of the NBFIs expanded by 49.2 per cent to GH¢608.3 million. The sources of funding for the growth in assets were shareholders' funds, deposits and borrowings. The increase reflected mainly in loans & advances (GH¢384.4 million), cash & bank balances (GH¢ 45.5 million) and other assets (GH¢ 101.7 million).

4.3 Developments in the Payments System

In line with international trends of reducing over-reliance on cash based transactions, the Bank intensified its programme of modernising and enhancing the national payment, clearing and settlement systems throughout the year.

Ghana Interbank Payment and Settlement Systems Limited (GhIPSS)

GhIPSS, which was registered in 2007 as a wholly owned subsidiary of the Bank commenced operations in 2008.
Its mandate covered the following:

› Implement and manage the national switch and smartcard payment system
› Increase the efficiency of cheque clearing through the introduction of a CCC with cheque truncation system
› Establish and manage an Automated Clearing House(ACH) system
› Provide technical support to the Real Time Gross Settlement (RTGS) system operated by the Bank of Ghana

The National Switch and Smartcard Payments System

The overall objective of the project was to establish a national switch which would link all bank switches in the country. It would also enable smartcard holders to undertake transactions at any payment terminal belonging to participating financial institutions in the e-zwich system. This would ensure interoperability of the systems and financial inclusion of all Ghanaians, especially the unbanked. The implementation of the project was to take place in three phases.

Phase 1 of the project involved:

› Installation of the switch host
› Establishment of networks
› Issuing of biometric smartcards by banks to their clients and
› Deployment of Point of Sale (POS) terminals by banks at specific acquired merchants and in bank branches

This phase was successfully completed and launched by His Excellency, President John Agyekum Kufuor on April 28, 2008.

Twenty-five clearing banks and eight Rural and Community Banks (RCBs) registered as participants in the e-zwich system with a total of 324 payment points or outlets in 2008. There were 140,000 and 2,477 individual and merchant e-zwich biometric smartcards issued by banks respectively. A total value of GH¢1.2 million e-zwich interbank payments, were cleared between May and December 2008.

Phase 2 involved the introduction of new ATMs into the system and the modification of the exiting ones to accept both biometric smartcards and Personal Identification Number (PIN) based magnetic stripe cards. It also included the deployment of mobile phone banking onto the switch.

The final phase of the project would be to integrate e-zwich with the card systems of major international card associations such as Visa and MasterCard so that the different cards would be accepted at the same payment terminals in Ghana. This would require certification of e-zwich by the International Card Associations to ensure compliance with existing international standards, rules and regulations.

Cheque Codeline Clearing with Cheque Truncation System

The implementation of the CCC project started during the year with NCR Incorporated as the solution provider. The project aimed at reducing the cheque clearing cycle from the current three days (T+2) or more to two days (T+1) or less. An important part of the project was to reduce the cost of paper handling by truncating cheques at the point of first deposit, while at the same time reducing payment floats. When the system becomes operational, banks would be required to use the cheque image instead of the physical cheque to make the 'pay or not pay' decision. Cheque clearing procedures and regulations would be modified to provide an appropriate operational and legal framework for codeline clearing with truncation.

Automated Clearing House (ACH)

The ACH project commenced in tandem with the CCC project, and both would use the same hardware and software. While files relating to cheques would have images attached to them, ACH debit and credit files will not have attached images.

GHIPSS Office in Accra

GHIPSS staff at work at the Card Centre

4. DEVELOPMENTS IN THE FINANCIAL SYSTEM CONTINUED

Box 3: Remarks by Dr. Paul A. Acquah, Governor of Bank of Ghana, at the Launching of the e-zwich Common Platform; National Theatre, April 28, 2008.

Let me take this opportunity to welcome you all and especially His Excellency, John Agyekum Kufuor, President of the Republic of Ghana to this event. Also, I should thank the President for accepting to do us the honour of giving the keynote address and launching the e-zwich common platform today.

The economy is going through the process of financial development. The banking system is sound and growing increasingly competitive, dynamic and open to the global financial markets.

Over the past few years, we have been able to secure a set of legislation necessary to establish the regulatory framework for a modern banking and financial services industry. Prominent among these are the Banking Amendment Act, the Payment Systems Act, the Central Securities Depository Act and to crown it all the Foreign Exchange Act of December 2006, which completely overhauled the exchange control regime and subsequently the Anti-Money Laundering Act. Parliament has recently passed the Credit Reporting Act, with the companion Borrowers and Lenders Bill to be considered soon for passage.

A sound financial system must be underpinned by a safe and efficient payment systems infrastructure, one that allows secure and prompt completion of transactions. The payment system is a key component of the economic and financial infrastructure. It is the complex network of institutional arrangements, sophisticated technical tools and market mechanisms that are necessary for organised financial transactions, along with a system of controls that protect its integrity.

The public tends to take for granted that their cheques clear; that ATMs instantly deliver cash anywhere on demand; that transfers are made and bills are settled in the required currency and amounts and liquidity is available at anytime within the system. This is thanks to the smooth functioning of the payment and settlement systems.

The last few years, we have put in place a relatively modern payment systems infrastructure that is of international standards and best practice. Prominent among these are the Real Time Gross Settlement System (RTGS) for large value transactions that have reduced counterparty and settlement risks and the Central Securities Depository (CSD) system for Government debt instruments that ensures security of title. The Bank will be introducing an Automated Clearing House (ACH) system and Codeline Cheque Truncation system soon. On the credit side, we have now issued a provisional licence for a credit reference bureau to be established that will improve the flow of information necessary for informed assessment and pricing of risks, while protecting the confidentiality of such information and credit worthiness of borrowers.

We are here today to launch the e-zwich common electronic platform that will transform the payments system into one that is state-of-the-art of the future to serve all financial institutions in the country. It is a platform to link all the existing banking institutions, savings and loans companies and their branches and provide access to financial services and the national payment systems to all for economic transactions. It establishes a level playing field for institutions to compete on comparative advantage and innovation to drive the financial services industry. It should enhance effective mobilisation and re-allocation of resources.

We all recognise the cellular phone is a very efficient vehicle for communication and exchange of ideas and information; for staying in touch with families and friends; for nurturing business relations and goodwill; for discussing contracts and contractual obligations. The cellular phone makes all these and more possible without the need for a physical presence or contact. It provides a powerful means for conducting business transactions with improved productivity. It is all "digital" these days. The unit cost of time (measured in seconds/minutes) used for transactions bears little relationship with the value of the transaction that can normally be processed with the cellular phone.

You may ask what has the cellular communication system got to do with the e-zwich? The answer is a great deal. The cellular phone works virtually everywhere when switched on. And virtually everyone can use it. The e-zwich smartcard is very similar.

The e-zwich smartcard can be used by anyone everywhere to do business. It can store value, your money, your savings and you can use it to buy anything anywhere thanks to the e-zwich common platform.

The e-zwich brings electronic payments to the doorsteps of all Ghanaians, whether banked, unbanked or under-banked. The e-zwich can be accessed from the remotest parts of the country where electricity and telecommunication services may be unavailable or unreliable. The e-zwich smartcard can receive or transfer value in both online and offline modes. It ensures that transactions are secure, safe and convenient. The e-zwich is unique because of the biometric identification feature and it can be trusted as all transactions are approved by the card owner using the fingerprint.

Mr. President, as we roll out the e-zwich project, the Bank of Ghana will continue with the necessary public education on the e-zwich and expand it into a broad financial education programme. As a regulator, the Bank will continue to exercise firm oversight of the payment systems as needed to safeguard the soundness of the financial system. But of course we need to work to ensure that everyone in the public and private sector embraces the e-zwich for convenience, efficiency and safety.

I would like to conclude by expressing our gratitude to His Excellency the President for his steady encouragement and support and for accepting to honour this historic event. I thank all the stakeholders and invited guests for coming here today. Thank you all for your attention.

4.3.1 High and Low Value Payments

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

The system provided settlement services for:
- › Net clearing positions of banks in respect of cheque and credit clearing systems
- › Treasury bill transactions generated by the Central Securities Depository
- › Card based transactions on the GhIPPS platform
- › Ghana National Net Settlement Service (GNNS) operated by Visa International

The volume of transactions effected through the GIS system increased by 33.2 per cent to 167,481 transactions in 2008. The value of transactions also went up by 40.7 per cent to GH¢130.5 billion with the average value per transaction recording growth of 5.6 per cent.

Table 9: High Value Payments-GIS System

	2005	2006	2007	2008
Volume	48,749	93,103	125,756	167,481
Value (GH¢' millions)	37,116.90	47,415.40	92,739.40	130,481.10
Average Value (GH¢)	761,386.90	509,279.40	737,455.10	779,079.80

Low Value Payments – The Cheque Clearing System

Cheques and other paper-based instruments remained the most widely used inter-bank payment products in terms of volume, with cheques remaining the dominant paper clearing instrument in both volume and value. The volume of cheques cleared in 2008 increased by 8.0 per cent to 5.6 million. Similarly, the value of cheques cleared during the year totalled GH¢25.2 billion, up from GH¢15.9 billion in 2007. The average value of cheques cleared increased by 46.9 per cent during the period.

Table 10: Low Value Payments-Cheque Clearing System

	2005	2006	2007	2008
Volume	4,776,690	4,967,638	5,166,344	5,581,810
Value (GH¢' millions)	12,229.10	13,938.90	15,891.50	25,217.63
Average Value (GH¢)	2,560.20	2,805.90	3,076.00	4,517.86

Low Value Payments – The Paper Credit Clearing System

The use of credit clearing instruments declined both in terms of volume and value of transactions. The volume and value of transfers effected through clearing dropped by 52.1 per cent and 63.5 per cent respectively.

