Bank of Ghana

ANNUAL REPORT 2010

BANK OF GHANA

ANNUAL REPORT 2010

Prepared and Edited
By

The Editorial Committee
Bank of Ghana

P. O. Box GP 2674, Accra

Also available on the Bank's Website:
www.bog.gov.gh

ISSN: 0855-0972

TABLE OF CONTENTS

FOREWORD BY THE GOVERNOR

In 2010, the global economy made a steady recovery from the recession. The recovery process has been described as 'two-speed', with emerging and developing economies expanding at a faster pace in contrast to advanced countries where growth was sluggish. The subdued growth in advanced countries was accompanied, especially in Europe, by risks such as sovereign debt crisis and high unemployment levels. In an attempt to stimulate growth, monetary policies remained accommodative in several advanced countries with policy rates below historical levels. The impact of the low-interest rate regime spilled over to global financial markets, boosting commodity prices especially in the last quarter of 2010 and heightening medium-term inflationary concerns in some emerging and developing economies.

Having made significant progress in stabilising the domestic economy in 2009, the emphasis in 2010 focused on stimulating growth. Risk assessments by the Monetary Policy Committee (MPC) pointed to low inflationary threats. Consequently, monetary policy was mostly accommodating and the policy rate was lowered by a cumulative 450 basis points to 13.5 per cent during the year. Inflationary expectations remained well anchored in line with the MPC's inflation outlook and by end December, consumer price inflation had trended downward to single digit, outperforming the target at 8.6 per cent. Economic growth also bounced back strongly from 4.0 per cent in 2009 to 7.7 per cent in 2010, driven by the services sector.

Overall developments in the banking system showed improvement in financial soundness indicators. The asset base of the banking system alongside other profitability indicators improved substantially in 2010. The programme for the recapitalisation of banks and non-bank financial institutions continued during the year. Financial institutions continued to leverage on the growing telecommunication sector to provide mobile money services thereby supporting the process of 'banking the unbanked'.

The Bank continued to consolidate gains made in deepening financial intermediation. Major infrastructural projects essential for creating an electronic payments system were carried out. These included the nationwide implementation of the Cheque Codeline Clearing (CCC) with cheque truncation system and the electronic credit funds transfer component of the Automated Clearing House (ACH) project by the 28 clearing banks. E-zwich smartcard usage showed significant patronage as transactions such as cash deposits, e-money loading and withdrawal of wages and salaries increased. The process of gathering credit data and registration of charges and collaterals for both the Collateral Registry and the Credit Reference Bureau was intensified. Both institutions were expected to play a vital role in the credit delivery system.

Alongside the progress made in the domestic economy, there were changes in the governance structure of the Bank. In February, the re-constituted Board of Directors of the Bank was inaugurated. A Seven-Year Strategic Plan was developed to guide the operations of the Bank in the medium-term. In the second half of the year, a major recruitment exercise was undertaken to augment existing staff strength and to ensure that the significant number of skilled personnel retiring from the Bank does not create any human resource gap.

The years ahead will certainly pose some challenges for the domestic economy, especially since Ghana has become a petroleum producing country. The challenges will emerge mainly from the management of the higher capital inflows associated with the petroleum exports and the continued attraction of Ghana as an investment destination. The Bank will continue to strengthen its monetary policy operations to effectively manage these flows while pursuing its mandate of price stability and sustaining growth in the economy.

I am convinced that with the firm commitment of staff and Management, we shall overcome these challenges. I take this opportunity to thank the Board and the entire staff of the Bank for their dedication and continued support.

Thank You.

K. B. Amissah-Arthur

MANDATE OF THE BANK

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

BOARD OF DIRECTORS

Mr. Kwesi Bekoe Amissah-Arthur
Governor

Dr. H. A. Kofi Wampah
First Deputy Governor

Mr. Millison K. Narh
Second Deputy Governor

Dr. Sydney Y. Laryea
Chartered Accountant

Togbe Afede XIV
Investment Banker

Mr. Seth Terkper
Deputy Minister of Finance

Mrs. Lily Esther Nkansah
Chartered Insurer

Mr. Kwaku Bram-Larbi
Legal Practitioner

Mrs. Diana Amewu Ayettey
Economist

Mr. David Obu Andah
Banker and Consultant

Mr. Sam Appah
Commodity Marketing Consultant

Mr. Alex Bernasko
Secretary to the Board

DR. SYDNEY LARYEA
Other Board Membership
Integrated Investments Limited
Tesano Commercials Limited

TOGBE AFEDE XIV
Other Board Membership
China Africa Company Limited
Sunon Asogli Power Project
Pioneer Kitchenware
Pioneer Aluminum Factory Limited
Procredit Limited
Economic Advisory Council
Strategic Initiatives Limited
SAS Investment Management Limited
Aluworks Limited
Volta Forum Trust Limited
National Theatre Of Ghana
Accra Hearts Of Oak Sporting Club Limited

MR. SETH TERKPER
Other Board Membership
VALCO

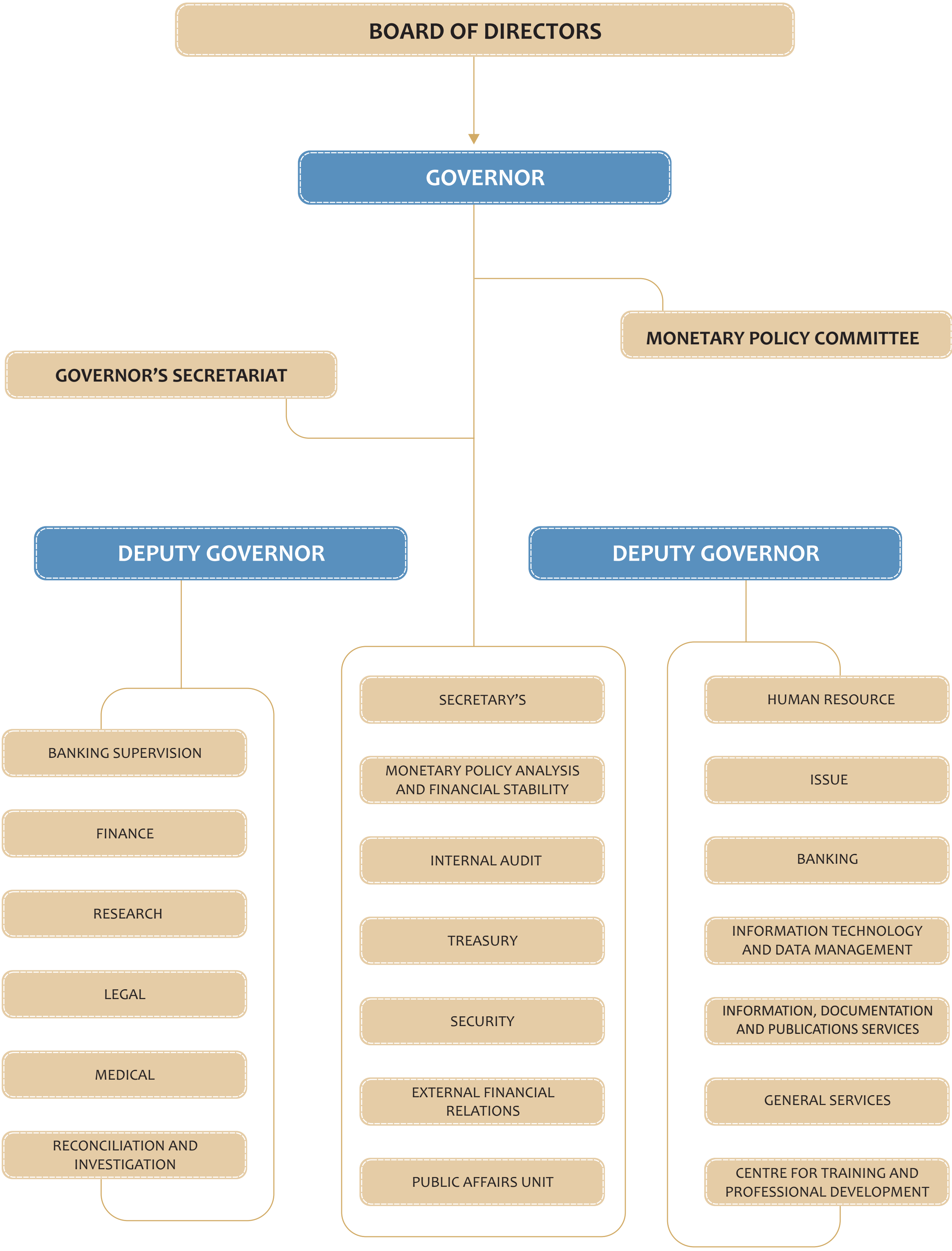
MRS. LILY E. NKANSAH
Other Board Membership
Donewell Insurance Company Limited
Methodist University College

MR. KWAKU BRAM-LARBI
Other Board Membership
GhIPSS
Buffers Stock Company

DR. DAVID OBU ANDAH
Other Board Membership
Central Securities Depository Limited
National Development Planning Commission

MR. SAM APPAH
Other Board Membership
Chairman-National Risk Management Committee

ORGANISATIONAL STRUCTURE



MANAGEMENT OF THE BANK

TOP MANAGEMENT

Mr. K. B. Amissah-Arthur
Governor

Dr. H. A. Kofi Wampah
First Deputy Governor

Mr. Millison K. Narh
Second Deputy Governor

Mr. Kofi Adu Labi
Advisor, Governor's Secretariat

Mrs. Akofa E. Avorkliyah
Director, Regional Operations

Mr. Alex Bernasko
Secretary to the Board

HEADS OF DEPARTMENT

Mr. Nicholas Okoe Sai
Banking Supervision

Mr. Daniel Kludje
Finance (Appointed 9/ 3/2010)
Mr. J. B. Alhassan
Finance (Retired 7/3/2010)

Dr. E. K. Y. Addison
Research

Mrs. Esther Kumado
Legal

Dr. Esther N.K. Kitcher
Medical (Appointed 23/9/2010)
Dr. Kwaku Afriyie
Medical (Retired 23/9/2010)

Ms. Agnes Ntiamoah
Reconciliation & Investigation

Mr. Alex Bernasko
Secretary's

Dr. Benjamin Amoah
Monetary Policy & Financial Stability

Mr. Felix Adu
Internal Audit

Mr. Francis Andoh
Treasury

Col. (Rtd.) Ani Asamoah
Security

Mr. Yao Abalo
External Financial Relations

Mr. Arthur Ankrah
Human Resource

Ms. Catherine Ashiley
Issue

Mrs. Elly Ohene-Adu
Banking

Mr. Daniel Hagan
Information Technology

Mrs. Mary Edwards
Information Documentation & Publications Services

Ms. Gloria Quartey
General Services

Mr. John Boadu
Centre for Training & Professional Development

REGIONAL MANAGERS

Mr. James Addai
Kumasi, Ashanti Region

Mr. G. J. Bokor (Acting Head)
Hohoe, Volta Region
(Appointed 7/6/2010)
Mr. J. Owusu-Korkor
Hohoe, Volta Region
(2/6/2008 - 5/6/2010)

Mr. Charles Sefa
Takoradi, Western Region

Rev. J. Akunyumu Tetteh
Tamale, Northern Region

Mr. Kwame Ansah
Sunyani, Brong-Ahafo Region

Mr. Paul H. Danquah
Sefwi-Boako Currency Office,
Western Region

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 newly constituted Board of Directors of the Bank was inaugurated on February 18, 2010 with the membership 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 Board is responsible for formulating policies necessary for the achievement of the Bank's objectives, which are:

- ➔ To maintain stability in the general level of prices;
- ➔ To ensure effective and efficient operation of the banking and credit systems;
- ➔ 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.

Membership

Dr. Sydney Laryea	..	Chairman
Dr. David O. Andah	..	Member
Mrs. Diana A. Ayettey	..	Member

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.

Membership

Dr. David O. Andah	..	Chairman
Mr. Kwaku Bram-Larbi	..	Member
Mrs. Lily Esther Nkansah	..	Member
Mr. Millison K. Narh	..	Member

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.

Membership

Togbe Afede XIV	.. Chairman
Mr. Sam Appah	.. Member
Mr. Seth Terkper	.. Member
Dr. H. A. Kofi Wampah	.. Member

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.
Membership

Mr. Kwaku Bram-Larbi	.. Chairman
Mrs. Lily Esther Nkansah	.. Member
Mrs. Diana Amewu Ayettey	.. Member
Mr. Millison K. Narh	.. Member

Strategic Planning and Budget Committee

The Committee formulates and directs the Bank's strategic policies in the fulfilment of the Bank's objectives. It also has oversight responsibility for the preparation of the Bank's budget.

Membership

Dr. Sydney Laryea	..	Chairman
Dr. David O. Andah	..	Member
Togbe Afede XIV	..	Member
Mr. Seth Terkper	..	Member
Mr. Millison K. Narh	..	Member

1.3 Events and Policy Decisions by the Board

Winding up of the Advisory Panel

The Advisory Panel, an independent oversight body which was set up in October 2009 in the absence of a substantive Board of the Bank, wound up its operations on July 15, 2010. The Panel was mandated to advise Management on the internal control system of the Bank.

After a period of overlap and the finalisation of reviews on the audit reports presented by the Internal Auditor, the functions of the Advisory Panel reverted to the Audit Committee.

Creation of Risk Management Department

The Board approved the establishment of a Risk Management Department on December 22, 2010. The decision was influenced by the importance risk management has assumed in organisations and the fact that it has also become an integral part of the Bank's internal control and corporate governance functions.

The new department will consist of four Offices:

- ➔ Enterprise Risk Management
- ➔ Business Continuity and Strategic Planning
- ➔ Information Security Management System
- ➔ Pre-vetting

Incorporation of the Central Securities Depository (CSD)

In pursuance of the requirements of Section 1 of the Central Securities Depository Act 2007 (Act 733), the CSD was on June 10, 2010, incorporated as Central Securities Depository (Gh.) Limited. The CSD is an electronic-based data recording depository for holdings of government securities.

The first Board of Directors of the Central Securities Depository (Ghana) Limited was inaugurated on September 8, 2010 with the First Deputy Governor, Dr. H. A. Kofi Wampah as Chairman.

Appointment of New External Auditors

In line with international best practices which require the regular rotation of auditors, a joint committee comprising representatives of the Auditor General and Bank of Ghana initiated a tendering process which resulted in the appointment of Messrs Ernst and Young as external auditors of the Bank in August 2010. The new auditors replaced KPMG, the former external auditors.

1.4 The Monetary Policy Committee

The Bank of Ghana Act, 2002 [Act 612] grants the Bank operational independence in the conduct of monetary policy. To enhance the conduct and 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. The MPC held five meetings in the year.

Members of the Committee

1. Mr. K.B. Amissah-Arthur	..	Governor/Chairman
2. Dr. H.A. Kofi Wampah	..	Deputy Governor
3. Mr. Millison K. Narh	..	Deputy Governor
4. Dr. Ernest K.Y. Addison	..	Head of Research Department
5. Mrs. Elly Ohene-Adu	..	Head of Banking Department
6. Dr. Nii Kwaku Sowa	..	Appointed by Government
7. Prof. Kofi Opoku Nti	..	Appointed by Government

Members of the Monetary Policy Committee

2. THE GLOBAL ECONOMY

2.1 World Output Growth

The global economy continued to show signs of faster than expected recovery with a growth of 2.0 per cent in 2010, but at different rates across regions. Economic growth was strongest in emerging markets, particularly Asia, with moderate growth in the major advanced economies, which were weighed down by impaired credit markets, weak household sector balance sheets and high unemployment. Developing economies, particularly sub-Saharan Africa, resumed fast and sustained growth. Concerns remained on the durability of the recovery in major advanced economies most of which were yet to attain a clear self-sustaining recovery.

