BANK OF GHANA
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2009
ANNUAL REPORT

BANK OF GHANA

ANNUAL REPORT 2009

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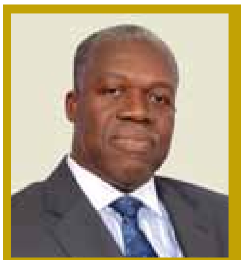
FOREWORD BY THE GOVERNOR



The global economy began a slow and uneven recovery in 2009 following a period of turbulence in the financial markets that had adversely affected output and employment. The slow pace of recovery led to the delayed withdrawal of stimulus packages introduced by governments and monetary authorities to restore confidence in the financial system. The recovery was unevenly spread across countries with emerging countries providing greater impetus for the overall global growth.

The Ghanaian economy faced severe challenges during the first half of the year. Heightened inflationary pressures arising from the lingering effects of higher food and crude oil prices and a surge in government expenditures in 2008 widened the fiscal and current account deficits, leading to volatility in the foreign exchange market and loss of international reserves. Assessing the risks of these trends to inflation, the Monetary Policy Committee (MPC) responded by raising the policy rate from 17 per cent to 18.5 per cent in February. The objective was to withdraw some liquidity from the economy, re-anchor the dislodged inflationary expectations and complement the tightening of the fiscal stance.

By the third quarter, the impact of tight monetary and fiscal policies had taken effect, evidenced by gradual declines in headline and core inflation, as well as less volatility in the currency market. As the policies worked to steer the economy back on the disinflation path, it became evident that for economic growth to rebound, credit conditions had to ease. Consequently, in November, the MPC lowered the policy rate to 18 per cent, sending a positive signal to credit markets to help stem the slowdown in output growth and employment. The year ended on a positive note with year-on-year inflation falling from 18.1 per cent in 2008 to 15.9 per cent in 2009. The external sector also improved significantly with a slow down in the rate of depreciation of the cedi.

The year also witnessed major developments in the payments system with the introduction of new processes of clearing cheques and other paper instruments. The Cheque Codeline Clearing (CCC) with Cheque Truncation project was introduced in Accra. Preparatory works commenced to extend it nation-wide by the first quarter of 2010. To aid the process, the daily management of the cheque clearing process was transferred to the Ghana Interbank Payment and Settlement Systems Ltd (GhIPSS). The smooth functioning of the system has helped to reduce the float in the economy.

To further consolidate gains in the payments system, the first biometric-only Automated Teller Machines (ATMs) were put in operation during 2009 to enhance ease of transactions with the e-zwich smartcards. The synchronisation of ICT and banking within the financial sector was taken a step further as three telecommunication companies collaborated with a consortium of banks to introduce mobile phone banking products. Two of such products were rolled out during the year.

The Bank's directive to raise the minimum capital requirements of deposit money banks was implemented in 2009, starting with foreign-owned banks. Ghanaian-owned banks are expected to fully comply by 2012. Having facilitated the enactment of the Borrowers and Lenders Act to improve standards of disclosure of information by borrowers and lenders, the Bank established a Collateral Registry to register charges and collaterals created by borrowers to secure credit facilities. Also, the final licence to Ghana's first credit reference bureau was issued in the year.

The year saw a complete change in the governance of the Bank. A new Board of Directors was reconstituted following the change in Government. Their inauguration was however delayed for the entire year pending the resolution of a court case brought by a member of the outgoing Board challenging the legality of the dissolution of the Board. In the interim, the new Management of the Bank, in consultation with Government, set up a three member Advisory Panel comprising Mr. Alex Ashiabor, Dr. O.A.Y. Jackson and Mr. J.B. Clottey, to advise Management mainly on the audit control systems of the Bank. I am grateful to them for their independent views and invaluable contributions to the Bank during this challenging period.

Finally, I would like to thank the entire staff of the Bank for their support, cooperation, commitment and hard work towards our achievements as an institution. I am confident that with the excellent human capital available at the Bank and a new Board, we have a strong team to push the frontier of Ghana's financial sector to new heights and contribute effectively to the macroeconomic stability and overall growth and development of the country.

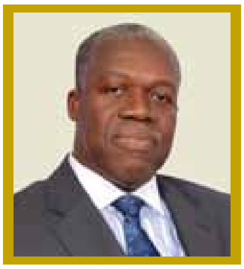
Thank You

K. B. Amissah-Arthur

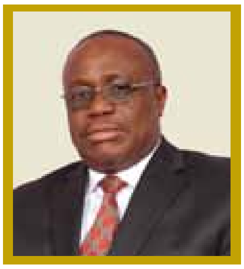
MANAGEMENT OF THE BANK

Mandate

- To maintain stability in the general level of prices
- To promote efficient operations of the banking and payments system
- To support general economic growth



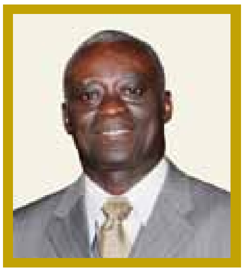
Mr. K.B. Amissah-Arthur
The Governor



Dr. H. A. Kofi Wampah
First Deputy Governor

Mr. Millison K. Narh
Second Deputy Governor

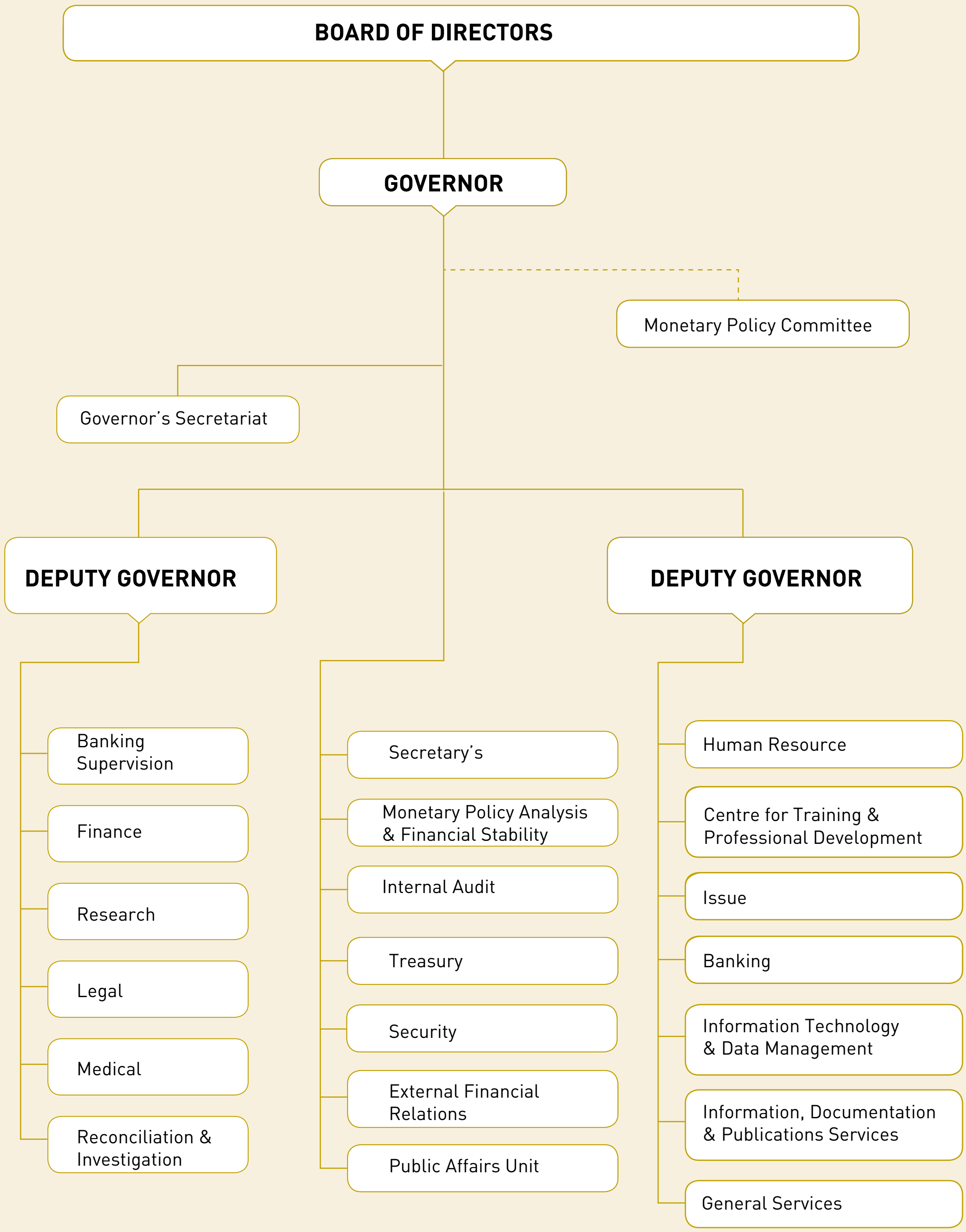
Mr. Alex Bernasko
The Secretary



Mr. Kofi Adu Labi
Advisor, Governor's Secretariat

Mrs Akofa E. Avorkliyah
Director, Regional Operations

ORGANISATIONAL STRUCTURE



01

1. GOVERNANCE

1.1 The Board of Directors

The governing body of the Bank as stipulated in the Bank of Ghana Act, 2002 (Act 612), is the Board of Directors. 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 mandate which is:

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

1.2 Committees of the Board

The Board has the following committees which assist it to carry out its functions:

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

Audit Committee

The Committee ensures that appropriate and adequate accounting procedures and controls are established, and supervises compliance with operational, statutory and international standards.

Corporate Governance Committee

The Committee formulates policies on governance issues; mainly regulations, supervision, processes and operations to ensure compliance with statutory requirements and best practice.

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 Research and other departments on research activities to enhance the quality of information provided to the Board and the public.

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 reviews when necessary.

Strategic Planning and Budget Committee

The Committee formulates and directs the Bank's strategic policies in the fulfillment of the Bank's objectives. It collaborates with the Finance Department in ensuring that the Bank's Budget is prepared and approved on schedule.

1.3 Reconstitution of the Board

The Board of the Bank was dissolved in January 2009 following a change of government. In May 2009, the new Government announced the reconstitution of the membership of the Board of Directors as follows:

Mr. K.B.Amissah-Arthur	– Governor/ Chairman
Dr. H. A. Kofi Wampah	– First Deputy Governor
Mr. Millison K. Narh	– Second Deputy Governor
Dr. Sydney Laryea	– Director
Mrs Diana Amewu Ayettey	– Director
Mrs Lily Esther Nkansah	– Director
Mr. Seth Terkper	– Director
Togbe Afede XIV	– Director
Mr. Kwaku Bram Larbi	– Director
Dr. David Obu Andah	– Director
Mr. Sam Appah	– Director

The new Board of Directors however, could not be inaugurated in 2009. This was because a member of the dissolved Board sued the Attorney-General and the Governor, challenging the reconstitution of a new Board when the former Board's tenure had not expired. The ensuing court case continued to the end of the year.

Changes in the Management of the Bank

Dr. H. A. Kofi Wampah was appointed First Deputy Governor on April 16, 2009, following the resignation of Dr. Mahamudu Bawumia on January 16, 2009.

Mr. Millison Kwadjo Narh was appointed Second Deputy Governor on July 20, 2009, to replace Mr. Lionel Van Lare Dosoo, whose term of office expired on May 6, 2009.

Mr. Kwesi Bekoe Amissah-Arthur took office as Governor on October 1, 2009, following the end of tenure of Dr. Paul A. Acquah on September 30, 2009.

1.4 Appointment of the Advisory Panel

In the absence of a substantive Board, an independent oversight body, the Advisory Panel, was set up by Management in consultation with Government in October 2009. Its mandate was to advise Management mainly on the audit control systems of the Bank.

Membership was as follows:

Mr. Alex Ashiabor (Chairman)
– Former Governor of the Bank.

Dr. O. A. Y. Jackson
– Former Deputy Governor of the Bank.

Mr. J. B. Clottey
– Former Head of Banking Supervision Department, Bank of Ghana.

Following its inaugural meeting on November 18, 2009, the Advisory Panel held meetings twice weekly and considered the following papers:

- 2008 Financial Statements – Management Report
- Audit Plan for 2010
- 1st Quarter Internal Audit Report for 2009 and Follow-up Report
- 2nd Quarter Internal Audit Report for 2009 and Follow-up Report
- IT Audit – T24 Application
- Audit of Estate Management and Insurance
- Audit of Physical Security
- Audit of Government Securities
- Audit of Government Accounts
- Audit of Currency Operations and Management Reports.

1.5 The Monetary Policy Committee

The Bank of Ghana Act, 2002 (Act 612) grants the Bank operational independence in the conduct of monetary policy. To enhance the management of monetary policy, the Act provides for the establishment of a Monetary Policy Committee (MPC), comprising the Governor, the two Deputy Governors, the heads of Research and Banking departments and two Government appointees.

Dr. H. A. Kofi Wampah and Mr. Millison Narh joined the MPC following their appointments as Deputy Governors in April and July 2009 respectively. Mr. Kwesi B. Amissah-Arthur assumed chairmanship of the Committee in October 2009 following his appointment as Governor. Mr. Philip Djan retired from the Bank in November 2009. The MPC met five times during the year. Members of the Committee were:

Dr. Paul A. Acquah
– Governor/Chairman (retired on September 30, 2009)

Mr. K. B. Amissah – Arthur
– Governor/Chairman (appointed on October 1, 2009)

Mr. Lionel Van Lare Dosoo
– Deputy Governor (retired on May 6, 2009)

Dr. H. A. Kofi Wampah
– Deputy Governor (appointed on April 16, 2009)

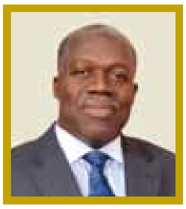
Mr. Millison K. Narh
– Deputy Governor (appointed on July 20, 2009)

Dr. Ernest K. Y. Addison
– Head of Research Department

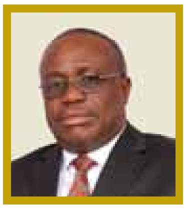
Mr. Philip Djan
– Head of Banking Department
(retired on November 29, 2009)

Dr. Nii Kwaku Sowa
– Appointed by Government

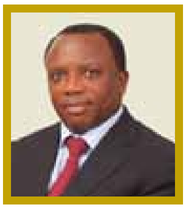
Prof. Kofi Opoku Nti
– Appointed by Government



Mr. K. B. Amissah – Arthur
CHAIRMAN

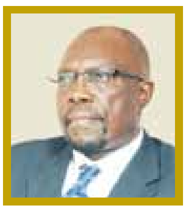


Dr. H. A. Kofi Wampah



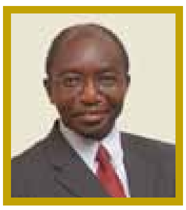
Mr. Millison K. Narh

Dr. Ernest K. Y. Addison



Mr. Philip Djan

Dr. Nii Kwaku Sowa



Prof. Kofi Opoku Nti

02

2. DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 World Output Growth

At the start of 2009, the global economy was experiencing a severe recession. Industrial production and merchandise trade, which had plummeted in the fourth quarter of 2008, continued to fall rapidly in early 2009 across both advanced and emerging economies. Global GDP was estimated to have contracted by 6.3 per cent (annualised) in the first quarter of 2009. For the year as a whole, global GDP declined by 0.6 per cent, a swing from the growth of 3.0 per cent in 2008.

Table. 2.1. Selected Global Economic Indicators

		Projections	
(% Change Unless Otherwise Noted)	2008	2009	2010	2011
WORLD OUTPUT	3.0	-0.6	4.2	4.3
Advanced Economies	0.5	-3.2	2.3	2.4
United States	0.4	-2.4	3.1	2.6
Euro Area	0.6	-4.1	1.0	1.5
Japan	-1.2	-5.2	1.9	2.0
United Kingdom	0.5	-4.9	1.3	2.5
Emerging and Developing Economies	6.1	2.4	6.3	6.5
Sub-Saharan Africa	5.5	2.1	4.7	5.9
WORLD TRADE VOLUMES (GOODS & SERVICES)	2.8	-10.7	7	6.1
COMMODITY PRICES				
Non-Oil	21	-21.6	5.3	0.7
Oil Prices (US$)	97	61.8	76.0	76.6
Oil Price (% Change)	36.4	-36.3	23.1	0.8
CONSUMER PRICES				
Advanced Economies	3.4	0.1	1.5	1.4
Emerging and Developing Economies	6.2	4.7	0	0.1

Source: The IMF and World Bank

North America

The year started with the US economy still in recession. It however began to show signs of recovery in the second half of the year, fuelled by government-supported spending especially on cars and home building. The economy grew by 2.2 per cent in the third quarter and 5.7 per cent during the fourth quarter, exceeding market expectations. For the year as a whole, however, the economy contracted by 2.4 per cent.

Canada showed feeble signs of moving out of recession in the third quarter of 2009 as GDP grew by 0.1 per cent, following contraction in the previous three quarters. GDP grew for the third-straight month in November, rising at 0.4 per cent. Net exports declined, but this was offset by increases in consumer spending and business investment in machinery and equipment. The Canadian economy contracted by 1.2 per cent in year 2009.

Europe

At the start of the year, the Euro zone was officially in recession. After shrinking by 0.2 per cent in the second quarter, the 16 nations that use the euro collectively grew by 0.4 per cent in the third quarter. Germany, the area's biggest economy, grew by 0.7 per cent in the third quarter, while France grew by 0.3 per cent.

The recovery lost steam however, as GDP barely expanded by 0.1 per cent in the fourth quarter. The euro zone's performance in the quarter was dragged down by Germany which registered a decline of 0.7 per cent, but that was countered by France, the zone's second biggest economy which grew by a better-than-expected 0.6 per cent on the back of robust consumer spending. Over the full year however, Euro zone GDP fell by 4.0 per cent.

The European Union as a whole also emerged from recession, growing by 0.2 per cent in the third quarter. However, the UK remained in recession, having contracted by 0.4 per cent in the third quarter.

The UK economy registered its first growth in the fourth quarter of 2009 as GDP grew by 0.1 per cent. The rise in output was due to growth in services and production, supported by fiscal and monetary stimulus. Real GDP of the UK contracted by 4.9 per cent in 2009.

Asia

Asian economic growth rebounded strongly in 2009 fuelled by government stimulus measures and low interest rates. GDP for the year was estimated to have grown around 4.5 per cent.

China was pivotal to the region's strength and grew by 8.7 per cent in 2009, exceeding the government's initial expectations. The growth was driven by an unprecedented US$586 billion stimulus package, subsidies for consumer purchases and a credit-fuelled investment boom. Exports, by contrast, remained weak, with volumes in late 2009 still 15 per cent below corresponding 2008 levels.

Japan recorded its first expansion in the second quarter of 2009, after six quarters of negative growth. Growth remained mild in the third quarter and ended the last quarter of 2009 at 1.1 per cent. This expansion was boosted by a series of stimulus packages engineered by the government, marked recovery in exports and improved domestic demand.