Table 11: Low Value Payments-Paper Credit Clearing System

	2005	2006	2007	2008
Volume	11,260	29,963	51,643	24,756
Value (GH¢' millions)	15.00	39.90	68.50	25.00
Average Value (GH¢)	1,330.10	1,297.40	1,326.40	1,009.90

4.4 Central Securities Depository

The number of account holders with the Central Securities Depository (CSD) increased by 14.2 per cent to 235,800 at the end of the year. The holdings of securities by foreign investors accounted for 38.5 per cent of total holdings compared with 73.3 per cent in the previous year. Other activities undertaken through the CSD showed significant increases; the value of repurchase agreements and assignments undertaken among participants rose by 28.9 per cent to GH¢14.8 billion. However, the number of transactions fell from 5,044 to 4,882 as a greater number of dealings were between banks with higher average value per dealing.

The Depository played host to a number of international corporate and investment banking groups during the year. These included Goldman Sachs International, JP Morgan Chase Bank, HSBC, Citigroup, Northern Trust and Standard Bank. The Depository also participated in the Association of Global Custodians' (AGC) Securities Depository Information Gathering Project, 2008/2009. The main objective of the Project was to collect and disseminate information on all participating depositories to enable its investment houses assess risks in the various markets to guide their decision to invest in a given market.

4. DEVELOPMENTS IN THE FINANCIAL SYSTEM CONTINUED

4.5 Customer Complaints and Investigations

The total number of cases handled during the year rose by 151 to 508 due mainly to increased public awareness and the widening customer base of the banks. The issues addressed included non-payment of dividends, high interest rates and bank charges, impropriety on the part of directors of some banks, leakage of bank information and illicit money transfers. The Bank also collaborated with the diplomatic missions and various security agencies through the sharing of information.

Table 12: Summary of Cases Handled

Unit	2005	2006	2007	2008
Consumer Reporting	48	24	76	135
Fraud Investigation	25	41	130	142
Enforcement and Surveillance	192	121	151	231
Total	**265**	**186**	**357**	**508**

4.6 Financial Laws

The year witnessed the review and passage of the following legislations that affect the banking and financial industry.

› Home Mortgage Finance Act, 2008 (Act 770)
› Borrowers and Lenders Act, 2008 (Act 773)
› Non-Bank Financial Institutions Act, 2008 (Act 774)

The Home Mortgage Finance Act, 2008 (Act 770) is to regulate home mortgage financing and applies to transactions between financial institutions and their customers for the provision of finance for the:

› Construction or purchase of residential property
› Completion of residential property
› Extension to or renovation of residential property
› Improvement to residential property for ownership, sale or rental
› Construction of residential property for sale or rental
› Purchase of fixtures and chattels related to residential properties

The Borrowers and Lenders Act, 2008 (Act 773) is to provide the legal framework for credit, improve standards of disclosure of information by borrowers and lenders, prohibit certain credit practices, promote a consistent enforcement framework related to credit and to provide for related matters.

The Non-Bank Financial Institutions Act, 2008 (Act 774) is to provide for the regulation of non-bank financial institutions and for related purposes. It replaces the Financial Institutions (Non-Banking) Law, 1993 (PNDC Law 328).

5. MAJOR INTERNAL DEVELOPMENTS

5.1 Overview

The year saw the successful conclusion of the implementation of the IMPACT 05 project (Modernising Processes to Achieve Continuous Transformation), the initiation of the process of acquiring ISO 27001 certification and the establishment of the Centre for Training and Professional Development (The Centre). It also witnessed the reorganisation of the former Computerisation and Systems Department into a more all-embracing Information Technology and Data Management (ITDM) department.

The IMPACT 05 project, aimed at entrenching information technology and data management, took centre stage in the overall operations of the Bank. It was the driving force behind the reorganisation of the former Computerisation and Systems Department into the Information Technology and Data Management (ITDM) department.

Two major offshoots of the project were the Bank's initiation of the process of acquiring ISO 27001 certification in July 2008 and the establishment of The Centre. The success story of the project could be attributed to the hard work and dedication of all stakeholders of the Bank and the effective and continuous training of staff.

5.2 IMPACT 05 Project

Since going live in July 2007, nine application softwares have been rolled out resulting in significant improvement in the overall business processes of the Bank consistent with international standards. The Bank is deriving the following benefits from the systems implemented.

Electronic Banking Application (T24)

The electronic banking application enables centralised processing of banking transactions. Therefore the Bank has on-line and real-time information from the banking application. It also ensures the consolidation of banking transactions from the regional offices. There is an internet banking module which allows customers to access their account details on real-time basis.

Human Resource Management System (Oracle HR)

The self-service module has provided employees on-line access to information. Benefits of the new on-line self-service facility include:

- On-line applications for leave
- Workflow-based approval for self-service transactions
- On-line update of personal information
- On-line performance appraisals
- Full audit trail for every transaction

Procurement and Purchasing Package

The package provides the following benefits:

- On-line requisitions
- Workflow-based approval
- Automated purchase order creation
- Integration with inventory/central stores
- On-line business reports
- Full audit trail for every transaction
- Consolidation of purchase orders for bulk discounts

Payroll Processing System

This is used for the payment of staff and is integrated with the banking application.

Payment Processing System

This is used for all payments to suppliers of goods and services to the Bank as well as imprest requests and disbursements. It is also integrated with the banking application.

Banking Supervision Application (eFASS)

The electronic Financial Analysis and Surveillance System (eFASS) is an integrated banking and financial surveillance system. The user departments are Banking Supervision, Monetary Policy Analysis & Financial Stability, Research and Treasury. The benefits of the system include:

- Strengthening the analysis and surveillance processes
- Monitoring the performance of banks and financial institutions
- Assisting in the enforcement of regulations
- Automating financial analysis and exception reporting
- Providing timely and detailed analysis of industry performance
- Providing feedback on reporting institutions
- Ensuring data integrity
- Ensuring improved security during the submission of returns from the banks and other financial institutions

Data Warehouse Application (iDecision)

A data warehouse application, iDecision, is used by the Bank to extract data from the key operational applications such as T24, eFASS and Oracle Enterprise Resource Planning. It is used to perform analytical reporting of the data extracted from the various data sources. The reports from the iDecision application are used by Banking Supervision, Research and Monetary Policy Analysis & Financial Stability departments.

5. MAJOR INTERNAL DEVELOPMENTS CONTINUED

Electronic Document Management and Archiving System (DataStore 32)

The system provides a secure environment for staff to access and manage various documents while controlling the overall business process. It is used for scanning and indexing paper documents, as well as capturing and managing Microsoft Office documents. Benefits of DataStore include:

- A controlled environment for managing the Bank's electronic records
- A workflow module to eliminate the creation and circulation of memos within the Bank
- Easy access to information for electronic records
- Security for the Bank's electronic records

Help Desk Support Application

"HP OpenView" Service Desk is a software tool to automate IT service management in the Bank and enable all user complaints to be logged. The Help Desk assigns user complaints to the appropriate workgroup within the ITDM department for investigation and resolution.

Box 4: **IMPACT O5 Week Celebrations**

The Bank successfully celebrated IMPACT 05 Week from 3rd through 7th November, 2008 under the theme **"Knowing Your Systems, Talk, Work and Live I.T."**

The celebration of the IMPACT 05 Week was part of Management's commitment and strategy to afford members of staff the opportunity to internalise the concept of using Information Communication and Technology (ICT) infrastructure to drive the business of the Bank.

The IMPACT O5 Week was formally launched by Mr. K.O. Adu Labi, chairman of the IMPACT 05 Steering Committee, on behalf of the Governor at the Bank's Auditorium on Monday, November 3, 2008. The programme was broadcast live simultaneously across the Bank's Regional Branches via audio/video conferencing.

Other activities undertaken during the Week included presentations by selected Heads of Department, as well talks on Wealth Creation, I.T. Security & Awareness and Health issues. Members of staff turned up in their numbers at all the events marking the celebrations as awareness of the vision of the project was heightened.

In his closing remarks at the end of the celebrations, the Governor reminded members of staff that the IMPACT 05 platform had been designed to transform communication and information management of the Bank as well as provide the platform (1) to manage and preserve the integrity of information generated in the Bank; (2) to secure the credibility of the operations policies of the Bank; (3) to ensure effective communication with the public and all stakeholders of the banking and financial services industry.

The Governor indicated that the IMPACT 05 process was not only the provision of infrastructure – hardware, software, and equipment, but how the Bank uses the potential offered by modern technology to shape its processes to achieve efficiency and high productivity in its operations.

The celebration of the IMPACT 05 Week was rounded off by a Quiz competition conducted by a renowned Quiz Master in Ghana, Mr. Dan Afari Yeboah.

5.3 ISO 27001 Certification

The Bank initiated the process of acquiring ISO 27001 certification in July 2008. ISO 27001 certification is the world's highest accreditation for information protection and security and is specifically targeted at confidentiality, integrity, availability and compliance.

A UK-based consulting company, AKK Risk Management Consulting Ltd, was contracted to provide information security services to enable the Bank review its business processes and controls to meet the requirements of ISO 27001.

The first independent assessment of the progress made was performed in the middle of September 2008 by Lloyds Register Quality Assurance (LRQA) followed by a stage 2 assessment in the middle of December 2008. At this stage, the Bank had addressed all the issues raised during the stage 1 assessment. A few concerns relating to user awareness were to be resolved to conform fully to best practices prior to the certification in early 2009.

By that certification the Bank would distinguish itself as the first central bank in Africa with ISO 27001 certification. This would also enable the Bank to join a small group of central banks including Federal Reserve Bank of New York, Reserve Bank of India, Bank of Indonesia and Bank of Taiwan that have attained this prestigious status. The International Monetary Fund (IMF) and World Bank are among other financial institutions that have such a certification.