Table 2.1: Selected Global Economic Indicators

	Year-on-Year (%)			
			Projections	
	2009	2010	2011	2012
World Output	-0.5	2.0	4.4	4.5
Advanced Economies	-3.4	3.0	2.4	2.6
United States	-2.6	2.8	2.8	2.9
Euro Area	-4.1	1.7	1.6	1.8
Japan	-6.3	3.9	1.4	2.1
United Kingdom	-4.9	1.3	1.7	2.3
Canada	-2.5	3.1	2.8	2.6
Emerging and Developing Economies	2.7	7.3	6.5	6.5
Sub-Saharan Africa	2.8	5.0	5.5	5.9
World Trade Volumes (Goods and Services)	-10.9	12.4	7.4	6.9
Imports				
Advanced Economies	-12.6	11.2	5.8	5.5
Emerging and Developing Economies	-8.3	13.5	10.2	9.4
Exports				
Advanced Economies	-12.2	12.0	6.8	5.9
Emerging and Developing Economies	-7.5	14.5	8.8	8.7
Commodity Prices (U.S. dollars)				
Oil	-36.3	27.9	35.6	0.8
Non-fuel (average based on world commodity export weights)	-15.8	26.3	25.1	-4.3
Consumer Prices				
Advanced Economies	0.1	1.6	2.2	1.7
Emerging and Developing Economies	5.2	6.2	6.9	5.3
Source: IMF World Economic Outlook: April 2011				

US and Canada

Real GDP in the US grew by 2.8 per cent in 2010, the strongest since 2005, and a reversal from the contraction of 2.6 per cent in 2009. Growth was strong in the first quarter but slowed down in the second quarter before strengthening in the last two quarters of the year. The acceleration in real GDP growth in the fourth quarter primarily reflected a sharp slowdown in imports, increased personal consumption expenditures and exports as well as an upturn in residential fixed investment. In Canada real GDP expanded by 3.1 per cent in 2010 compared with a contraction of 2.5 per cent in 2009. The growth was supported by robust activity and across-the-board gains in the services sector.

Europe

Europe's economy recorded a growth rate of 1.7 per cent in 2010. Growth in the first half of the year was strong but slowed down in the second half as the contribution of net exports was eroded by the appreciation of the euro. Fiscal consolidation in all EU countries also exerted a cooling effect on the recovery, following implementation of austerity measures to contain the euro area debt crisis. The UK economy grew by 1.3 per cent in 2010 despite shrinking in the fourth quarter by 0.6 per cent, as construction slumped and the coldest weather in a century hampered services and retailing in December.

Asia

Growth in the economies of Asia was mixed during 2010, with majority of them showing stronger growth prospects. China's economy grew by 10.3 per cent, higher than expected, given the tightening policy measures adopted in the latter part of the year. Japan's GDP registered a surprising expansion of 3.9 per cent in 2010, though the quarterly trend was mixed. The growth, one of the fastest among the advanced economies, was driven by fiscal stimulus and rebound in exports.

Africa

Sub-Saharan Africa rebounded strongly in 2010 to its pre-crisis growth level. Real GDP growth expanded by 5.0 per cent compared to 2.8 per cent recorded in 2009 and was led by the low income countries. Growth in the region was supported by improvement in the global economy, high commodity prices and robust domestic production.

2.2 Global Inflation

Global inflation, though not a primary concern at the beginning of 2010, was top on the policy agenda in many countries towards the end of the year as inflation pressures mounted. In emerging economies, consumer price inflation edged up as rising food prices strained the budgets of low-income households and began to feed into overall price inflation.

US inflation rate ended December 2010 at 1.5 per cent, lower than 2.7 per cent in 2009. In Canada, inflation rose to 2.4 per cent in December 2010 from 1.3 per cent a year earlier, but inflation expectations remained well anchored.

Inflation in Europe accelerated in 2010, raising concerns that the price increases were exceeding the European Central Bank's limit. EU annual inflation was 2.6 per cent in December 2010, compared with a rate of 1.5 per cent in 2009. Inflation in the UK exceeded the Bank of England's 2.0 per cent target for more than a year. The rate held steady at 3.0 per cent for nine consecutive months to September 2010 and accelerated to 3.7 per cent in December 2010, from 2.8 per cent in December 2009. Higher commodity prices and an increase in sales tax posed strong upward influences.

Japan continued to experience deflation throughout 2010, with households delaying spending in anticipation that prices would decline further. The only time Japan saw inflation of above 1.0 per cent in the past decade was in 2008, when core CPI rose 1.5 per cent due to a spike in the cost of energy and commodities. The inflation rate in Japan was reported at zero per cent in December 2010, from -1.7 per cent in December 2009. Despite China's strong economic momentum, the surge in CPI remained a major policy concern. While the average CPI rose 3.3 per cent in 2010 from a year earlier, inflation rates of 5.1 per cent and 4.6 per cent recorded in November and December 2010 respectively were above the average.

2.3 Monetary Policy Stance and Interest Rates

Low interest rates persisted in most advanced economies prompting investors to search for higher yields elsewhere, driving capital flows towards emerging and developing countries in the process.

The Federal Open Market Committee left the U.S. benchmark interest rates unchanged at record lows of between zero and 0.25 per cent for two years, and maintained its pledge to hold them there for an extended period. The Bank of Canada maintained its rate at 0.25 per cent for the first five months of 2010 before raising it gradually to 0.75 per cent in August and to 1.0 per cent in September, where it remained till the end of the year. This still left considerable monetary stimulus in place, consistent with achieving the 2.0 per cent inflation target.

The European Central Bank (ECB) maintained its interest rate at a record low of 1.0 per cent, set in June 2009 to bolster the economy amid the slowdown in global recovery. The Bank of England's Monetary Policy Committee kept the official bank rate at 0.5 per cent, a level which has been maintained since April 2009. The Committee also maintained the stock of asset purchases financed by central bank reserves at £200 billion ($322 billion).

China's central bank raised its interest rate which had been maintained at 5.3 per cent for 21 months to 5.6 per cent in October 2010 and further to 5.7 per cent in December, hoping to keep inflation in check. The move increased the one-year lending rate to 5.8 per cent and the one-year deposit rate to 2.8 per cent. Bank of Japan kept its key interest rate at 0.1 per cent since January 2009 and only reduced it to zero per cent in October 2010 in a widely anticipated move, to protect its fragile economy from experiencing a depression.

2.4 Commodities Market

There were continued signs that global demand was putting upward pressure on commodity prices in 2010. Prices for oil and some non-oil commodities rose considerably in response to strong global demand and supply shocks.

Crude Oil

After a substantial rebound from the low of 2009, oil prices remained at between US$70 and US$80 per barrel for most of 2010. However, temporary mismatches in demand and supply, increased speculation and a weak dollar, led to a sharp rise in crude oil prices in the last quarter of 2010. Furthermore, a severe winter in the US, China, and Europe pushed up demand for heating fuel, while a temporary closure of certain oil fields in the US and Europe disrupted oil supply. Oil prices hit a 26-month high of over US$92 a barrel on December 31, 2010, on expectations that the economic recovery would drive demand growth.

Gold

A combination of uncertainty surrounding global macro-economic conditions and favourable supply and demand fundamentals continued to drive gold prices in 2010. Gold price jumped 30.0 per cent in the year to US$1,405.5 per fine ounce, marking the tenth consecutive annual price increase for the commodity on the London bullion market. The rally in gold prices was attributed to increased investment activity in China and a rebound in jewellery consumption in India, the world's largest gold market. The metal also benefited from the continued European sovereign debt problems as investors hedged against currency risk.

Cocoa

Cocoa prices picked up strongly at the beginning of 2010 but started dipping from August till late November when it rose again following the disputed elections in La Côte d'Ivoire, the world's largest producer of cocoa. Prices averaged US$3,060 per tonne in December 2010 compared to the average price of US$3,498 per tonne in December 2009.

3. THE GHANAIAN ECONOMY

3.1 Overview

The macroeconomic fundamentals of the Ghanaian economy improved significantly in 2010 as price stability held firm. Inflation steadily declined through the year, supported by improved food production and exchange rate stability. Core inflation, which excludes energy and utility items from the consumer basket, declined indicating that the disinflation process had taken hold. By December 2010, core inflation stood at 8.0 per cent, down from 16.2 per cent in 2009.

Provisional estimates of the balance of payments for 2010 showed an improved overall balance of payments surplus of US$1.5 billion compared with a surplus of US$1.2 billion in 2009. This development, together with external donor support and private capital inflows accounted for the gross international reserve position of US$ 4.7 billion; US$1.6 billion above the preceding year's level and sufficient to cover 3.7 months of imports of goods and services.

Activities on the stock market also picked up significantly in 2010, explained largely by the stable economic environment and improved confidence in market activities.

During the year, Ghana Statistical Service (GSS) recomputed Ghana's GDP to reflect a shift in the base year from 1993 to 2006 as well as account for structural changes in the economy and the adoption of a new methodology. Subsequently, the size of the economy in 2010 was estimated at GH¢46,232.0 million compared with GH¢25,602.5 million under the old series, with a per capita income of US$1,318.

Table 3.1: Selected Economic Indicators

	2006	2007	2008	2009	2010
Real GDP Growth (%)	6.2	6.5	8.4	4.0	7.7
Nominal GDP (GH¢ million)	18,705.1	23,154.4	30,178.6	36,867.0	46,232.0
Inflation (%)					
Year-on-Year	10.5	12.7	18.1	15.9	8.6
Annual Average	10.9	10.7	16.5	19.3	10.7
Exchange Rates (End-period Transaction Rates)					
GH¢/US$	0.9	1.0	1.2	1.4	1.5
GH¢/Pound Sterling	1.8	2.0	1.8	2.3	2.3
GH¢/Euro	1.2	1.4	1.7	2.0	1.9
Commodity Prices					
Price of Cocoa US$/tonne	1,584.1	1,787.2	2,072.5	1,422.4	2,950.9
Price of Gold US$/fine ounce	602.4	686.5	864.0	959.6	1,384.6
Oil, IPE Brent Crude (US$/Barrel)	67.1	75.8	101.0	75.2	92.3
External Sector					
Exports of Goods and Services (US$' m)	5,109.5	6,004.0	7,119.9	7,809.4	9,437.4
Imports of Goods and Services (US$' m)	8,286.5	10,064.7	10,268.5	8,046.3	13,925.3
Current Account Balance (US$' m)	-1,042.6	-2,151.5	-3,526.5	-1,598.5	-2,700.5
Overall Balance of Payments (US$' m)	415.1	413.1	-940.8	1,158.8	1,462.5
Gross International Reserves (end period, in $' m)	2,266.7	2,836.7	2,036.2	3,164.8	4,724.9
Months of Imports of Goods and Services	3.0	2.7	1.8	3.0	3.7
External Debt (US$' m)	2,177.2	3,590.4	3,982.6	5,007.9	6,118.3
Interest Rates (%)					
Monetary Policy Rate	12.5	13.5	17.0	18.0	13.5
91-day Treasury Bill	10.2	10.6	24.7	22.5	12.3
182-day Treasury Bill	10.7	10.7	26.2	25.3	12.7
1-year Note	15.0	12.3	20.0	20.0	12.7
2-year Note	15.2	12.8	21.0	23.5	12.7
Monetary Aggregates Annual Growth Rates (%)					
Reserve Money	32.3	30.5	27.1	36.3	45.2
Money Supply (M2+)	38.8	35.9	40.2	26.9	35.0
Money Supply (M2)	39.4	43.5	31.2	21.2	46.2
Government Budget (% of GDP)					
Domestic Revenue	13.7	15.8	15.9	15.4	17.4
Grants	3.4	3.7	2.7	3.0	2.4
Total Expenditure	21.4	24.3	26.5	22.4	26.0
Overall Balance (Including Divestiture)	-4.8	-4.9	-6.6	-5.6	-6.8
Domestic Primary Balance	-3.0	-3.7	-5.9	0.3	0.1

3.2 Monetary Policy

The thrust of monetary policy in 2010 was to further reduce inflation to facilitate the easing of interest rates and provide the needed boost for private sector credit. The year ended with an inflation rate of 8.6 per cent, lower than the targeted 9.2 per cent, a stable exchange rate and strong rebound of credit to the private sector particularly in the fourth quarter.

The Monetary Policy Rate (MPR) was reduced by a cumulative 450 basis points (bps) in the year in line with considerable easing of inflation and inflation expectations. These developments led to a downward realignment of interest rates along the entire spectrum of the yield curve and made possible a lengthening of the maturity structure of Government securities.

Monetary Policy Committee Meetings

The MPC met five times during the year. The MPR was lowered three times during the first three meetings from 18.0 per cent at the beginning of the year to 13.5 per cent in July 2010 and was maintained at that rate for the last two meetings. The year ended with an inflation rate of 8.6 per cent which was well within the Committee's target range of 7.0-11.0 per cent.

February Meeting

At the first meeting of the MPC in February, the Committee decided to reduce the MPR by 200 basis points from 18.0 per cent in November 2009 to 16.0 per cent, thereby continuing with the easing cycle that started in the previous year.

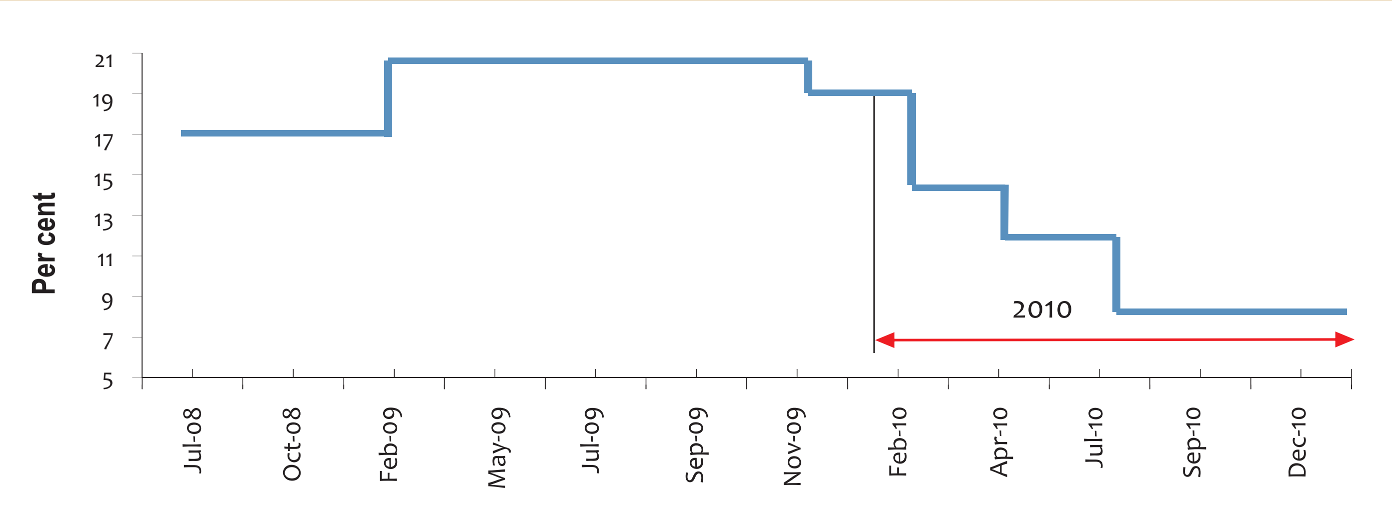
The Committee noted that developments through the last quarter of 2009 and early 2010 suggested improved economic fundamentals characterised by diminishing inflationary pressures, exchange rate stability, a slow pick-up in economic activity and an improvement in business and consumer confidence.

In addition, the fiscal position for 2009 showed a significant reduction in the budget deficit. The improvement in the fiscal situation resulted in lower government borrowing and this contributed to the reduction in Treasury bill rates.

Table 3.2: Monetary Policy Decisions in 2010

Date	Decision	Rate (%)
15-19 February	Policy rate reduced by 200bps	16.0
12-15 April	Policy rate reduced by 100bps	15.0
12-16 July	Policy rate reduced by 150bps	13.5
20-24 September	Policy rate Unchanged	13.5
06-10 December	Policy rate Unchanged	13.5

Chart 3.1: Bank of Ghana Monetary Policy Rate (%)



The favourable external environment at the time of the February meeting supported the stability in the foreign exchange market that started in the third quarter of 2009. In year-on-year terms, the Ghana cedi depreciated by 15.0 per cent, 21.5 per cent and 16.0 per cent against the US dollar, the pound sterling and the euro respectively in December 2009. By the end of January 2010 however, the rate of depreciation had slowed down to 10.2 per cent, 20.7 per cent and 15.6 per cent against the US dollar, the pound sterling and the euro respectively.