South America and the Caribbean

Stronger fundamentals helped the Latin American and the Caribbean region to weather the global financial crisis much better than in the past. GDP of the region fell by 1.8 per cent in 2009, compared with an annual average growth of 4.8 per cent in the period 2003-2008.

Brazil's economy recuperated from the impact of the international financial crisis in the second quarter after contracting by 3.1 per cent in the first quarter. In the third and fourth quarters, GDP expanded by 1.1 per cent and 1.7 per cent respectively as the country's services and industrial sectors reacted to improved domestic demand. Notwithstanding some initial difficulties, Brazil managed to expand credit flows, due to measures implemented by the Central Bank aimed at maintaining internal liquidity levels, reducing interest rates and stimulating lending from public banks to support domestic demand. GDP growth in Brazil for the year was estimated at -0.2 per cent.

Africa

Growth in Africa slowed sharply in 2009 as the effects of the global recession and credit crunch were transmitted through the continent's trade and investment linkages. The growth performance was nevertheless encouraging given the severity of the external shocks. GDP growth was estimated at 1.0 per cent in 2009. South Africa and other middle-income countries were the worst affected by the international financial markets, while oil exporting countries had revenues reduced. However, countries with wider natural resource bases escaped the worst of the crisis due to higher commodity prices and government stimulus programmes.

2.2 Unemployment

Widespread unemployment continued to occur in several countries due to the effects of the global financial crisis with only few countries showing a slowdown in unemployment rates towards the end of the year.

Although the US economy was stable by December 2009, the unemployment rate held at 10.0 per cent, close to the 26-year high of 10.2 per cent reached in October 2009. In Canada, the unemployment rate was 8.5 per cent in December 2009, close to an 11- year-high of 8.7 per cent recorded in August.

Unemployment in the Euro zone rose to its highest level in November 2009, breaching the 10 per cent mark for the first time since the introduction of the single currency. Despite extraordinary measures to protect the labour market during the downturn, 4 million people lost jobs across the 16 euro-zone member countries. Spain recorded the highest rate of unemployment in the zone, rising to 19.5 per cent in December 2009 while the Netherlands had the lowest jobless rate at 4 per cent, followed by Austria at 5.4 per cent.

The UK unemployment rate held steady at 7.8 per cent in the last quarter with over 2 million people unemployed.

Japan's unemployment rate fell to 5.1 per cent in December 2009, driven by a rebound in exports which was later threatened by an appreciating currency.

2.3 General Price Level

Inflationary pressures around the world remained subdued in major economies even as the global economy began to show signs of recovery.

US consumer prices rose by 0.1 per cent in December, pushing prices up by 2.7 per cent in 2009. Consumer prices in Canada rose by 1.3 per cent in the 12 months to December 2009, the highest increase since February 2009. The rise in the all-items CPI was due primarily to gasoline prices, which exerted an upward pressure on the CPI for the second consecutive month.

Euro-zone annual inflation dropped from 1.6 per cent in December 2008 to 0.9 per cent in December 2009. Headline inflation remained well below the European Central Bank's 2.0 per cent target, with overall price, cost and wage developments staying subdued in line with the slow recovery in demand.

UK inflation rose by 2.9 per cent in December 2009, the fastest annual pace in nine months. There were several upward influences on prices, the strongest being transport costs, oil and car prices.

Japan experienced deflation with prices falling by 1.4 per cent in December 2009. China's CPI however, rose by 1.9 per cent year-on-year in December 2009, amidst reports that potential signs of asset bubbles and inflationary pressures in the economy posed a major risk to global growth.

2.4 Monetary Policy Stance and Interest Rates

Most countries continued to employ both monetary and fiscal policy tools to prop up their economies. Cuts in policy interest rates, credit easing, continued provision of ample liquidity, public guarantees and recapitalisation of banks helped to reduce concerns about systemic failures.

The Federal Reserve maintained its key federal funds rate at a historic low of 0.0 per cent to 0.25 per cent in 2009, to help pull the U.S. economy out of the worst downturn since the Great Depression.

The Central Bank of Canada held its key overnight interest rate unchanged at 0.25 per cent from April 2009 to revive the country's economic fortunes and to pull it out of recession.

The European Central Bank gradually reduced its policy rate from 2.1 per cent to prop up the ailing economies in the Euro-zone. In June, it reached a record low of 1.0 per cent and was maintained at that level through the rest of the year.

The Bank of England's Monetary Policy Committee kept its interest rate at 0.5 per cent from March 2009 to the end of the year. This was in spite of several factors creating inflationary pressures, such as oil price increases, huge stimulus packages and large measures of quantitative easing.

The Bank of Japan kept its key interest rate unchanged at 0.1 per cent for most of the year, underlining its determination to overcome deflation. The economy still remained open to further policy easing in the face of renewed government calls for more support for a fragile economic recovery.

2.5 Foreign Exchange Market Developments

Performance of most currencies remained mixed, particularly in the fourth quarter. The U.S. dollar weakened against most currencies during the year. The dollar, however, recorded its first monthly gain in the second half of the year against the currencies of major U.S. trading partners as the Federal Reserve moved closer to withdrawing stimulus measures that helped cause the dollar to fall by 4.2 per cent earlier in the year.The yen was the only major currency to fall against the dollar as the Bank of Japan stepped up efforts to fight deflation.

The IMF reported in December 2009 that the US dollar's appeal as a reserve currency declined as the currency's share of foreign reserves held by central banks dropped from 71 per cent a decade earlier to 61.6 per cent during the quarter while the euro's share rose to 27.7 per cent, from 17.9 per cent.

In late 2009, the euro was hit badly by the fallout in Dubai as many European banks were significantly exposed to Dubai World, one of Dubai's three government strategic investment companies. The currency was also affected by sovereign credit concerns arising from credit rating pressures on Greece and Spain, leading to fears of a downward spiral for some of the highly leveraged European economies.

The pound sterling also suffered from the United Kingdom's links to Dubai World with another bailout of its strained banking sector considered a good possibility.

2.6 Commodities Market

After sharp declines in the previous year, commodity prices staged a strong rally from the second quarter of 2009, despite generally high inventories after weak demand in the wake of the global recession. Commodity prices, as measured by the Reuters-Jefferies CRB Index, rose by 24 per cent in 2009, the largest single-year increase since the early 1970s.

Crude Oil

Crude oil prices rose remarkably in 2009 from the low of US$33 per barrel in December 2008, with prices rising by 78 per cent, its biggest annual climb in a decade. The rally was supported by a recovery in consumption (due to improvements in economic activities worldwide), the depreciation of the US dollar and expectations for economic growth in 2010. Spot price for crude oil ended the year at US$74.50 per barrel.

Gold

Gold continued to command the spotlight in 2009 as the average monthly price surged to a new high of US$1,095.05 per fine ounce in early November. The increase was driven by US dollar weakness, investor 'safe haven' buying and heightened inflation expectations. The price of the commodity registered an annual increase of almost 24.0 per cent to close the year at US$1,080 per fine ounce.

Cocoa

Cocoa prices in New York reached a 30-year high of US$3,510 per tonne in mid-December 2009, following three consecutive years of slump in supply in the face of increasing demand. In La Cote d'Ivoire, the largest producing country, a fall in output adversely affected global supply. At the same time, global demand was on the increase, due to higher demand for up- market chocolate containing more cocoa. There were also indications of increasing use of cocoa for financial investment. Cocoa price ended the year at US$2,798.8 per tonne.

2.7 Developments in Major Capital Markets

After a very bumpy start to the year, the global stock market picked up in the second quarter. Stock markets continued the momentum on a steady basis throughout the year, suffering only a temporary blip when investors reacted nervously to news that government-owned Dubai World had asked for a delay in payments of its debt.

Emerging markets continued to out-perform developed markets, surging more than 3.8 per cent in December, thanks to strong performance in the Far East. Emerging markets in Asia, Europe, Middle East and Africa posted stronger results in December, but trailed Latin America for the year.

2.8 Outlook for 2010

According to IMF projections, the economic rebound that started late 2009 is likely to continue, leading to relatively rapid growth. The overall strength of the recovery and its durability will depend on the extent to which the household and business sectors demands strengthen over the next few quarters. After a 2.2 per cent decline in 2009, global growth is projected to firm at 3.9 per cent in 2010 and 4.3 per cent in 2011.

According to the IMF, there are downside risks to global growth if premature and incoherent exits from supportive policies are not treated with caution. Also impaired financial systems and housing markets or rising unemployment in key advanced economies could hold back the recovery in household spending more than expected. Rising concerns about worsening budgetary positions and fiscal sustainability could unsettle financial markets and stifle the recovery by raising the cost of borrowing for households and companies. Another downside risk is that rallying commodity prices may constrain the recovery in advanced economies.

The key policy prescription is to restore financial sector health and maintain supportive macroeconomic policies until the recovery is on firm footing. The strategy for doing this should be well communicated to anchor expectations and dampen potential fears of inflation or renewed financial instability.

03

3. DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

The year 2009 witnessed the beginning of global economic recovery from the most severe downturn since the 1930s. This followed the unprecedented and unconventional steps taken by central banks and governments around the world to protect their banking systems and economies. Although the worst of the global downturn appears to be over, the recovery is expected to be slow and protracted.

In Ghana, the economy moved towards stability in the second half of the year, as implementation of stringent fiscal and monetary policies took effect. Inflation started trending downwards and the local currency strengthened against the major trading currencies. The external sector performed strongly as prices of the major export commodities increased while crude oil prices moderated, helping to strengthen the trade accounts. Gross external reserves also improved over the year, due to increased capital inflows and improvement in the trade balance. However, real GDP growth slowed down reflecting the cumulative effect of the global economic downturn and domestic fiscal consolidation.

3.2 Monetary Policy

Monetary policy in 2009 aimed at unwinding the high monetary growth while keeping an eye on financial sector stability and economic growth. During the review year, the MPC varied the policy rate in response to the prevailing economic fundamentals. The Policy Rate was raised in the early part of the year to rein in inflationary pressures and reduced in the last quarter when the pressures subsided.

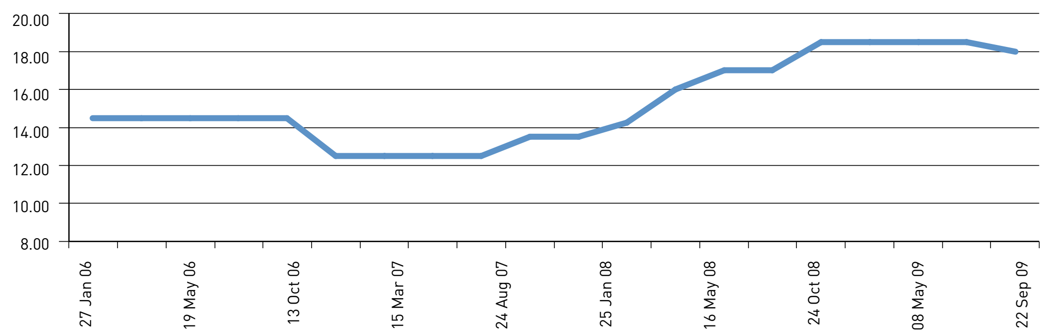
MPC Meetings

In the year under review, the MPC held five meetings and adjusted the Policy Rate in response to the changing developments and outlook in the various economic parameters.

Table 3.1. MPC Decisions in 2009

Date	Policy Decision	Rate (%)
17-20 February	Policy Rate hiked by 150 bps	18.50
05-08 May	Policy Rate remained unchanged	18.50
14-17 July	Policy Rate remained unchanged	18.50
16-22 September	Policy Rate remained unchanged	18.50
16-20 November	Policy Rate reduced by 50 bps	18.00

Chart 3.1 Bank of Ghana Policy Rate



February Meeting

At the first meeting of the MPC in February, the Committee decided to raise the Policy Rate by 150 bps to 18.5 per cent. At the time of the meeting, Ghana was experiencing favourable terms of trade as crude oil prices continued to fall while gold and cocoa prices held firm. The real sector indicators pointed to a higher pace of economic activity and both businesses and consumers had positive expectations about the economy.

However, inflationary pressures were high, as a result of a combination of factors. The previous year had seen an expansionary fiscal policy underlined by sharp increases in capital expenditure, public sector wage and salary bill, and energy subsidies. Also, rapid growth in aggregate demand had resulted in a wider external current account deficit, while in the foreign exchange market, the cedi continued to be under considerable pressure.

Monetary policy tightening was therefore deemed necessary to break the incipient dynamics of price inflation and exchange rate expectations and also to withdraw some liquidity from the economy. The increase in the rate was expected to give some support to the cedi and thereby re-anchor inflation expectation. It was also meant to complement the expected tightening of fiscal policy in the 2009 budget.

May Meeting

Real sector surveys conducted by the Bank in April showed drops in both business and consumer confidence. The credit conditions survey also indicated a general net tightening of credit for all categories of borrowers and a general softening in demand for credit by both enterprises and households.

The lingering effects of the strong demand pressures and very rapid GDP growth of the previous year were still influencing inflation expectations. Though headline and core inflation were high, the rate of monthly increases indicated some slowdown. The general thrust of policy in the 2009 government budget which had been presented in March, was to correct the fiscal slippage observed in the previous year.

In the circumstances, the MPC viewed the risks to growth and inflation outlook as balanced and decided to leave the Policy Rate unchanged at 18.5 per cent.

July Meeting

In July, the MPC indicated that there was cautious optimism about global recovery and restoration of financial stability.

On the domestic front, surveys showed further softening of business and consumer sentiments. Data for the first half of the year pointed to some degree of unwinding in both the fiscal and external imbalances, softening in general demand pressures and declining volatility in prices and exchange rates. Inflation and exchange rate expectations however remained high.

Earlier in the year, a comprehensive policy framework had been put together to secure economic fundamentals to sustain rapid growth with financial stability. This had, by the time of the meeting been favourably considered and supported by the resources of both the World Bank and the IMF. The resultant external support both for the budget and balance of payments constituted in the view of the MPC a major stabilising factor.

The risks in the outlook for disinflation and growth were viewed as balanced and therefore the MPC decided to maintain the Policy Rate at 18.5 per cent.

September Meeting

The MPC noted that there were signs of stabilisation in domestic economic activity during the third quarter, indicating that the effect of monetary and fiscal policies was beginning to take hold.

There was significant improvement in the external accounts in the first half of the year and projections pointed to a current account deficit close to 4.0 per cent of GDP in 2009 compared with 21.8 per cent in 2008. The cedi had begun to stabilise after a sharp fall in the first half of the year.

A marked improvement in the fiscal situation was recorded with total expenditures for the year to August at 20.5 per cent of GDP, down from 26.4 per cent over the same period in 2008.

Although inflation remained high at 19.7 per cent in August, it was receding, albeit slowly. Prices were benefiting from the more stable currency with a moderation in monthly increases in inflation from both food and non-food sources. Inflation expectations were also beginning to turn around.

The risks in the outlook related to the speed with which oil prices could rebound on the back of the recovery of global demand and how some outstanding fiscal payments would be settled.

However, the risks to inflation and growth appeared well balanced with policies working to strengthen the disinflation process. In the circumstances, the MPC decided to leave the Policy Rate unchanged at 18.5 per cent.

November Meeting

At the last meeting in the year, the Policy Rate was reduced by 50 bps. The slowdown in growth was one of the major factors behind the decision. While the latest surveys conducted by the Bank in October suggested some recovery in both consumer and business sentiments, the Composite Index of Economic Activity (CIEA) recorded significant slowdowns over the first three quarters of the year.

Inflation had been on a downward trend since it peaked at 20.7 per cent in June 2009. Core inflation had, at the time of the meeting, recorded three consecutive months of decline. In addition, easing in Treasury bill yields was seen by the Committee as indicative of more stable inflation expectations.

The stabilisation of the cedi against most trading partner currencies and appreciation against the US dollar from July provided further reason to be optimistic about the outlook for inflation. The Committee expected further cedi appreciation in the near-term, related to capital inflows as foreign banks moved to meet new higher minimum capital requirements.

Another key factor was the improvement in the fiscal situation following a marked reduction in government expenditures. The fiscal operations for the first ten months of the year resulted in a narrow budget deficit of 4.3 per cent of GDP compared with 11.7 per cent of GDP for the corresponding period in 2008.

In light of the foregoing, the Committee decided to reduce the Policy Rate by 50 basis points to 18.0 per cent.

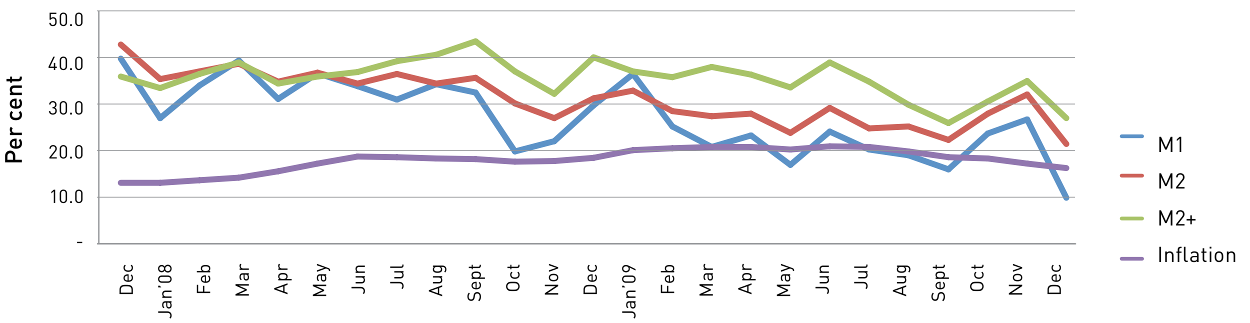
3.3 Monetary Developments

The annual growth in broad money supply (M2+) slowed down from 40.5 per cent (GH¢2,310.5 million) in 2008 to 26.9 per cent (GH¢2,172.1 million) in 2009. The change in M2+ was reflected in foreign currency deposits, quasi-money and currency with the non-bank public. Foreign currency deposits rose by 46.6 per cent (GH¢847.4 million) while quasi-money and currency outside banks also grew by 39.6 per cent (GH¢966.6 million) and 25.3 per cent (GH¢420.7 million) year-on-year respectively.

The growth in M2+ was largely influenced by Net Foreign Assets (NFA) of Bank of Ghana which increased by 110.1 per cent (GH¢2,122.1 million). The Net Domestic Assets (NDA) of the banking sector on the other hand went down by 6.1 per cent (GH¢359.3 million) to partially offset the increase in the NFA.

Reserve Money was programmed to increase by 16.5 per cent (GH¢368.0 million) in 2009 but the outturn was far in excess of the targeted growth. The annual growth rate of reserve money increased from 27.1 per cent (GH¢474.1 million) in 2008 to 36.3 per cent (GH¢807.0 million) in 2009. The change was reflected in all its components. Currency with the non-bank public grew by 27.1 per cent (GH¢451.2 million) while banks' cedi reserves with Bank of Ghana and non-bank deposits went up by 63.0 per cent (GH¢325.1 million) and 68.2 per cent (GH¢30.7 million) respectively. The NFA of Bank of Ghana was the main source of increase in reserve money. This was largely explained by a drawdown of US$950 million from the pre-export finance facility in the fourth quarter for the purchase of cocoa in the 2009/2010 main crop season and the allocation of SDR 336.5 (GH¢768.2 million) by the IMF.