The following are the benefits of obtaining the ISO 27001 certification:

- It would demonstrate that the Bank has addressed, implemented and controlled the security of its information, and its management information systems are secure to ensure the integrity of data sent out as well as received
- It would ensure that relevant laws and regulations are complied with
- It would ensure that commitment to information security exists at all levels in the Bank
- It would increase overall organisational efficiency and operational performance
- It would minimise internal and external risks to business continuity
- It would demonstrate greater security awareness within the Bank

5.4 Centre for Training and Professional Development

Management created the Centre for Training and Professional Development (The Centre) in July 2008 to provide excellent training and learning opportunities with the view to meeting the challenges of the globalised world and the evolutions in Ghana's financial sector. It was also to help optimise the benefits of the ICT systems deployed in the Bank.

Functions

The functions of The Centre include the following:

- Advise on the training and manpower development strategy of the Bank
- Identify training needs at the corporate, departmental and professional/individual levels
- Design and execute in-house programmes and facilitate participation in other foreign training programmes
- Maintain strategic alliances with reputable training institutions in the delivery of some programmes

Role of ICT in Staff Development

Recent developments in ICT in the Bank have led to a marked improvement in infrastructure and software applications consistent with international standards. The Centre recognises the urgent need to deepen the knowledge of staff in the various applications deployed in order to make maximum use of the IT resources. Towards this end, the ICT training interventions by the Centre have the following objectives:

- Awareness creation to ensure that staff adhere to the basic tenets of the IT security policy of the Bank and also follow best practices in an IT environment
- Deepen knowledge and skills of staff in the relevant software application pertaining to their operations
- Refresh knowledge and skills of personnel involved in managing IT resources

In connection with the above, the Centre has developed a modular course structure for staff at all levels in the Bank. These are Foundation, Intermediate and Advanced courses. The Foundation course is intended to introduce staff to the fundamentals of ICT and also the applications deployed in the Bank. The Intermediate course seeks to enhance on knowledge gained at the Foundation level and will also address specific ICT knowledge. The Advanced course will focus on IT personnel who have need to bridge gaps in specialised areas:

5. MAJOR INTERNAL DEVELOPMENTS CONTINUED

Specifically, IMPACT 05 user training (functional and technical) will cover the following areas:

- Temenos 24 for Core Banking Application
- OracleERP for Financial, Procurement and Human Resource
- DataStore32 for Electronic Document Management
- eFass, for Electronic Financial Surveillance System
- VMS, for Vault Management System
- iDecision, for Provision of Management reports for Decision Making

Training

Two hundred and eleven (211) local and foreign courses were organised during the year for 2,492 participants.

Table 13: Training Programmes in 2008

Programme	Courses	No. of participants
Foreign	94	158
Local	98	502
Staff training centre	19	1,832

A class in session at the Training Centre

Far Left – Mr. M. Narh, Director of the Centre and Ms. Gloria Quartey, Head of Human Resource Department awarding a certificate to a participant

5.5 Human Resource Activities

The total staff population of the Bank was 1,493, down from 1,508 in 2007. Categorisation of staff by grade and gender was as follows:

Table 14: Staff Position

	Male	Female	Total	% of Total
Management staff	128	29	157	10.5
Middle level staff	480	295	775	51.9
Junior staff	454	107	561	37.6
Total	**1,062**	**431**	**1,493**	

Total recruitment for the year was 70, comprising 54 contract staff and 16 permanent appointments. The 16 permanent staff was made up of 1 management staff appointed to head the Human Resource Department, 13 security staff, one sub-officer and an artisan.

A total of 85 members of staff left the service of the Bank during the year, made up of end of contract term (36), resignations (12), retirements (23), dismissals (2), terminations (3), and deaths (9). A total of 432 members of staff were promoted to higher grades in 2008 while 124 were transferred to other departments.

6. EXTERNAL RELATIONS

6.1 Overview

The Bank continued to play its role on the international financial scene through its affiliated financial institutions and participation at international meetings and symposia. It participated in meetings of the Bretton Woods institutions, the Association of African Central Banks, the West African Monetary Zone, the West African Monetary Agency and the Afreximbank.

6.2 International Monetary Fund (IMF) and World Bank

Article IV consultations between the Ghanaian authorities and the IMF were concluded during the year. The Executive Board of the Fund observed the strong growth performance of the Ghanaian economy and the dynamism of the private sector. It also noted that the on-going monetary tightening was welcome and should be continued. The Board observed that fiscal expansion since 2007 combined with the oil and food price shocks had resulted in high fiscal and external current account deficits, rising inflation and a weakening of the international reserve position. The risks, it noted, could undermine earlier achievements. It therefore recommended an urgent pull back from expansionary fiscal policies.

The Bank participated in the 2008 Spring and Annual meetings of the IMF and World Bank. The main focus of the meetings was on the global economic and financial situation. The International Monetary and Financial Committee at its October meeting endorsed the G-7 Action Plan which included taking decisive action to support systemically important financial institutions and prevent their failure. The Committee underscored the Fund's critical mandate to foster multilateral cooperation needed to restore and safeguard monetary and financial stability. It noted the challenges posed by the financial crisis and high food and fuel prices to the preservation of macroeconomic stability and poverty reduction in developing countries. It called on the Fund to draw policy lessons from the crises and recommend effective actions to restore confidence.

The Development Committee (DC) of the IMF was concerned about the impact that the turmoil in financial markets and the high prices of fuel and food which were pushing up inflation in many countries could have on worsening income distribution. It was noted that this could set back progress towards the attainment of the Millennium Development Goals as well as cause balance of payments problems in low income energy importing countries. It emphasised the importance of donors meeting their official development assistance commitments. It also called for continued attention to promoting gender equality and maintaining and building on the system of open international markets. The DC also welcomed the endorsement of the Agenda for Action taken at the Accra High Level Forum on Aid Effectiveness.

Mr. Jafar Mojarrad, the new Executive Director at the Fund in charge of Ghana, paid his maiden visit to Ghana in February 2008 to meet with government officials, including the Minister of Finance, and the Governor of the Bank of Ghana.

An IMF/World Bank team embarked on a Medium-Term Debt Management Strategy mission in February 2008. The mission was to help strengthen Ghana's capacity in debt strategy formulation to ensure government's financing needs were met at the lowest possible cost consistent with a prudent degree of risk.

6.3 West African Monetary Zone

The various committees of the West African Monetary Zone (WAMZ) met twice during the year in June and November. Expert groups on Legal and Institutional Affairs, Payment systems, as well as Trade, Investment and Tax issues also met during the year. The statutory meetings focused mainly on assessing the state of macroeconomic convergence among the member countries and the stage of implementation of various zonal programmes and projects. A new Director-General, Dr. Temitope W. Oshikoya, was also appointed for the West African Monetary Institute.

6. EXTERNAL RELATIONS CONTINUED

Box 5: West African Monetary Zone Meetings

Dates	Venue
June 19, 2008	Abuja, Nigeria
November 7, 2008	Banjul, The Gambia

Major Decisions and Recommendations

- Recommended that member countries should undertake medium to long-term strategies to tackle the prevailing energy and food crises
- Approved the proposed ADF grant of UA 14 million (USD 23 million) for the development of the payment systems in The Gambia, Guinea and Sierra Leone
- Approved the statutes on Payment Systems, West African Financial Supervisory Authority, Non-Bank Financial Institutions and Single Economic Space and Prosperity Agreement
- Directed the Chairman of Council, accompanied by the Director-General of WAMI, to visit the host countries of the WAMZ institutions to discuss the activation of these institutions
- Directed the establishment of a joint task force comprising WAMI and the ECOWAS Commission to address trade related issues of the zone
- Requested WAMI to prepare a comprehensive report on the state of preparedness for the commencement of monetary union in December 2009
- Recommended the convening of a Heads of State Summit in the second quarter of 2009 to take a decision on the commencement of monetary union

6.4 West African Monetary Agency

The Committee of Governors of the West African Monetary Agency (WAMA) met on November 21, 2008 in Abuja, Nigeria, to assess developments under the ECOWAS Monetary Cooperation Programme (EMCP). It acknowledged efforts being made by member countries to attain macroeconomic convergence despite the hostile international economic environment and urged them to sustain efforts at macroeconomic stability.

The Committee of Governors also decided that an expert working group on payment systems from the ECOWAS institutions and Central Banks should be set up to review the modalities for the interconnection of payment systems within the WAMZ and UEMOA zones. It also decided on setting up a working group to map out a single realistic strategy for establishing a common currency for ECOWAS, taking into account all the studies previously carried out on the subject of monetary integration in the ECOWAS sub-region. The Group, to be presided over by the ECOWAS Commission, would comprise of WAMA, WAMI, UEMOA Commission and the Central Banks.

6.5 West African Institute for Financial and Economic Management

The Board of Governors of the West African Institute for Financial and Economic Management (WAIFEM) held its annual meeting on November 7, 2008 in Banjul, The Gambia. It initiated the process of finding a replacement for the outgoing Director-General and also approved the Institute's training programme for 2009.

6.6 Association of African Central Banks

The Assembly of Governors of the Association of African Central Banks (AACB) met in Kigali, Rwanda on August 22, 2008. It considered and adopted the report on the African Monetary Cooperation Programme (AMCP). The Assembly commended member countries for the improvements in their economic performance, especially within the context of a particularly difficult global economic environment. It recommended the continuation of efforts to consolidate the macroeconomic gains. The Assembly also took note of the work of the Joint AU/AACB Committee formed to define a common strategy for the establishment of the African Central Bank.

The meeting was preceded by a Seminar on the theme "The Objectives and Conditions Necessary for the Establishment and Proper Functioning of the African Financial Institutions (AFIs) namely, The African Monetary Fund, The African Central Bank, and the African Investment Bank". The Assembly also agreed on the theme "Formulation of Monetary Policy in Africa: The Relevance of Inflation Targeting" for the 2009 symposium.

6.7 African Export-Import Bank (Afreximbank)

The fifteenth Annual General Meeting (AGM) of shareholders of the African Export-Import Bank (Afreximbank) was held in Kampala, Uganda on November 1, 2008. The shareholders approved the Bank's Annual Report and the Audited Financial Statements for the year ended December 31, 2007 and the proposed dividend. Discussions on the reports on the Study of the Charter Amendments and the Relocation of the Headquarters of the Bank were deferred to an Extraordinary General Meeting to be held in the first quarter of 2009.