The MPC highlighted the existence of downside risks such as the bullish outlook for international crude oil prices as the global economic recovery took hold; possible upward adjustment of utility tariffs in May; and substantial outstanding Government payments. But on balance, the outlook was for steady disinflation towards the target range of 7.0 –11.00 per cent in 2010.

On the basis of the above, the MPC reduced the MPR by 200 basis points.

April Meeting

At its April meeting, the MPC reviewed developments in the economy and noted that the process of disinflation was well on track. Headline inflation dropped from 20.5 per cent in March 2009 to 13.2 per cent in March 2010, while monthly changes in the CPI continued to increase but at a slower pace than trends observed in 2009. Going forward, exchange rate stability and continued decline in food inflation were expected to reinforce the process of disinflation over the year. Inflationary expectations from the Bank's surveys appeared to be well anchored.

Regarding risks to the inflation profile, the Committee observed that as the global economic recovery took hold, international crude oil prices might rise faster than projected. Also, there were concerns that the eventual upward adjustments in petroleum and electricity tariffs could exert undue shocks on the economy through cost push effects.

Real sector developments were however below expectations. The Bank of Ghana Composite Index of Economic Activity (CIEA) declined during the first two months of the year, implying a slowdown in the pace of economic activity. The Bank's periodic surveys to gauge the sentiments of businesses and consumers, however, gave mixed results –while consumers remained confident about the prospects for the economy, businesses were less confident.

Having assessed the risks to inflation and the inherent weaknesses in the real sector, the MPC lowered the MPR by 100 basis points from 16.0 per cent to 15.0 per cent.

July Meeting

The latest release of the CPI for the July meeting showed that June inflation stood at 9.5 per cent, significantly down from the 20.7 per cent in June 2009. Fiscal developments for the first half of the year showed that the net domestic financing of the budget was within the mid-year target. The MPC, therefore, did not expect a significant alteration to the path of inflation in the second half of 2010.

The main upside risk to the inflation outlook was the second round effects of the substantial increase in utility tariffs announced in May. There were downside risks which included expected lower food prices from the seasonal harvesting period in the third quarter and base drift effects. Looking ahead, inflation was expected to remain broadly around the central target of 9.0 per cent.

Regarding growth outlook, the MPC remained concerned that the CIEA still showed that economic activity was weak. The June business and consumer confidence surveys also indicated mixed signals. Furthermore, the credit conditions survey conducted in June showed a general net tightening of credit to small and medium-sized enterprises and households for mortgages.

Given the anticipated continued slowdown in inflation in the medium-term together with the need to restore the growth process, the MPC further lowered the MPR by 150 basis points to 13.5 per cent.

September Meeting

Reviewing developments in the economy up to September, the Committee concluded, among others, that the outlook for crude oil prices remained benign and therefore posed no immediate threat to inflation.

It was also noted that the observed decline in inflation over the previous twelve months was likely to continue to the end of the year though at a slower pace. Lower food prices and a stable exchange rate were expected to help contribute to ensuring that inflation stayed within target.

A major risk to the outlook was identified as the potential impact of fiscal-driven aggregate demand pressures on the economy.

On growth, the Committee noted that the economy was operating below its potential as the Bank's CIEA pointed to a slowdown in economic activity. This in turn had implications for fiscal consolidation as anticipated slow growth in the GDP implied that tax revenue targets might not be achieved.

On the basis of the balance of risks, the Committee maintained the MPR at 13.5 per cent.

December Meeting

The Bank of Ghana Credit Conditions Survey conducted in November 2010 showed some improvement in access to credit by Small and Medium-scale Enterprises for the first time since the beginning of the year. This development helped to improve the overall outlook for growth in the medium-term.

On inflation, the Committee noted that the macroeconomic policy mix and developments over the year had anchored inflation expectations. For example, the combined developments in the cedi against the three core currencies showed a nominal effective appreciation of 1.3 per cent in trade-weighted terms over the January – November period, which was positive for inflation outlook. Even though the process of disinflation had slowed down considerably in the second half of the year, the Committee expected that 2010 would end with an inflation rate close to the central target of 9.0 per cent.

The main risk to the inflation outlook related to the nature and pace of growth of the budget deficit. The potential threats to the 2011 budget were identified to be the management and settlement of payment arrears, the pace of settlement of wage arrears and the inflexibility of the expenditure programme, especially by the continued earmarking of revenues for specific expenditures.

Considering developments in inflation during the year and outlook for 2011, recovery in economic activity and counterbalancing the effects of the risks in the outlook, the Committee again maintained the MPR at 13.5 per cent.

3.3 Monetary Developments

Broad money supply including foreign currency deposits (M2+) recorded year-on-year growth of 34.5 per cent in December compared to 25.0 per cent at end-December 2009. This development was driven by increases in both the Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NFA expanded at an annual rate of 47.6 per cent while the NDA rose by 26.3 per cent supported by strong domestic credit expansion.

In terms of composition, the growth of M2+ was reflected mainly in domestic currency deposits (47.4%) and currency outside banks (40.5%). However, the growth of foreign currency deposits slowed down considerably from 46.6 per cent in December 2009 to 3.2 per cent at end December 2010 underpinned by relative stability in the exchange rate

Table 3.3: Sources of Growth in Total Liquidity (M2+) (GH¢' Million)

	Dec-08	Dec-09	Dec-10
Net Foreign Asset	2,185.7	3,932.9	5,805.6
Net Domestic Asset	6,004.9	6,308.1	7,969.9
o/w : Claims on Government (net)	2,397.5	3,204.0	4,262.5
o/w : Claims on Private Sector(Incl. PE's)	5,970.1	7,055.5	8,451.0
Total Liquidity (M2+)	8,190.6	10,240.9	13,775.5
Broad Money Supply (M2)	6,373.8	7,576.7	11,026.5
Change From Previous Year (%)			
Net Foreign Asset	-13.6	79.9	47.6
Bank of Ghana	-21.9	72.5	59.3
Commercial Banks	309.0	160.6	-22.7
Net Domestic Asset	86.4	5.0	26.3
o/w : Claims on Government (net)	117.2	33.6	33.0
o/w : Claims on Private Sector(Incl. PE's)	43.8	18.2	19.8
Total Liquidity (M2+)	42.4	25.0	34.5
Broad Money Supply (M2)	34.0	18.9	45.5
Narrow Money Supply (M1)	34.1	**6.0**	54.5
o/w : Currency outside Banks	32.9	20.3	40.5
Total Deposits	45.2	26.3	33.0
o/w : Foreign Currency Deposits	83.0	46.6	3.2
o/w : Domestic Deposits	34.4	18.3	47.4
Cumulative Change From Previous Year End (%)			
Net Foreign Asset	-13.6	79.9	47.6
Net Domestic Asset	86.4	5.0	26.3
o/w: Claims on Government (net)	117.2	33.6	33.0
Broad Money (M2+)	42.4	25.0	34.5
Annual Percentage Contribution To Money Supply Growth			
Net Foreign Asset	-6.0	21.3	18.3
Net Domestic Asset	48.4	3.7	16.2
Total Liquidity (M2+)	42.4	25.0	34.5
Memorandum Items			
Reserve Money	2,432.9	3,039.5	4,413.6
NFA ($million)	1,800.3	2,753.3	3,939.2
Currency Ratio	0.3	0.3	0.3
RM Multiplier	2.6	2.5	2.5

3.4 Developments in Deposit Money Banks' (DMBs') Credit

Outstanding DMBs' credit to the private sector and public institutions increased by GH¢1,066.0 million (15.4%) in 2010, compared with GH¢961.8 million (16.1%) recorded in 2009. The private sector continued to absorb the bulk of the credit extended, recording an increase of 19.9 per cent over the period.

Outstanding DMBs credit to the private sector in December 2010 was GH¢6,776.6 million (25.9% of GDP) compared with GH¢5,654.0 million (26.0% of GDP) at end-December 2009.

Sectoral distribution of credit flow in 2010 showed significant shifts occurring in some sectors. Manufacturing, Commerce &

Table 3.4: DMBs' Credit to Private and Other Public Sectors

	2009 Dec		2010 Dec		Annual Change		Share in Annual Change
	Gh¢' Million	Share(%)	Gh¢' Million	Share(%)	Gh¢' Million	%	(%)
1. Public Institutions	**1,274.7**	**18.4**	**1,218.1**	**15.2**	**-56.6**	**-4.4**	**-5.3**
2. Private Sector	**5,654.0**	**81.6**	**6,776.6**	**84.8**	**1,122.7**	**19.9**	**105.3**
Agric.,For. & Fisheries	305.7	5.4	456.2	6.7	150.6	49.3	13.4
Export Trade	90.5	1.6	136.9	2.0	46.4	51.3	4.1
Manufacturing	767.3	13.6	1,054.1	15.6	286.8	37.4	25.5
Transp.,Stor., & Communication	262.7	4.6	297.0	4.4	34.3	13.1	3.1
Mining & Quarrying	178.0	3.1	201.9	3.0	23.9	13.4	2.1
Import Trade	367.9	6.5	461.0	6.8	93.1	25.3	8.3
Construction	526.2	9.3	581.6	8.6	55.4	10.5	4.9
Commerce & Finance	837.7	14.8	1,089.1	16.1	251.5	30.0	22.4
Elect.,Gas & Water	274.3	4.9	323.7	4.8	49.4	18.0	4.4
Services	1,353.0	23.9	1,565.8	23.1	212.8	15.7	19.0
Miscellaneous	690.6	12.2	609.1	9.0	-81.5	-11.8	-7.3
3. Total (1+2)	**6,928.6**	**100.0**	**7,994.7**	**100.0**	**1,066.0**	**15.4**	**100.0**

Finance, Services, Agriculture and Construction absorbed most of the credit extended.
In real terms, growth of DMBs' credit to the private sector was strong at an annual rate of 10.4 per cent in December 2010 compared with a decline of 0.2 per cent in December 2009. As a ratio of GDP, outstanding DMBs credit to the private sector in December 2010 was 15.1 per cent (GH¢6,776.6 million) compared with 15.3 per cent (GH¢5,654 million) at end-December 2009.

3.5 Money Market Developments

As at end-December 2010, a total of GH¢9,088.3 million was raised from the issue of Government of Ghana Securities with maturities amounting to GH¢6,845.8 million. The outstanding stock of Government debt from the issue of securities at the end of the year amounted to GH¢6,679.1 million as against GH¢4,436.6 million at the end of December 2009. This indicated a significant increase of GH¢2,242.5 million (50.6%) over the previous year's debt stock level.

The composition of Government debt showed higher growth in short-term instruments in 2010. The data showed that the short-term component of Government debt stock increased by 20.9 per cent from GH¢2,571.9 million in December 2009 to GH¢3,110.2 million in December 2010. The proportion of short-term securities of the debt stock, however, declined to 46.6 per cent as at end-December 2010 from 57.2 per cent as at end-December 2009. Medium-term securities, on the other hand, constituted GH¢3,568.9 million (53.4%) compared to GH¢1,897.7 million (42.8%) in the previous year.

Domestic Money Market and Open Market Operations

The domestic money market witnessed improvement in liquidity levels during the year, posting a weekly average of GH¢491.4 million compared with GH¢364.1 million recorded in 2009. Total volume of trade recorded on the inter-bank market amounted to GH¢25,550.7 million in 2010, as against GH¢18,930.3 million in 2009.

The improvement in cedi liquidity was due mainly to higher inflows from Government Bond issues, part payment by Government of the Tema Oil Refinery's (TOR) indebtedness to Ghana Commercial Bank and the draw-down of cocoa loan during the last quarter of the year.

Transaction rates in the inter-bank market were lower and the range narrowed to 11.5-16.5 per cent compared with the range of 15.0-22.9 per cent recorded in 2009. At the end of 2010, the market posted an inter-bank weighted average rate of 11.7 per cent as against 16.3 per cent in 2009.

Total securities issued for Open Market Operations (OMO) purposes amounted to GH¢4,935.7 million. This exceeded 2009 OMO sales by GH¢3,385.5 million (118.4%).

Repayments of maturing OMO bills amounted to GH¢4,709.9 million in 2010, compared with an amount of GH¢833.3 million repaid in 2009. OMO transactions resulted in a net liquidity withdrawal of GH¢225.7 million as against a withdrawal of GH¢716.9 million recorded in 2009.

Repo and Reverse Repo transactions were used to manage excess liquidity at the short end of the market with maturities between overnight and two weeks. Total Repo (mopping) transactions for 2010 increased by 116.0 per cent to GH¢59,406.8 million as against GH¢27,505.8 million in 2009. Reverse repo transactions for 2010 declined significantly to GH¢9,367.0 million from GH¢35,478.3 million in 2009. Net Repo outstanding as at the close of 2010 indicated a liquidity withdrawal of GH¢557.5 million. This compared with a liquidity withdrawal of GH¢96.8 million at the end of 2009. The level of OMO sterilisation arising from the issue of securities and Repo activities for 2010 amounted to GH¢1,520.6 million compared with GH¢834.2 million in 2009.

Interest Rates

In line with the declining MPR, there were general downward movements in discount and interest rates for Government securities during 2010. The discount rates on the 91-day and 182-day Treasury bills dropped by 902 basis points and 1,149 basis points respectively ending 2010 at 12.3 per cent (from 21.3% at end 2009) while the 182-day bill was 12.7 per cent (from 24.2% at end 2009).

The interest rates of the 1-year and 2-year Treasury notes declined by 735 basis points and 1,040 basis points to 12.7 per cent and 12.7 per cent respectively while that of the 3-Year GOG Fixed Rate bond also dropped by 570 basis points to end the year at 13.3 per cent.

Similarly, discount rates on the Bank of Ghana bills dipped as the 7-day, 14-day, 1-month and 2–months instruments ended 2010 at 11.7 per cent, 11.8 per cent, 12.1 per cent and 12.2 per cent respectively.

3.6 Stock Market Developments

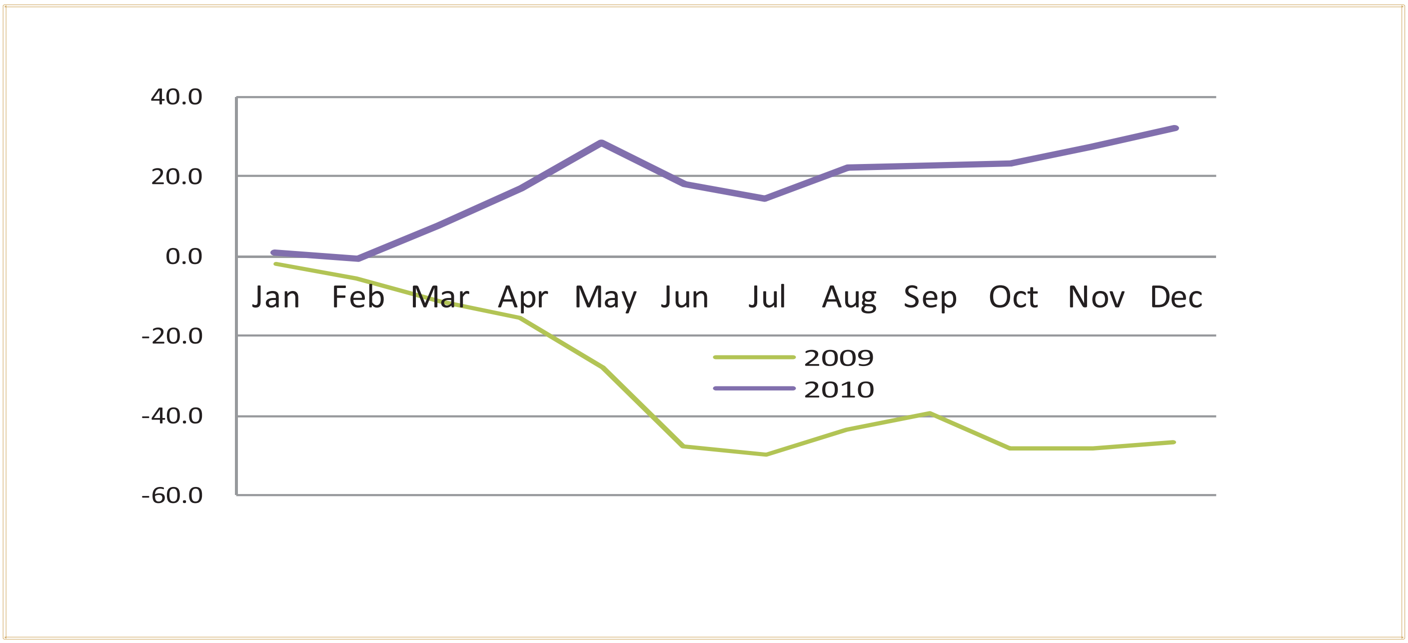
The Ghana Stock Exchange (GSE)

The GSE finished 2010 strongly, with a 32.2 per cent growth in the All-share Index compared with a decline of 46.6 per cent in 2009.