Chart 3.2 Inflation and Changes in Liquidity



Developments in Deposit Money Banks' Credit

Available data for 2009, show that DMBs outstanding credit to public and private institutions stood at GH¢6,928.6 million, indicating an increase of 16.1 per cent year-on-year. This may be compared with an increase of 43.9 per cent in 2008. In real terms, the annual growth rate dropped from 21.8 per cent in 2008 to 0.1 per cent in 2009

The annual growth rate of outstanding credit to the private sector went down from 48.2 per cent (GH¢1,588.7 million) in 2008 to 15.8 per cent (GH¢769.6 million) in 2009. In real terms, the annual growth rate declined from 25.5 per cent in 2008 to -0.2 per cent in 2009. With the exception of the Services, Commerce & Finance and Mining & Quarrying sectors, all the other sectors registered increases in the allocation of credit flow in 2009 compared with 2008.

Allocation of credit to the Electricity, Gas and Water sector increased from 3.2 per cent in 2008 to 14.5 per cent in 2009. Similarly, allocation to the Construction sector also firmed up to 18.3 per cent in 2009, from 4.7 per cent in 2008. On the other hand, credit flow to the Commerce & Finance sector dropped from 19.2 per cent in 2008 to 1.1 per cent in 2009 and the Services sector from 35.9 per cent in 2008 to -0.9 per cent in 2009.

The two sectors, Commerce & Finance and Services, which contributed significantly to the credit boom period from 2005 to 2007 accounted for the large declines in credit allocation in the recent past. The non-performing loan (NPL) levels in all sectors have increased gradually since 2007, affecting banks' willingness to increase credit to some sectors.

Table 3.2. Sectoral Distribution of DMBs Outstanding Credit (GH¢ millions)

	Outstanding	Outstanding	Outstanding	Year-on-Year Variation					
	As at end 2007	As at end 2008	As at end 2009	As at end Dec 2007 abs.	%	As at end Dec 2008 abs.	%	As at end Dec 2009 abs.	%
1. Agric.,Forestry &Fish.	182.8	255.2	328.3	47.4	35.0	72.4	39.6	73.1	28.6
2. Export Trade	69.1	82.4	117.5	35.4	104.9	13.3	19.3	35.0	42.5
3. Manufacturing	528.3	709.3	805.8	61.5	13.2	181.0	34.3	96.5	13.6
4. Trans., Stor.& Comm.	163.1	176.0	276.5	86.2	112.2	12.9	7.9	100.5	57.1
5. Mining & Quarrying	131.1	172.7	190.4	34.3	35.4	41.6	31.7	17.7	10.3
6. Import Trade	202.3	308.9	368.7	28.3	16.3	106.6	52.7	59.8	19.4
7. Construction	315.4	404.7	543.1	116.9	58.8	89.3	28.3	138.4	34.2
8. Commerce & Finance	1,045.1	1,560.8	1,669.7	474.6	83.2	515.6	49.3	108.9	7.0
9. Elect.,Gas & Water	136.5	237.9	437.3	45.8	50.5	101.4	74.3	199.4	83.8
10. Services	9,17.7	1,425.2	1452.6	454.4	98.1	507.5	55.3	27.4	1.9
11. Miscellaneous	411.0	574.1	691.9	219.3	114.4	163.1	39.7	117.8	20.5
o\w mortgage loans	62.2	91.0	109.1	18.8	43.2	28.8	46.4	18.2	20.0
12. Sub-Total	4,102.5	5,907.1	6,881.6	1,604.0	64.2	1,804.6	44.0	974.5	16.5
13. Cocoa Marketing	44.0	59.7	47.1	22.8	107.1	15.7	35.7	-12.7	-21.2
14. Grand Total	**4,146.5**	**5,966.8**	**6,928.6**	**1,626.7**	**64.6**	**1,820.3**	**43.9**	**961.8**	**16.1**

3.4 Interest Rates Developments

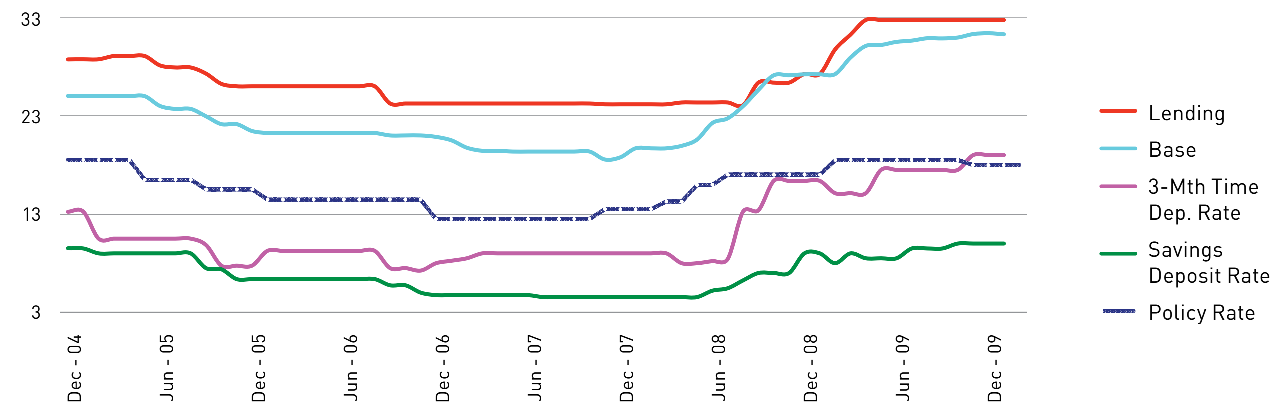
Developments in interest rates during the year were mixed, generally trending upwards in the first half and edging downwards to the end of the second half, reflecting diminishing inflation expectations and policy rate easing. The MPC changed the policy rate twice during the year, raising it from 17.00 per cent to 18.50 per cent in February and leaving it unchanged until November when it was reduced by 50 basis points to 18.00 per cent.

The average interest rate on the 91-day Treasury bill, which was 24.69 per cent in January rose to 25.90 per cent in July before declining to 23.70 per cent in December 2009.

The average interest rate on the 7-day and 14-day Bank of Ghana bills and the interbank weighted average rate dropped by 39, 14 and 252 basis points respectively to 18.25 per cent, 18.50 per cent and 16.51 per cent in 2009. For the medium-term instruments, the average interest rate on the 2-year Fixed-Rate note gained 3.75 percentage points to 24.75 per cent.

The DMBs average 3-month time deposit rate gained 263 basis points to 19.00 per cent while the average lending rate also increased by 550 basis points to 32.75 per cent in 2009.

Chart 3.3 BOG Policy Rate and Selected DMBs Interest Rates



3.5 Price Developments

Inflationary pressures intensified in the first half of the year, reflecting the combined impact of a sharp depreciation of the cedi and a strong domestic demand from fiscal expansion in the preceding year. In the second half however, inflationary pressures softened on the back of a relatively stable currency, good food harvests and the strong fiscal consolidation. Headline inflation increased from 18.1 per cent at the end of 2008 to peak at 20.7 per cent in June 2009, but declined steadily to end 2009 at 15.9 per cent. The annual average headline inflation increased from 16.5 per cent in 2008 to 19.3 per cent in 2009.

Although the trend in inflation during the year emanated from both the food and non-food components of the consumer price index, the rate of increase in the non-food sector inflation was much higher. Food and non-food inflation recorded respective average increases of 15.7 per cent and 21.8 per cent in the twelve months to December 2009, having recorded respective increases of 15.2 per cent and 17.5 per cent in 2008.

The Bank's measure of core inflation (defined to exclude energy and utility prices) followed the trends in headline inflation. It increased from 13.9 per cent at the end of 2008 to peak at 21.5 per cent in July 2009 and declined steadily to 16.2 per cent at the end of the year.

Chart 3.4 Combined, Food and Non-Food Inflation (%)

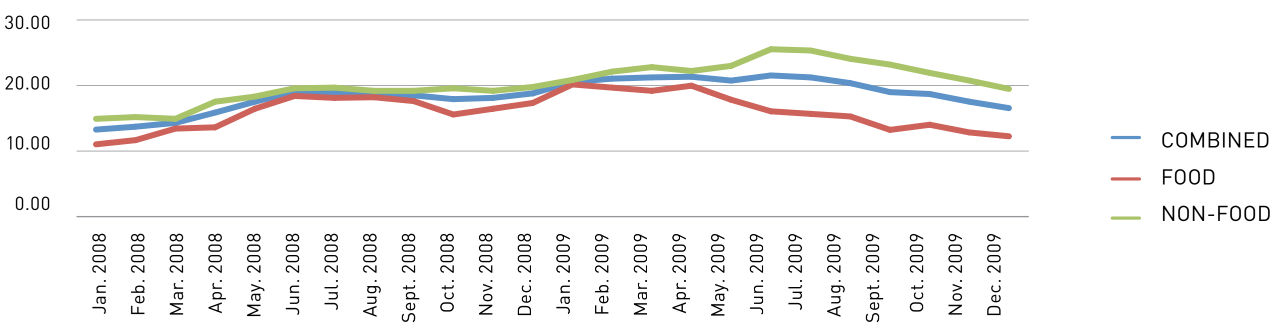


Table 3.3. Selected Economic Indicators

	2004	2005	2006	2007	2008	2009
GDP						
Real GDP Growth (%)	5.8	5.8	6.2	5.7	7.3	4.7*
Nominal GDP (GH¢ million)	7,980.40	9,701.80	11,490.30	14,045.80	17,617.60	21,690.00
Inflation						
Year-on-Year	11.8	14.8	10.5	12.7	18.1	15.9
Annual Average	12.6	15.2	10.9	10.7	16.5	19.3
Exchange Rates(End-period Transaction Rates)						
GH¢/US$	0.9051	0.913	0.9235	0.9704	1.2141	1.4282
GH¢/Pound Sterling	1.7412	1.5673	1.8102	1.9511	1.8049	2.2991
GH¢/Euro	1.2309	1.0814	1.2144	1.4398	1.7211	2.0484
Commodity Prices						
Cocoa (US$/tonne)	1,586.90	1,524.50	1,584.10	1,787.20	2,072.50	2,802.00
Gold (US$/fine ounce)	410.0	445.3	602.4	686.5	858.8	968.0
Crude oil, IPE Brent Crude (US$/Barrel)	38.70	56.00	67.10	75.80	101.00	62.45
External Sector						
Exports of Goods and Services (US$' m)	3,406.78	3,908.69	5,109.52	6,004.00	7,119.91	7,809.40
Imports of Goods and Services (US$' m)	5,355.76	6,620.40	8,286.49	10,064.70	12,621.44	11,189.26
Current Account Balance (US$' m)	-566.88	-1,104.61	-1,042.61	-2,151.47	-3,526.50	1,200.76
Overall Balance of Payments (US$' m)	-10.46	84.34	415.12	413.11	-940.75	1,158.78
Gross International Reserves (end period, in US$' m)	1,732.40	1,894.89	2,266.71	2,836.65	2,036.22	3,164.81
(Months of Imports of Goods and Services)	3.0	3.8	3.0	2.7	1.8	3.0
External Debt (US$' m)	6,447.89	6,347.80	2,177.24	3,590.37	3,982.60	5,007.88
Interest Rates (%)						
Bank of Ghana Policy Rate	18.5	15.5	12.5	13.5	17	18
91-day Treasury Bill	17.1	11.5	10.2	10.6	24.7	23.7
182-day Treasury Bill	17.9	12.8	10.7	10.7	26.2	26.46
1-year Note	17.9	16.5	15.0	12.3	20.0	20.0
2-year Note	20.0	17.0	15.2	12.8	21.0	23.25
Monetary Aggregates Annual Growth Rates (%)						
Reserve Money	18.8	13	32.3	30.5	27.1	36.3
Money Supply (M2+)	25.9	14.3	38.8	35.9	40.2	26.9
Money Supply (M2)	26.6	13.8	39.4	43.5	31.2	21.2
Government Budget (% of GDP)						
Domestic Revenue	23.8	23.9	22.3	26.1	27.9	26.2
Grant	6.1	5.2	5.5	6.1	4.8	5.1
Total Expenditure	31.9	30.5	34.9	40.2	46.5	38.1
Overall Balance (Including Divestiture)	-3.26	-1.96	-7.55	-8.10	-11.48	-9.5
(Excluding Divestiture)	-3.29	-2.76	-6.41	-8.66	-14.5	-9.8
Domestic Primary Balance	0.3	3.4	-4.9	-6.2	-10.3	0.6

*Provisional

3.6 Real Sector Performance

Real GDP growth based on provisional estimates stood at 4.7 per cent in 2009, significantly lower than the 7.3 per cent achieved in 2008. This was driven mainly by the lower than expected performance of the Industry and Services sectors of the economy. The Agricultural sector on the other hand expanded by 6.2 per cent, against a target of 5.7 per cent. The high growth was led by the Crop & Livestock sub-sector. The Industrial sector grew by 3.8 per cent compared with a target growth of 5.9 per cent, while the Services sector, grew by 4.6 per cent against a target growth of 6.6 per cent.

Table 3.4. GDP Growth by Sectors (%)

	2006	2007	2008	2009*
Agriculture	4.5	3.1	4.9	6.2
Industry	9.5	6.6	8.3	3.8
Services	6.7	10	6.9	4.6
Overall GDP Growth	6.2	5.7	7.3	4.7

Source: Ghana Statistical Service

* Provisional outturn

3.7 Fiscal Developments

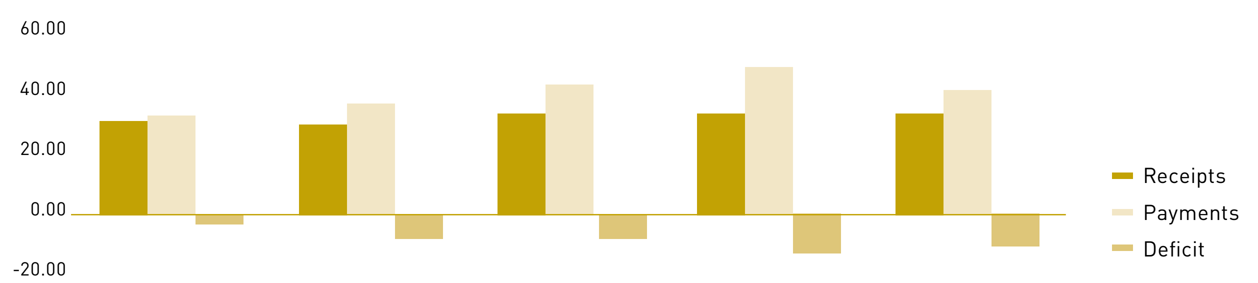
The 2009 national budget was designed to maintain momentum in revenue generation while improving the efficiency of government expenditure. The pursuance of these objectives was however not without challenges which included the reduction in tariff on petroleum products and the non-restoration of import duty on some major food items. These were measures put in place in 2008 to reduce the severity of the effects of the global food crisis. Also the government had to devise mechanisms to reduce the huge domestic arrears in order to remain consistent with the prudent expenditure management that had been envisaged. In the face of these challenges, government fiscal policy objective was to reduce the overall budget deficit excluding divestiture from 14.5 per cent registered in 2008 to 9.4 per cent in 2009.

Total government revenue and grants in 2009 amounted to GH¢6,775.2 million (31.3% of GDP) indicating a shortfall of GH¢697.3 million (3.2% of GDP) from the budgeted estimates. Direct tax collections over-performed, reflecting strong increases in personal income taxes following the computerisation of income tax payments and compliance enforcement, an upward revision of up to 50 per cent in airport tax and the introduction of National Fiscal Stabilisation Levy. Indirect taxes, especially VAT collections, registered a shortfall due to weak consumer demand stemming from the impact of the economic slowdown. Receipts of Grants fell short of budgeted levels by 0.9 per cent of GDP reflecting capacity constraints and slow disbursement procedures.

Expenditure arrears from 2008 posed a challenge to fiscal management in 2009. Constrained by limited resources, government restrained expenditures to GH¢8,248.2 million (38.1% of GDP), lower than the budgeted sum of GH¢8,836.6 million (40.9 % of GDP). Both recurrent and capital expenditures were within the budgeted levels, despite an overrun in the wage bill by 1.4 per cent of GDP and domestic interest payment by 0.7 per cent of GDP.

The overall fiscal outturn for 2009 was a deficit on cash basis of GH¢2,056.2 million (9.5 % of GDP) compared with the budget estimates of GH¢2,028.3 million (9.4 % of GDP). The domestic primary balance, however, was a surplus of GH¢25.5 million (0.6% of GDP) in sharp contrast to the budgeted deficit of GH¢293.6 million (1.4% of GDP). The deficit was financed by net domestic borrowing of GH¢1,042.1 million and net foreign inflow of GH¢1,014.2 million.

Chart 3.5 Government Budget Performance as a Percentage of GDP



Domestic Debt

The stock of domestic debt (including revaluation stocks) rose by GH¢1,283.0 million to end the year at GH¢6,083.2 million (28.1% of GDP). The growth in the debt stock reflected mainly in the Short-Term securities which increased by GH¢620.5 million while that of the medium and long-term securities went up by GH¢335.2 million and GH¢327.2 million respectively. This was contrary to the government debt management strategy of restructuring the government debt from Short-Term into medium-term securities.

Bank of Ghana's holding of domestic debt as at the end of 2009 stood at GH¢1,754.3 million (28.8%), down by 10.2 percentage points compared to holdings as at the end of 2008. The Deposit Money Banks (DMBs) held GH¢2,482.3 million (40.8%) indicating an increase of 12.1 percentage points over their holdings for 2008. SSNIT, held GH¢246.7 million (4.1%), while the Insurance companies held GH¢52.8 million (0.9 %) and "Other" holders comprising individuals, rural banks, firms and Institutions as well as foreign investors held GH¢1,547.0 million (22.4%).