6.8 High Level Forum on Aid Effectiveness

A High Level Forum on Aid Effectiveness was organised in Accra in September 2008. The objective of the Forum was to assess the Paris Declaration, identify challenges and propose key actions to improve aid effectiveness. Participants at the Forum included Mr. Robert Zoellick, President of the World Bank, Mr. Murilo Portugal, Deputy Managing Director of the IMF, Mr. Donald Kaberuka, President of the African Development Bank, the late Honourable Kwadwo Baah-Wiredu, Ghana's Minister of Finance and Economic Planning and Dr. Paul A. Acquah, Governor of the Bank of Ghana. At the Forum, developing countries and the donor community committed themselves to eradicating poverty and promoting peace and prosperity through effective partnerships. The outcome of the Forum was the adoption of the Accra Agenda for Action, a comprehensive set of actions to address challenges in order to accelerate progress on aid effectiveness.

6.9 Review of Sovereign Rating by Standard and Poor

A delegation from Standard and Poor (S&P) was in Accra to review developments in the economy and the country's credit rating. The agency affirmed its B+ long-term and B short-term sovereign credit ratings with a stable outlook.

7. FINANCIAL STATEMENTS

Corporate Information

Board of Directors	Dr. Paul A. Acquah (Chairman/Governor) Dr. Henry A.K. Wampah (1st Deputy Governor) (Appointed 16/04/09) Mr. Millison K Narh (2nd Deputy Governor) (Appointed 20/07/09) Mr. Lionel Van Lare Dosoo (1st Deputy Governor) (Retired 6/05/09) Dr. Mahamudu Bawumia (2nd Deputy Governor) (Resigned 16/04/09) Mr. Nik Amarteifio (Lead Director) Prof. Fred T. Sai Mrs. Gloria Nikoi Mr. Sam Okudzeto Rev. Dr. Kwabena Darko Togbe Afede XIV Prof. George Gyan-Baffour Lt. Gen. Joshua Hamidu (Rtd.) Mr. Ellias K. N. Preko
Secretary	Mr. Alex Bernasko (Appointed 16/06/08) Bank of Ghana Head Office, 1 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 1 Thorpe Road P. O. Box GP 2674 Accra, Ghana

REPORT OF THE DIRECTORS TO THE MEMBERS OF BANK OF GHANA

The directors have pleasure in presenting the financial statements of the Bank of Ghana, which comprise the balance sheets of the Bank and the Group at 31 December 2008, and their statements of income, changes in equity and cash flows 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 45 to 87.

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 2008 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.

Accordingly, the financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002 (Act 612) and the Financial Administration Act, 2007 (Act 654) of Ghana.

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 in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2007 (Act 654) and International Financial Reporting Standards (IFRS) except where the application of the Bank of Ghana Act, 2002 (Act 612) 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 Bank of Ghana Act, 2002 (Act 612) 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 16 and 17.

Details of this departure are presented under note 33.
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¢125 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

Financial Statements

The results for the year are summarised below:

	2008 GH¢'000	2007 GH¢'000
Net surplus for the year for the Bank	342,556	81,250
Net surplus for the year for the Bank and Subsidiary	355,837	90,286

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.

Approval of the Financial Statements

A Director of the Board for the financial year concerned has made a legal challenge which remains unresolved with regard to the dissolution of the Board in January 2009 by the newly elected President of the Republic of Ghana. In the mean time, the President has mandated the Governor as the chairman of the Board and another member of the previous board to take responsibility for the presentation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework and the requirements of statute, and to approve the financial statements.

The financial statements, as identified in the first paragraph of this report, have been approved and signed by the Governor, who is the chair, and the lead director of the previous Board.

Chairman (Governor) Director

ACCRA

27 August, 2009

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

Report on the Financial Statements

We have audited the consolidated and separate financial statements of Bank of Ghana, which comprise the balance sheets at 31 December 2008, and the income statements, the statements of changes in equity and the cash flow statements 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 45 to 87.

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¢9.876 million (2007: 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 17, 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. The actuarial valuation is yet to be updated to 31 December 2008. 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¢125 million (2007: 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 2008, 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 2008, 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.

Emphasis of matter

Without qualifying or further qualifying our opinions, we draw attention to Note 37 which explains that the President of the Republic of Ghana has mandated the Governor as the chairman of the Board and another member of the previous Board to take responsibility for the presentation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework and the requirements of statute, and to approve the financial statements, pending a court case concerning the propriety of termination of the previous Board and the appointment of a new Board.

Chartered Accountants
13 Yiyiwa Drive
P O BOX GP 242
ACCRA

27 August, 2009

BALANCE SHEET
AS AT 31 DECEMBER 2008

		The Bank		The Group	
	Note	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Assets					
Cash and amounts due from Banks	12	269,028	228,650	109,992	36,391
Gold	13	294,075	228,741	294,075	228,741
Balances with IMF	14	688,485	565,790	688,485	565,790
Securities	16	3,478,779	3,448,228	3,631,242	3,622,779
Loans and Advances	15	542,245	301,432	1,223,855	814,114
Other Assets	17	381,654	255,577	384,749	259,360
Property, Plant and Equipment	18	116,020	98,248	117,582	100,362
Development Loans and Investments	19	5,084	5,084	162	162
Deferred Tax	11(ii)	–	–	164	176
Total Assets		**5,775,370**	**5,131,750**	**6,450,306**	**5,627,875**
Liabilities					
Currency in Circulation	20	1,896,111	1,449,907	1,896,111	1,449,907
Allocations of Special Drawing Rights		117,111	96,219	117,111	96,219
Deposits	21	1,619,997	1,977,679	2,208,097	2,386,519
Liabilities to IMF	22	872,624	713,311	872,624	713,311
Taxation	11(i)	–	–	2,986	593
Liabilities under Money Market Instruments	23	244,792	514,419	244,792	514,419
Other Liabilities	24	482,205	107,424	493,773	123,073
Total Liabilities		**5,232,840**	**4,858,959**	**5,835,494**	**5,284,041**
Shareholders' Funds					
Stated Capital	25	10,000	10,000	10,000	10,000
Asset Revaluation Reserve	26	58,930	58,930	58,930	58,930
General Reserve	27	28,760	28,760	28,760	28,760
Other Reserve	28	444,840	173,298	461,202	194,540
Retained Earnings		–	1,803	17,981	14,431
Total Equity attributable to Equity Holders of the Bank		542,530	272,791	576,873	306,661
Minority Interest		–	–	37,939	37,173
Total Equity		542,530	272,791	614,812	343,834
Total Liabilities and Equity		**5,775,370**	**5,131,750**	**6,450,306**	**5,627,875**

Chairman (Governor)

Director

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

		The Bank		The Group	
	Note	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Interest and similar income	6(i)	231,015	201,356	260,027	229,252
Fee and commission income		21,786	17,838	29,580	24,317
Dividend income		2,898	1,980	–	–
Other operating income	6(iii)	291,213	107,866	297,921	112,764
Operating Income		**546,912**	**329,040**	**587,528**	**366,333**
Interest expense and similar charges	6(ii)	(72,940)	(77,217)	(82,099)	(90,408)
Net impairment loss	10	(22,328)	207	(22,328)	207
Operating expenses		**(109,088)**	**(170,780)**	**(120,823)**	**(181,749)**
Administration	7	77,990	64,842	87,635	72,827
Premises and Equipment	8	14,668	16,880	16,758	19,864
Currency and Issue	9	16,430	89,058	16,430	89,058
Surplus before taxation		**342,556**	**81,250**	**362,278**	**94,383**
Taxation	11(iii)	–	–	(6,441)	(4,097)
Surplus for the year		**342,556**	**81,250**	**355,837**	**90,286**
Surplus attributed to:					
Equity shareholders of the Bank		342,556	81,250	347,909	84,888
Minority Shareholders		–	–	7,928	5,398
Surplus for the year		**342,556**	**81,250**	**355,837**	**90,286**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

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 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**
Balance at 1 January 2008	10,000	1,803	58,930	28,760	173,298	272,791
Retrospective correction of error (Note 34)	–	–	–	–	(91,188)	(91,188)
Restated balance at 1 January 2008	**10,000**	**1,803**	**58,930**	**28,760**	**82,110**	**181,603**
Surplus for the year		342,556				342,556
Price/Exchange movements in gold & other foreign assets		–			18,371	18,371
Transfer to Other Reserve		(344,359)			344,359	
Balance at 31 December 2008	**10,000**	**–**	**58,930**	**28,760**	**444,840**	**542,530**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
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 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**
Balance at 1 January 2008	10,000	14,431	58,930	28,760	173,298	21,242	306,661	37,173	343,834
Retrospective correction of error (Note 34)	–	–	–	–	(91,188)	–	(91,188)	–	(91,188)
Restated balance at 1 January 2008	**10,000**	**14,431**	**58,930**	**28,760**	**82,110**	**21,242**	**215,473**	**37,173**	**252,646**
Net Surplus for the year		347,909					347,909	7,928	355,837
Foreign currency translation reserve						(4,880)	(4,880)	(7,162)	(12,042)
Price & Exchange movement in gold, and other foreign assets					18,371		18,371		18,371
Transfer to Other Liabilities		(344,359)			344,359				
Balance at 31 December 2008	**10,000**	**17,981**	**58,930**	**28,760**	**444,840**	**16,362**	**576,873**	**37,939**	**614,812**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