Market activity in 2010 was brisk with average trades of 1.44 million shares per session compared with 0.38 million shares in 2009. Market turnover in 2010 was 330.2 million shares valued at GH¢151.1 million as against 96.8 million shares valued at GH¢74.2 million in 2009. Consequently, market capitalisation went up by 26.2 per cent to GH¢20,116.7 million.

The strong performance was mainly driven by stocks in the Banking & Finance, Agriculture, Food & Beverage and Energy sectors.

Chart 3.2: Comparative Performance of the GSE All-Share Index (%)



3.7 Real Sector and Price Developments

Real Sector

Ghana's GDP was recomputed to account for structural changes in the economy and new computation methods as well as a shift in the base year from 1993 to 2006. Subsequently, the size of the economy in 2010 was estimated at GH¢46,232.0 million compared with GH¢25,602.5 million under the old series, with a per capita income of US$1,318. Real GDP growth for 2010 was estimated at 7.7 per cent, significantly higher than the 4.0 per cent growth in 2009. This was driven by improved performances in the Services and Industry sectors, which recorded growth rates of 9.8 per cent and 5.6 per cent respectively in 2010 compared to 5.6 per cent and 4.5 per cent in 2009. The Agriculture sector however, slowed from 7.2 per cent growth in 2009 to 5.3 per cent growth in 2010, lower than the projected 6.0 per cent. The lower-than-expected outturn in the Agriculture sector was mainly due to weak performance in the crops and livestock sub-sector which grew by 5.0 per cent against a target of 7.0 per cent.

Table 3.5: GDP Growth by Sectors (%) (New series)

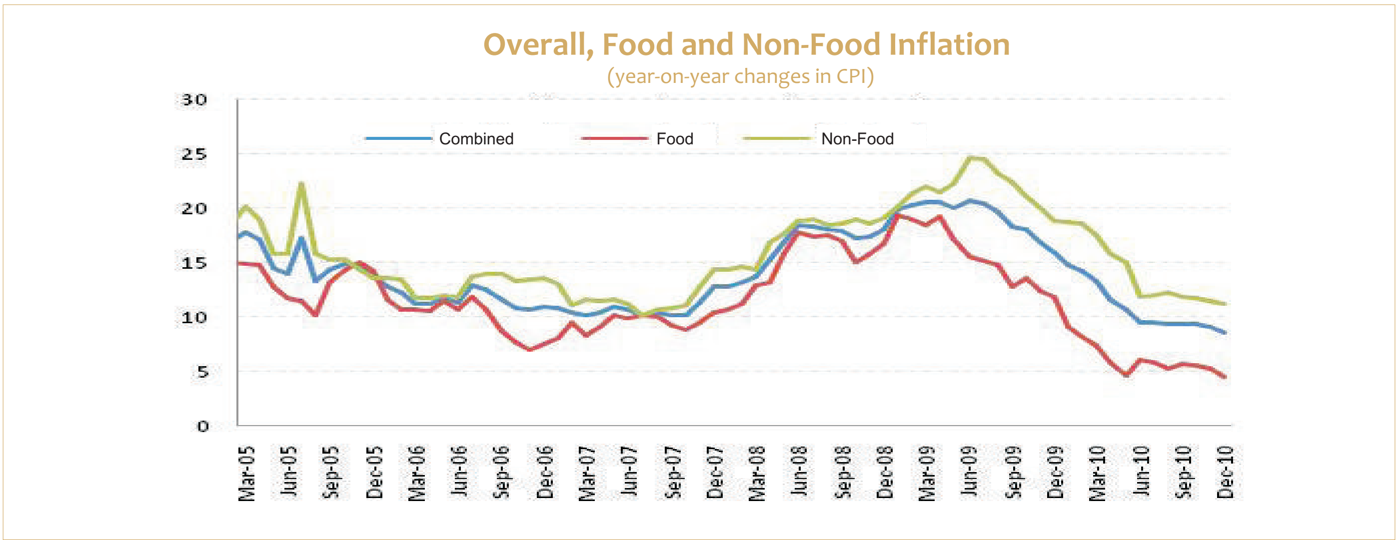
	2007	2008	2009	2010*
Agriculture	-1.7	7.4	7.2	5.3
Industry	6.1	15.1	4.5	5.6
Services	7.7	8.0	5.6	9.8
Overall GDP Growth	6.5	8.4	4.0	7.7

* Revised Estimates. Source: Ghana Statistical Service

Price Developments

Headline inflation declined steadily to 9.5 per cent in June 2010 from 15.97 per cent at the end of 2009. It declined further to 8.6 per cent at the end of 2010, lower than the end of year target of 9.2 per cent. Average inflation also declined consistently to 10.8 per cent in December 2010, from 19.3 per cent in the corresponding period in 2009. The sharp fall in inflationary pressures in 2010 was attributed to relative stability in the exchange rate and declining food prices. Food inflation declined from 11.8 per cent at the end of 2009 to 4.5 per cent at the end of 2010 while non-food inflation also dropped from 18.8 per cent at the end of 2009, to 11.2 per cent at the end of 2010.

Chart 3.3: Inflationary Trends (%)



3.8 Fiscal Developments

The overarching aim of the 2010 national budget was to continue with the fiscal consolidation effort by reducing the overall budget deficit as a percentage of GDP, from 5.6 per cent registered in 2009 to 4.7 per cent in 2010. However, the accelerated clearance of domestic arrears, lower than expected revenue outturn and increased government expenditures resulted in a wider overall budget deficit equivalent to 6.8 per cent of GDP.

Total government revenue and grants amounted to GH¢8,810.9 million (19.9% of GDP) indicating a shortfall of GH¢59.7 million (0.1% of GDP) from the budgeted target of GH¢8,870.6 million (20.0 % of GDP).

Efforts to improve domestic revenue mobilisation were broadly successful in the review year. The tax revenue to GDP ratio of 14.7 per cent was slightly higher than the target of 14.0 per cent. However, disbursement of grants was 23.6 percentage points lower than programmed.

Total government expenditures, including clearance of payment arrears and commitments, amounted to GH¢11,532.2 million (26.0% of GDP) exceeding the budgeted sum of GH¢10,682.7 million (24.6% of GDP). Recurrent and Capital expenditures exceeded the budgeted levels by 1.9 per cent and 24.3 per cent respectively while the wage bill was below the budgeted target by GH¢253.1 million reflecting lower than budgeted number of government employees migrating to the single spine salary structure.

Given the performance of revenues and expenditures for the year, the overall fiscal outturn showed a deficit of GH¢2,999.9 million (6.8% of GDP) compared with the budgeted target deficit of GH¢2,077.5 million (4.7% of GDP). The deficit was financed by net domestic borrowing of GH¢2,142.6 million (4.8% of GDP) and net foreign inflow of GH¢1,302.3 million (2.9% of GDP).

Structure of Domestic Debt

The stock of domestic debt at the end of 2010 stood at GH¢8,280.1 million, representing an increase of GH¢2,177.1

Table 3.6: Composition of Domestic Debt (GH¢'Million)

	2009 DECEMBER	2010 MARCH	2010 JUNE	2010 SEPTEMBER	2010 DECEMBER	(As a) % OF DEC 2010 TOTAL
A. SHORT-TERM						
91-Day Treasury Bill	649.6	821.6	819.5	808.0	641.0	7.7
182-Day Treasury Bill	1,767.0	1,601.5	1,196.5	1,176.8	1,334.6	16.1
1-Year Treasury Note	122.3	495.5	738.7	974.5	1,134.6	13.7
Short-Term Advance	104.2	104.2	104.2	104.2	104.2	1.3
SUB-TOTAL (A)	**2,643.1**	**3,022.9**	**2,858.9**	**3,063.6**	**3,214.5**	**38.8**
B. MEDIUM-TERM						
2-Year Fixed Treasury Note	1,001.4	1,317.0	1,582.5	1,622.7	1,647.0	19.9
3-Year Fixed Treasury Note	627.6	1,039.6	1,064.4	1,149.7	1,653.1	20.0
5-Year GOG Bond	268.8	268.8	268.8	268.8	268.8	3.2
5-Year Golden Jubilee Bond	19.8	19.8	19.8	19.8	29.4	0.4
GOG Petroleum Finance Bonds	80.0	80.0	80.0	80.0	80.0	1.0
TOR Bonds	110.0	110.0	110.0	110.0	110.0	1.3
SUB-TOTAL (B)	**2,107.5**	**2,835.2**	**3,215.7**	**3,251.0**	**3,788.3**	**45.8**
C. LONG-TERM						
Long -Term Government Stocks	748.8	748.8	673.8	673.8	673.8	8.1
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5	109.5	1.3
Revaluation Stock	493.1	493.1	493.1	493.1	493.1	6.0
Other Government Stocks	1.0	1.0	1.0	1.0	1.0	-
SUB-TOTAL (C)	**1,352.3**	**1,352.3**	**1,277.3**	**1,272.3**	**1,277.3**	**15.4**
TOTAL (A+B+C)	**6,103.0**	**7,210.4**	**7,261.7**	**7,591.9**	**8,280.1**	**100.0**

million. The increase was reflected in both short-term and medium-term securities which increased by GH¢571.4 million and GH¢1,680.8 million respectively resulting in a shift in the term structure from short-term to medium-term securities, in line with the government's debt management strategy. The growth was however moderated by a decline of GH¢75.0 million in long-term debt.

Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt at the end of December 2010 stood at GH¢1,533.3 million (18.5%) compared with 28.7 per cent as at end-December 2009. The Deposit Money Banks (DMBs) held GH¢3,755.7 million (45.4%), SSNIT - GH¢201.4 million (2.4%), Insurance companies - GH¢38.6 million (0.5%), 'Other' holders - GH¢2,751 million (33.2%). In 2009, holdings of DMBs, SSNIT, Insurance companies, and 'Other' holders were 40.9 per cent, 4.0 per cent, 0.9 per cent, and 25.5 per cent respectively. The share of non-residents' holdings (a component of 'Others') of the domestic debt increased from GH¢483.6 million (7.9%) in December 2009 to GH¢1,565.0 million (18.9%) in December 2010 representing an annual growth of 223.6 per cent.

3.9 External Sector Developments

Export earnings improved significantly during 2010. Imports also went up sharply leading to a worsening of the trade balance. The current account likewise recorded a deficit. However, the overall balance of payments registered a surplus of US$1,462.7 million in 2010 up from a surplus of US$1,158.8 million in 2009 driven mainly by improvements in the capital and financial accounts.

The Current Account

The current account registered a wider deficit of US$2,700.5 million (8.6% of GDP) in 2010, compared to the deficit of US$1,598.5 million (6.1 % of GDP) in 2009. This development reflected a worsening in the trade balance and the services and income accounts. The current transfers account on the other hand, showed a surplus of US$2,322.4 million.

Merchandise Exports

Receipts from merchandise exports increased by 36.3 per cent to US$7,960.1 million, largely due to an upsurge in earnings from gold and cocoa. The share of gold in total exports rose to 47.8 per cent from 43.7 per cent recorded in 2009 while that of cocoa dipped from 31.9 per cent to 27.9 per cent.

The value of gold export went up considerably by US$1,252.2 million to US$3,803.5 million in 2010. The increase was attributed to both volume and price effects. While the volume of gold exported increased by 17.3 per cent to 3.1 million fine ounces, average realised price rose by 27.1 per cent to US$1,220.0 per fine ounce.

Export earnings from cocoa (beans and products) grew by 18.9 per cent to US$2,219.5 million, mainly on account of higher earnings from cocoa products. Earnings from cocoa beans improved by 11.5 per cent to US$1,594.4 million on account of a 7.6 per cent increase in average realised price to US$3,011.9 per tonne. The volume of cocoa beans also rose by 4.2 per cent to 529,378 tonnes. The value of cocoa products went up by US$181.5 million (40.9%) to US$625.2 million. The improvement was attributed to a 43.9 per cent increase in volume that more than offset a 2.1 per cent drop in average realised prices.

Exports of timber products grew in value by 5.4 per cent to US$189.5 million, reflecting an increase in average realised price that was moderated by a marginal decline in volume.

The value of 'Other' exports (including non-traditional exports) increased considerably by 49.5 per cent to US$1,747.6 million.

Merchandise Imports

The value of total merchandise imports rose by 35.7 per cent to US$ 10,922.1 million made up of non-oil imports of US$8,686.2 million and oil imports of US$2,235.9 million. Capital and intermediate goods together accounted for 77.1 per cent of total non-oil imports in 2010, compared with 73.7 per cent recorded in 2009.

Oil Imports

Oil imports rose by 50.2 per cent to US$2,235.9 million, driven by increases in prices and volumes of both crude and finished products. Total crude oil imports increased by 54 per cent to US$1,120.3 million at an average realised price of US$81.2 per barrel for a total of 13.8 million barrels. This compares with a value of US$433.7 million at an average realised price of US$66.0 per barrel for a total of 6.1 million barrels imported in 2009. The total imports of finished oil products went up marginally to US$1,115.6 million from US$1,055.3 million in 2009.

Services, Income and Current Transfers

The services, income and transfers account recorded a surplus of US$261.5 million in 2010 compared with US$608.1 million recorded in the previous year. The services and income accounts recorded deficits of US$1,525.9 million and US$534.9 million respectively while the transfers account registered a surplus of US$2,322.4 million. The upsurge in net current transfers receipts was mainly on account of private remittances which increased by 18.7 per cent to US$2,122.7

million. Net inflows of official grants however, slowed down by 31.0 per cent to US$199.7 million.

Capital and Financial Account

The balance on the capital and financial account showed a surplus of US$4,289.5 million of which 92.1 per cent (US$3,952.1 million) represented surplus on the financial account. Foreign Direct Investment accounted for 64.0 per cent of the surplus on the financial account. Portfolio investment moved from deficit to a surplus of US$620.5 million in 2010 on account of the inflows from the 3-year and 5-year medium-term bonds.