Table 3.5. Composition of Domestic Debt: 2009 (GH¢ millions)

	2008	2009	% of Total
A. SHORT-TERM			
91-Day Treasury Bill	843.0	649.6	10.7
182-Day Treasury Bill	665.3	1,767.0	29.0
1-Year Treasury Note	280.0	122.3	2.0
Short-Term Advance	234.2	104.2	1.7
SUB-TOTAL (A)	2,022.6	2,643.1	43.4
B. MEDIUM-TERM			
2-Year Treasury Note	0.0	0.0	0.0
2-Year Floating Treasury Note	7.0	0.0	0.0
2-Year Fixed Treasury Note	534.1	1,001.4	16.5
3-Year Government Ggilbs	0.0	0.0	0.0
3-Year Floating Treasury Note	0.0	0.0	0.0
3-Year Fixed Treasury Note	752.6	627.6	10.3
5-Year GOG Bond	268.8	268.8	4.4
GOG Petroleum Finance Bonds	80.0	80.0	1.3
TOR Bonds	110.0	110.0	1.8
SUB-TOTAL (B)	1,752.5	2,087.7	34.3
C. LONG-TERM			
Long-Term Government Stocks	421.6	748.8	12.3
Telekom Malaysia Stocks	109.5	109.5	1.8
Revaluation Stock	493.1	493.1	8.1
Other Government Stocks	1.0	1.0	0.0
SUB-TOTAL (C)	1,025.1	1,352.3	22.0
TOTAL (A+B+C)	**4,800.2**	**6,083.2**	**100.0**

3.8 External Sector Developments

The balance of payments improved considerably in 2009. The overall position turned around from a deficit of US$940.75 million in 2008 to a surplus of US$1,158.78 million, primarily due to a significant improvement in the current account. The current account deficit narrowed by US$2,342.36 million to US$1,200.76 million in 2009. As a share of GDP, the deficit decreased from 21.3 per cent in 2008 to 7.9 per cent in 2009. The improvement reflected a significant reduction in the trade deficit which declined by US$ 2,792.21 million.

Table 3.6. Balance of Payments (US$ millions)

	2007	2008	2009
CURRENT ACCOUNT	-2,151.47	-3,543.10	-1,200.76
Merchandise Exports (f.o.b.)	4,172.14	5,269.73	5,839.70
Cocoa Beans and Products	1,132.66	1,487.00	1,866.03
Gold	1,733.78	2,246.25	2,551.36
Timber Products	248.97	316.79	179.84
Others (including Non-Traditional)	1,056.74	1,219.69	1,242.47
Merchandise Imports (f.o.b.)	-8,066.12	-10,268.50	-8,046.26
Non-oil	-5,971.12	-7,911.76	-6,557.28
Oil	-2,095.00	-2,356.74	-1,488.98
Trade Balance	-3,893.98	-4,998.77	-2,206.56
Services (net)	-162.05	-497.16	-773.41
Receipts	1,831.87	1,800.89	1,969.70
Payments	-1,993.92	-2,298.05	-2,743.11
Income (net)	-138.62	-258.67	-298.77
Receipts	83.99	85.57	101.12
Payments	-222.61	-344.24	-399.89
Current Transfers (net)	2,043.18	2,211.50	2,077.98
Official	209.37	241.11	289.62
Private	1,833.81	1,970.39	1,788.36
Services, Income and Current Transfers (net)	1,742.51	1,455.67	1,005.80
CAPITAL & FINANCIAL ACCOUNT	2,591.43	2,806.48	2,747.67
Capital Account	188.14	463.31	563.89
Capital Transfers	188.14	463.31	563.89
Financial Account	2,403.29	2,343.17	2,183.78
Direct Investments	970.38	1,211.59	1,677.84
Other Investments	1,432.91	1,131.58	505.94
Of which			
Official Capital (net)	1,168.64	486.62	1,086.20
Other Private Capital (net)	105.52	1,095.61	-135.16
Short-Term Capital (net)	145.22	-401.63	-401.46
ERRORS AND OMISSIONS	-26.85	-204.13	-388.13
OVERALL BALANCE	**413.11**	**-940.75**	**1,158.78**

Trade in Goods

The merchandise trade balance improved from a deficit of US$ 4998.77 million in 2008 to a deficit of US$2,206.56 million in 2009. The outcome reflected the combined effect of a US$2,222.24 million reduction in merchandise imports and US$569.97 million increase in merchandise exports. As a proportion of GDP, the trade deficit narrowed from 30.0 per cent in 2008 to 14.5 per cent in 2009.

Receipts from merchandise exports increased by 10.8 per cent to US$5,839.70 million, on account of higher prices. Revenue from the export of cocoa beans and products went up by 25.5 per cent (US$379.03 million) to US$1,866.03 million. Earnings from cocoa beans increased by 16.1 per cent to US$1,422.38 million. While the average realised price of cocoa beans increased by 28.8 per cent to US$ 2,798.82 per tonne, the volume decreased by 9.9 per cent to 508,206 tonnes. The value of exports of cocoa products increased by 69.4 per cent (US$181.76 million) to US$443.66 million.

Total volume of gold exported was 2.66 million fine ounces valued at US$2,551.36 million. These represented an improvement of 2.3 per cent in volume and 11.1 per cent in price over the previous year.

Exports of timber products, on the other hand, dropped in value by 43.2 per cent to US$179.82 million. Both volume and average realised price fell by 27.0 per cent and 22.3 per cent respectively.

Receipts from other exports (including non-traditional exports) went up marginally by 1.9 per cent to an estimated value of US$1,242.48 million.

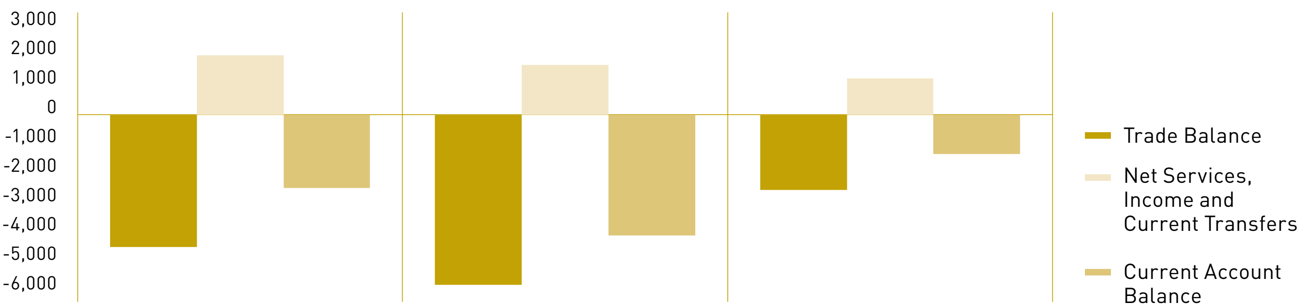
The total import bill was estimated at US$8,046.26 million in 2009, made up of non-oil and oil imports of US$6,557.28 million (81.5%) and US$1,488.98 million (18.5%) respectively. The comparative total imports for 2008 was US$10,268.50 million, of which non-oil and oil imports contributed US$7,911.76 million (77.0%) and US$2,356.74 million (23.0%) respectively.

The total oil bill for the year was affected by three principal factors: a remarkably low price of the commodity on the international market, an unusually long closure of Tema Oil Refinery during the year and a favourable change in the thermal/hydro mix in the generation of electricity. The slowdown in non-oil imports reflected a global decline in the prices of the major categories of non-oil imports.

Services, Income and Current Transfers

In the Services, Income and Current Transfers account, the balance remained in surplus but at a declining rate. Net receipts dropped by 30.9 per cent (US$449.86 million) to US$1,005.79 million in 2009. The slowdown reflected the combined effect of 55.6 per cent (US$276.25 million) increase in net services payment, a 15.5 per cent (US$40.09 million) reduction in net income receipts and a US$133.52 million decline in net inflows from current transfers. The reduction in net current transfer receipts was primarily influenced by private remittances which declined by US$182.03 million to US$1,788.36 million. Net inflows from official grants, however, increased by 20.1 per cent (US$48.51 million) to US$289.62 million.

Chart 3.6 Developments in the Current Account, 2007-2009 (In Millions of US Dollars)

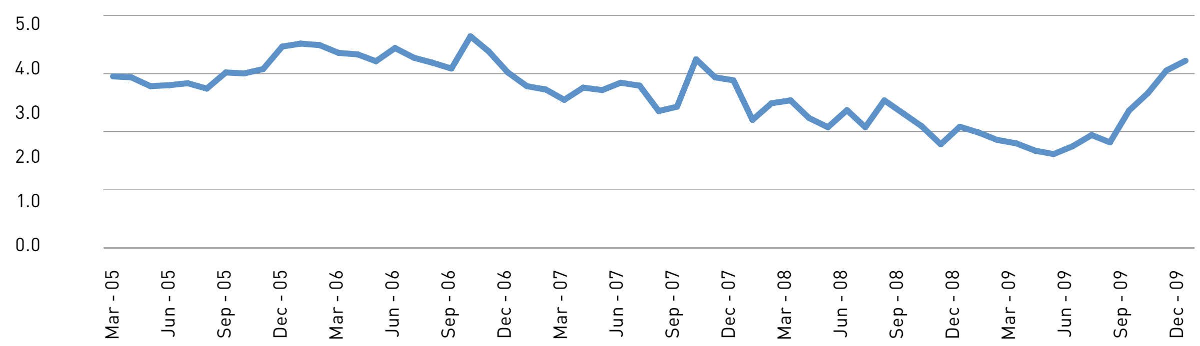


The Capital and Financial Account

The capital and financial account recorded a surplus of US$2,747.67 million, down from a surplus of US$2,806.48 million in 2008. This development was due to a decline in net inflows on the financial account that more than offset the increase in net inflows on the capital account. The capital account inflows were entirely accounted for by project grants to government which increased to US$563.85 million from US$463.31 million in 2008.

Transactions relating to the financial account recorded net inflows of US$2,183.78 million down from US$2,343.17 million in 2008. The decline was due to a drop of US$625.64 million in other private investments that more than offset net inflows from foreign direct investments, which increased by US$466.25 million in 2009.

Chart 3.7 Gross International Reserves (Months of Import Cover)



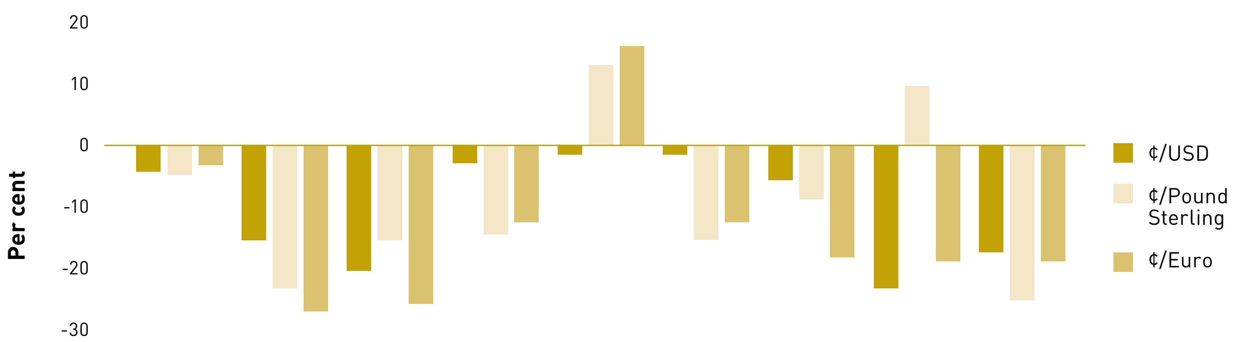
International Reserves

Gross international reserves of the Bank at the end of 2009 stood at US$3,164.81 million, equivalent to 3.0 months of imports of goods and services. The net international reserves was US$2,459.37 million, showing a build-up of US$1,158.78 million for the year.

Foreign Exchange Market

The cedi recorded high depreciation rates of 12.2 per cent against the US dollar during the first quarter of the year and 6.1 per cent during the second quarter. In the third quarter however, stability in the interbank foreign exchange market had taken root, leading to an appreciation of 1.5 per cent against the US dollar. It further strengthened by 1.7 per cent against the US dollar in the fourth quarter. On annual basis, it depreciated by 15.0 per cent against the US dollar compared with a depreciation of 20.1 per cent in 2008. It also depreciated by 16.0 per cent and 21.5 per cent against the euro and pound sterling respectively. This may be compared with an annual depreciation of 16.3 per cent and an appreciation of 8.1 per cent against the euro and the pound sterling respectively in 2008.

Chart 3.8 Movements in the Interbank Exchange Rates



3.9 External Debt

The focus of Ghana's external debt management policy for 2009 was to meet government financing needs at minimum cost while maintaining debt sustainability. The key targets were to achieve at least 35 per cent concessionality in external borrowing and limit floating rate loans to not more than 10 per cent of the external loan portfolio. At the end of 2009, Ghana's gross external debt stock was estimated at US$5,007.88 million, compared with US$4,035.07 million at the end of 2008.

Debt Indicators and Debt Sustainability

The standard debt indicators show that Ghana's external debt burden remained sustainable and the risk of debt distress moderate. The debt-to-GDP ratio was 33.1 per cent, debt-to-export of goods and services ratio 65.5 per cent, and debt-to-domestic revenue ratio 147.3 per cent.

For the liquidity-monitoring indicators, the debt service-to-GDP ratio was 1.9 per cent, the debt service-to-export of goods and services ratio 7.4 per cent and debt service-to-domestic revenue ratio 8.6 per cent. All these ratios were below their respective indicative thresholds for debt sustainability.

Table 3.7 Selected External Debt Indicators

	2005	2006	2007	2008	2009
External Debt Stock (US$ m)	6,347.8	2,177.2	3,590.4	4,035.1	5,007.9
External Debt Service/Exports of Goods & Services (%)	5.5	3.3	3.2	4.3	7.4
External Debt Service/ Domestic Revenue (%)	8.4	5.5	5.1	7.8	8.6
External Debt Service/GDP (%)	2.0	1.3	1.3	2.2	1.9
Debt Stock/GDP (%)	**59.6**	**17.2**	**24.9**	**28.1**	**33.1**

3.10 Stock Market Developments

The stock market turned in a disappointing performance in 2009, reflecting the broader macroeconomic developments. The market posted a negative 46.6 per cent at the end of the year, the worst in the history of the Ghana Stock Exchange (GSE). Although there were no new listings, a number of companies, particularly the banks, issued additional shares to raise more capital.

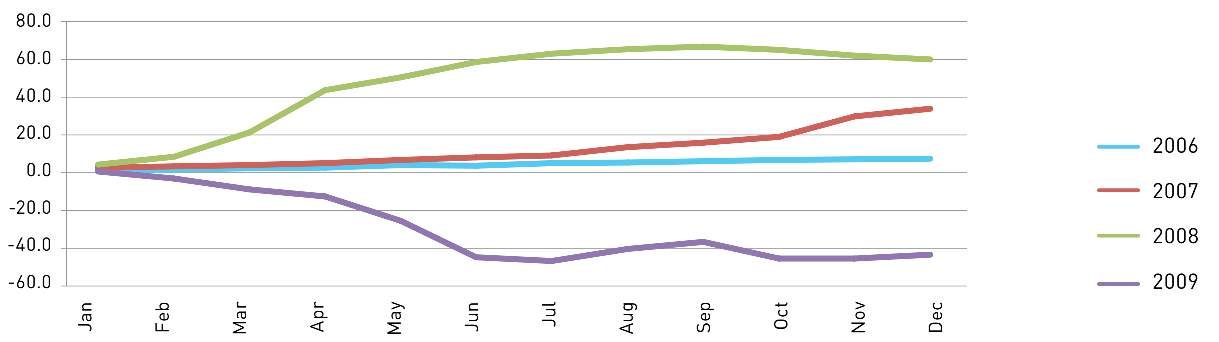
GSE All-Share Index

The GSE All-share index shed 46.6 per cent (4,859.3 points) to end the year at 5,572.3 points. Total market capitalisation also declined from GH¢17,964.69 million to GH¢15,941.92 million at the end of 2009, a decrease of 10.9 per cent. The lacklustre performance of the Exchange during the year was attributed to a number of factors including the lagged impact of the global economic crisis, slower economic growth of the domestic economy and investors' preference for the higher yielding money market instruments.

Sectoral Performance

The Mining sector index, the most stable among all the sectors declined marginally from 114.2 points to 114.03 points, on the back of a 0.1 per cent fall in Anglo Gold Ashanti's depository shares. The Finance sector index fell sharply by 51.3 per cent from 754.0 points at the beginning of the year to close at 366.9 points. Out of the 11 equities under the sector, 8 lost some value. The Food and Beverages sector index also went down by 22.5 per cent (or 147.5 points) to close at 507.9 points from 655.4 points. The Distribution sector's index fell by 18.8 per cent (or 126.4 points) from 674.2 points at the beginning of the year to end the year at 547.8 points. The fall in the index was due to a significant loss in Produce Buying Company (PBC) shares. All the equities in this sector recorded substantial growth during the period. Benso Oil Palm Plantation (BOPP), the only equity listed in the Agricultural sector declined by 52.0 per cent to bring the index down to 96.0 points from 200.0 points.

Chart 3.9 Growth in GSE - All Share Index



04

4. DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The year saw major developments in the payments system as evidenced by the introduction of new processes of clearing cheques and other paper payment instruments. Bank of Ghana transferred the day-to-day management of the cheque clearing process to the Ghana Interbank Payment and Settlement Systems Ltd (GhIPSS) while the centralised processing of physical cheques at the Bank was also replaced with the cheque codeline clearing system at GhIPSS. Also, following the issuance of guidelines on branchless banking in 2008, three companies in collaboration with some banks, introduced mobile phone banking products.

Further to the Bank's policy on re-capitalisation of licensed financial institutions, new levels of minimum paid-up capital were announced for non-bank financial institutions to be implemented in phases up to 2012.

Following the enactment of the Borrowers and Lenders Act, the Bank established a collateral registry to register charges and collaterals created by borrowers to secure credit facilities provided by lenders.

The number of banks and Non-Bank Financial Institutions (NBFIs) continued to increase with one Deposit Money Bank (DMB), five Rural and Community Banks (RCBs) and two non-bank financial institutions being licensed. All the newly licensed institutions commenced business during the year except one NBFI. There was also an increase in the number of bank branches of DMBs from 640 in 2008 to 706 in 2009, while the number of agencies of RCBs went up from 436 to 441. The banking system remained profitable, liquid and solvent.

XDS Data Limited was issued with a final licence in April 2009 and became the first credit reference bureau in Ghana to provide credible information on prospective borrowers. The company continued gathering, analysing and refining its database and is expected to launch its menu of reports by the second quarter of 2010.

Table 4.1. Growth in the Banking and Non-Bank Financial System

	2006	2007	2008	2009
DMBs	24	24	25	26
Branches	450	595	640	706
Rural and Community Banks	125	127	129	134
Agencies	-	-	436	441
Non-Banks	36	41	45	47

4.2 The Banking and Non-Bank Financial System

Structure

The year commenced with 25 DMBs, comprising 24 with Class 1 banking licence and one with general banking licence. One new DMB was issued with class 1 banking licence during the year increasing the number of DMBs to 26. There were thirteen (13) foreign as well as thirteen (13) Ghanaian owned DMBs.

There were 134 RCBs and 47 NBFIs. Five (5) new rural banks and two (2) new non-bank financial institutions made up of one (1) savings and loans company and one (1) finance company were licensed to operate.

Recapitalisation Policy

In line with the Bank of Ghana directive on recapitalisation, all but one foreign owned bank met the new minimum paid-up capital requirement of GH¢60 million. The Ghanaian owned banks have up to December 2012 to attain the same level of capitalisation, but are required to reach GH¢25 million by 2010.

New minimum capital levels were also announced for savings and loans companies and finance houses with the mandatory capital pegged at GH¢7.0 million. Existing companies are required to attain GH¢4.0 million by end December 2011 and GH¢7.0 million by end December 2012. However, new companies shall fulfil the new minimum capital requirement from start-up.