The Bank

	Note	2008 GH¢'000	2008 GH¢'000	2007 GH¢'000	2007 GH¢'000
Cash (outflows)/inflows from operating activities	32a		(164,883)		(279,799)
Cash flows from investing activities					
Change in Development Loans and Investments		–		–	
Property, Plant & Equipment Purchased		(28,826)		(28,130)	
Proceeds from Sale of Property, Plant & Equipment		–		275	
Change in Balances with IMF		(122,695)		(51,280)	
Net cash used in investing activities			(151,521)		(79,135)
			(316,404)		(358,934)
Cash flows from financing activities					
Change in FINSAP bond		–		(5,259)	
Change in Bank of Ghana Instruments		(269,627)		(33,970)	
Change in Currency in Circulation		446,204		359,156	
Change in Allocation of SDRs		20,891		8,818	
Change in Short Term Credits		122,399		51,660	
Change in Enhanced Structural Adjustment Facility		36,915		7,083	
Net cash from financing activities			356,782		387,488
Net change in cash and cash equivalents			40,378		28,554
Analysis of Changes in Cash and Cash Equivalents during the Year					
Balance at 1 January			228,650		200,394
Net Cash Inflow			40,378		28,554
Effect of exchange rate fluctuations on cash held			–		(298)
Balance at 31 December			**269,028**		**228,650**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008
CONTINUED

The Group

	Note	2008 GH¢'000	2008 GH¢'000	2007 GH¢'000	2007 GH¢'000
Cash outflows from operating activities	32b		(124,564)		(338,724)
Cash flows from investing activities					
Change in Development Loans and Investments		–		–	
Property, Plant & Equipment Purchased		(29,074)		(29,113)	
Proceeds from Sale of Property, Plant & Equipment		–		275	
Change in Balances with IMF		(122,695)		(51,280)	
Net cash used in investing activities			(151,769)		(80,118)
			(276,333)		(418,842)
Tax Paid			(4,053)		(5,121)
Cash flows from financing activities					
Dividend Paid to Minority Interest		(2,794)		(1,970)	
Change in FINSAP Bond		–		(5,259)	
Change in Bank of Ghana Instruments		(269,627)		(33,969)	
Change in Currency in Circulation		446,204		359,155	
Change in Allocation of SDRs		20,891		8,818	
Change in Short Term Credits		122,399		51,660	
Change in Enhanced Structural Adjustment Facility		36,914		7,083	
Net cash from financing activities			353,987		385,518
Net change in cash and cash equivalents			73,601		(38,445)
Analysis of Changes in Cash and Cash Equivalents during the Year					
Balance at 1 January			36,391		75,161
Net Cash Inflow/(Outflow)			73,601		(38,445)
Effect of exchange rate fluctuations on cash			–		(325)
Balance at 31 December			**109,992**		**36,391**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

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 2008 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, 2007 (Act 654) and the 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 33.

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 other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement 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 recognised in the financial statements are described in note 3(n), 29 and 31.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 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 the 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 a 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 closing rates for the year ended 31 December 2008.

Currency	Average Rate GH¢	Closing Rate GH¢
US Dollar	1.04692	1.20720
GBP	1.94274	1.76220
EURO	1.54209	1.68565
SDR	1.66013	1.85940

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 2008 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, 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 recognised 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 2008 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 recognised 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.

Note 29 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 – 33¹/₃
Motor Vehicles	33¹/₃
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 2008 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 2008 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.

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 2008 was GH¢242.1 million (2007: GH¢194.2 million).

(b) Capital Expenditure

The Group had capital expenditure commitments of GH¢755,780 not provided for in the financial statements as at 31 December 2008 (2007: GH¢5.46 million).

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢1,253.7 million (2007: GH¢11.7 million).

(d) Documentary Credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank Plc amounted to about GH¢33.60 million (2007: GH¢23.29 million).

(e) Operating Lease

There was no commitment in respect of operating lease during the year (2007: Nil).

6(i). Interest and Similar Income

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Interest on overnight borrowings, government securities, medium/long-term notes and bonds	133,636	77,865	146,876	105,761
Interest on foreign correspondent accounts and foreign investments	80,533	107,916	96,305	107,916
Interest Income	214,169	185,781	243,181	213,677
Discount on treasury bill operations	16,846	15,575	16,846	15,575
	231,015	201,356	260,027	229,252

Included within various captions under interest income for the year ended 31 December 2008 is a total of GH¢214 million (2007: GH¢200 million) earned on financial assets as analysed below.

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Cash and Cash Equivalents	53,710	41,583	53,710	41,583
Loans and Advances to banks	8,846	2,033	24,618	24,293
Investment Securities	166,563	156,625	179,803	162,261
	229,119	200,241	258,131	228,137
Others	1,896	1,115	1,896	1,115
	231,015	201,356	260,027	229,252

6(ii). Interest Expense and Similar Charges

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
IMF & SDR allocations	3,999	3,653	3,999	3,653
Foreign loans and credits	11,316	6,349	11,316	6,349
Forex deposits	8	6	8	6
Deposits by customers	–	–	5,457	7,208
Deposits by Banks	–	–	3,702	5,983
Interest on money market instruments	57,617	67,209	57,617	67,209
	72,940	77,217	82,099	90,408

6(iii). Other Operating Income

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Exchange gain (Note 6(iii)a)	288,790	103,119	288,790	103,119
Other Miscellaneous	2,423	4,747	9,131	9,645
	291,213	107,866	297,921	112,764

(a) Analysis of Exchange Gain

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Exchange Difference	138,665	34,409	138,665	34,409
Exchange Rate Equalisation	150,125	68,710	150,125	68,710
	288,790	103,119	288,790	103,119

Exchange Difference comprises of the sum of gains and losses made by the Bank on foreign exchange denominated transactions whilst Exchange Rate Equalisation represents the sum of gains and losses on daily revaluation of assets and liabilities denominated in foreign currency.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
CONTINUED

7. Administrative Expenses

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Personnel Cost	51,941	44,361	58,631	49,722
Foreign and Domestic Travel	2,191	1,654	2,330	1,788
Motor vehicle Maintenance/running	3,903	2,468	3,934	2,486
Communication Expenses	5,559	2,295	5,931	2,626
Banking Colleges and Monetary Institutes	411	650	411	650
Computer Related Expenses	4,867	5,099	5,553	5,753
Banking Supervision Expenses	476	134	476	134
Auditors' Remuneration	140	119	355	257
Directors' Remuneration	440	370	1,259	1,145
Foreign Currency Importation	161	181	161	181
Depreciation – motor vehicles	1,820	2,635	1,849	2,659
Others	6,081	4,876	6,745	5,426
	77,990	64,842	87,635	72,827

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

	The Bank		The Group	
	2008	2007	2008	2007
Directors	12	12	20	19
Staff	1,490	1,498	1528	1535
	1,502	1,510	1548	1,554

8. Premises and Equipment Expenses

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Rent and Rates	365	340	1,048	1,345
Electricity, Water and Conservancy	1,264	1,053	1,264	1,089
Repairs and Renewals	2,642	3,186	3,784	4,820
Insurance – Premises and Equipment	60	66	264	283
Depreciation – Premises & Equipment	9,057	11,020	9,069	11,063
Generator Running Expenses	86	286	123	323
Other Premises and Equipment Expenses	1,194	929	1,206	941
	14,668	16,880	16,758	19,864

9. Currency and Issue Expenses

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Agency Fees	463	102	463	102
Notes Printing	6,100	38,649	6,100	38,649
Coin Minting	4,903	20,182	4,903	20,182
Other Currency Expenses	4,964	30,125	4,964	30,125
	16,430	89,058	16,430	89,058

Included in the currency and issue expenses is GH¢16 million (2007: GH¢85.6million) in respect of costs incurred on redenomination of the cedi. Of this amount, GH¢11.7 million (2007: GH¢58.8 million) was incurred on the Bank's recurrent expenditure of note printing and coin minting.

10. Impairment Losses

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Charge (Reversal) of impairments of other assets	22,328	(207)	22,328	(207)
Balance at 1 January	7,925	8,132	7,925	8,132
Impairment loss recognised/(reversal)	22,328	(207)	22,328	(207)
Balance at 31 December	30,253	7,925	30,253	7,925

This is in respect of impairment made on loans and advances, other assets and development loans and investments, disclosed in notes 15, 17 and 19 respectively whose recoverability have become doubtful.

11. 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 1/1/08 GH¢'000	Payments during the year GH¢'000	Charge to income Statement GH¢'000	Balance at 31/12/08 GH¢'000
Up to 2007	593	–	–	593
2008	–	(4,054)	6,447	2,393
	–	(4,054)	6,447	2,986

A UK corporation tax rate of 28% (2007: 30%) is applied on profit on ordinary activities of the Bank's subsidiary registered in the UK. An effective tax rate of 28.5% (2007: 31%) was applied on profit on ordinary activities.

(ii) Deferred Tax

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Balance at 1 January	–	–	176	96
Translation Adjustment	–	–	(19)	9
Credit/(Charge) for the year [11(iii)]	–	–	7	71
Balance at 31 December	–	–	164	176

The balance on deferred tax comprises:

Accelerated capital allowances	–	–	164	176
Other timing differences	–	–	–	–
Total	–	–	164	176

(iii) Income Tax Expense

The tax expense in the consolidated income statement comprises:

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Corporate income tax expense [note 11(i)]	–	–	6,447	4,168
Deferred tax (credit)/charge for the period [note 11(ii)]	–	–	(6)	(71)
	–	–	6,441	4,097

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 CONTINUED

(iv) Reconciliation of Effective Tax Rate

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Profit before tax	328,140	81,250	347,862	94,383
Income tax using U.K. Tax rate at 28% on subsidiary's profits	–	–	6,446	4,534
Non-deductible expenses	–	–	14	59
Tax exempt revenues	–	–	–	(183)
Tax incentives not recognised in income statement	–	–	–	(54)
Originating/reversals of timing differences	–	–	(10)	(259)
Prior year adjustment	–	–	(9)	–
Current tax charge	–	–	6,441	4,097

Effective tax rate after removing the holding company's non-taxable income is 28.5% (2007: 31%).