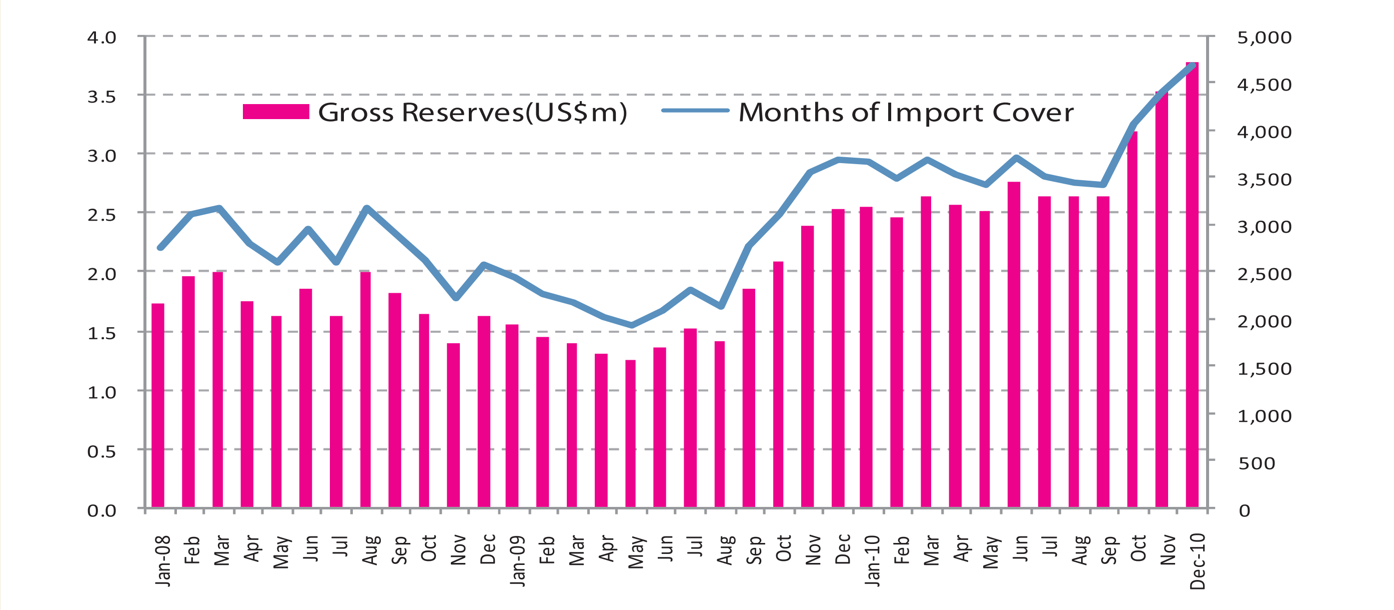
Table 3.7: Developments in Balance of Payments (US$' Million)

	2008	2009	2010
CURRENT ACCOUNT	-3,543.1	-1,598.5	-2,700.5
Merchandise Exports (f.o.b.)	5,269.7	5,839.7	7,960.1
Cocoa beans and products	1,487.0	1,866.0	2,219.5
Gold	2,246.3	2,551.4	3,803.5
Timber products	316.8	179.8	189.5
Others (including non-traditional exports)	1,219.7	1,242.5	1,747.6
Merchandise Imports (f.o.b.)	-10,268.5	-8,046 3	-10,922.1
Non-oil	-7 911.8	-6,557.3	-8,686.2
Oil	-2,356.8	-1,489.0	-2,235.9
Trade Balance	-4,998.8	-2,206.6	-2,962.0
Services (net)	-497.2	-1,173.4	-1,525.9
Receipts	1,800.9	1,769.7	1,477.3
Payments	-2,298.1	-2,943.1	-3,003.2
Income Transfers (net)	-258.7	-296.5	-535.0
Receipts	85.6	101.1	52.9
Payments	-344.2	-397.6	-587.9
Current Transfers (net)	2,211.5	2,078.0	2,322.4
Official	241.1	289.6	2,122.7
Private	1,970.4	1,788.4	261.5
Services, Income and Current Transfers (net)	1,455.7	608.1	261.5
CAPITAL & FINANCIAL ACCOUNT	2,943.3	3,067.1	4,289.5
Capital Account	463.3	563.9	337.5
Capital Transfers	463.3	563.9	337.5
Financial Account	2,480.0	2,503.2	3,952.1
Direct Investments	2,111.6	1,677.8	2,527.4
Portfolio Investments	-49.0	-43.6	620.5
Of which: Sovereign Bond	-	-	-
Other Investments	417.4	869.0	804.3
Of which: Official Capital (net)	486.6	1,086.2	879.6
Sovereign Bond	-	-	-
Other Private Capital (net)	195.6	-135.2	-493.4
Short-Term Capital (net)	-264.8	-82.1	418.0
Errors and Omissions	-341.0	-309.8	-126.4
OVERALL BALANCE	-940.8	1,158.8	1,462.7

International Reserves

Gross international reserves of the Bank stood at US$4,724.9 million at end – December 2010, showing an annual increase of US$1,560.1 million. This was enough to cover 3.7 months imports of goods and services, compared to 3.0 months at the end of December 2009. The net international reserves was estimated at US$3,924.9 million, showing an annual build-up of US$1,462.0 million for the year.

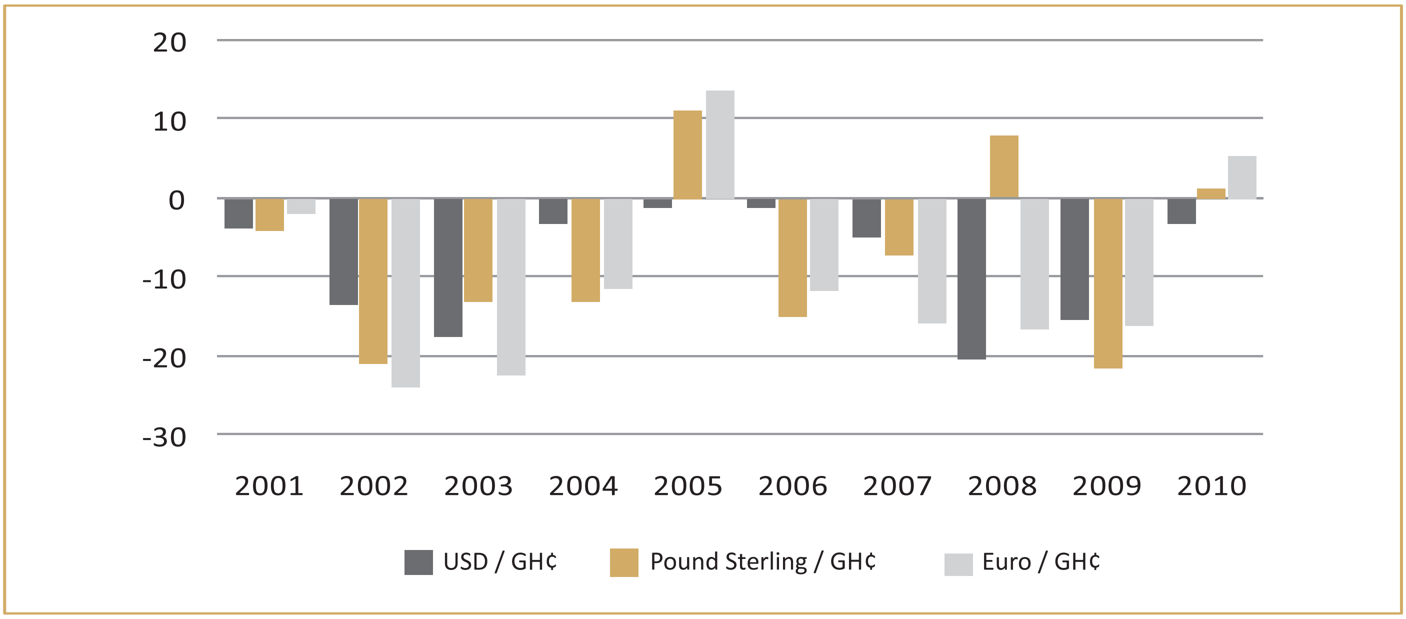
Chart 3.4: Gross International Reserves (US$' Million)



Foreign Exchange Market

During the year, the Ghana cedi recorded a cumulative depreciation of 3.1 per cent against the US dollar but appreciated by 1.2 per cent and 5.5 per cent against the pound sterling and the euro respectively on the interbank market. It traded relatively stronger on the forex bureaux market, recording a marginal annual depreciation of 0.4 per cent against the US dollar and appreciation of 2.7 per cent and 6.4 per cent against the pound sterling and euro respectively.

Chart 3.5: Movements in the Interbank Exchange Rates



3.10 External Debt

Ghana's external debt stock totalled US$6,118.8 million at the end of 2010, showing an increase of US$1,110.9 million (22.2% growth) over the US$5,007.9 million recorded at the end of December 2009.

The external debt sustainability indicators pointed to a debt-to-GDP ratio of 19.8 per cent, up from 19.1 per cent in 2009. Similarly, the debt service-to-exports of goods and services and debt service-to-revenue ratios for the year 2010 were 3.3 per cent and 6.6 per cent respectively.

Table 3.8: Selected External Debt Indicators (US$' Million)

	2006	2007	2008	2009	2010
External Debt Stock	2,177.2	3,585.9	4,035.1	5,007.9	6,118.8
External Debt Service/Exports of Goods and Services	3.3	3.2	3.6	4.3	3.3
External Debt Service/Domestic Revenue	5.5	5.1	7.8	9.7	6.6
External Debt Service/GDP	0.8	0.8	1.2	1.3	1.0
External Debt Stock/GDP	10.7	15.0	16.2	19.1	19.8

4. DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The Bank continued to implement policies and projects aimed at improving on the efficiency and safety of the bank and non-bank financial systems in the country. Major infrastructural projects essential for improving the electronic payment system environment, especially towards expanding electronic payments at the retail level were undertaken during the year.

The number of Deposit Money Banks (DMBs) and Non-Bank Financial Institutions (NBFIs) remained unchanged at 26 and 46 respectively, while Rural and Community Banks (RCBs) increased from 134 to 135. The number of DMBs' branches increased from 706 in 2009 to 776 in 2010 while the number of agencies of RCBs went up by 38 to 479. The banking system remained liquid and solvent throughout the year.

In line with the Bank's directive on recapitalisation, a new minimum capital requirement was announced for mortgage and leasing companies to be implemented in phases up to 2013.

The Cheque Codeline Clearing (CCC), which was introduced in 2009 in the Accra clearing area was extended throughout the country, thereby reducing the clearing cycle across the country to D+1.

To enhance interoperability of card based systems in the country, Ghana Interbank Payment and Settlement System Limited (GhIPSS) initiated a process of acquiring an open switch in the last quarter of the year to enable it switch all types of electronic card transactions on a common platform. To further deepen branchless banking in the country, the Bank gave approval for two telecommunication companies in collaboration with some banks to introduce mobile phone banking products.

4.2 The Banking and Non-Bank Financial System

Structure

The number of DMBs remained unchanged at 26 comprising 25 with Class 1 banking licence and one with General banking licence. In terms of ownership, there were 13 foreign and 13 Ghanaian DMBs. Two RCBs and two NBFIs were licensed. Two NBFIs merged with the operations of two DMBs while one rural bank was earmarked for liquidation. The total number of RCBs and NBFIs stood at 135 and 46 respectively at the end of the year. One credit reference bureau was granted provisional operating licence.

Recapitalisation Policy

In fulfilment of the Bank's directive on recapitalisation, all the Ghanaian-owned banks, with the exception of two, met the minimum paid-up capital requirement of GH¢25.0 million as at end-December 2010. The two had however firmed up plans to meet the requirement.

New minimum capital requirements were also announced for mortgage and leasing companies with the regulatory capital pegged at GH¢10.0 million to be attained in phases. Existing companies were expected to attain GH¢4.0 million by end-December 2011, GH¢7.0 million by December 2012 and GH¢10.0 million by December 2013. New companies shall however fulfil the new minimum capital from start-up. Mortgage and leasing companies shall not exceed a maximum gearing ratio of eight times their paid-up capital with effect from January 1, 2012. Companies that exceed the maximum gearing ratio shall be subject to capital adequacy ratio of not less than 10 per cent.

Branchless Banking

Ghana has adopted a bank-led approach to mobile phone financial service provision and as such telecommunication companies intending to provide these services are required to collaborate with DMBs. Mobile money transfer services serve to bridge the gap between the banked and unbanked and also offer fast, convenient, secure and affordable regulated money transfer solution to mobile phone users.

During the year some DMBs collaborated with two telecommunication companies namely, Airtel and Globacom Ghana Limited, to provide mobile phone financial services, bringing the number of mobile phone financial services providers to five. The services offered include funds transfer from person to person, customer to business, business to business, company to multiple customers and micro life insurance.

Assets and Liabilities

Total assets of banks and NBFIs increased by GH¢3,797.3 million (24.3%) to GH¢19,405.0 million. The increase in total assets of the industry reflected mainly in net loans and advances which went up by GH¢1,011.1 million (14.5%). Investment and Cash & Bank balances rose by GH¢1,659.8 million (43.4%) and GH¢893.3 million (26.8%) respectively. The growth in assets was funded mainly by deposits which increased by GH¢3,166.9 million (31.8%). DMBs' total assets of GH¢17,397.6 million constituted 89.7 per cent of total assets of banks and NBFIs compared to 90.0 per cent in the previous year.

D+1 = Day of deposit plus one clearing day

Table 4.1: Profitability Indicators (%)

INDICATORS	2007	2008	2009	2010
Return on Assets (ROA)	3.7	3.2	2.8	3.8
Return on Earning Assets (ROEA)	4.8	4.3	3.8	5.1
Return on Equity (ROE)	25.8	23.7	17.5	20.4
Net Interest Spread (NIS)	8.4	8.6	9.1	11.1
Cost to Income Ratio (CIR)	62.5	64.8	62.8	58.5
Net Interest Margin (NIM)	9.7	10.1	10.8	12.4

Profitability

The profitability ratios of DMBs improved, a reversal of the continuous decline since 2007. The improvement in the indicators was mainly due to significant reduction in cost of funds as against a marginal reduction of interest on loans and advances. The decline in interest rates partly reflected the downward trend in the policy rate.

Solvency

All DMBs remained solvent throughout the year. One bank, however, failed to comply with the required minimum capital adequacy ratio of 10.0 per cent as at end-December 2010. DMBs average capital adequacy ratio improved by 0.9 percentage point to 19.1 per cent as at end-December 2010.

Liquidity

The liquidity position of DMBs was generally satisfactory. By the end of the year, all DMBs with the exception of three were in compliance with the primary reserve requirement of 9.0 per cent. The average cash ratio of DMBs was 9.6 per cent for domestic primary reserves and 13.0 per cent for foreign primary reserves as compared to 8.2 per cent and 22.1 per cent respectively in the previous year.

Non-Bank Financial Institutions

Two new NBFIs were licensed while two merged with DMBs. Total number of institutions therefore remained unchanged at 46. Total assets of NBFIs went up by 20.6 per cent to GH¢1,131.52 million. The growth in assets reflected mainly increases in loans and advances (21.3%), cash and bank balances (49.7%) and investments (49.9%). The growth in assets was funded primarily by borrowings and other liabilities which increased by 31.5 per cent and 80.8 per cent respectively.

Rural and Community Banks

Two new rural banks were licensed while one was earmarked for liquidation, bringing the number of RCBs in operation to 135 from 134. Total assets of the RCBs grew by 40.5 per cent to GH¢875.8 million. The expansion reflected mainly growth in investments and loans & advances by 185.1 per cent and 48.1 per cent respectively and was funded mainly by deposits which grew by 96.9 per cent.

4.3 Developments in the Payments System

The Bank continued to implement projects to improve the efficiency and safety of the payment and settlement systems in Ghana. Major infrastructural projects essential for upgrading the electronic payment system environment were completed. Also a complementary review of the regulatory framework was undertaken.

Key projects implemented in the year included:

- Extension of the Cheque Codeline Clearing (CCC) with cheque truncation system nationwide;
- Commencement of the electronic credit funds transfer component of the Automated Clearing House (ACH) project;
- Upgrade of the Ghana Interbank Settlement (GIS) system;
- Expansion of the e-zwich payments facility.

Retail Payments

Cheques

Cheques continued to be the major non-cash retail payment instrument in Ghana. The Cheque Codeline Clearing (CCC) with cheque truncation system, introduced in the Accra Clearing Zone in 2009, was extended nationwide thereby reducing the clearing cycle across the country to D+1 (2 days) from 3-8 days.

The volume of cheques cleared during the year increased by 7.9 per cent to 6.07 million. In value terms it went up by 34.1 per cent to GH¢38,517.2 million with an average value per cheque also growing by 24.2 per cent. The growth in volume and value of cheques cleared largely reflected the gains in efficiency arising from the reduction in the clearing cycle.

Table 4.2: Cheques Cleared

						Change	
	2006	2007	2008	2009	2010	Abs	%
Volume	4,967,638	5,166,344	5,580,738	5,632,553	6,079,817	447,264	7.9
Value (GH¢'million)	13,938.9	15,891.5	25,214.2	28,724.8	38,517.2	9,792.4	34.1
Average Value per Cheque (GH¢)	2,805.9	3,076.0	4,518.1	5,099.8	6,335.3	1,235.0	24.2

Automated Clearing House - Electronic Direct Credit Transfer System

In December 2010, an electronic direct credit transfer system, managed and operated by GhIPSS, commenced operation nation-wide with the participation of all 28 clearing banks. This retail payment system operates on the ACH platform and makes it possible for bulk electronic credit transfer of funds to be made into the accounts of bank customers. The system replaced the paper credit clearing system which ceased operations after the introduction of the CCC system in September 2009.

e-Zwich Transactions

e-Zwich smartcard usage in the country continued to grow with the number of card holders increasing by 48.9 per cent to 495,565. The number of issued cards stood at 179,990 with total value of GH¢5.2 million. The major transaction types on the e-zwich smartcard included cash deposits and withdrawals, transfer of e-money, point of sale purchases, card to bank, loading and withdrawal of wages and salaries.