Branchless Banking

Following the issuance of guidelines on branchless banking in 2008, three companies namely Scancom Ltd, Afric Express Gh. Ltd and e-transact Gh. Ltd, in collaboration with some DMBs introduced money service products through the use of mobile phones. The services offered included the purchase of airline ticket, money transfer, cash deposit, cash withdrawal, balance enquiry, credit top-up and utility bills payment. The rationale for the mobile money service was to offer mobile phone users the opportunity to access banking services without necessarily maintaining bank accounts.

Risk Based Supervision (RBS)

The implementation of risk-based supervision of banks was further consolidated as supervisors became more confident with its methodologies and practices. Relationship managers of DMBs stayed in touch with their institutions, raising queries on developments, convening meetings on matters of supervisory concern and also reviewing prudential reports.

As part of the technical assistance offered to the Bank by the Office of the Superintendent of Financial Institutions (OSFI) of Canada, a staff from OSFI undertook a review of the RBS process in the Banking Supervision Department and advised on areas where improvements could be made. To further strengthen supervision, a Monetary and Capital Market mission of the IMF visited the Bank to conduct a comprehensive assessment of staff capacity, the supervisory process and the legal and regulatory framework within which supervision is undertaken. The mission's conclusion, among other things, was that the shift to RBS has significantly strengthened supervision, but the Department needed to be well resourced.

Assets and Liabilities

Total assets of banks and NBFIs went up by GH¢3,837 million or 32.6 per cent to GH¢15,604.6 million as at end 2009. The growth in total assets reflected in investments (GH¢1,835.9 million), cash and bank balances (GH¢823.5 million) and net loans and advances (GH¢752.8 million).

The growth in assets was funded primarily by deposits, which increased by GH¢2,453.1 million. DMBs' total assets increased by GH¢3,351.1 million or 31.3 per cent to GH¢14,043.3 million, which represented 89.9 per cent of the total assets of banks and NBFIs.

Profitability

The profitability ratios of the DMBs as measured by the ROA, ROEA and ROE have seen some continuous decline since 2007.This may be attributed to increased provision for bad and doubtful debt arising from rising inflation and interest rates in the early part of 2009 which contributed to the increased rate of loan delinquency. Also, branch expansion and increasing administrative expenses contributed to the reduced profitability.

Table 4.2. Profitability Indicators (%)

	2006	2007	2008	2009
Return on Assets (ROA)	4.8	3.7	3.2	2.8
Return on Earning Assets (ROEA)	5.9	4.8	4.3	3.8
Return on Equity (ROE)	27.5	25.8	23.7	17.5
Net Interest Spread (NIS)	9.9	8.4	8.6	9.1
Cost to Income (CIR)	59.3	62.5	64.8	62.8
Net Interest Margin (NIM)	11.3	9.7	10.1	10.8

Solvency

The banking industry remained solvent throughout the year with all the DMBs except two (2) complying with the required minimum capital adequacy ratio of 10 per cent. The industry average capital adequacy ratio increased from 13.8 per cent to 18.2 per cent as at end December 2009, mainly as a result of the recapitalisation of banks.

Liquidity

At the end of the year, all banks except one met the primary reserve requirement of 9.0 per cent. The industry cash ratio stood at 8.2 per cent for domestic primary reserves and 22.1 per cent for foreign primary reserves as against 9.0 per cent and 19.5 per cent respectively in the previous year.

Non-Bank Financial Institutions

Two new NBFIs made up of one savings and loans company and one finance company were licensed, bringing the numbers of NBFIs to forty-seven (47). Total assets of NBFIs increased by GH¢327.3 million or 53.6 per cent to GH¢938.1 million. The increase in assets reflected mainly in net loans and advances by 42.7 per cent, cash and bank balances by 171.3 per cent and other assets by 49.5 per cent. The sources of funding for the growth in assets were deposits and shareholders' funds which went up by 147.1 per cent and 34.4 per cent respectively.

Rural and Community Banks

Total assets of RCBs went up by 34.1 per cent to GH¢623.2 million. The increase reflected mainly in Investments, cash & bank balances and loans & overdrafts by 73.9 per cent, 31.9 per cent and 15.2 per cent respectively. The number of satisfactory banks increased from 104 to 107, mediocre from 16 to 18 while unsatisfactory remained unchanged at 9.

4.3 Developments in the Payments System

The Bank's programme of modernising and enhancing the payments, clearing and settlement systems, aimed at reducing over-reliance on cash based transactions, continued throughout the year.

Cheque Codeline Clearing with Cheque Truncation System

The implementation of the cheque codeline clearing (CCC) with cheque truncation project was intensified in the year. An important objective of the project was to reduce the cost of paper handling of instruments by truncating cheques at the collecting banks, while at the same time reducing payment floats by lowering the cheque clearing cycle from the current 3-8 days to 2 days nation-wide.

The CCC system became operational in the Accra Clearing Zone on September 16, 2009, involving the participation of all the clearing banks. The system requires that all collecting banks capture electronically the image and codeline data of cheques and transmit same to the clearing house for clearing and settlement.

- To provide the required legal and regulatory framework and operational procedures for participants in the clearing arrangements, the following rules and guidelines were issued:
- Bank of Ghana Notice to banks, savings and loan companies and the general public on the establishment and designation of the system and the appointment of GhIPSS to implement and manage the system
- Bankers' Clearing House Rules
- Cheque Codeline Clearing Guideline and Operational Procedures

In the regions, however, the manual cheque clearing system continued while at the same time preparatory works were undertaken for enrolment to the CCC system in January 2010.

National Switch and Smartcard Payments System (e-zwich)

During the year, GhIPSS continued with the implementation of the outstanding products under the e-zwich project. Phase I of the project was completed at the end of the year while Phases II and III were 90 per cent and 60 per cent complete respectively.

All e-zwich promotional efforts during the year were directed at expanding the number of financial institutions and cardholders on the system as well as increasing the volume of transactions on the Switch. At the end of the year, all clearing banks, rural and community banks and eight out of the fourteen savings and loans companies were on the National Switch.

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

Ghana's real time gross settlement system, the Ghana Inter-bank Settlement (GIS) system, continued to provide the platform for making high value and 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 GhIPSS platform.
- Ghana National Net Settlement (GNNS) service operated by Visa International.

The volume of transactions effected through the GIS system increased by 19.3 per cent to 199,814 in 2009, compared with a growth of 33.2 per cent in 2008. The value of transactions went up significantly by 75.8 per cent to GH¢229.4 billion as against the 2008 growth rate of 40.7 per cent. This resulted in average value per transaction in 2009 rising by 47.4 per cent compared with an increase of 5.6 per cent in the previous year.

Table 4.3. High Value Payments - GIS System

	2006	2007	2008	2009
Volume	93,103	125,756	167,481	199,814
Value (GH¢'m)	47,415.40	92,739.40	130,481.10	229,442.20
Average Value per Transaction (GH¢)	509,279.40	737,455.10	779,079.80	1,148,279.10

Cheque Clearing System

Cheques and other paper-based instruments continued to be 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 2009 increased by 13.5 per cent to 5.60 million, while the value totalled GH¢28.61 billion, up from GH¢25.21 billion in 2008. The average value per cheque cleared increased by 13.0 per cent during the period.

Table 4.4. Low Value Payments - Cheque Clearing System

	2006	2007	2008	2009
Volume	4,967,638	5,166,344	5,581,810	5,604,763
Value (GH¢'m)	13,938.90	15,891.50	25,217.63	28,607.00
Average Value per Cheque (GH¢)	2,805.90	3,076.00	4,517.86	5,104.10

The e-Zwich System

The number of smartcard holders increased by 128.6 per cent to 322,907. The major transaction types on the Switch were cash deposits, cash withdrawals, transfer of e-money, sales and purchases, card to bank, loading and withdrawal of wages & salaries, among others.

The first three (3) biometric-only ATMs were put into operation in 2009. Work also progressed on the production of combined biometric and PIN-based ATMs for deployment in 2010.

Table 4.5. Selected e-zwich Data

	2008*	2009
Total Cards Issued	141,248	322,907
Issued Cards with Value	43,822	101,170
Value on Cards Issued (GH¢)	800,889	1,651,560
Average Value Per Card (GH¢)	18.27	16.32
Volume of Transaction on Switch	86,135	200,396
Value of Transaction (GH¢)	3,810,019	22,007,601
Average Value per Transaction (GH¢)	44.23	109.82

*Operations in 2008 covered only eight months

4.4 Central Securities Depository

The Depository continued to record growth in its operations during the year as the number of account holders increased by 28.8 per cent to 303,736. Other activities of the Depository also recorded increases, especially repurchase agreements and assignments undertaken among participants. Two new participants were admitted to the membership of the Depository bringing the number to 37 at the end of the year. A number of training programmes were organised for both new and existing depository participants to update their knowledge of operations on the system.

The international community continued to show interest in the Depository. This was evidenced by the number of enquiries and visits made by international investment houses such as Goldman Sachs International, JPMorgan Chase Bank, HSBC, Citigroup, Mellon Global Cash Management, ISI Emerging Markets and Standard Bank. The West African Monetary Institute sponsored a two-day study tour of the Depository by officials from its member central banks. A team from the Bank of Uganda also visited the Depository.

4.5 Customer Complaints and Investigations

The total number of cases handled during the year rose by 96 to 604 due mainly to increased public awareness and the widening customer base of the banks. The rate of increase in number of cases however fell from 42.3 per cent to 18.9 per cent. 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 the various security agencies through the sharing of information.

Table 4.6. Summary of Cases Handled

	2006	2007	2008	2009
Consumer Reporting	24	76	135	170
Fraud Investigation	41	130	142	180
Enforcement and Surveillance	121	151	231	254
Total	**186**	**357**	**508**	**604**

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5. INTERNAL DEVELOPMENTS

5.1 Overview

The year witnessed a change in the governance of the Bank with the reconstitution of the Board of Directors and the appointment of three new Governors. There were also changes in the placement of staff and the recruitment of personnel to strengthen the manpower base of the Bank. In addition, the Bank established the Collateral Registry and facilitated the creation of the Financial Intelligence Centre to meet statutory requirements and international standards.

The Bank continued to reap the benefits of IMPACT 05 as application softwares deployed since 2007 significantly enhanced the Bank's business processes. The Bank retained its ISO 27001 Certification after going through a successful audit review exercise in the year. Health and sporting activities were also given attention during the year under review.

5.2 Centre for Training and Professional Development

The Bank remained committed to the professional development of all staff. Among others, the Bank's training programme is intended to build staff capacity and also to bridge the skills gap due to changing technology. In pursuance of this, training programmes were organised with participation by various departments.

The Centre designed a five-modular training programme for staff in 2009 namely Economics & Modelling, Financial Markets & Operations, Financial Stability, Management Development, and Information Communication Technology (ICT). Each module is run in three tiers - Basic, Intermediate and Advanced. During the year, two of the modules – Economics & Modelling and Financial Markets & Operations were successfully organised.

During 2009, the Centre coordinated Local, In-house and Foreign training programmes. The total number of participants in these programmes was 1,203 with the breakdown as follows:

Table 5.1. Training Programmes in 2009

Programme	Number of Participants
FOREIGN	170
LOCAL	
The Centre	933
Others	100

5.3 Human Resource Activities

Total number of staff in 2009 was 1,473, down from 1,493 in 2008.

Total recruitment for 2009 was 25, comprising 16 contract staff and 9 permanent appointments. There were also three top level appointments to the positions of Governor and Deputy Governors.

50 members of staff left the service of the Bank during the year, made up of end-of-contract tenure (15), resignations (3), retirements (25), terminations (2), and deaths (5). A total of 223 members of staff were promoted in 2009 while 33 were transferred to other departments. Categorisation of staff by grade and gender was as follows:

Table 5.2 Staff Position

Grade/Gender	Male	Female	Total	% of Total
Management	124	32	156	10.6
Middle	469	295	764	51.9
Junior	449	104	553	37.5
Total	**1,042**	**431**	**1,473**	

5.4 Regional Operations

The Regional Operations outfit continued to exercise oversight responsibility for the five regional branches in Kumasi, Takoradi, Tamale, Sunyani and Hohoe, and one Currency Agency in Sefwi-Boako. These offices with a total staff strength of 326 carry out banking and currency operations in the regions.

5.5 Collateral Registry

In accordance with Section 21 of the Borrowers and Lenders Act, 2008 (Act 773), the Bank established a Collateral Registry to register charges and collaterals created by borrowers to secure credit facilities.

Activities undertaken by the Collateral Registry in 2009 included:

- Development of an in-house software for the registration of charges by banks and non-bank financial institutions;
- Organisation of training sessions for representatives of financial institutions; and
- Preparation of operational guidelines and manuals for stakeholders.

5.6 Sporting Activities

The Bank participated in various sporting activities including football, lawn tennis, and hockey. The hockey team participated in the African Champions League as well as the Commonwealth Challenge Cup which they won. A health walk for staff with the full participation of Top Management was also organised.

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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 Wood 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 and the World Bank

An IMF mission was in Accra in May 2009 to conduct Article IV Consultations and discuss IMF financial support for the Government's economic programme. The findings were discussed by the IMF Board which noted the deterioration in Ghana's economic conditions in 2008 due to the food and fuel price shocks and expansionary fiscal policy. It welcomed the focus of the economic programme to re-establish macroeconomic stability and reduce the budget deficit over the medium-term. The Board recommended full cost recovery in petroleum pricing and utility tariffs and effective control over the public sector wage bill. It approved a three-year Poverty Reduction and Growth Facility for Ghana totalling SDR 387.45 million. In addition, Ghana received the equivalent of US$450 million from the allocation of SDR to all member countries.

Bank of Ghana hosted a Safeguards Assessment Mission of the IMF in July 2009. The mission noted progress made in strengthening the Bank's safeguards framework but observed vulnerabilities in certain areas including external as well as internal audit and internal controls. It recommended that priority measures should be taken to improve the Bank's accounting framework.

The Bank participated in the 2009 Spring and Annual Meetings of the IMF and the World Bank which were held in Washington DC and Istanbul, respectively. At the Spring meetings, the International Monetary and Finance Committee (IMFC) of the IMF re-stated its resolve to work collaboratively to restore international financial stability and global growth. It underlined the central role of the IMF and welcomed the actions the Fund had taken to support countries during the crises. The IMFC stressed the need for efforts to enhance the effectiveness of surveillance with focus on systemic risks in order to avoid future crises, and stated its commitment to developing credible exit strategies as the crises subsided.

At the Annual meeting in Istanbul, Turkey, the IMFC observed that the decisive and concerted policy actions were yielding signs of early recovery and called for the Fund's advice and development of principles for orderly and cooperative exit strategies. It called for continued international support for low income countries to implement their development plans and fight poverty. The IMFC also pledged its support for a shift in quota share from over-represented countries to dynamic emerging market and developing countries, and to protect the voting share of the poorest countries.

The Development Committee of the World Bank also noted signs of recovery in the global economy but with significant risks still remaining. The crises, it observed, had had adverse effect on the poor and the most vulnerable, and progress towards the Millennium Developments Goals was in danger of reversal. To protect the poor, it urged members to follow through on commitments to increase aid and ensure its effectiveness. The Development Committee also urged Least Developed Countries to protect core spending on health, education, social safety nets, infrastructure and agriculture. It committed to pursuing governance and operational effectiveness reform in conjunction with voting reform to ensure that the World Bank is relevant, effective and legitimate. It finally stressed the importance of moving towards equitable voting power over time through the adoption of a dynamic formula which primarily reflects countries' evolving economic weight.

The Director of the African Department at the IMF, Ms Antoinette Sayeh, was in Accra in November 2009 to meet the Minister of Finance and the Governor of the Bank of Ghana. She expressed satisfaction with the management of the fiscal budget especially on the expenditure side and recommended continued consolidation into 2010. She announced that Ghana had been selected to host the AFRITAC-West II, the IMF's second Regional Technical Assistance Centre for West Africa.

Mr. Sib Ahmed Dib, Executive Director responsible for Ghana at the World Bank paid a working visit to Ghana in November 2009. During the visit, he held discussions with Management and staff of Bank of Ghana on the impact of the global financial crises on the banking sector and developments in Ghana after the last Article IV review.

6.3 West African Monetary Zone (WAMZ)

The Authority of Heads of State and Government of the West African Monetary Zone (WAMZ) decided in 2009 to extend the period for the launching of the monetary union of the WAMZ from December 2009 to a date on or before January 2015. This decision was taken to ensure the attainment of the convergence criteria, the completion of the payments system project and the realisation of benchmarks under the Banjul Declaration.

The Convergence Council of Ministers of Finance and Governors of central banks of member countries of the WAMZ met twice during the year in June and December. The meetings focused mainly on assessing macroeconomic convergence among member countries and the stage of implementation of various zonal programmes and projects. The Council endorsed the application of Liberia for membership of the WAMZ and urged member states to expedite the ratification of the WAMZ legal instruments.

A significant event during the meetings was the signing of a Memorandum of Understanding (MOU) between the member central banks of the zone on the licensing, supervision and regulation of financial institutions. The MOU established a framework for mutual assistance and the exchange of information on financial institutions to enforce and secure compliance with laws and regulations relating to the operations of commercial banks.

Box 1. West African Monetary Zone Meetings

Dates

June 22, 2009. **Abuja, Nigeria**

December 17, 2009. **Accra, Ghana**

Major Decisions and Recommendations

- The launching of the WAMZ Monetary Union should be postponed to or before January 1, 2015 and the common central bank (West African Central Bank) should be established by June 2014.
- WAMI should continue to collaborate with the ECOWAS Commission on the implementation of the structural and institutional benchmarks as well as the trade-related aspects of the Banjul Action Plan.
- Member states should accelerate the creation of the WAMZ/ECOWAS Common Economic Space by fast tracking the implementation of the Single Economic Space Protocol.
- Member States should expedite the ratification of the WAMZ legal instruments and ensure completion by the end of June 2013.
- Member states should sustain the progress made in economic management and continue with measures aimed at protecting their economies from the on-going global financial crises.
- The payments systems project in the Gambia, Guinea and Sierra Leone should be completed quickly to bring the countries to the same levels as Ghana and Nigeria.
- WAMI should undertake a review of the convergence criteria and advise Council accordingly.
- The application of the Republic of Liberia for membership into the WAMZ was endorsed.
- The Memorandum of Understanding executed between the national central banks in the areas of cross-border licensing, supervision and regulation of financial institutions was noted.

6.4 West African Monetary Agency (WAMA)

The Committee of Governors of Central Banks of ECOWAS Member States and the Joint Technical Committee of WAMA held two meetings in 2009. They considered the findings of several studies undertaken by WAMA, approved its work programme and budget for 2010 and took measures to enhance the conditions of service of the Agency to attract and retain highly qualified staff. During the year, an amended version of the roadmap for an ECOWAS single currency was adopted by the ECOWAS Convergence Council. Under the programme, the ECOWAS monetary union would be launched in 2020 with the establishment of the ECOWAS central bank and the introduction of the single currency. The Convergence Council also directed that the West African Monetary Zone (WAMZ) monetary union should be launched on or before January 1, 2015.