12. Cash and Amounts Due From Banks

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Correspondent Bank Balances	237,393	205,598	78,357	13,339
Notes and Coins Holdings	31,635	23,052	31,635	23,052
	269,028	228,650	109,992	36,391

Included in cash and amounts due from banks is an amount of GH¢34.8 million (2007: GH¢25.7 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.

13. Gold

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Bank of England Gold set aside	115,656	15,746	115,656	15,746
Bank of England Gold Investment	–	74,216	–	74,216
Federal Reserve Bank NY Gold	80,829	62,871	80,829	62,871
UBS Gold Investment	86,887	67,583	86,887	67,583
Gold – Local Holdings	10,703	8,325	10,703	8,325
	294,075	228,741	294,075	228,741

14. Balances With IMF

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Holdings	540	568	540	568
Quota	686,119	563,721	686,119	563,721
HIPC Trust	1,826	1,501	1,826	1,501
	688,485	565,790	688,485	565,790

15. Loans and Advances

	The Bank 2008 GH¢'000	The Bank 2007 GH¢'000	The Group 2008 GH¢'000	The Group 2007 GH¢'000
Government	442,360	282,164	442,360	282,164
Financial institutions	4,624	2,901	599,961	445,910
Lending (Note 15a)	104,434	19,012	190,707	88,685
Gross amount	551,418	304,077	1,233,028	816,759
Less: Impairment Losses	(9,173)	(2,645)	(9,173)	(2,645)
Carrying amount (Note 15b & 15c)	542,245	301,432	1,223,855	814,114

(a) Analysis of Lending (Sectorial)

Gross lending is analysed as follows:

	The Bank 2008 GH¢'000	The Bank 2007 GH¢'000	The Group 2008 GH¢'000	The Group 2007 GH¢'000
Commerce and Finance	–	–	86,273	69,673
Miscellaneous	104,434	19,012	104,434	19,012
	104,434	19,012	190,707	88,685

(b) Loans and Advances (Valuation)

	The Bank 2008	The Bank 2007	The Group 2008	The Group 2007
Loans and advances at fair value through P&L	442,360	282,164	442,360	282,164
Loans and advances at amortised cost (Note 15c)	99,885	19,268	781,495	531,950
	542,245	301,432	1,223,855	814,114

(c) The Bank

Loans and Advances at Amortised Cost

	2008 Gross Amount GH¢'000	2008 Impairment Amount GH¢'000	2008 Carrying Amount GH¢'000	2007 Gross Amount GH¢'000	2007 Impairment Amount GH¢'000	2007 Carrying Amount GH¢'000
Government	442,360	–	442,360	282,164	–	282,164
Financial Institutions	4,624	(4,624)	–	2,901	(2,645)	256
Other secured lending	104,434	(4,549)	99,885	19,012	–	19,012
	551,418	(9,173)	542,245	304,077	(2,645)	301,432

(d) The Group

Loans and Advances at Amortised Cost

	2008 Gross Amount GH¢'000	2008 Impairment Amount GH¢'000	2008 Carrying Amount GH¢'000	2007 Gross Amount GH¢'000	2007 Impairment Amount GH¢'000	2007 Carrying Amount GH¢'000
Government	442,360	–	442,360	282,164	–	282,164
Financial Institutions	599,961	(4,624)	595,337	445,910	(2,645)	443,265
Other secured lending	190,707	(4,549)	186,158	88,685	–	88,685
	1,233,028	(9,173)	1,223,855	816,759	(2,645)	814,114

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 CONTINUED

16. Securities

The Bank

	Gross Amount GH¢'000	Amortisation GH¢'000	2008 Carrying Amount GH¢'000	2007 Carrying Amount GH¢'000
Long-term Government securities	914,635	–	914,635	914,635
Money Market instruments	683,425	–	683,425	329,147
Short-Term Securities	1,880,719	–	1,880,719	2,204,446
	3,478,779	–	3,478,779	3,448,228

The Group

	Gross Amount GH¢'000	Amortisation GH¢'000	2008 Carrying Amount GH¢'000	2007 Carrying Amount GH¢'000
Long-term Government securities	914,635	–	914,635	914,635
Money Market instruments	683,425	–	683,425	329,147
Short-Term Securities	2,033,182	–	2,033,182	2,378,997
	3,631,242	–	3,631,242	3,622,779

(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.

17. Other Assets

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Items in course of Collection	75,457	6,762	75,457	6,762
Revaluation Account	(12,382)	(2,506)	(12,382)	(2,506)
Others	338,766	255,707	341,861	259,490
	401,841	259,963	404,936	263,746
Less: Impairment Losses	(20,187)	(4,386)	(20,187)	(4,386)
	381,654	255,577	384,749	259,360

The balance on the Revaluation Account represents net exchange gains/(losses) arising on translation of the Bank's holdings in gold, Special Drawing Rights and 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.

18. Property, Plant and Equipment

The 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 1/1/07	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
Gross Value						
At 1/1/08	49,783	13,079	1,364	41,834	30,354	136,414
Additions	1,166	226	25	15,731	11,678	28,826
Disposals	–	(117)	–	–	–	(117)
Balance at 31/12/08	50,949	13,188	1,389	57,565	42,032	165,123
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
Accumulated Depreciation & Impairment Losses						
At 1/1/08	4,393	8,145	732	24,896	–	38,166
Charge for the year	1,763	1,821	290	7,180	–	11,054
Disposal	–	(117)	–	–	–	(117)
Balance at 31/12/08	6,156	9,849	1,022	32,076	–	49,103
Carrying Amounts						
Balance at 1/01/07	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
Balance at 31/12/08	44,793	3,339	367	25,489	42,032	116,020

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 2008 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 1/1/07	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
Gross Value						
At 1/1/08	49,784	13,176	1,552	44,651	30,354	139,517
Additions	1,166	250	25	15,955	11,678	29,074
Disposals	–	(117)	–	–	–	(117)
Translation Adjustment	–	(10)	(19)	(290)	–	(319)
Balance at 31/12/08	50,950	13,299	1,558	60,316	42,032	168,155
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
Accumulated Depreciation and Impairment Losses						
At 1/1/08	4,394	8,184	877	25,700	–	39,155
Charge for the Year	1,763	1,846	301	7,727	–	11,637
Released on Disposal	–	(117)	–	–	–	(117)
Translation Adjustment	–	(4)	(15)	(83)	–	(102)
Balance at 31/12/08	6,157	9,909	1,163	33,344	–	50,573
Carrying Amounts						
Balance at 01/01/07	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
Balance at 31/12/08	44,793	3,390	395	26,972	42,032	117,582

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. Development Loans and Investments

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 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.

20. Currency in Circulation

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Notes and Coins Issued	2,681,762	2,041,854	2,681,762	2,041,854
Less: Cash Account & Agencies	(785,651)	(591,947)	(785,651)	(591,947)
	1,896,111	1,449,907	1,896,111	1,449,907

21. Deposits

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Government	714,656	1,327,056	714,656	1,327,056
Financial Institutions/Banks	795,087	556,299	1,020,903	657,644
Others	110,254	94,324	472,538	401,819
	1,619,997	1,977,679	2,208,097	2,386,519

22. Liabilities To IMF

(i) IMF Currency Holdings

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
IMF No. 1	54,228	50,532	54,228	50,532
IMF No. 2	8	6	8	6
IMF Securities	631,890	513,190	631,890	513,190

(ii) IMF Facilities

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Poverty Reduction and Growth Facility	186,498	149,583	186,498	149,583
	872,624	713,311	872,624	713,311

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 (2007: SDR 369 million). IMF currency holdings equivalent to SDR 29,164,630 (2007: SDR 33,076,533) and SDR 4,171 (2007: 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.

23. Liabilities Under Money Market Operations

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Bank of Ghana Instruments	244,792	514,419	244,792	514,419
	244,792	514,419	244,792	514,419

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.

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 CONTINUED

24. Other Liabilities

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Accruals and account payable	3,349	23,310	6,973	28,100
Defined Pension Fund Liability (Note 24a)	125,000	40,000	125,000	40,000
Others	353,856	44,114	361,800	54,973
	482,205	107,424	493,773	123,073

(a) Pension Fund Liability

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Balance at 1 January	40,000	20,000	40,000	20,000
Additions	91,188	25,430	91,188	25,430
Payment	(6,188)	(5,430)	(6,188)	(5,430)
Balance at 31 December	125,000	40,000	125,000	40,000

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. A provision of GH¢125 million 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¢20 million (2007: GH¢37 million) in various accounts that have been reclassified into other liabilities.

25. Stated Capital

	Number of Shares		Proceeds	
	2008 '000	2007 '000	2008 GH¢'000	2007 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.

26. Asset Revaluation Reserve

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 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.

27. General Reserve

	The Bank		The Group	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Balance at 1 January	28,760	8,350	28,760	8,350
Transfer from Profit	–	20,410	–	20,410
Balance at 31 December	28,760	28,760	28,760	28,760

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).

28. Other Reserves

	Price & Exchange Movement GH¢'000	Transfer from Surplus GH¢'000	2008 GH¢'000	2007 GH¢'000
The Bank				
Balance at 1 January	–	–	173,298	163,385
Retrospective correction of error (Note 34)	–	–	(91,188)	–
Restated balance at 1 January 2008	–	–	82,110	163,385
(Decrease)/Increase in the year	18,371	344,359	362,730	9,913
Balance at 31 December	18,371	344,359	444,840	173,298

	Price & Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	2008 GH¢'000	2007 GH¢'000
The Group					
Balance at 1 January	–	–	–	194,540	182,118
Retrospective correction of error (Note 34)	–	–	–	(91,188)	–
Restated balance at 1 January 2008	–	–	–	103,352	182,118
(Decrease)/Increase in the year	18,371	(4,880)	344,359	357,850	12,422
Balance at 31 December	18,371	(4,880)	344,359	461,202	194,540

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).