Table 4.3: Selected e-Zwich Data

				Change	
	2008*	2009	2010	Abs.	%
Total Cards Issued to Date	141,242	332,907	495,565	162,658	48.9
Issued Cards with Value	40,898	101,170	179,990	78,820	77.9
Value on Cards Issued (GH¢'m)	0.8	1.7	5.2	3.5	212.7
Average Value Per Card (GH¢'m)	18.3	16.3	28.7	12.4	75.8
Volume of Transaction on Switch	86,318	204,383	460,743	256,360	125.4
Value of Transaction (GH¢'m)	3.8	25.2	84.5	59.3	235.2
Average Value per Transaction (GH¢)	44.2	109.8	183.4	73.6	67.0

* Operations in 2008 covered only eight months

Table 4.4: Transactions through the GIS System

	2006	2007	2008	2009	2010	Change	
						Abs	%
Volume	**93,103**	**125,756**	**167,481**	**199,814**	**251,555**	**51,741**	**25.9**
Value (GH¢'million)	47,415.4	92,739.4	130,481.1	229,442.2	285,447.4	56,005.0	24.4
Average Value per Transaction (GH¢)	509,279.4	737,455.1	779,079.7	1,148,279.1	1,134,731.7	-13,547.4	-1.2

To enhance interoperability of card-based systems in the country, GhIPSS initiated a process of acquiring an open switch in the last quarter of the year. The open switch is aimed at providing switching services for all Europay-MasterCard-Visa (EMV) compliant card transactions of banks. The Switch will be integrated with e-zwich to enable GhIPSS to switch all types of card transactions on a common platform.

In addition to the customer-to-customer and bank-to-bank transfers, the cheque clearing, e-zwich and electronic direct credit transfer payment systems continued to settle on the GIS.

Total volume of transactions recorded in the system in 2010 was 251,555, up by 25.9 per cent compared with 2009. Similarly, total value of transactions went up by 24.4 per cent to GH¢285,447.4 million. The average value per transaction, on the other hand, declined by 1.2 per cent to GH¢1.1 million. The decline was mainly explained by the large volume of customer-to-customer transfers through the system.

Ghana Interbank Settlement (GIS) System

The GIS, Ghana's Real Time Gross Settlement System, was upgraded, to among others, improve reporting systems, limit-setting and data management. The upgrade was also to provide a facility for non-bank clients, particularly, the Ministry of Finance and Economic Planning and the revenue collecting agencies to better manage the fiscal programme of government. Consequently, the Bank admitted Social Security and National Insurance Trust (SSNIT), the state pension provider, to the GIS system as the first non-bank member.

4.4 Central Securities Depository

The Central Securities Depository (CSD) for government securities continued to record growth in its operations. Investors registered on the Depository grew by 18.9 per cent to 361,000. At the end of the year, the Depository had 37 members.

In accordance with the requirements of the Central Securities Depository Act, 2007 (Act 733), the Depository was incorporated in June 2010 under the Companies Act, 1963 (Act 179) as Central Securities Depository (Gh) Limited, a wholly-owned subsidiary of the Bank of Ghana. With the incorporation, the Depository came under the regulatory oversight of the Securities and Exchange Commission.

A seven-member Board of Directors, under the Chairmanship of Dr. H. A. Kofi Wampah, First Deputy Governor, was inaugurated on September 8, 2010.

4.5 Financial Intelligence Centre

The Financial Intelligence Centre (FIC) was set up in accordance with Section 4 of the Anti-Money Laundering Act, 2008 (Act 749). It is the national centre mandated by law to receive, analyse and disseminate financial intelligence. The FIC is also mandated to monitor and give guidance to accountable institutions, supervisory bodies and other persons on the discharge of their duties. In response to a request from the Ministry of Finance and Economic Planning in October 2009, the Bank assisted with its establishment by providing the requisite logistical support and financial assistance. It began operations on January 4, 2010.

The Centre received 71 Suspicious Transaction Reports (STRs) and two Currency Transaction Reports (CTRs) in 2010. Thirty-three (33) money laundering investigations were analysed and 21 confirmed cases were forwarded to the relevant law enforcement agencies. The Centre also conducted 32 status check requests from the Banking Supervision Department of the Bank on companies and individuals seeking to do banking business in Ghana.

The Centre entered into Memorandum of Understanding (MOU) for the exchange of information with the following institutions:

- Bank of Ghana
- National Insurance Commission
- Securities and Exchange Commission
- Narcotics Control Board
- Economic and Organised Crime Office

It is also in the process of finalising same with other law enforcement and regulatory agencies in Ghana and other jurisdictions. Furthermore, the Centre coordinated the drafting of the Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) regulations.

4.6 Customer Complaints and Investigation

Total number of customer complaints handled by the Bank during the year increased from 604 to 620, due mainly to increased public awareness and an expanded customer base. Issues addressed included non-payment of dividend and interest, high interest rates and bank charges, and fraudulent withdrawals.

Table 4.5: Summary of Cases Handled

	2007	2008	2009	2010
Consumer Complaints Reporting	76	135	170	170
Fraud Investigation	130	142	180	190
Enforcement and Surveillance	151	231	254	260
Total	357	508	604	620

5. INTERNAL DEVELOPMENTS

5.1 Overview

Key activities undertaken during the year included the development of a Seven-Year (2011 - 2017) Strategic Plan to guide the Bank's future operations. The Plan entails a road map with clear milestones to be implemented over the period.

The Bank also made a number of recruitments during the year to augment the human resource base and ensure a continued succession plan for the high number of staff due to retire from service. A number of inter-departmental transfers were also made.

The Collateral Registry, established in 2009 commenced operations in February 2010. The Registry witnessed a remarkable level of activity as a significant number of charges and collaterals created by bank borrowers were registered.

The Bank retained its ISO 27001 certification following two successful audit reviews during the year.

5.2 Strategic Plan (2011 – 2017)

The Bank developed a Seven-Year Strategic Plan to guide its operations towards the achievement of its objective of being an efficient, dynamic and modern central bank driven by excellence in standards and best practices. The Plan seeks to secure and render relevant, the future operations of the Bank and position it to successfully meet challenges from the domestic and international financial systems. The Plan will undergo regular revisions to ensure its adaptability and successful implementation and to enhance the effectiveness of the Bank's operations towards the achievement of its objectives.

5.3 Collateral Registry

The year witnessed a remarkably high level of activity at the Collateral Registry with a total of 10,412 charges and 22,957 collaterals being registered by 58 institutions. Monthly total charges and collaterals registered were highest in October, with the lowest being recorded in February when the Registry commenced operations. Average monthly charges and collaterals registered during 2010 were 946 and 2,087 respectively.

The establishment of the Registry and the relevance of its operations to the entire financial system attracted a number of visits by international organisations to acquaint themselves with its operations. In the course of the year, delegations from the IMF, World Bank and the Millennium Development Authority visited the Registry and held discussions on the Registry's operations, among others.

The Swiss State Secretariat for Economic Affairs approved funding for US$ 1.25 million for the re-designing and upgrading of the Registry.

5.4 Training and Professional Development

The Bank continued to provide adequate training for staff development at all levels. To this end, both local and foreign training programmes were organised. A total of 1,346 staff participated in the training programmes during the year. The main focus for in-house training programmes was on the Financial Markets & Operations and Financial Stability under the five-modular training programme started in 2009. A total of 991 staff benefited from the in-house programmes.

Table 5.1: Training Programmes in 2010

Programme	Number of Participants
FOREIGN:	183
LOCAL	
The Centre	991
Others	172

5.5 Staff Position

The total staff population of the Bank at the end of 2010 was 1,539, up from 1,473 in 2009. Categorisation of staff by grade and gender was as follows:

Total recruitment for the year was 108, comprising 26 contract staff and 82 permanent appointments, made up of 68 middle-level staff and 14 junior staff. The contract staff comprised one (1) management staff and 25 junior staff.

A total of 42 members of staff left the service of the Bank during the year, made up of three (3) resignations, 27 retirements, three (3) retirements on medical grounds, one (1) voluntary retirement, four (4) terminations and four (4) deaths. A total of 245 members of staff were promoted in 2010 while 52 inter-departmental transfers were made.

5.6 Sporting Activities

The Bank of Ghana Hockey Team won the 2010 Oguaa Fetu Afahye Hockey tournament for the third consecutive time, while the Ladies Football Club also won the female category of the 2010 All Banks Football Gala competition.

Table 5.2: Staff Position

Grade	Male	Female	Total	% of Total
Management Staff	118	34	152	9.9
Of which: Heads of Department	*12*	*7*	*19*	*1.2*
Middle Level Staff	524	317	841	54.6
Junior Staff	439	107	546	35.5
Total	**1,081**	**458**	**1,539**	

6. EXTERNAL RELATIONS

6.1 Overview

The Bank continued to maintain its bilateral and multilateral relations with international banking and financial institutions. It participated in international symposia and meetings including those of the Bretton Woods institutions and the regional institutions in Africa.

6.2 International Monetary Fund and World Bank

The Bank participated in the 2010 Spring and Annual meetings of the International Monetary Fund and the World Bank, which were both held in Washington, DC. The delegation used the opportunity to hold bilateral consultations with the IMF, World Bank and delegations from several other institutions to discuss issues of mutual interest.

Joint Plenary Session of the Annual Meeting

Major issues discussed at the Joint Plenary Session of the Boards of Governors of the World Bank Group and the IMF at the Annual meeting were that:

- ➔ recovery of the global economy from the financial crises remained fragile and the outlook was uncertain;
- ➔ downside risks to the global recovery included high public debts, unemployment, vulnerabilities in the financial system and the waning commitment to international cooperation;
- ➔ multiple growth poles were emerging that could drive global demand with developing countries increasingly becoming the engine of global growth;
- ➔ two years after the global financial crises, global economic recovery was still not strong enough to reduce unemployment significantly;
- ➔ output had not recovered to pre-crises levels in high income countries;
- ➔ capital inflows into emerging markets had rebounded but bank lending remained weak to the detriment of low income countries;
- ➔ volatility in food prices continued in many countries.

International Monetary and Finance Committee

The International Monetary and Finance Committee observed that signs of economic recovery were taking hold but many challenges remained that needed to be tackled collaboratively. It noted that strengthening financial regulation and supervision remained a critical task. It called for the strengthening of the Fund's bilateral and multilateral surveillance and requested the Fund to deepen its work on global imbalances, volatile capital flows and exchange rate movements.

Development Committee

The Development Committee noted that with five years to the date for meeting the Millennium Development Goals (MDGs), the food, fuel and financial crises had taken a heavy toll on progress towards achieving the goals. It noted that even though many developing countries had done well in preserving core health, education and infrastructure spending, protecting vulnerable groups remained a bigger challenge. Members were called upon to avoid all forms of protectionist measures since the revival of world trade and investment were important underpinnings of the global economic recovery and growth. The Committee stressed the importance of the timely implementation of the remaining proposals on voice reform and strengthening the World Bank Group's financial capacity.

G24

The meeting of the Group of 24 countries observed that although emerging markets and developing countries continue to provide a major impetus to global growth, they cannot be the sole engines for the global recovery. The Group expressed concern about the sustained low interest rates in advanced economies which have contributed to a surge in capital flows to emerging markets, putting pressure on exchange rates, creating overheating and carrying risks of increased vulnerabilities. The G24 noted the importance of the ongoing discussions on governance reforms at the IMF and pledged its support for the process. The Group stressed the need for a more cooperative multilateral development agenda and expressed willingness to engage in these discussions.

African Caucus

African Governors presented a memorandum to the heads of the BWIs, requesting the IMF to make the Flexible Credit Line accessible to lower-middle income and low-income countries with strong fundamentals and policy frameworks. They called on the IMF to urgently introduce a third chair for Sub-Saharan Africa and make progress in the recruitment, promotion, and career development of African staff at all levels in the BWIs. The Governors also called on the BWIs to give due consideration to the impact of some advanced economies' pursuit of extensive fiscal consolidation on African countries especially by way of reduced concessional financing. They also noted that Africa's infrastructural deficit continued to be high and called on the WBG to scale up its technical and financial support to infrastructure development from its internal resources and also increase countries' access to the IBRD enclave loans and IBRD partial risk guarantees.

IMF/World Bank Missions

IMF/World Bank missions were in Accra during the year to conduct Article IV Consultations and also to undertake reviews of the Financial Sector Assessment Programme (FSAP) and the Extended Credit Facility approved for Ghana in 2009. The FSAP review noted that the Ghanaian authorities have been implementing a broad range of reforms to make the financial sector more resilient and enhance its contribution to growth. Financial stability risks existed and there was the need to urgently address them while maintaining momentum on the broader reforms.

In October 2010, the IMF mission conducted discussions for the third review under the Extended Credit Facility and noted that inflation had fallen to 9.5 per cent. It observed that to sustain and build on these favourable trends and to maintain progress towards broader macroeconomic stability, continued efforts were needed to reduce fiscal deficits and the associated public borrowing. The mission recommended the early publication of the re-based national accounts to provide a better assessment of recent economic performance and a better gauge for the fiscal and debt management situation and challenges.

IMF Visits

The First Deputy Managing Director of the IMF, Mr. John Lipsky, visited Ghana in February 2010. He was accompanied by Ms. Antoinette Sayeh, Director of the African Department and Mr. Peter Allum, Mission chief for Ghana. He held meetings with officials of the Ministry of Finance and Economic Planning and Bank of Ghana. Mr. Lipsky was briefed on recent developments in the Ghanaian economy.

The IMF Executive Director responsible for Ghana, Mr. Jafar Mojarrad, visited Ghana in August to consult with the Ghanaian authorities on recent developments at the IMF and also get first hand information on the Ghanaian economy. The Executive Director briefed the authorities on quota realignment, governance reforms and issues arising out of the last Board discussions at the Fund.

6.3 West African Monetary Zone (WAMZ)

The Convergence Council of Ministers and Governors of Central Banks of WAMZ met during the year to assess progress in relation to macroeconomic convergence within the zone. The Council noted the deterioration in compliance with the primary convergence criteria especially with respect to single digit inflation and the fiscal deficit.

Box 6.1: West African Monetary Zone Meeting

Date: July 29, 2010	Venue: Banjul, The Gambia

Major Decisions and Recommendations

- The establishment of a College of Supervisors of the WAMZ under the auspices of the West African Monetary Institute (WAMI) was approved;
- WAMI's effort at resource mobilisation in support of the WAMZ programme was endorsed;
- Member states should intensify their efforts towards the achievement of sustainable convergence;
- Member countries should focus more on the economic realities and challenges facing the region so that collaborative approaches can be adopted in responding to them;
- The sensitisation strategy should focus on the milestones achieved under the WAMZ programme;
- The regional institutions, in particular the WAMI, West African Monetary Agency (WAMA), the West African Institute for Economic and Financial Management (WAIFEM) and the ECOWAS Commission should enhance their collaboration in order to avoid the duplication of effort and resources.

They reviewed the stage of implementation of the various zonal programmes including statistical harmonisation, the zonal payments system project, financial system integration and harmonisation of trade policies. The meeting also discussed the strategy for sensitisation and advised that it should be focused on the milestones achieved under the WAMZ programme.

The College of Supervisors of the WAMZ was inaugurated in Abuja, Nigeria on August 16, 2010 to serve as a forum to discuss cross-border supervisory and regulatory issues. The decision to establish the college was consistent with international efforts at improving global financial stability and was aimed at enhancing cooperation, information sharing and coordination among bank supervisors.

6.4 West African Monetary Agency (WAMA)

The Committee of Governors of WAMA (Governors of central banks of ECOWAS) and the Joint Technical Committees of WAMA held two meetings during the year. The Governors expressed satisfaction with the improved performance of member countries in respect of the convergence criteria. They urged member states to work towards producing quarterly data, especially on GDP, and advised that in rationalising public expenditures, capital expenditures should not be unduly sacrificed. They called for the review of domestic laws and structures that are likely to impede regional integration.