Box 2. West African Monetary Agency Meetings

Dates

May 25, 2009. **Abuja, Nigeria**

December 16, 2009. **Accra, Ghana**

Major Decisions and Recommendations

- The ECOWAS Commission should take stronger ownership of the single currency initiative and the implementing institutions should develop Action Plans for fulfilling the objectives of their respective programmes.
- The various components should be packaged as activities in a roadmap indicating the completion point of the single currency programme with detailed identification of responsibilities.
- The ECOWAS Commission in collaboration with the implementing institutions should prepare comprehensive bi-annual reports on the implementation of the programme.
- The evaluation of performance of member countries should be undertaken within a medium-term perspective.
- Member countries should make data on their domestic arrears available to WAMA for evaluation.
- Banking supervision in the region should be strengthened by sharing knowledge about licensing regimes, branches and opening of representative offices.
- WAMA should work on the modalities for settlement between national currencies, putting in place convertibility mechanisms for member states.
- The ECOWAS monetary union should be launched in 2020 with the establishment of the ECOWAS central bank and the introduction of the single currency.
- The WAMZ monetary union should be launched on or before January 1, 2015.

6.5 West African Institute of Financial and Economic Management (WAIFEM)

Following the retirement of Dr. Chris Itsede, the Board of Governors of WAIFEM appointed Professor Akpan H. Ekpo, a former Vice-Chancellor of the University of Uyo, Nigeria, as the new Director-General of the West African Institute of Financial and Economic Management (WAIFEM) for a four-year term with effect from June 2009. New directors were also appointed for the Debt Management and Financial Sector Management departments.

In December 2009, the Board met in Accra and reviewed the activities of the Institute for the year and also approved the 2010 training programme and budget.

6.6 Association of African Central Banks (AACB)

The Assembly of Governors of the Association of African Central Banks (AACB) held its 33rd Ordinary Meeting in Kinshasa, Democratic Republic of Congo in August 2009. The meeting was informed by the Technical Committee that the European Central Bank (ECB) had been selected to conduct a study on the strategy for the creation of the African Central Bank (ACB). It urged member states to undertake reforms and implement measures aimed at strengthening their economies to reduce the negative impact of exogenous shocks on them.

It also agreed on the theme 'The Role of African Central Banks in the Regulation and Stability of the Financial System' for the 2010 symposium. The topic chosen for the 2010 seminar was 'Lessons Africa Should Learn from the International Financial Crisis: Mechanisms for Prevention and Coordination of Responses'.

The 2010 work programme and budget of the Secretariat were approved and the Central Bank of the Democratic Republic of Congo was elected as Chair of the Association for the 2009/2010 year.

6.7 African Export-Import Bank (AFREXIMBANK)

The shareholders of Afreximbank held their 16th General Meeting in Gaborone, Botswana on July 4, 2009. They approved the audited Financial Statements for the year ended 2008 which indicated that despite the challenges posed by the global financial crises, Afreximbank maintained a solid financial performance reflected in asset growth and high profitability.

The shareholders decided to request the government of Botswana to seek a solution at the political level to the outstanding issue of the inability of the President of Afreximbank to operate from the Headquarters in Cairo. Shareholders also set up a broad-based committee, including the Bank of Ghana, to look at proposed amendments to the Charter of the Afreximbank. The Committee was also to make proposals on the way forward on the relocation of the headquarters of the bank.

The Bank's Advisory Group on Trade and Finance and Export Development organised a forum on the theme 'Making Africa's Foreign Exchange Reserves Work for Africa: A Case for an Optimal Intra-African Foreign Resource Allocation'. Participants strongly recommended the involvement of African financial institutions in the management of Africa's reserves.

6.8 Visit by the Governor of the Central Bank of Nigeria

In November 2009, the Governor of the Central Bank of Nigeria (CBN), Mr Sanusi Lamido Sanusi paid an official visit to Ghana to explain developments that led to the dismissal of the Chief Executives of five major banks in Nigeria, some of which have subsidiaries in Ghana. In separate meetings with the Governors and staff of the Bank of Ghana, the financial community and selected private business executives, Governor Sanusi explained that the Nigerian banking system was not in crisis but rather the CBN took steps to avert what could have become a crisis. He stressed the need for consolidated supervision and called for cooperation in cross-border supervision of banks.

FINANCIAL STATEMENTS

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7. FINANCIAL STATEMENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS	Mr. K. B. Amissah-Arthur	(Chairman/Governor)(Appointed 1/10/09)
	Dr. Henry A.Kofi Wampah	(1st Deputy Governor)(Appointed 16/04/09)
	Mr. Millison K. Narh	(2nd Deputy Governor)(Appointed 20/07/09)
	Dr. Paul Acquah	(Governor/Chairman)(Retired 30/9/09)
	Mr. Lionel Van Lare Dosoo	(1st Deputy Governor)(Retired 6/05/09)
	Dr. Mahamudu Bawumia	(2nd Deputy Governor)(Resigned 16/01/09)
	Dr. Sydney Laryea	(Appointed 16/4/2009)
	Mrs. Diana Ayettey	(Appointed 16/4/2009)
	Mrs. Lily Esther Nkansah	(Appointed 16/4/2009)
	Dr. D. Obu Andah	(Appointed 16/4/2009)
	Mr. Sam Appah	(Appointed 16/4/2009)
	Togbe Afede XIV	(Appointed 16/4/2009)
	Mr. Kwaku Bram Larbi	(Appointed 16/4/2009)
	Mr. Seth Terkper	(Appointed 16/4/2009)
SECRETARY	Mr. Alex Bernasko Bank of Ghana 1 Thorpe Road P. O. Box GP 2674 Accra, Ghana	
AUDITORS	KPMG Chartered Accountants 13 Yiyiwa Drive P.O. Box GP 242 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 2009, 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 42 to 90.

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 2009 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), the Financial Administration Act, 2007 (Act 654) of Ghana and the Companies Code, 1963 (Act 179).

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.

APPOINTMENT OF BOARD OF DIRECTORS

The directors were appointed by the President of the Republic of Ghana on 16 April 2009 and were sworn into office on 18 February 2010.

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), International Financial Reporting Standards (IFRS) and the Companies Code, 1963 (Act 179) 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¢234 million in respect of its obligation to the scheme as set by actuarial valuation of GH¢684 million at 31 December 2009.

FINANCIAL STATEMENTS

	2009 GH¢'000	Restated 2008 GH¢'000
Net surplus for the year for the Bank	295,626	342,556
Net surplus for the year for the Bank and Subsidiaries	297,600	350,319

SUBSIDIARY COMPANIES

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.

The Bank also owns 100% shares of Ghana Interbank Payment and Settlement Systems Limited, a company incorporated in Ghana which carries on the business of Setting up of operation of a national switch system and the provision of smart card services, cheque clearing / credit clearing, codeline cheque truncation, the operation of the real time gross settlement system (RTGS), the operation of an automated clearing house (ACH), and the running of a help desk to assist the payments system in general.

CHAIRMAN (GOVERNOR) DIRECTOR

ACCRA
April 29, 2010

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 statement of financial position at 31 December 2009, and the statement of comprehensive income, 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 42 to 90.

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 the Companies Code, 1963 (Act 179), 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 controls 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¢24.935 million (2008: GH¢9.876 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 2009 using the Projected Unit Credit Method. The actuarial valuation, as contained in the report of the consultant, set the bank's obligation at GH¢684 million at 31 December 2009. 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¢234 million (2008: GH¢125 million) has so far been made in the financial statements in respect of the bank's obligation to the scheme.

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 2009, 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 2009, 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.

KPMG

CHARTERED ACCOUNTANTS
13 YIYIWA DRIVE
P O BOX GP 242
ACCRA

April 29, 2010

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2009

		The Bank		The Group	Restated
	Note	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
ASSETS					
Cash and amounts due from banks	12	257,200	269,028	281,676	111,029
Gold	13	441,828	294,075	441,828	294,075
Balances with IMF	14	1,487,700	688,485	1,487,700	688,485
Securities	16	4,800,998	3,478,779	5,021,178	3,633,248
Loans and advances	15	1,530,936	542,245	2,542,520	1,223,855
Other Assets	17	300,529	381,654	312,642	376,715
Property, Plant and Equipment	18	118,704	116,020	143,557	140,417
Development Loans and Investments	19	108,263	5,084	50,163	162
Deferred Tax	11(ii)		-	162	164
TOTAL ASSETS		**9,046,158**	**5,775,370**	**10,281,426**	**6,468,150**
LIABILITIES					
Currency in Circulation	20	2,343,798	1,896,111	2,343,798	1,896,111
Allocations of Special Drawing Rights		797,054	117,111	797,054	117,111
Deposits	21	2,895,699	1,619,997	3,999,702	2,208,097
Liabilities to IMF	22	1,202,202	872,624	1,202,202	872,624
Taxation	11(i)	-	-	1,505	2,986
Liabilities under Money					
Market Instruments	23	790,237	244,792	790,237	244,792
Other Liabilities	24	266,013	482,205	285,862	514,365
Deferred Income				2,461	2,767
TOTAL LIABILITIES		**8,295,003**	**5,232,840**	**9,422,821**	**5,858,853**
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	653,465	444,840	670,000	444,617
Retained Earnings		**-**	**-**	**38,093**	**29,051**
Total Equity attributable to Equity					
Holders of the Bank		751,155	542,530	805,783	571,358
MINORITY INTEREST		-	-	52,822	37,939
TOTAL EQUITY		751,155	542,530	858,605	609,297
TOTAL LIABILITIES AND EQUITY		**9,046,158**	**5,775,370**	**10,281,426**	**6,468,150**

CHAIRMAN (GOVERNOR)

DIRECTOR

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

		The Bank		The Group	Restated
	Note	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Interest and similar income	6(i)	258,164	231,015	274,998	260,445
Fee and commission income		24,840	21,786	36,356	29,580
Dividend income		5547	2,898	-	-
Other operating income	6(iii)	203,026	291,213	220,527	303,353
Operating Income		**491,577**	**546,912**	**531,881**	**593,378**
Interest expense and similar charges	6(ii)	(69,292)	(72,940)	(71,550)	(82,104)
Net impairment Credit/(loss)	10	12,413	(22,328)	11,303	(22,328)
Operating expenses		(139,072)	(109,088)	(168,701)	(132,186)
Administration	7	91,078	77,990	111,650	93,983
Premises and Equipment	8	18,213	14,668	21,848	17,072
Currency and Issue	9	29,781	16,430	29,781	16,430
Direct Expenses				5,422	4,701
Surplus before taxation		295,626	342,556	302,933	356,760
Taxation	11(iii)	-	-	(5,333)	(6,441)
Surplus for the Year		**295,626**	**342,556**	**297,600**	**350,319**
Surplus attributed to:					
Equity shareholders of the Bank		295,626	342,556	290,755	342,391
Minority Shareholders		-	-	6,845	7,928
Surplus for the Year		**295,626**	**342,556**	**297,600**	**350,319**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

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 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						
Transfer to Other Liabilities	-	(344,359)	-	-	344,359	-
Balance at 31 December 2008	**10,000**	**-**	**58,930**	**28,760**	**444,840**	**542,530**

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 2009	**10,000**	**-**	**58,930**	**28,760**	**444,840**	**542,530**
Retrospective correction of error (Note 34)	-	-	-	-	(108,658)	(108,658)
Restated balance at 1 January 2009	**10,000**	**-**	**58,930**	**28,760**	**336,182**	**433,872**
Surplus for the year	-	295,626	-	-	-	295,626
Price/Exchange movements in gold & other foreign assets	-	-	-	-	96,657	96,657
Transfer to Other Reserve	-	(220,626)	-	-	220,626	-
Appropriation to Long -Term Government securities	-	(75,000)	-	-	-	(75,000)
Balance at 31 December 2009	**10,000**	**-**	**58,930**	**28,760**	**653,465**	**751,155**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009 CONT'D

	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 2008 Restated	10,000	31,019	58,930	28,760	65,525	21,242	215,476	37,173	252,649
Net Surplus for the Year	-	342,391	-	-	-	-	342,391	7,928	350,319
Transfer to General Reserve	-	-	-	-	-	-	-	-	-
Price & Exchange movement in gold, and other foreign assets	-	-	-	-	18,371		18,371	-	18,371
Transfer to Other Reserve	-	-	-	-	-	-	-	-	
Foreign Currency translation reserve	-	-	-	-		(4,880)	(4,880)	(7,162)	(12,042)
Transfer to Other Reserve	-	**(344,359)**	-	-	344,359	-	-	-	-
Balance at 31 December 2008 Restated	**10,000**	**29,051**	**58,930**	**28,760**	**428,255**	**16,362**	**571,358**	**37,939**	**609,297**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009 (CONT'D)

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 2009	10,000	29,051	58,930	28,760	428,255	16,362	571,358	37,939	609,297
Retrospective correction of error (Note 34)	-	-	-	-	(108,658)	-	(108,658)	-	(108,658)
Restated balance at 1 January 2009	**10,000**	**29,051**	**58,930**	**28,760**	**319,597**	**16,362**	**462,700**	**37,939**	**500,639**
Net Surplus for the year	-	290,755	-	-	-	-	290,755	6,845	297,600
Foreign currency translation reserve	-	-	-	-		16,758	16,758	8,038	24,796
Price & Exchange movement in gold, and other foreign assets	-	-	-	-	96,657	-	96,657	-	96,657
Transfer to other reserve	-	(220,626)	-	-	220,626	-	-	-	-
Appropriation to Long-Term Government Securities		(61,087)	-	-	-	-	(61,087)	-	(61,087)
Balance at 31 December 2009	**10,000**	**38,093**	**58,930**	**28,760**	**636,880**	**33,120**	**805,783**	**52,822**	**858,605**

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009

The Bank

	Note	2009 GH¢'000	2009 GH¢'000	2008 GH¢'000	2008 GH¢'000
Cash (outflows)/inflows from operating Activities	32a		(1,125,041)		(208,136)
Cash flows from investing activities					
Change in Development Loans and Investments		(103,179)		-	
Property, Plant & Equipment Purchased		(17,207)		(28,826)	
Proceeds from Sale of Property, Plant & Equipment		-		-	
Change in Balances with IMF		(799,215)		(122,695)	
Net cash used in investing activities			(919,601)		(151,521)
			(2,044,642)		(359,657)
Cash flows from financing activities					
Change in Bank of Ghana Instruments		545,445		(269,627)	
Change in Currency in Circulation		447,687		446,204	
Change in Allocation of SDRs		679,943		20,891	
Change in Short-Term Credits		145,018		122,399	
Change in Enhanced Structural Adjustment Facility		184,560		36,915	
Net cash from financing activities			2,002,653		356,782
Net change in cash and cash equivalents			(41,989)		(2,875)
Analysis of Changes in Cash and Cash Equivalents during the Year					
Balance at 1 January			269,028		228,650
Net Cash Inflow			(41,989)		(2,875)
Effect of exchange rate fluctuations on cash held			30,161		43,253
Balance at 31 December			**257,200**		**269,028**

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31 DECEMBER 2009 (CONT'D)

The Group

	Note	2009 GH¢'000	2009 GH¢'000	2008 GH¢'000	2008 GH¢'000
Cash outflows from operating activities	32b		(981,525)		(167,126)
Cash flows from investing activities					
Change in Development Loans and Investments		(50,000)		-	
Property, Plant & Equipment Purchased		(20,790)		(29,074)	
Proceeds from Sale of Property, Plant & Equipment		-		-	
Change in Balances with IMF		(799,215)		(122,695)	
Net cash used in investing activities			(870,005)		(151,769)
			(1,815,530)		(318,895)
Tax Paid			**(6,762)**		(4,053)
Cash outflows from financing activities					
Dividend Paid to Minority Interest		(4,492)		(2,794)	
Change in Bank of Ghana Instruments		545,445		(269,627)	
Change in Currency in Circulation		447,687		446,204	
Change in Allocation of SDRs		679,943		20,891	
Change in Short-Term Credits		145,019		122,399	
Change in Enhanced Structural					
Adjustment Facility		184,561		36,914	
Deferred Income		(308)		-	
Net cash from financing activities			1,997,855		353,987
Net change in cash and cash equivalents			139,563		31,039
Analysis of Changes in Cash and Cash Equivalents during the Year					
Balance at 1 January		111,029		37,428	
Net Cash Inflow/(Outflow)		139,563		31,039	
Effect of exchange rate fluctuations on cash		31,084		42,562	
Balance at 31 December			**281,676**		**111,029**

NOTES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 comprise the Bank and its subsidiaries, 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 notes 3(n), 29 and 31.

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 subsidiaries 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, the Ghana International Bank 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 2009.

Currency	Average Rate	Closing Rate
	GH¢	GH¢
US Dollar	1.4132	1.4270
GBP	2.2024	2.3077
EURO	1.9620	2.0448

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.

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.

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:

- lthe assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- lthe designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- lthe 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 and 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.

Depreciation

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

The annual depreciation rates generally in use for the current and comparative year are as follows:

	%
Buildings	4
Plant and Equipment	10 - 33 1/3
Motor Vehicles	33 1/3
Furniture and Fittings	20

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

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

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

(iv). Revaluation

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

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

(i). 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 subsidiaries,, Ghana International Bank Plc and Ghana Interbank Payments and Settlements Systems Ltd 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.

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.Details of restatements are shown in note 37.

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 2009 was GH¢286.2 million (2008: GH¢242.1 million).

(b) Capital Expenditure

The Group had capital expenditure commitments of GH¢936,000 not provided for in the financial statements as at 31 December 2009 (2008: GH¢755,780).

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢1,484 million (2008: GH¢1,253.7 million).

(d) Documentary credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank Plc amounted to about GH¢86.35 million (2008: GH¢33.60 million).

(e) Operating Lease

There was no commitment in respect of operating lease during the year (2008: Nil).

6(i). INTEREST AND SIMILAR INCOME

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Interest on overnight borrowings, government securities, medium/long-term notes and bonds	147,911	133,636	164,745	147,294
Interest on foreign correspondent accounts and foreign investments	30,289	80,533	30,289	96,305
Interest Income	178,200	214,169	195,034	243,599
Discount on treasury bill operations	79,964	16,846	79,964	16,846
	258,164	231,015	274,998	260,445

Included within various captions under interest income for the year ended 31 December 2009 is a total of GH¢178 million (2008: GH¢214 million) earned on financial assets as analysed below.