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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29. 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 2008

	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	12					269,028	269,028	269,028
Government securities	16		916,791				916,791	916,791
Money market instruments	16		681,269				681,269	681,269
Short term securities	16	350,880			1,529,839		1,880,719	1,880,719
Loans and Advances	15					542,245	542,245	542,245
Other Assets	17					381,654	381,654	381,654
Total at 31/12/08		**350,880**	**1,598,060**	**–**	**1,529,839**	**1,192,927**	**4,671,706**	**4,671,706**

ii. The Bank 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	12	–	–	–	–	228,650	228,650	228,650
Government securities	16	–	914,635	–	–	–	914,635	914,635
Money market instruments	16	–	329,147	–	–	–	329,147	329,147
Short-term securities	16	627,824	–	–	1,576,622	–	2,204,446	2,204,446
Loans and Advances	15	–	–	–	–	301,432	301,432	301,432
Other Assets	17	–	–	–	–	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**

Liabilities

i. The Bank 2008

	Notes	Trading GH¢'ooo	Designated at fair value through P&L GH¢'ooo	Financial Liabilities at amortised cost GH¢'ooo	Total Carrying Amount GH¢'ooo	Fair Values GH¢'ooo
Government Deposits	21			714,656	714,656	714,656
Due to Banks and Financial Institutions	21			795,087	795,087	795,087
Other Short-Term deposits	21			110,254	110,254	110,254
Money Market Instruments	23		244,792		244,792	244,792
Other Liabilities	24			482,205	482,205	482,205
Total at 31/12/08		**–**	**244,792**	**2,102,202**	**2,346,994**	**2,346,994**

ii. The Bank 2007

	Notes	Trading GH¢'ooo	Designated at fair value through P&L GH¢'ooo	Financial Liabilities at amortised cost GH¢'ooo	Total Carrying Amount GH¢'ooo	Fair Values GH¢'ooo
Government Deposits	21	–	–	1,327,056	1,327,056	1,327,056
Due to Banks and Financial Institutions	21	–	–	556,299	556,299	556,299
Other Short-Term deposits	21	–	–	94,324	94,324	94,324
Money Market Instruments	23	–	514,419	–	514,419	514,419
Other Liabilities	24	–	–	67,424	67,424	67,424
Total at 31/12/07		**–**	**514,419**	**2,045,103**	**2,559,522**	**2,559,522**

Assets

i. The Group 2008

	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	12					109,992	109,992	109,992
Government securities	16		916,791				916,791	916,791
Money market instruments	16		681,269				681,269	681,269
Short-term securities	16	494,296			1,538,886		2,033,182	2,033,182
Loans and Advances	15					1,223,855	1,223,855	1,223,855
Other Assets	17					384,750	384,750	384,750
Total at 31/12/08		**494,296**	**1,598,060**	**–**	**1,538,886**	**1,718,597**	**5,349,839**	**5,349,839**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 CONTINUED

ii. 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	12	–	–	–	–	36,391	36,391	36,391
Government securities	16	–	914,635	–	–	–	914,635	914,635
Money market instruments	16	–	329,147	–	–	–	329,147	329,147
Short-term securities	16	802,375	–	–	1,576,622	–	2,378,997	2,378,997
Loans and Advances	15	–	–	–	–	814,114	814,114	814,114
Other Assets	17	–	–	–	–	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**

Liabilities

i. The Group 2008

	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	21			714,656	714,656	714,656
Due to Banks and Financial Institutions	21			1,020,901	1,020,901	1,020,901
Other Short-Term deposits	21			472,539	472,539	472,539
Money Market Instruments	23		244,792		244,792	244,792
Other Liabilities	24			493,774	493,774	493,774
Total at 31/12/08		**–**	**244,792**	**2,701,870**	**2,946,662**	**2,946,662**

ii. 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	21	–	–	1,327,056	1,327,056	1,327,056
Due to Banks and Financial Institutions	21	–	–	657,644	657,644	657,644
Other Short-Term deposits	21	–	–	401,819	401,819	401,819
Money Market Instruments	23	–	514,419	–	514,419	514,419
Other Liabilities	24	–	–	123,073	123,073	123,073
Total at 31/12/07		**–**	**514,419**	**2,509,592**	**3,024,011**	**3,024,011**

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

30. 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 14 and 22 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	
	2008 GH¢'000	2007 GH¢'000
Short-term employee benefits	357	292
Termination Benefit	179	222
Post-employment benefits	80	67
	616	581

31. 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 and 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.

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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	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Loans and advances	542,245	301,432	1,223,854	814,114
Cash and cash equivalent	269,028	228,650	109,993	36,391
	811,273	530,082	1,333,847	850,505

Impairment Losses

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

The Bank

	2008		2007	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	442,360	–	282,164	–
Past due 31-120 days	99,885	–	19,268	–
More than 1 year	9,173	9,173	2,645	2,645
Gross amount (Note 15)	551,418	9,173	304,077	2,645

The Group

	2008		2007	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	442,360	-	282,164	-
Past due 31-120 days	781,495	-	531,950	-
More than 1 year	9,173	9,173	2,645	2,645
Gross amount (Note 15)	1,223,028	9,173	816,759	2,645

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 2008

	Amount GH¢'000	3 months or less GH¢'000	3-6 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	714,657	714,657	–
Deposits by banks and Financial Institutions	795,087	795,087	–
Other short-term Deposits	110,253	110,253	–
Money Market Instruments	244,792	218,295	26,497
Other Liabilities	357,206	357,206	–
Balance at 31/12/08	2,221,995	2,195,498	26,497

The Bank
31 December 2007

	Amount GH¢'000	3 months or less GH¢'000	3-6 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 Group
31 December 2008

	Amount GH¢'000	3 months or less GH¢'000	3-6 months GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	714,657	714,657	–
Deposits by banks and Financial Institutions	1,020,901	1,020,901	–
Other short term Deposits	472,539	472,539	–
Money Market Instruments	244,792	218,295	26,495
Other Liabilities	368,774	368,774	–
Balance at 31/12/08	2,821,663	2,795,166	26,495

The Group
31 December 2007

	Amount GH¢'000	6 months 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

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 variables, in particular foreign currency rates remain constant.

The analysis is performed on the same basis for 2007.

Effects in cedis

	100BP Increase GH¢'000	200BP Decrease GH¢'000
31 December 2008		
Average for the Period	1,163	(1,163)
Maximum for the Period	1,893	(1,893)
Minimum for the Period	729	(729)
31 December 2007		
Average for the Period	3,783	(3,783)
Maximum for the Period	7,566	(7,566)
Minimum for the Period	514	(514)

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 2008 CONTINUED

Maturity Profile Analysis – Liquidity Risk

The Bank

31 December 2008

	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	> 5 years GH¢'000	Total GH¢'000
Liabilities						
Currency in Circulation	–				1,896,111	1,896,111
Allocations of Special Drawing Rights	117,111					117,111
Deposits	1,619,997					1,619,997
Liabilities to IMF			152,092	720,532		872,624
Liabilities under Money Market Operations	218,295	26,497	–	–		244,792
Other Liabilities	357,205				125,000	482,205
Total	**2,312,608**	**26,497**	**152,092**	**720,532**	**2,021,111**	**5,232,840**

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	> 5 years 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**

The Group

31 December 2008

	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					1,896,111	1,896,111
Allocations of Special Drawing Rights	117,111					117,111
Deposits	1,781,842	404,904	21,350			2,208,096
Liabilities to IMF			152,093	720,532		872,625
Liabilities under Money Market Operations	218,295	26,497	–	–		244,792
Other Liabilities	357,205			3,626	132,943	493,774
Total	**2,474,453**	**431,401**	**173,443**	**724,158**	**2,029,054**	**5,832,508**

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
Deferred Income						
Total	**2,208,992**	**425,389**	**276,367**	**871,936**	**1,500,764**	**5,283,448**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008
CONTINUED

Interest Rate Repricing Analysis

The Bank

	3 months or less GH¢'000	B/n 3 & 12 mnths GH¢'000	Over 1 yr GH¢'000	Non Interest bearing GH¢'000	Total GH¢'000	2007 GH¢'000
Assets						
Cash and Amounts due from Banks	237,393			31,635	269,028	228,650
Gold		167,716		126,359	294,075	228,741
Balances with International Monetary Fund		686,659		1,826	688,485	565,790
Securities	1,902,570	140,718	1,011,764	423,727	3,478,779	3,448,228
Loans and Advances				542,245	542,245	301,432
Other Assets				381,654	381,654	255,577
Property, Plant and Equipment				116,020	116,020	98,248
Intangible Assets				–	–	–
Development Loans and Investments				5,084	5,084	5,084
Total Assets	**2,139,963**	**995,093**	**1,011,764**	**1,628,550**	**5,775,370**	**5,131,750**
Liabilities						
Currency in Circulation				1,896,111	1,896,111	1,449,907
Allocations of Special Drawing Rights				117,111	117,111	96,219
Deposits				1,619,997	1,619,997	1,977,679
Liabilities to IMF		872,624			872,624	713,311
Liabilities under Money Market Operations		244,792			244,792	514,419
Other Liabilities				482,205	482,205	107,424
Total Liabilities		**1,117,416**	**–**	**4,115,424**	**5,232,840**	**4,858,959**
Assets-Liability Gap	**2,139,963**	**(122,323)**	**1,011,764**	**(2,486,874)**	**542,530**	**272,791**