Box 6.2: West African Monetary Agency Meetings

Dates:	Venues:
July 29, 2010	Banjul, The Gambia
November 23-24, 2010	Dakar, Senegal

Major Decisions and Recommendations

- Member states should ensure implementation of prudent macroeconomic policies and take appropriate measures to improve the macroeconomic fundamentals of their respective countries and deepen their commitment towards the achievement of convergence;
- Central banks should pay greater attention to customer protection through prompt intervention in times of financial instability, liquidity crisis and distress of financial institutions and review the appropriateness of the universal banking model and its attendant risks;
- ECOWAS should consider the establishment of a Financial Stability Commission to complement the supervisory role of central banks;
- WAMA should initiate urgent measures for the harmonisation of banking laws, banking regulations and supervisory mechanisms within the framework of the road map for the ECOWAS Single Currency and monitor annual trends in the Community's financial stability to keep authorities abreast with developments;
- WAMA should liaise with WAMI to expand the College of Bank Supervisors to include the remaining ECOWAS countries;
- WAMA should liaise with the West African Bankers Association to identify legislations and other regulatory impediments to the convertibility initiative for presentation and consideration by the Committee of Governors;
- Member states should liberalise their exchange rates and strengthen their macroeconomic policy frameworks to ensure real exchange rate stability;
- Member central banks should confirm their net positions in respect of the West African Clearing House mechanism so that WAMA can liquidate and bring the mechanism to a final closure while concerned central banks initiate bilateral arrangements to settle their outstanding positions.

The Governors endorsed the recommendation to expand the College of Supervisors of WAMZ to include other member countries of ECOWAS and also called for the harmonisation of banking laws and banking supervision mechanisms. They approved the 2011 work programme and budget and encouraged WAMA to look for additional sources of funding.

6.5 West African Institute for Financial and Economic Management

The Board of Governors of the West African Institute for Financial and Economic Management (WAIFEM) met in Banjul, The Gambia, in July. The Board encouraged WAIFEM to intensify its efforts at sourcing donor funding and also requested the Institute to contact the central banks to seek inputs into future courses.

The Institute signed two memoranda during the year - the first with the West African Monetary Institute to cover a project to promote cross-border supervision, and the second with the Centre for Research and Political Economy based in Dakar for training and research collaboration.

6.6 Association of African Central Banks (AACB)

The 34th Ordinary Meeting of the Assembly of Governors of the Association of African Central Banks (AACB) took place on August 20, 2010 in Dakar, Senegal.

In their deliberations, the Governors noted the resilience exhibited by African economies in the face of the global economic and financial crises and encouraged members to implement policies to promote economic recovery. The Governors were satisfied with the status of cooperation between the Association and the African Union Commission and agreed to set up a Task Force to define a strategy for the creation of the proposed African Central Bank.

The meeting approved the 2011 work programme and budget of the secretariat and elected a new bureau, with the Governor of the BCEAO as Chairman.

The meeting was preceded by a symposium on the theme, 'The Role of African Central Banks in the Regulation and Stability of Financial Systems'.

6.7 African Export-Import Bank (AFREXIMBANK)

The 17th Annual General Meeting of shareholders of Afreximbank was held in July 2010 in Yaoundé, Cameroon. It was preceded by a colloquium on Global Economic Crisis; Trade Diversification and Trade Finance – Lessons of Recent and Past Experience and Implications for Africa. The shareholders recognised the achievements of the Bank under the leadership of Mr. Jean-Louis Ekra, and re-appointed him to a second 5-year term as President. They approved amendments to the Bank's charter that clarify the objectives of the Bank.

FINANCIAL STATEMENTS

7. FINANCIAL STATEMENTS

General Information

BOARD OF DIRECTORS	Mr. K. B. Amissah-Arthur	(Chairman/Governor)
	Dr. H. A. Kofi Wampah	(1st Deputy Governor)
	Mr. Millison K. Narh	(2nd Deputy Governor)
	Dr. Sydney Laryea	
	Mrs. Diana Ayettey	
	Mrs. Lily Esther Nkansah	
	Dr. David Obu Andah	
	Mr. Sam Appah	
	Togbe Afede XIV	
	Mr. Kwaku Bram-Larbi	
	Mr. Seth Terkper	
REGISTERED OFFICE	1 Thorpe Road P. O. Box GP 2674 Accra, Ghana	
AUDITORS	Ernst & Young Chartered Accountants G15, White Avenue Airport Residential Area P. O. Box KIA 16009, Airport Accra, Ghana	
SECRETARY	Mr. Alex Bernasko Bank of Ghana Head Office, 1 Thorpe Road P. O. Box GP 2674 Accra, Ghana	

Report of the Directors to The Minister of Finance and Economic Planning

The directors have pleasure in presenting the financial statements of the Bank of Ghana, which comprise the Statement of Financial Position of the Bank and the Group at 31 December 2010, and their Statements of Comprehensive Income, Statement of Changes in Equity and Statement of 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 92.

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 2010 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;
- 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) and the Companies Act, 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.

Significant Developments

To ensure adherence to best accounting practice, the Bank in October 2010 embarked on an exercise to revalue all its property, plant and equipment. After allowing for competitive bidding, six (6) independent valuation companies were engaged to undertake the exercise. The revaluation report has been incorporated in the 2010 financial statements. The last revaluation exercise by the Bank was in 2004.

In line with best corporate governance and auditing practices, the Bank in 2010 engaged Ernst & Young Chartered Accountants as its new auditors to replace KPMG.

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 February 18, 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 Act, 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
- 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 note 3(f, g and j)

Details of this departure are presented under note 33. Management 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 International Accounting Standards (IAS) 19. The Bank has so far made a partial provision of GH¢265.09 million in respect of its obligation to the scheme as set by actuarial valuation of GH¢531 million at 31 December 2010.

FINANCIAL STATEMENTS	**The Bank**		**The Group**	
	2010 GH¢'000	2009 GH¢'000	**2010 GH¢'000**	2009 GH¢'000
The results for the year are summarised below:				
Net surplus for the year for the Bank	**109,962**	295,626		
Net surplus for the year for the Bank and Subsidiaries			121,466	297,600

Subsidiary Companies

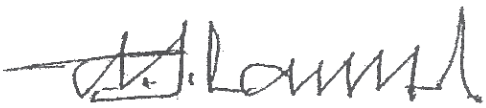
The Bank owns 51 per cent of the issued shares of Ghana International Bank Plc, a company incorporated in the United Kingdom, which carries on the business of commercial banking.

The Bank also owns 100 per cent shares of Ghana Interbank Payment and Settlement Systems Limited, a company incorporated in Ghana which carries on the business of setting up and operating a national switch system and the provision of smart card services, cheque/credit clearing, codeline cheque truncation, the operation of the Real Time Gross Settlement (RTGS) system, the operation of an Automated Clearing House (ACH), and the running of a help desk to assist the payment system in general.

Bank of Ghana also owns 100 per cent shares of the Central Securities Depository (GH) Limited, a company incorporated in Ghana which carries out the following activities:

- Keeping records of beneficiary owners of financial instruments including government securities and in electronic form
- Undertaking clearing and settlement by book entry of financial instruments including government securities and equity
- Providing for immobilisation and dematerialisation of securities
- Facilitating buying, selling and otherwise dealing in securities
- Operating and managing a central securities depository clearing and settlement system

Chairman (Governor)
Date: 31 March, 2011



Director
Date: 31 March, 2011

Independent Auditor's Report to The Honourable Minister of Finance and Economic Planning

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Ghana, (the Bank) and its subsidiaries (together, the Group) which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Bank; together with the consolidated statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended of the Group; and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 42 to 92.

The financial statements of the Bank of Ghana for the year ended 31 December 2009 was audited by another auditor who issued a qualified audit opinion dated 29 April 2010.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002 (Act 612) and the Financial Administration Act, 2003 (Act 654) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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.

Basis for Qualified Opinion

The Bank operates a defined benefit pension scheme based on final pensionable pay. The Bank employed the services of an actuarial consultant to conduct the valuation of the Bank's Pension liability in accordance with IAS 19 Employee Benefits. The actuarial valuation, as contained in the report of the actuarial consultant, set the Bank's obligation at GH¢531 million at 31 December 2009. However, only a provision of GH¢265.09 million has been made in the financial statements in respect of the Bank's obligation to the scheme as at 31 December 2010. IAS 19 Employee Benefits require that the present value of defined benefit obligations and the fair value of any plan assets be determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2010, and of their financial performance and their cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 33 of the financial statements which contains disclosure regarding the Bank of Ghana's departure from IAS 21 to achieve compliance with the Bank of Ghana Act. The disclosure includes the reason as well as the impact of this departure on the financial statements as required by IAS 1 "Presentation of Financial Statements"

Ernst + Young

ERNST & YOUNG
Chartered Accountants
Accra, Ghana

Date: 31 March, 2011

Statement of Financial Position
As At 31 December 2010

	Note	The Bank 2010 GH¢'000	The Bank 2009 GH¢'000	The Group 2010 GH¢'000	The Group 2009 GH¢'000
ASSETS					
Cash and Amounts due from Banks	12	1,650,021	257,200	1,283,190	281,676
Gold	13	578,356	441,828	578,356	441,828
Balances with IMF	14	1,495,006	1,487,700	1,495,006	1,487,700
Securities	16	5,318,689	4,800,998	5,121,302	5,021,178
Loans and Advances	15	1,058,367	1,530,936	2,241,600	2,542,520
Other Assets	17	842,907	300,529	858,502	312,642
Property, Plant and Equipment	18	167,038	118,704	194,698	143,557
Development Loans and Investments	19	120,346	108,263	54,595	50,163
Deferred Tax	11(iii)	-	-	178	162
TOTAL ASSETS		**11,230,730**	**9,046,158**	**11,827,427**	**10,281,426**
LIABILITIES					
Currency in Circulation	20	3,262,719	2,343,798	3,262,719	2,343,798
Allocations of Special Drawing Rights		801,194	797,054	801,194	797,054
Deposits	21	3,316,662	2,895,699	3,771,742	3,999,702
Liabilities to IMF	22	1,411,902	1,202,202	1,411,902	1,202,202
Taxation	11(i)	-	-	4,031	1,505
Liabilities under Money Market Instruments	23	941,879	790,237	939,484	790,237
Other Liabilities	24	475,406	266,013	508,272	285,862
Deferred Income		-	-	-	2,461
TOTAL LIABILITIES		**10,209,762**	**8,295,003**	**10,699,344**	**9,422,821**
SHAREHOLDERS' FUNDS					
Stated Capital	25	10,000	10,000	10,000	10,000
Asset Revaluation Reserve	26	115,436	58,930	117,799	58,930
Statutory Reserve	27	28,760	28,760	28,760	28,760
Other Reserve	28	866,772	653,465	866,764	670,000
Retained Earnings		-	-	46,637	38,093
Total Equity Attributable to Equity Holders of the Bank		1,020,968	751,155	1,069,960	805,783
Non- Controlling Interest		-	-	58,123	52,822
TOTAL EQUITY		**1,020,968**	**751,155**	**1,128,083**	**858,605**
TOTAL LIABILITIES AND EQUITY		**11,230,730**	**9,046,158**	**11,827,427**	**10,281,426**

The attached notes 1 to 35 form an integral part of these financial statements

Chairman (Governor)
Date: 31 March, 2011

Director
Date: 31 March, 2011

Statement of Comprehensive Income
For the Year Ended 31 December 2010

		The Bank		The Group	
		2010	2009	**2010**	2009
	Note	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
Operating Income					
Interest and Similar Income	6(I)	249,001	258,164	261,086	274,998
Fee and Commission Income		25,644	24,840	34,042	36,356
Other Operating Income	6(iii)	20,443	13,766	45,904	30,673
Exchange Differences	6(iv)	165,592	189,260	165,592	189,854
Dividend Income		3,673	5,547	3,673	-
		464,353	**491,577**	**510,297**	**531,881**
Operating Expenses					
Interest Expense and Similar Charges	6(ii)	(147,959)	(69,292)	(149,873)	(71,550)
Administration	7	(130,198)	(91,078)	(148,414)	(111,650)
Premises and Equipment	8	(18,676)	(18,213)	(23,030)	(21,848)
Currency and Issue	9	(60,884)	(29,781)	(60,884)	(29,781)
Net Impairment Reversal/ Loss	10	3,326	12,413	3,283	11,303
Direct Expenses		-	-	(4,146)	(5,422)
Total Operating Expenses		**(354,391)**	**(195,951)**	**(383,064)**	**228,948**
Profit before Taxation		109,962	92,600	127,233	302,933
Taxation	11(iii)	-	-	(5,767)	(5,333)
Operating Profit for the Year		**109,962**	**295,626**	**121,466**	**297,600**
Other Comprehensive Income					
Asset Revaluation Reserve		56,506	-	58,869	-
Foreign Currency Translation Reserve		-	-	793	24,796
Other Comprehensive Income for the Year		56,506	-	59,662	24,796
Total Comprehensive Income for the Year Net of Tax		**56,506**	**-**	**181,128**	**322,396**
Surplus attributed to:					
Equity Shareholders of the Bank		166,468	295,626	112,672	314,468
Minority Shareholders		-	-	8,794	7,928
		166,468	**295,626**	**121,466**	**322,396**

The attached notes 1 to 35 form an integral part of these financial statements

Statement of Changes in Equity
For the Year Ended 31 December 2010

The Bank	Stated Capital GH¢'000	Retained Earnings GH¢'000	Asset Revaluation reserve (note 26) GH¢'000	Statutory Reserve (note 27) GH¢'000	Other Reserve (note 28) GH¢'000	Total GH¢'000
Balance as at 1 January 2010	10,000	-	58,930	28,760	653,465	751,155
Retrospective Correction of Error (note 34)	-	-	-	-	(25,000)	(25,000)
Restated balance as at 1/1/2010	10,000	-	58,930	28,760	628,465	726,155
Profit for the Period	-	109,962	-	-	-	109,962
Other Comprehensive Income	-	-	56,506	-	-	56,506
Price/Exchange Movements in Gold & other Foreign Assets	-	-	-	-	128,345	128,345
Transfer to Other Reserve	-	(109,962)	-	-	109,962	-
Appropriation to Long -Term Government Securities	-	-	-	-	-	-
Balance at 31 December 2010	**10,000**	**-**	**115,436**	**28,760**	**866,772**	**1,020,968**

Statement of Changes In Equity
For the Year Ended 31 December 2010

The Bank	Stated Capital	Retained Earnings	Asset Revaluation Reserve	General Reserve	Other Reserve	Total
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	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
Profit for the Period	-	92,600	-	-	-	92,600
Other Comprehensive Income	-	203,026	-	-	-	203,026
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 2010

The Group

	Note	Stated Capital GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve (note 26) GH¢'000	Statutory Reserve GH¢'000	Other Reserve GH¢'000	Foreign Currency Translation Reserve GH¢'000	Total GH¢'000	Non controlling interest GH¢'000	Total GH¢'000
Balance at 31 December 2009		**10,000**	**38,093**	**58,930**	**28,760**	**636,880**	**33,120**	**805,783**	**52,822**	**858,605**
Retrospective Correction of Error (Pension Fund) Note 34 (a)		-	-	-	-	(25,000)	-	(25,000)	-	(25,000)
Retrospective Correction of Error (note 34 b)		-	5,041	-	-	-	-	5,041	-	5,041
Restated Balance as at 1 January 2010		**10,000**	**43,134**	**58,930**	**28,760**	**611,880**	**33,120**	**785,824**	**52,822**	**838,646**
Profit for the Year		-	112,672	-	-			112,672	8,794	121,466
Other Comprehensive Income			793	58,869			(705)	58,957	58,957	
Dividend Paid		-	-	-	-	-	-	-	(3,406)	(3,406)
Price & Exchange Movement in Gold, and other Foreign Assets	2(j)	-	-	-	-	112,507	-	112,507	-	112,507
Transfer to Other Reserve		-	(109,962)	-	-	109,962	-	-	-	-
Balance at 31 December 2010		**10,000**	**46,637**	**117,799**	**28,760**	**834,349**	**32,415**	**1,069,960**	**58,123**	**1,128,003**

Statement of Changes in Equity
For the Year Ended 31 December 2010

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
Other Comprehensive Income	-	-	-	-	-	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 2010

	Note	The Bank 2010 GH¢'000	The Bank 2009 GH¢'000	The Group 2010 GH¢'000	The Group 2009 GH¢'000
Cash (Outflows)/Inflows from Operating Activities	32	**134,715**	**(1,125,041)**	**(249,106)**	**(981,525)**
Cash Flows from Investing Activities					
Change in Development Loans and Investments		(12,083)	(103,179)	(4,432)	(50,000)
Property, Plant & Equipment Purchased		(6,909)	(17,207)	(12,302)	(20,790)
Change in Balances with IMF		(7,306)	(799,215)	(7,306)	(799,215)
Net Cash used in Investing Activities		**(26,298)**	**(919,601)**	**(24,040)**	**(870,005)**
Tax Paid		-	-	**(3,941)**	**(6,762)**
		108,417	(2,044,642)	(277,087)	(1,815,530)
Cash Flows from Financing Activities					
Dividend Paid to Non-Controlling Interest		-	-	(3,406)	(4,492)
Change in Bank of Ghana Instruments		151,642	545,445	149,247	545,445
Change in Currency in Circulation		918,921	447,687	918,921	447,687
Change in Allocation of SDRs		4,141	679,943	4,140	679,943
Change in Short-Term Credits		-	145,018	-	145,019
Change in Enhanced Structural Adjustment Facility		209,700	184,560	209,700	184,561
Deferred Income		-	-	-	(308)
Net Cash from Financing Activities		**1,284,404**	**2,002,653**	**1,278,601**	**1,997,855**
Net Change in Cash and Cash Equivalents		1,392,821	(41,989)	1,001,514	139,563
Analysis of Changes in Cash and Cash Equivalents during the Year					
Balance at 1 January		257,200	269,028	281,676	111,029
Net Cash Inflow		1,392,821	(41,989)	1,001,514	139,563
Effect of Exchange Rate Fluctuations on Cash Held		-	30,161	-	31,084
Balance at 31 December		**1,650,021**	**257,200**	**1,283,190**	**281,676**

The attached notes 1 to 35 form an integral part of these financial statements

Notes to the Financial Statements For the Year Ended 31 December 2010

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 2010 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 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, and 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.

notes to the 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.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

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) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(iv) 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 profit or loss 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 other comprehensive income, until the financial asset is

notes to the financial statements

derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss.