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Cash and Cash Equivalents	45,080	53,710	46,764	53,710
Loans and Advances to banks	8,293	8,846	9,996	24,618
Investment Securities	202,476	166,563	215,923	180,221
	255,849	229,119	272,683	258,549
Others	2,315	1,896	2,315	1,896
	258,164	231,015	274,998	260,445

6(ii). INTEREST EXPENSE AND SIMILAR CHARGES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
IMF & SDR allocations	1,798	3,999	1,798	3,999
Foreign loans and credits	4,006	11,316	4,006	11,316
Forex deposits	-	8	-	8
Deposits by customers	-	-	523	5,457
Deposits by Banks	-	-	1,687	3,702
Interest on money market instruments	63,488	57,617	63,488	57,617
Others			48	5
	69,292	72,940	71,550	82,104

6(iii). OTHER OPERATING INCOME

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Exchange gain (Note 6(iii)a)	189,260	288,790	189,854	288,790
Other Miscellaneous	13,766	2,423	30,673	14,563
	203,026	291,213	220,527	303,353

(a) Analysis of Exchange Gain

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Exchange Difference	10,260	138,665	201,059	138,665
Exchange Rate Equalisation	179,000	150,125	(11,205)	150,125
	189,260	288,790	189,854	288,790

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

7. ADMINISTRATIVE EXPENSES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Personnel Cost	67,742	51,941	77,888	58,631
Foreign and Domestic Travel	3,197	2,191	3,546	2,330
Motor Vehicle Maintenance/Running	3,740	3,903	3,811	3,934
Communication Expenses	2,611	5,559	3,080	5,931
Banking Colleges and Monetary Institutes	1,571	411	1,571	411
Computer Related Expenses	1,011	4,867	4,859	5,553
Banking Supervision Expenses	564	476	564	476
Auditors' Remuneration	163	140	409	355
Directors' Remuneration	467	440	1,333	1,259
Foreign Currency Importation	46	161	46	161
Depreciation – Motor vehicles	3,423	1,820	3,576	1,849
Others	6,543	6,081	10,967	13,093
	91,078	77,990	111,650	93,983

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

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Directors	3	12	19	31
Staff	1,470	1,490	1,556	1,528
	1,473	1,502	1,575	1,559

8. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Rent and Rates	36	365	1,485	1,051
Electricity, Water and Conservancy	1,376	1,264	1,494	1,318
Repairs and Renewals	4,380	2,642	5,809	3,788
Insurance – Premises and Equipment	97	60	350	264
Depreciation – Premises & Equipment	10,951	9,057	11,241	9,297
Generator Running Expenses	77	86	117	127
Other Premises and Equipment Expenses	1,296	1,194	1,352	1,227
	18,213	14,668	21,848	17,072

9. CURRENCY AND ISSUE EXPENSES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Agency Fees	439	463	439	463
Notes Printing	25,375	6,100	25,375	6,100
Coin Minting	3,118	4,903	3,118	4,903
Other Currency Expenses	849	4,964	849	4,964
	29,781	16,430	29,781	16,430

10. IMPAIRMENT LOSSES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Charge (Reversal) of impairments of other assets	(12,413)	22,328	(11,303)	22,328
Balance at 1 January	30,253	7,925	30,253	7,925
Impairment loss recognised/(reversal)	(12,413)	22,328	(11,303)	22,328
Balance at 31 December	17,840	30,253	18,950	30,253

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 1/1/09	Payments during the year	Charge to Income Statement	Balance at year 31/12/09
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Up to 2008	2,986	-	-	2,986
2009	-	(6,762)	5,281	(1,481)
	2,986	(6,762)	5,281	(1,505)

A UK corporation tax rate of 28% (2008: 28.5%) is applied on profit on ordinary activities of the bank's subsidiary registered in the UK. An effective tax rate of 27.6% (2008: 28.5%) was applied on profit on ordinary activities.

(ii) Deferred Tax

		The Bank		The Group
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Balance at 1 January	-	-	164	176
Translation Adjustment	-	-	50	(19)
Credit/(Charge) for the year [11(iii)]	-	-	(52)	7
Balance at 31 December	-	-	162	164
The balance on deferred tax comprises:				
Accelerated capital allowances	-	-	162	164
Other timing differences	-	-	-	-
Total	-	-	162	164

(iii) Income Tax Expense

		The Bank		The Group
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Corporate income tax expense [note 11(i)]	-	-	5,281	6,447
Deferred tax (credit)/charge for the period [note 11(ii)]	-	-	52	(6)
	-	-	5,333	6,441

(iv) Reconciliation of Effective Tax Rate

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Profit before tax	289,865	342,556	294,276	362,278
Income tax using U.K. Tax rate at 28% on subsidiary's profits	-	-	5,405	6,446
Non-deductible expenses	-	-	242	14
Tax exempt revenues	-	-		-
Tax incentives not recognised in income statement	-	-		-
Originating/reversals of timing differences	-	-	-	(10)
Prior year adjustment	-	-	(314)	(9)
Current tax charge	-	-	5,333	6,441

Effective tax rate after removing the holding company's non-taxable income is 27.6% (2008: 28.5%).

12. CASH AND AMOUNTS DUE FROM BANKS

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Correspondent Bank Balances	191,353	237,393	180,840	78,357
Notes and Coins Holdings	65,847	31,635	100,836	32,672
	257,200	269,028	281,676	111,029

Included in cash and amounts due from banks is an amount of GH¢86.4 million (2008: GH¢34.8 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	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Bank of England Gold set aside	173,768	115,656	173,768	115,656
Federal Reserve Bank NY Gold	121,441	80,829	121,441	80,829
UBS Gold Investment	130,539	86,887	130,539	86,887
Gold -Local Holdings	16,080	10,703	16,080	10,703
	441,828	294,075	441,828	294,075

14. BALANCES WITH IMF

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Holdings	654,352	540	654,352	540
Quota	831,136	686,119	831,136	686,119
HIPC Trust	2,212	1,826	2,212	1,826
	1,487,700	688,485	1,487,700	688,485

15. LOANS AND ADVANCES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Government	1,218,020	442,360	1,218,020	442,360
Financial institutions	166,494	4,624	1,067,421	599,961
Lending (Note 15a)	155,595	104,434	267,415	190,707
Gross amount	1,540,109	551,418	2,552,856	1,233,028
Less: Impairment Losses	(9,173)	(9,173)	(10,336)	(9,173)
Carrying amount (Note 15b &c)	1,530,936	542,245	2,542,520	1,223,855

(a) Analysis of Lending (Sectoral)

Gross lending is analysed as follows;

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Commerce and Finance	-	-	111,820	86,273
Miscellaneous	155,595	104,434	155,595	104,434
	155,595	104,434	267,415	190,707

(b) Loans and Advances (Valuation)

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Loans and advances at fair value through P& L	1,218,020	442,360	1,218,020	442,360
Loans and advances at amortised cost (Note 15c)	312,916	99,885	1,324,500	781,495
	1,530,936	542,245	2,542,520	1,223,855

(c) The Bank

Loans and Advances at Amortised Cost

	2009			2008		
	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000
Government	1,218,020	-	1,218,020	442,360	-	442,360
Financial Institutions	166,494	(4,624)	161,870	4,624	(4,624)	-
Other secured lending	155,595	(4,549)	151,046	104,434	(4,549)	99,885
	1,540,109	(9,173)	1,530,936	551,418	(9,173)	542,245

(d) The Group

Loans and Advances at Amortised Cost

	2009			2008		
	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000
Government	1,218,020	-	1,218,020	442,360	-	442,360
Financial Institutions	1,067,421	(4,624)	1,062,797	599,961	(4,624)	595,337
Other secured lending	267,415	(5,712)	261,703	190,707	(4,549)	186,158
	2,552,856	(10,336)	2,542,520	1,233,028	(9,173)	1,223,855

Included in Loans to Financial Institutions is a term loan of GH¢60 million (2008: GH¢Nil) granted to National Investment Bank by Bank of Ghana.

16. SECURITIES

The Bank

			2009	2008
	Gross Amount GH¢'000	Amortisation GH¢'000	Carrying Amount GH¢'000	Carrying Amount GH¢'000
Long-Term Government Securities	1,245,456	-	1,245,456	914,635
Money Market Instruments	398,340	-	398,340	683,425
Short-Term Securities	3,157,202	-	3,157,202	1,880,719
	4,800,998	-	4,800,998	3,478,779

The Group

			2009	2008
	Gross Amount GH¢'000	Amortisation GH¢'000	Carrying Amount GH¢'000	Carrying Amount GH¢'000
Long-Term Government Securities	1,245,456	-	1,245,456	914,635
Money Market Instruments	618,520	-	618,520	685,431
Short-Term Securities	3,157,202	-	3,157,202	2,033,182
	5,021,178	-	5,021,178	3,633,248

(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
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Items in course of Collection	8,998	75,457	8,998	75,457
Revaluation Account	(37,318)	(12,382)	(37,318)	(12,382)
Others	336,623	338,766	348,736	333,827
	308,303	401,841	320,416	396,902
Less: Impairment Losses	(7,774)	(20,187)	(7,774)	(20,187)
	300,529	381,654	312,642	376,715

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	Motor Vehicles	Furniture and Fittings	Plant and Equipment	Work in Progress	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
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
Transfers						
Disposals	-	(117)	-	-	-	(117)
Balance at 31/12/08	50,949	13,188	1,389	57,565	42,032	165,123
Gross Value						
At 1/1/09	50,949	13,188	1,389	57,565	42,032	165,123
Additions	180	3,122	496	5,153	8,256	17,207
Disposals	-	(723)	(0.30)	(3)	-	(726)
Transfers	108			5	(113)	-
Balance at 31/12/09	51,237	15,587	1,885	62,720	50,175	181,604
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
Accumulated Depreciation & impairment Losses						
At 1/1/09	6,156	9,849	1,022	32,076	-	49,103
Charge for the year	1,775	3,424	376	8,948	-	14,523
Disposal	-	(723)	(0.30)	(3)	-	(726)
Balance at 31/12/09	7,931	12,550	1,398	41,021	-	62,900
Carrying Amounts						
Balance at 1/01/08	49,783	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
Balance at 31/12/09	43,307	3,036	488	21,699	50,174	118,704

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.

The Group

	Land and Buildings	Motor Vehicles	Furniture and Fittings	Plant and Equipment	Work in Progress	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Gross Value						
At 1/1/08	49,784	13,176	1,552	44,651	30,354	139,517
Additions	4,987	602	172	36,522	11,678	53,961
Transfers	-	-	-	-	-	-
Disposals	-	(117)	-	-	-	(117)
Translation Adjustment		(10)	(19)	(290)	-	(319)
Balance at 31/12/08	54,771	13,651	1,705	80,883	42,032	193,042
Gross Value						
At 1/1/09	54,771	13,651	1,705	80,883	42,032	193,042
Additions	2,030	3,122	1,276	6,106	8,256	20,790
Transfers				178		178
Disposals			(153)	(205)		(358)
Translation Adjustment		36	55	900		991
Balance at 31/12/09	56,801	16,809	2,883	87,862	50,288	214,643
Accumulated Depreciation and impairment losses						
At 1/1/08	4,394	8,184	877	25,700	-	39,155
Charge for the Year	1,876	1,956	326	9,531	-	13,689
Released on Disposal	-	(117)	-	-	-	(117)
Translation Adjustment	-	(4)	(15)	(83)	-	(102)
Balance at 31/12/08	6,270	10,019	1,188	35,148	-	52,625
Accumulated Depreciation and impairment losses						
At 1/1/09	6,270	10,018	1,188	35,148	-	52,624
Charge for the Year	1,911	3,578	519	12,321	-	18,329
Released on Disposal			(144)	(204)		(348)
Translation Adjustment		19	47	415	-	481
Balance at 31/12/09	8,181	13,615	1,610	47,680	-	71,086
Carrying Amounts						
Balance at 01/01/08	45,390	4,992	675	18,951	30,354	100,362
Balance at 31/12/08	48,501	3,632	517	45,735	42,032	140,417
Balance at 31/12/09	48,619	3,193	1,273	40,331	50,288	143,557

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	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Developmental Loans	-	2	-	2
Investments - Banks	55,967	5,867	51,045	945
Investments - Other Institutions	53,190	109	12	109
	109,157	5,978	51,057	1,056
Impairment Losses	(894)	(894)	(894)	(894)
	108,263	5,084	50,163	162

Included in Investments - Banks is GH¢4,921,500 representing 51% equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom. The amount also includes an investment of GH¢50 million (2008: GH¢Nil) in National Investment Bank.

Also, included in Investments – Other Institutions is an amount of GH¢53,179,000 representing 100% holdings in GhIPSS, a company incorporated in Ghana.These amounts have been eliminated in the consolidated financial statements.

20. CURRENCY IN CIRCULATION

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Notes and Coins Issued	3,234,842	2,681,762	3,234,842	2,681,762
Less: Cash Account & Agencies	(891,044)	(785,651)	(891,044)	(785,651)
	2,343,798	1,896,111	2,343,798	1,896,111

21. DEPOSITS

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Government	1,556,744	714,656	1,556,744	714,656
Financial Institutions/Banks	955,928	795,087	1,593,322	1,020,903
Others	383,027	110,254	849,636	472,538
	2,895,699	1,619,997	3,999,702	2,208,097

22. LIABILITIES TO IMF

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
(i) IMF Currency Holdings				
IMF No. 1	50,240	54,228	50,240	54,228
IMF No. 2	9	8	9	8
IMF Securities	780,895	631,890	780,895	631,890
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	371,058	186,498	371,058	186,498
	1,202,202	**872,624**	**1,202,202**	**872,624**

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 (2008: SDR 369 million). IMF currency holdings equivalent to SDR 22,305,500 (2008: SDR 29,164,630) and SDR 4,171 (2008: 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	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Bank of Ghana Instruments	790,237	244,792	790,237	244,792
	790,237	**244,792**	**790,237**	**244,792**

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

24. OTHER LIABILITIES

	The Bank		The Group	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Accruals and account payable	21,593	3,349	18,183	6,973
Defined Pension Fund Liability (Note 24a)	109,096	125,000	109,096	125,000
Others	135,324	353,856	158,583	382,392
	266,013	482,205	285,862	514,365
(a) Pension Fund Liability				
Balance at 1 January	125,000	40,000	125,000	40,000
Purchase of Treasury Bills	(125,000)	-	(125,000)	-
Additions	108,658	91,188	108,658	91,188
Payment	(8,658)	(6,188)	(8,658)	(6,188)
Interest on Treasury Bills	9,096	-	9,096	-
Balance at 31 December	**109,096**	**125,000**	**109,096**	**125,000**

The actuarial valuation, as contained in the report of the actuarial consultant, set the Bank's obligation at GH¢684 million at 31 December 2009. A provision of GH¢234 million (2008: GH¢125 million) has so far been made in the financial statements in respect of the Bank's obligation to the scheme of which GH¢125 million have been invested in treasury bills.

25. STATED CAPITAL

	Number of Shares		Proceeds	
	2009 '000	2008 '000	2009 GH¢'000	2008 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

This represents surplus arising on the revaluation of the Group's Property, Plant and Equipment.

27. GENERAL RESERVE

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	2009 GH¢'000	2008 GH¢'000
The Bank				
Balance at 1 January	-	-	444,840	173,298
Retrospective correction of error (Note 34)	-	-	(108,658)	(91,188)
Restated balance at 1 January 2009	-	-	336,182	82,110
(Decrease)/Increase in the year	96,657	220,626	317,283	362,730
Balance at 31 December	**96,657**	**220,626**	**653,465**	**444,840**

	Price &Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	2009 GH¢'000	2008 GH¢'000
The Group					
Balance at 1 January	-	-	-	444,617	194,540
Retrospective correction of error (Note 34)	-	-	-	(108,658)	(91,188)
Restated balance at 1 January 2009	-	-	-	335,959	103,352
(Decrease)/Increase in the year	96,657	16,758	220,626	334,041	341,265
Balance at 31 December	**96,657**	**16,758**	**220,626**	**670,000**	**444,617**

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).

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 2009

	Notes	Trading	Held to Maturity	Designated at fair value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and Balances with Correspondent Banks	12	-	-	-	-	257,200	257,200	257,200
Government Securities	16		1,245,456	-	-	-	1,245,456	1,245,456
Money Market Instruments	16	-	398,340	-	-	-	398,340	398,340
Short-Term Securities	16	-	3,157,202	-	-	-	3,157,202	3,157,202
Loans And Advances	15	-		-	-	1,530,936	1,530,936	1,530,936
Other Assets	17	-		-	-	300,529	300,529	300,529
Total at 31/12/09	**-**	**-**	**4,800,998**	**-**	**-**	**2,088,665**	**5,644,207**	**5,644,207**

Assets

ii. The Bank 2008

	Notes	Trading	Held to Maturity	Designated at fair value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and Balances with Correspondent Banks	12	-		-	-	269,028	269,028	269,028
Government Securities	16		914,635	-	-	-	914,635	914,635
Money Market Instruments	16	-	683,425	-	-	-	683,425	683,425
Short-Term Securities	16	-	1,880,719	-	-	-	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		**-**	**3,478,779**	**-**	**-**	**1,192,927**	**4,671,706**	**4,671,706**

Liabilities

i. The Bank 2009

	Notes	Trading	Designated at fair value through P&L	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government Deposits	21			1,556,744	1,556,744	1,556,744
Due to Banks and Financial Institutions	21			955,928	955,928	955,928
Other Short-Term deposits	21			383,027	383,027	383,027
Money Market Instruments	23		790,237		790,237	790,237
Other Liabilities	24			266,013	266,013	266,013
Total at 31/12/09		**-**	**790,237**	**3,161,712**	**3,951,949**	**3,951,949**

Liabilities

ii. The Bank 2008

	Notes	Trading	Designated at fair value through P&L	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
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**

Assets

i. The Group 2009

	Notes	Trading	Held to Maturity	Designated at fair value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and balances with correspondent banks	12	-	-	-	-	281,676	281,676	281,676
Government securities	16	-	1,245,456	-	-	-	1,245,456	1,245,456
Money market instruments	16	-	618,520	-	-	-	618,520	618,520
Short-Term securities	16	-	3,157,202	-	-	-	3,157,202	3157202
Loans and advances	15	-	-	-	-	2,542,520	2,542,520	2,542,520
Other assets	17	-	-	-	-	312,642	312,642	312,642
Total at 31/12/08		**-**	**5,021,178**	**-**	**-**	**3,136,838**	**5,615,496**	**5,615,496**

Assets

ii. The Group 2008

	Notes	Trading	Held to Maturity	Designated at fair value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and balances with correspondent banks	12	-	-	-	-	111,029	111,029	111,029
Government securities	16	-	914,635	-	-	-	914,635	914,635
Money market instruments	16	-	685,431	-	-	-	685,431	685,431
Short-Term securities	16	-	2,033,182	-	-	-	2,033,182	2,033,182
Loans and advances	15	-	-	-	-	1,223,855	1,223,855	1,223,855
Other assets	17	-	-	-	-	376,715	376,715	376,715
Total at 31/12/08		**-**	**3,633,248**	**-**	**-**	**1,711,599**	**5,344,847**	**5,344,847**

Liabilities

i. The Group 2009

	Notes	Trading	Designated at fair value through P&L	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government Deposits	21	-	-	1,556,744	1,556,744	1,556,744
Due to Banks and Financial Institutions	21	-	-	1,593,322	1,593,322	1,593,322
Other Short-Term deposits	21	-	-	849,636	849,636	849,636
Money Market Instruments	23	-	790,237	-	790,237	790,237
Other Liabilities	24	-	-	285,862	285,862	285,862
Total at 31/12/09		**-**	**790,237**	**4,285,564**	**5,075,801**	**5,075,801**

Liabilities

ii. The Group 2008

	Notes	Trading	Designated at fair value through P&L	Financial Liabilities at amortised cost	Total Carrying Amount	Fair Values
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government Deposits	21	-	-	714,656	714,656	714,656
Due to Banks and Financial Institutions	21	-	-	1,020,903	1,020,903	1,020,903
Other Short-Term deposits	21	-	-	472,538	472,538	472,538
Money Market Instruments	23	-	244,792	-	244,792	244,792
Other Liabilities	24	-	-	514,365	514,365	514,365
Total at 31/12/08		**-**	**244,792**	**2,722,462**	**2,967,254**	**2,967,254**

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	
	2009 GH¢'000	2008 GH¢'000
Short-Term Employee Benefits	436	357
Termination Benefit	219	179
Post-Employment Benefits	99	80
	754	**616**

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.