The Group

	3 months or less GH¢'000	B/n 3 & 12 mnths GH¢'000	Over 1 yr GH¢'000	Non Interest bearing GH¢'000	Total GH¢'000	2007 GH¢'000
Assets						
Cash and Amounts due from Banks	78,357			31,635	109,992	36,391
Gold		167,716		126,359	294,075	228,741
Balances with International Monetary Fund		686,658		1,827	688,485	565,790
Securities	2,038,356	142,456	1,026,703	423,727	3,631,242	3,622,779
Loans and Advances	515,415	85,812	80,383	542,245	1,223,855	814,114
Other Assets				4384,749	4384,749	259,360
Property, Plant and Equipment				117,582	117,582	100,362
Intangible Assets					–	–
Development Loans and Investments				162	162	162
Deferred Tax Assets				164	164	176
Total Assets	**2,632,128**	**1,082,642**	**1,107,086**	**1,628,450**	**6,450,306**	**5,627,875**
Liabilities						
Currency in Circulation				1,896,111	1,896,111	1,449,907
Allocations of Special Drawing Rights				117,111	117,111	96,219
Deposits	457,539	21,350		1,729,208	2,208,097	2,386,519
Liabilities to IMF		872,624			872,624	713,311
Liabilities under Money Market Operations		244,792		2,763	244,792	514,419
Other Liabilities				493,773	493,773	123,073
Deferred Income						–
Total Liabilities	**457,539**	**1,138,766**	**–**	**4,236,203**	**5,832,508**	**5,284,041**
Minority Interest					37,939	37,173
Assets-Liability Gap	**2,174,590**	**(56,124)**	**1,107,086**	**(2,607,753)**	**579,859**	**306,661**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 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 2008 GH¢'000	December 2007 GH¢'000
Assets		
Cedi	3,712,891	3,293,019
US Dollar	1,159,165	1,094,335
Pound Sterling	(28,377)	48,501
Euro	97,440	30,773
Special Drawing Rights	803,156	659,026
Others	31,095	6,096
Total	**5,775,370**	**5,131,750**
Liabilities & Equity		
Cedi	3,225,263	3,375,575
US Dollar	1,631,078	991,328
Pound Sterling	21,000	29,519
Euro	62,579	43,286
Special Drawing Rights	803,237	659,947
Others	32,213	32,095
Total	**5,775,370**	**5,131,750**
Net Position		
Cedi	487,628	(82,556)
US Dollar	(471,913)	103,007
Pound Sterling	(49,377)	18,982
Euro	34,861	(12,513)
Special Drawing Rights	(81)	(921)
Others	(1,118)	(25,999)
Total	**0**	**0**

The Group

	December 2008 GH¢'000	December 2007 GH¢'000
Assets		
Cedi	3,712,892	3,293,019
US Dollar	1,612,876	1,399,860
Pound Sterling	149,307	213,068
Euro	138,869	53,155
Special Drawing Rights	803,156	659,026
Others	33,206	9,747
Total	**6,450,306**	**5,627,875**
Liabilities & Equity		
Cedi	3,225,264	3,375,575
US Dollar	2,121,376	1,331,708
Pound Sterling	162,118	158,574
Euro	104,050	67,195
Special Drawing Rights	803,237	659,967
Others	34,261	34,856
Total	**6,450,306**	**5,627,875**
Net Position		
Cedi	487,628	-82,556
US Dollar	(508,500)	68,152
Pound Sterling	(12,811)	54,494
Euro	34,819	-14,040
Special Drawing Rights	(81)	-941
Others	(1,055)	-25,109
Total	**0**	**0**

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
Currency	2008 GH¢	2007 GH¢	2008 GH¢	2007 GH¢
US Dollar	1.04692	0.9357	1.20720	0.9682
GBP	1.94274	1.8772	1.76220	1.9381
EURO	1.54209	1.2862	1.68565	1.4206
SDR	1.66013	1.4577	1.85940	1.5277

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 2007.

	Profit or (Loss) GH¢'000
31 December 2008	
US Dollar	47,191
GBP	4,938
EURO	(3,486)
SDR	8
31 December 2007	
US Dollar	(6,816)
GBP	(5,449)
EURO	1,404
SDR	94

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 2008 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 per cent stake to bear all financial risks and rewards.

32. Notes to Cash Flow Statement for the Year Ended 31st December 2008

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2008 GH¢'000	2007 GH¢'000
Surplus for the year	**342,556**	**81,250**
Change in Other Assets	(126,078)	(86,168)
Change in Other Liabilities	374,781	(134,808)
Depreciation	11,054	14,238
(Profit)/Loss on Sale of Property, Plant & Equipment	–	(275)
Movement in Reserves	(72,816)	(30,517)
Change in Deposit Accounts	(357,682)	678,425
Change in Advances	(240,813)	308,254
Price change in Gold	(65,334)	(64,486)
Change in Securities	(30,551)	(1,045,712)
Net cash (outflows) from operating activities	**(164,883)**	**(279,799)**

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2008 GH¢'000	2007 GH¢'000
Surplus for the year	**362,278**	**94,383**
Change in Other Assets	(129,523)	(85,592)
Change in Other Liabilities	370,701	(139,478)
Change in Reserves	(77,697)	(28,008)
Depreciation	11,637	14,817
Profit on Sale of Property, Plant & Equipment	–	(256)
Change in Deposit Accounts	(178,422)	752,060
Change in Advances	(409,741)	232,454
Price change in Gold	(65,334)	(64,486)
Change in Securities	(8,463)	(1,114,618)
Net cash outflows from operating activities	**(124,564)**	**(338,724)**

33. 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¢9.876 million (2007: GH¢3.898 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 17 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	
	2008 GH¢'000	2007 GH¢'000	2008 GH¢'000	2007 GH¢'000
Income Statement				
Surplus for the year	342,556	81,250	347,909	84,888
Exchange gain/(loss) charged to Revaluation Account	9,876	3,898	9,876	3,898
Surplus/(Deficit) for the year restated	352,432	85,148	357,785	88,786
Equity/Net Assets				
Net assets reported	542,530	272,791	576,873	306,661
Restatements per above	9,876	3,898	9,876	3,898
Net assets restated	552,406	276,689	586,749	310,559

34. Retrospective Correction of Error

The restatement in Other Reserves (Note 28) represents additional provision for Pension Liability in the current year in respect of under provision in the prior years. As it is impracticable to determine the period's specific effect of this adjustment, this has been effected on the opening balance of Other Reserves for 2008.

The effect on the financial statement is summarised below.

Effect on 2008

	The Bank GH¢'000	The Group GH¢'000
Other Reserves	173,298	173,298
Additional Provision for Pension Fund	(91,188)	(91,188)
Restated balance at 1 January 2008	82,110	82,110

35. Effective Interest Rates of Financial Assets and Liabilities

The effective interest rates for the principal financial assets at 31 December 2008 and 2007 were in the following ranges:

	2008	2007
Assets		
Securities – Government	0% – 24.67%	0% – 28%
External	0.01% – 4.38%	1% – 3 %
Loans and Advances	13.5% – 17%	12.5% – 13.5%
Liabilities		
Deposits	0%	0%
Liabilities under Money Market Operations	10.44% – 24.67%	10.0% – 12.75%

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 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 2008, 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 1Presentation 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 13	Customer Loyalty Programmes	Annual periods commencing on or after 1 July 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 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 the 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 1Amendments

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.

37. Approval of the Financial Statements

A Director of the Board for the financial year concerned has made a legal challenge which remains unresolved with regard to the dissolution of the Board in January 2009 by the newly elected President of the Republic of Ghana. In the mean time, the President has mandated the Governor as the chairman of the Board and another member of the previous board to take responsibility for the presentation of the financial statements that give a true and fair view in accordance with the applicable financial reporting framework and the requirements of statute, and to approve the financial statements.

The financial statements, as identified in the first paragraph of this report, have been approved and signed by the Governor, who is the chair, and the lead director of the previous Board.

ADDRESSES AND TELEPHONE NUMBERS

Head Office

Bank of Ghana
1 Thorpe Road
P.O. Box GP 2674
Accra

Cable Address: GHANABANK, Accra
Telex: 2052, 2541 GHBANK GH
Swift Code: BAGHGHAC
International Dial Code: 233-21
Telephone Numbers: 666174-6, 666361-5, 666902-8, 666921-5

Fax: 662996, 665074
E-mail: bogsecretary@bog.gov.gh
Website: www.bog.gov.gh
Cedi House (Head Office Annex): 665252, 665253
General Services Complex: 811301, 811006
Bank of Ghana Clinic: 224837

Regional Branches

Ashanti Region
P.O. Box 1989
Kumasi
Tel: (051) 22551, 23944, 24807
Fax: (051) 26317

Western Region
P.O. Box 532
Takoradi
Tel: (031) 24035, 24372, 24604
Fax: (031) 24705

Northern Region
P.O. Box 340
Tamale
Tel: (071) 22130, 22664
Fax: (071) 22329

Brong-Ahafo Region
P.O. Box 598
Sunyani
Tel: (061) 23814-6, 23813, 27161
Fax: (061) 27260

Volta Region
P.O. Box 116
Hohoe
Tel: (0935) 22045, 22122, 22992
Fax: (0935) 22013

Currency Office

Sefwi-Boako
P.O. Box 176
Sefwi-Wiawso
Western Region
Tel: (051) 26455, 28559
Fax: (051) 47061

Agencies Held by Ghana Commercial Bank Ltd.

Ghana Commercial Bank Ltd.
P.O. Box 65
Cape Coast
Central Region
Tel: (042) 32812-3, 32354
Fax: (042) 32549

Ghana Commercial Bank Ltd.
P.O. Box 286
Koforidua
Eastern Region
Tel: (081) 23049, 23069

Ghana Commercial Bank Ltd.
P.O. Box 272
Nkawkaw
Eastern Region
Tel: (0842) 22105, 22222
Fax: (0842) 22126

Ghana Commercial Bank Ltd.
Tema Main
P.O. Box 272
Tema-Greater Accra Region
Tel: (022) 202760, 202764, 202768

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

Ghana Commercial Bank Ltd.
Dunkwa-on-Offin
Tel: (0372) 28236, 28674
Fax: (0372) 28673

Ghana Commercial Bank Ltd.
P.O. Box 186
Agona-Swedru
Tel: (041) 20291
Fax: (041) 20414

General enquiries relating to the Bank may be made to the Public Affairs Unit on 666174-6/666361-5/666902-8 or by e-mail to bogsecretary@bog.gov.gh.