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	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Loans and advances	1,640,394	542,245	2,651,978	1,223,854
Cash and cash equivalent	257,200	269,028	281,676	111,029
	1,897,594	811,273	2,933,654	1,334,883

Impairment Losses

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

The Bank

	2009		2008	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	1,327,478	-	442,360	-
Past due 31-120 days	312,916	-	99,885	-
More than 1 year	9,173	9,173	9,173	9,173
Gross amount (Note 15)	1,649,567	9,173	551,418	9,173

The Group

	2009		2008	
	Gross GH¢'000	Impairment GH¢'000	Gross GH¢'000	Impairment GH¢'000
Past due 0-30 days	1,327,478	-	442,360	-
Past due 31-120 days	1,325,662	-	781,495	-
More than 1 year	9,173	10,336	9,173	9,173
Gross amount (Note 15)	2,662,313	10,336	1,223,028	9,173

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 meet 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 2009

	Amount	3months or less	3-6 months
	GH¢'000	GH¢'000	GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	1,556,744	1,556,744	-
Deposits by Banks and Financial Institutions	955,928	955,928	-
Other Short-Term Deposits	383,027	383,027	-
Money Market Instruments	790,237	214,032	576,205
Other Liabilities	266,013	266,013	-
Balance at 31/12/09	**3,951,949**	**3,375,744**	**576,205**

The Group
31 December 2009

	Amount	3months or less	3-6 months
	GH¢'000	GH¢'000	GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	1,556,744	1,556,744	-
Deposits by Banks and Financial Institutions	1,593,322	1,593,322	-
Other Short-Term Deposits	849,636	849,636	-
Money Market Instruments	790,237	214,032	576,205
Other Liabilities	285,862	285,862	-
Balance at 31/12/09	**5,075,801**	**4,499,596**	**576,205**

The Bank
31 December 2008

	Amount	3months or less	3-6 months
	GH¢'000	GH¢'000	GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	714,656	714,656	-
Deposits by Banks and Financial Institutions	795,080	795,080	-
Other Short-Term Deposits	110,254	110,254	-
Money Market Instruments	244,792	218,295	26,497
Other Liabilities	482,205	482,205	-
Balance at 31/12/08	**2,346,987**	**2,320,490**	**26,497**

The Group
31 December 2008

	Amount	6 months or less	6-12 months
	GH¢'000	GH¢'000	GH¢'000
Non-derivative Financial Liabilities			
Government Deposits	714,656	714,656	-
Deposits by Banks and Financial Institutions	1,020,903	1,020,903	-
Other Short-Term Deposits	472,538	472,538	-
Money Market Instruments	244,792	218,297	26,495
Other Liabilities	514,365	514,365	-
Balance at 31/12/08	**2,967,254**	**2,940,759**	**26,495**

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.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (BP) 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 2008.

Effects in Cedis	100BP Increase	100BP Decrease
	GH¢'000	GH¢'000
31 December 2009		
Average for the Period	1,089	(1,089)
Maximum for the Period	1,782	(1,782)
Minimum for the Period	692	(692)
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)

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.

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Bank

31 December 2009	Up to 1 mth	B/n 1 mth & 3 mths	B/n 3 mths & 1 yr	B/n 1 yr & 5 yrs	5 years	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
LIABILITIES						
Currency in Circulation	-	-		-	2,343,798	2,343,798
Allocations of Special Drawing Rights	797,054	-		-	-	797,054
Deposits	2,895,699	-		-	-	2,895,699
Liabilities to IMF		-	152,092	1,050,110	-	1,202,202
Liabilities under Money Market Operations	369,098	28,929	86,284	305,926	-	790,237
Other Liabilities	116,917	-	-	-	149,096	266,013
Total	**4,178,768**	**28,929**	**238,376**	**1,356,036**	**2,492,894**	**8295,003**
31 December 2008						
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**

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Group

31 December 2009	Up to 1 mth	B¢/n 1 mth & 3 mths	B/n 3 mths & 1 yr	B/n 1 yr & 5 yrs	>5 years	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
LIABILITIES						
Currency in Circulation	-	-	-	-	2,343,798	2,343,798
Allocations of Special Drawing Rights	797,054	-	-	-	-	797,054
Deposits	3,388,412	546,061	65,229	-	-	3,999,702
Liabilities to IMF	-	-	152,092	1,050,110	-	1,202,202
Liabilities under Money Market Operations	369,098	28,929	86,283	305,927	0	790,237
Other Liabilities	-	35,216	32,133	1,750	216,763	285,862
Deferred Income	-		306	1530	625	2,461
Total	**4,554,564**	**610,206**	**336,043**	**1,359,317**	**2,561,186**	**9,421,316**

31 December 2008						
LIABILITIES						
Currency in Circulation	-	-	-	-	1,896,111	1,896,111
Allocations of Special Drawing Rights	117,111	-	-	-	-	117,111
Deposits	1,781,843	404,904	21,350	-	-	2,208,097
Liabilities to IMF	-	-	152,093	720,531	-	872,624
Liabilities under Money Market Operations	218,295	26,497	-	-	-	244,792
Other Liabilities	357,205	-		3,626	153,534	514,365
Deferred Income	-	-	306	1,530	931	2,767
Total	**2,474,454**	**431,401**	**173,749**	**725,687**	**2,050,576**	**5,855,867**

INTEREST RATE REPRICING ANALYSIS

The Bank

31 December 2009

	3 mths or less	B/n 3 & 12 mths	Over 1 yr	Non Interest bearing	TOTAL	2008
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
ASSETS						
Cash and Amounts due from Banks	191,353	-	-	65,846	257,200	269,028
Gold	-	149,281	-	292,547	441,828	294,075
Balances with International Monetary Fund	-	1,485,488	-	2,213	1,487,700	688,485
Securities	3,109,914	70,620	1,200,723	423,741	4,800,998	3,478,779
Loans and Advances	-	-	-	1,530,936	1,530,936	542,245
Other Assets	-	-	-	300,529	300,529	381,654
Property, Plant and Equipment	-	-	-	118,704	118,704	116,020
Development Loans and Investments	-	-	-	108,263	108,263	5,084
Total Assets	**3,301,267**	**1,705,389**	**1,200,723**	**2,842,779**	**9,046,158**	**5,775,370**
LIABILITIES						
Currency in Circulation				2,343,798	2,343,798	1,896,111
Allocations of Special Drawing Rights				797,054	797,054	117,111
Deposits				2,895,699	2,895,699	1,619,997
Liabilities to IMF		1,202,202			1,202,202	872,624
Liabilities under Money Market Operations		790,237			790,237	244,792
Other Liabilities				266,013	266,013	482,205
Total Liabilities		**1,992,439**		**6,302,564**	**8,295,003**	**5,232,84**
Assets-Liability Gap	**3,301,267**	**-287,050**	**1,200,723**	**-3,459,785**	**755,155**	**542,530**

INTEREST RATE REPRICING ANALYSIS

The Group

31 December 2009

	3 mths or less	B/n 3 & 12 mths	Over 1 yr	Non Interest bearing	TOTAL	2008
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
ASSETS						
Cash and Amounts due from Banks	215,828			65,848	281,676	111,029
Gold		149,281		292,547	441,828	294,075
Balances with IMF		1,485,488		2,212	1,487,700	688,485
Securities	3,233,992	120,541	1,226,429	440,216	5,021,178	3,633,248
Loans and Advances	825,939	78,407	107,238	1,530,846	2,542,520	1223,855
Other Assets				312,642	312,642	376,715
Property, Plant and Equipment				143,557	143,557	140,417
Development Loans and Investments				50,163	50,163	162
Deferred Tax Assets				162	162	164
Total Assets	**4,275,759**	**1,833,717**	**1,333,667**	**2,838,283**	**10,281,426**	**6,468,150**
LIABILITIES						
Currency in Circulation				2,343,798	2,343,798	1,896,111
Allocations of Special Drawing Rights				797,054	797,054	117,111
Deposits	490,928	65,229		3,443,545	3,999,702	2,208,097
Liabilities to IMF		1,202,202			1,202,202	872,624
Liabilities under Money Market Operations		790,237			790,237	244,792
Other Liabilities				285,862	285,862	514,365
Deferred Income				2,461	2,461	2,767
Total Liabilities	**490,928**	**2,057,668**		**6,872,720**	**9,421,316**	**5,855,867**
Minority Interest				**52,822**	**52,822**	**37,939**
Assets-Liability Gap	**3,784,831**	**(223,951)**	**1,333,667**	**(4,087,259)**	**912,932**	**650,222**

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 currency exposures are as follows:

CURRENCY EXPOSURE ANALYSIS

The Bank

	December 2009	December 2008
	GH¢'000	GH¢'000
ASSETS		
Cedi	5,752,042	3,712,891
US Dollar	1,452,947	1,159,165
Pound Sterling	17,438	28,377
Euro	164,050	97,440
Special Drawing Rights	1,618,172	803,156
Others	41,509	31,095
Total	**9,046,158**	**5,775,370**
LIABILITIES & EQUITY		
Cedi	6,290,450	3,225,263
US Dollar	1,003,623	1,631,078
Pound Sterling	45,017	21,000
Euro	41,164	62,579
Special Drawing Rights	1,621,187	803,237
Others	44,717	32,213
Total	**9,046,158**	**5,775,370**
NET POSITION		
Cedi	(538,408)	487,628
US Dollar	449,324	(471,913)
Pound Sterling	(27,579)	(49,377)
Euro	122,886	34,861
Special Drawing Rights	(3,015)	(81)
Others	(3,208)	(1,118)
Total	**0**	**0**

The Group

	December 2009	December 2008
	GH¢'000	GH¢'000
ASSETS		
Cedi	6,079,896	3,730,736
US Dollar	2,019,464	1,612,876
Pound Sterling	287,886	149,307
Euro	231,775	138,869
Special Drawing Rights	1,618,172	803,156
Others	44,233	33,206
Total	**10,281,426**	**6,468,150**
LIABILITIES & EQUITY		
Cedi	6,618,304	3,243,108
US Dollar	1,626,451	2,121,376
Pound Sterling	256,695	162,118
Euro	111,312	104,050
Special Drawing Rights	1,621,187	803,237
Others	47,477	34,261
Total	**10,281,426**	**6,468,150**
NET POSITION		
Cedi	(538,408)	487,628
US Dollar	393,013	(508,500)
Pound Sterling	31,191	(12,811)
Euro	120,463	34,819
Special Drawing Rights	(3,015)	(81)
Others	(3,244)	(1,055)
Total	**0**	**0**

The following significant exchange rates applied during the year:

	Average Rate		Closing Rate	
	2009	2008	2009	2008
Currency	GH¢	GH¢	GH¢	GH¢
US Dollar	1.4132	1.04692	1.4270	1.20720
GBP	2.2025	1.94274	2.3077	1.76220
EURO	1.9620	1.54209	2.0448	1.68565
SDR	2.2048	1.66013	2.2524	1.85940

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.

This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2008.

	Profit or (Loss)
	GH¢'000
31 December 2009	
US Dollar	(44,932)
GBP	2,758
EURO	(12,289)
SDR	301
31 December 2008	
US Dollar	47,191
GBP	4,938
EURO	(3,486)
SDR	8

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.

Capital Management

The Bank does not have any regulator that sets and monitors its capital requirements. The subsidiaries' operations are directly supervised by their 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 31 DECEMBER 2009

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2009	2008
	GH¢'000	GH¢'000
Surplus for the year	**295,626**	**342,556**
Change in Other Assets	81,126	(126,078)
Change in Other Liabilities	(216,193)	374,781
Depreciation	14,523	11,054
(Profit)/Loss on Sale of Property, Plant & Equipment	-	-
Movement in Reserves	(87,000)	(72,816)
Change in Deposit Accounts	1,275,702	(357,682)
Change in Advances	(988,691)	(240,813)
Price change in Gold	(147,754)	(65,334)
Exchange gain on cash & cash equivalent	30,161	43,253
Change in Securities	(1,322,219)	(30,551)
Net cash (outflows) from operating activities	**(1,125,041)**	**(208,136)**

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2009	2008
	GH¢'000	GH¢'000
Surplus for the year	**302,934**	**362,278**
Change in Other Assets	75,863	(129,523)
Change in Other Liabilities	(228,504)	370,701
Change in Reserves	(56,330)	(77,697)
Depreciation	18,329	11,637
Profit on Sale of Property, Plant & Equipment	10	-
Change in Deposit Accounts	1,791,605	(178,422)
Change in Advances	(1,318,665)	(409,741)
Price change in Gold	(147,753)	(65,334)
Exchange gain on cash & cash equivalent	31,084	42,562
Change in Securities	(1,387,930)	(8,463)
Net cash (outflows) from operating activities	**(981,525)**	**(167,126)**

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¢24.935 million (2008: GH¢9.876 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	
	2009 GH¢'000	2008 GH¢'000	2009 GH¢'000	2008 GH¢'000
Income Statement				
Surplus for the year	295,626	342,556	290,755	342,391
Exchange gain/(loss) charged to Revaluation Account	24,935	9,876	24,935	9,876
Surplus/(Deficit)- for the year restated	320,561	352,432	315,690	352,267
Equity/Net Assets				
Net assets reported	751,155	542,530	858,605	609,297
Restatements per above	24,935	9,876	24,935	9,876
Net assets restated	776,090	552,406	883,540	619,173

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 2009.

The effect on the financial statement is summarised below

Effect on 2009

	The Bank	The Group
	GH¢'000	GH¢'000
Other Reserves	444,840	428,255
Additional Provision for Pension Fund	(108,658)	(108,658)
Restated balance at 1 January 2009	336,182	319,597

35. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets at 31 December 2009 and 2008 were in the following ranges:

	2009	2008
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%

36. RELEVANT STANDARDS, AMENDMENTS & INTERPRETATIONS THAT HAVE BEEN ISSUED BUT NOT YET EFFECTED

Title	Accounting standard	Nature of impending changes	Effective date
IFRS 3	Business Combinations	This standard requires all future transaction costs relating to business combinations to be expensed and contingent purchase consideration 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 must be recognised in profit and loss. It is not expected to have any impact on the Group's financial statements	1 July 2009
IAS 27	Consolidated and Separate Financial Statements	This amendment relates primarily, to accounting for non-controlling interest and the loss of control of a subsidiary: a. Acquisitions of additional non-controlling equity interests after a business combination are accounted for as equity transactions. Disposals of equity interests while retaining control are accounted for as equity transactions. b. Transactions giving rise to a loss of control, through sale or otherwise, will result in a gain or loss being recognised in profit or loss. The gain or loss includes a remeasurement to fair value of any retained equity interest in the investee. 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. All these amendments have to be applied prospectively. This standard is not expected to have any impact on the Group's financial statements.	1 July 2009

IAS 39	Financial Instruments: Recognition and Measurement	The amendment relates to Eligible Hedged Items. It clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This change will have no impact on the Group's financial statements	1 July 2009
IFRIC 17	Distributions of non-cash assets to owners	This interpretation applies to non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The interpretation clarifies that: a. a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity b. an entity should measure the dividend payable at the fair value of the net assets to be distributed. c. an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.	1 July 2009
IFRS 5	Non-current assets held for sale and discontinued operations	Improvement to IFRS This follows amendments to IFRS 3, IAS 27 and IFRIC 17. This change will have no impact on the Group's financial statements	1 July 2009
IFRS 2 Amendment	Group cash-settled share-based payment transactions	The amendment clarifies the accounting for group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.	1 January 2010
IAS 2 Amendment	Financial Instruments	Classification of Rights Issues. The amendment clarifies the accounting treatment when rights issues are denominated in a currency other than the functional currency of the issuer. The amendment states that if such rights are issued pro rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. This change will have no impact on the Group's financial statements.	1 February 2010
IFRS 9	Financial Instruments	The amendments clarify that if a financial asset is reclassified out the fair value through profit or loss category it must be assessed for embedded derivatives at the date of reclassification. In addition, a contract that includes an embedded derivative that cannot be separately measured, is prohibited from being reclassified out of the 'at fair value through profit or loss' category. This change will have no impact on the Group's financial statements.	1 January 2013

37. RESTATEMENT OF 2008 COMPARATIVES

The 2008 comparative figures were restated as a result of consolidating the Group's financial statements with Ghana Interbank Payment and Settlement Systems Limited (GhIPSS), a wholly-owned company of Bank of Ghana. In the prior year, Management was not certain about whether the investment made in GhIPSS was to be held as a subsidiary. In the current year it has become clear that the entity is a subsidiary and takes retrospective effect from the prior year.

The effect of the above on the Group has been presented in the adjacent statement:

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2008

	The Group	
	Reported 2008 GH¢	Restated 2008 GH¢
ASSETS		
Cash and Amounts due from Banks	109,992	111,029
Gold	294,075	294,075
Balances with IMF	688,485	688,485
Securities	3,631,242	3,633,248
Loans and Advances	1,223,855	1,223,855
Other Assets	382,749	376,715
Property, Plant & Equipment	117,582	140,417
Development Loans & Investment	162	162
Deferred Tax	164	164
TOTAL ASSETS	**6,450,306**	**6,468,150**
LIABILITIES:		
Currency in Circulation	1,896,111	1,896,111
Allocation of Special Drawing Rights	117,111	117,111
Deposits	2,208,097	2,208,097
Liabilities to IMF	872,624	872,624
Taxation	2,986	2,986
Liabilities under Money		
Market Operations	244,792	244,792
Other Liabilities	493,773	514,365
Deferred Income	-	2,767
TOTAL LIABILITIES	**5,853,494**	**5,858,853**
SHAREHOLDERS' FUNDS		
Stated Capital	10,000	10,000
Asset Revaluation Reserve	58,930	58,930
General Reserve	28,760	28,760
Other Reserve	461,202	444,617
Retained Earnings	17,981	29,051
Total Equity attributable to Equity		
Holders of the Bank	576,873	571,358
Minority Interest	37,939	37,939
Total Equity	614,812	609,297
TOTAL LIABILITIES AND EQUITY	**6,450,306**	**6,468,150**

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