(ii) Dividends Received

Dividends are recognised in the profit or loss 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 profit or loss 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 profit or loss 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 profit or loss. Non-monetary assets and liabilities 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 profit or loss 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 the 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 Ghana International Bank (GIB) 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 reporting 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.

notes to the financial statements

The following were the average and closing rates for the year ended 31 December 2010.

Currency	Average Rate GH¢	Closing Rate GH¢
US Dollar	1.42340	1.46995
GBP	2.19166	2.29295
EURO	1.89176	1.96880

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 where 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 profit or loss 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.

notes to the financial statements

(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 making.

(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 receivables and held to maturity.

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

(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 other comprehensive income. The fair value changes on available-for-sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or derecognised as well as impaired.

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 profit or loss.

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

(ix) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ➔ The rights to receive cash flows from the asset have expired
- ➔ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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

(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.

notes to the financial statements

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 statement of financial position.

(xi) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position 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 reporting 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.

- *Available-for-Sale Financial Assets*

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

notes to the financial statements

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

- *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 and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in the profit or loss. 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 assumptions 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. Such reversal is recognised in profit or loss.

(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:

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

Note 29 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

j. Gold

Gold is held by the Group as part of its foreign reserves and is classified as available-for-sale for the purposes of measurement. Gold holdings are included in the statement of financial position 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 Reserve.

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). Refer to note 3(f).

k. Loans and Advances

Loans and advances originated by the Bank are classified as loans and receivables. Loans and advances are stated in the statement of financial position at the estimated recoverable amounts in accordance with note 3(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.

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 statement of financial position 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

notes to the financial statements

of Ghana Act, 2002 (Act 612). The interest 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 measured, they are stated at cost less provision for impairments.

n. Property, Plant and Equipment

(i) Recognition and Measurement

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

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

When parts of an item of Property, Plant and Equipment (PPE) have different useful lives, they are accounted for as separate items (major components) of PPE.

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment in order to reduce the value to residual value over the useful life. 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:

Item	%
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 and adjusted if necessary at the reporting date.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are included in profit or loss.

(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 other comprehensive income under the heading of Asset Revaluation Reserve. However, the increase is recognised in profit or loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

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

o. Intangible Assets

Software

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

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

notes to the financial statements

Amortisation is recognised in profit or loss 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.

Depreciation methods and useful lives are reassessed and adjusted if necessary at the reporting date.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are included in profit or loss.

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 statement of financial position at amortised cost. Interest bearing deposits are stated at amortised cost.

q. Employee Benefits

(i) Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss 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 profit or loss.

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.

An accrual 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 profit or loss except to the extent that it relates to items recognised directly in other comprehensive income in which case it is recognised in equity.

notes to the financial statements

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 year, 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 financial reporting date.

t. Deferred Taxation

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 liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

- Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

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.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

u. Events after the Reporting Date

Events subsequent to reporting date are adjusted only to the extent that they provide evidence of conditions that existed at the end of the reporting period 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

notes to the financial statements

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.

y. Comparative Information

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

4. 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 statement of financial position. The amount of guarantees and performance bonds outstanding, at 31 December 2010 was GH¢200 million (2009: GH¢286.2 million).

(b) Capital Expenditure

The Group had capital expenditure commitments of GH¢993,719 not provided for in the financial statements as at 31 December 2010 (2009: GH¢936,000).

(c) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢1.527 million. (2009: GH¢1.484 million).

(d) Documentary Credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank Plc amounted to about GH¢16.328 million (2009: GH¢86.35 million).

(e) Operating Lease

There was no commitment in respect of operating lease during the year (2009: Nil).

5. Effective Interest Rates of Financial Assets and Liabilities

The effective interest rates for the principal financial assets at 31 December 2010 and 2009 were in the following ranges:

	2010 GH¢'000	2009 GH¢'000
Assets		
Securities - Government	**0 - 22.70%**	0 - 24.67%
External	**0.13% - 4.72%**	0.01 - 4.38 %
Loans and Advances	**13.5% - 18%**	13.5% - 17%
Liabilities		
Deposits	**0%**	0%
Liabilities under Money Market Operations	**11.65% - 18.25%**	10.44% - 24.67%

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
6(i). Interest and Similar Income				
Interest on Overnight Borrowings, Government Securities, Medium/Long-Term Notes and Bonds	**181,271**	147,911	**193,356**	164,745
Interest on Foreign Correspondent Accounts and Foreign Investments	**43,368**	30,289	**43,368**	30,289
Total interest Income	**224,639**	178,200	**236,724**	195,034
Discount on Treasury Bill Operations	**24,362**	79,964	**24,362**	79,964
	249,001	258,164	**261,086**	274,998
6(ii). Interest Expense and Similar Charges				
IMF & SDR Allocations	**408**	1,798	**408**	1,798
Foreign Loans and Credits	**-**	4,006	**-**	4,006
Forex Deposits	**-**	-	**-**	-
Deposits by Customers	**-**	-	**469**	523
Deposits by Banks	**-**	-	**1,445**	1,687
Interest on Money Market Instruments	**109,143**	63,488	**109,143**	63,488
Repo Expense and Other Commissions Paid	**38,408**	-	**38,408**	48
	147,959	69,292	**149,873**	71,550
6(iii). Other Operating Income				
Other Income	**20,443**	13,766	**45,904**	30,673
	20,443	13,766	**45,904**	30,673
6(iv). Analysis of Exchange Gain				
Exchange Difference	18,748	10,260	18,748	201,059
Exchange Rate Equalisation	146,844	179,000	146,844	(11,205)
	165,592	189,260	165,592	189,854

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

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
7. Administrative Expenses				
Personnel Cost	**91,283**	67,742	**102,474**	77,888
Foreign and Domestic Travel	**4,191**	3,197	**4,261**	3,546
Motor Vehicle Maintenance/Running	**4,482**	3,740	**4,540**	3,811
Communication Expenses	**2,993**	2,611	**2,993**	3,080
Banking College and Monetary Institutes	**708**	1,571	**708**	1,571
Computer Related Expenses	**2,348**	862	**2,348**	4,710
Banking Supervision Expenses	**451**	564	**451**	564
Auditors' Remuneration	**141**	163	**299**	409
Directors' Remuneration	**865**	467	**2,551**	1,333
Expense on Foreign Currency Importation	**63**	46	**63**	46
Depreciation - Motor Vehicles	**3,447**	3,423	**3,575**	3,576
Amortisation of Computer Software Licence	**479**	149	**479**	149
Others	**18,747**	6,543	**23,672**	10,967
	130,198	91,078	**148,414**	111,650
The average number of persons employed by the Bank during the period was:				
Directors	11	3	29	19
Staff	1,536	1,470	1,633	1,556
	1,547	1,473	1,662	1,575
8. Premises and Equipment Expenses				
Rent and Rates	512	36	512	1,485
Electricity, Water and Conservancy	2,122	1,376	2,350	1,494
Repairs and Renewals	4,427	4,380	4,427	5,809
Insurance - Premises and Equipment	73	97	73	350
Depreciation - Premises & Equipment	9,786	10,951	13,760	11,241
Generator Running Expenses	67	77	67	117
Other Premises and Equipment Expenses	1,689	1,296	1,841	1,352
	18,676	18,213	23,030	21,848
9. Currency and Issue Expenses				
Agency Fees	430	439	430	439
Notes Printing	58,793	25,375	58,793	25,375
Coin Minting	622	3,118	622	3,118
Other Currency Expenses	1,039	849	1,039	849
	60,884	29,781	60,884	29,781

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
10. Impairment Losses				
Balance at 1 January	**17,840**	30,253	**18,950**	30,253
Impairment Loss Recognised/(Reversal)	**(3,326)**	(12,413)	**(3,283)**	(11,303)
Balance at 31 December (note other liabilities for Impairment Loss Provision	**14,514**	17,840	**15,667**	18,950

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 has 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

Current Year Tax	**2010**	2009
	GH¢'000	GH¢'000
UK Corporation Tax for the Year	**6,804**	5,595
Prior Year Adjustment	**(1,020)**	(314)
	5,784	5,281
Deferred Tax		
Prior Year Adjustment	**104**	-
Origination and Reversal of Timing Differences	**(121)**	52
	(17)	52
Deferred Tax Note	5,767	5,333
The Tax charge for the Current Year		

notes to the financial statements

	2010 GH¢'000	2009 GH¢'000
(ii) Deferred Tax		
Profit on Ordinary Activities before Tax	23,715	19,303
Tax at 28% (2009; 28%)	6,640	5,405
Adjustment to Tax charge in respect of prior Year		
Expenses Disallowed (Bank Bonus)	-	159
Expenses Disallowed for Other Tax Purposes	36	83
Effect of Tax Rate Charge	6	-
Prior Year Adjustment	(915)	(314)
	5,767	5,333
(iii) Deferred Tax		
The tax expense in the consolidated statement of Income comprises:		
Capital Allowances	179	162
Total Deferred Tax Assets	179	162
Deferred Tax Asset as at 1 January	162	164
Prior Year Adjustment	(104)	-
Deferred Tax Credit in Profit and Loss	133	(52)
Effect of Change in Tax Rate	(7)	-
Translation Adjustment	(6)	50
	178	162

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
12. Cash and Amounts due from banks				
Correspondent Bank Balances	**1,606,189**	191,353	**1,239,358**	180,840
Notes and Coins Holdings	**43,832**	65,847	**43,832**	100,836
	1,650,021	257,200	**1,283,190**	281,676
13. Gold				
Bank of England Gold set aside	**359,939**	276,467	**359,939**	276,467
Federal Reserve Bank NY Gold	**159,872**	121,441	**159,872**	121,441
UBS Gold Investment	**37,376**	27,840	**37,376**	27,840
Gold -Local Holdings	**21,169**	16,080	**21,169**	16,080
	578,356	441,828	**578,356**	441,828

An amount of GH¢131.1 million (2009: GH¢102.7 million) of UBS gold is held in investment and recorded under short-term securities.

	The Bank		The Group	
	2010	2009	**2010**	2009
14. Balances with IMF				
Holdings	**659,553**	654,352	**659,553**	654,352
Quota	**835,453**	831,136	**835,453**	831,136
HIPC Trust	-	2,212	-	2,212
	1,495,006	1,487,700	**1,495,006**	1,487,700
15. Loans and Advances				
Government	**848,659**	1,218,020	**848,659**	1,218,020
Financial Institutions	**138,795**	166,494	**1,158,993**	1,067,421
Lending (Note 15a)	**75,884**	155,595	**238,919**	267,415
Gross Amount	**1,063,338**	1,540,109	**2,246,571**	2,552,856
Less: Impairment Losses	**(4,971)**	(9,173)	**(4,971)**	(10,336)
Carrying Amount (Note 15b & 15c)	**1,058,367**	1,530,936	**2,241,600**	2,542,520
(a) Analysis of Lending (Sectoral)				
Gross Lending is analysed as follows:				
Commerce and Finance	-	-	-	111,820
Miscellaneous	**75,884**	155,595	**238,919**	155,595
	75,884	155,595	**238,919**	267,415

notes to the financial statements

	The Bank		The Group	
	2010	2009	2010	2009
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
(b) Loans and Advances (Valuation)				
Loans and Advances at Fair Value through P&L	848,659	1,218,020	848,659	1,218,020
Loans and Advances at Amortised Cost (Note 15c)	209,708	312,916	1,392,941	1,324,500
	1,058,367	1,530,936	2,241,600	2,542,520

	2010			2009		
	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000	Gross Amount GH¢'000	Impairment Amount GH¢'000	Carrying Amount GH¢'000
(c) The Bank						
Loans and Advances at Amortised Cost						
Financial Institutions	**138,795**	**(4,971)**	**133,824**	166,494	(4,624)	161,870
Other Secured Lending	**75,884**	**-**	**75,884**	155,595	(4,549)	151,046
	214,679	**(4,971)**	**209,208**	322,089	(9,173)	312,916
(d) The Group						
Loans and Advances at Amortised Cost						
Government	**848,659**	**-**	**848,659**	1,218,020	-	1,218,020
Financial Institutions	**1,158,993**	**(4,971)**	**1,154,022**	1,067,421	(4,624)	1,062,797
Other Secured Lending	**238,919**	**-**	**238,919**	267,415	(5,712)	261,703
	2,246,571	**(4,971)**	**2,241,600**	2,552,856	(10,336)	2,542,520

notes to the financial statements

16. Securities

	Gross Amount GH¢'000	Amortisation GH¢'000	2010 Carrying Amount GH¢'000	2009 Carrying Amount GH¢'000
The Bank				
Long-Term Government Securities	1,239,034	-	**1,239,034**	1,245,456
Money Market Instruments	273,328	-	**273,328**	398,340
Short-Term Securities	3,806,327	-	**3,806,327**	3,157,202
	5,318,689	-	**5,318,689**	4,800,998
The Group				
Long-Term Government Securities	1,239,034	-	**1,239,034**	1,245,456
Money Market Instruments	273,328	-	**273,328**	618,520
Short-Term Securities	3,569,577	-	**3,569,577**	3,157,202
Others	39,363		**39,363**	-
	5,121,302	-	**5,121,302**	5,021,178

(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	
	2010 GH¢'000	2009 GH¢'000	**2010 GH¢'000**	2009 GH¢'000
Items in Course of Collection	**141,751**	8,998	**141,751**	8,998
Revaluation Account	**26,509**	(37,318)	**26,509**	(37,318)
Others	**679,977**	336,623	**695,572**	348,736
	848,237	308,303	**863,832**	320,416
Less: Impairment Losses	**(5,330)**	(7,774)	**(5,330)**	(7,774)
	842,907	300,529	**858,502**	312,642

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.

notes to the financial statements

18. Property, Plant and Equipment

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
The Bank						
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)	(0.3)	(3)	-	(726)
Transfers	108	-	-	5	(113)	-
Balance at 31/12/09	**51,237**	**15,587**	**1,885**	**62,720**	**50,175**	**181,604**
Gross Value						
At 1/1/10	51,237	15,587	1,885	62,720	50,175	181,604
Additions	234	2,997	529	3,106	43	6,909
Transfers from WIP	-	-	-	50,175	(50,175)	-
Transfers[1]	(9,596)	(14,692)	(1,612)	(47,577)		(73,477)
Revaluation Additions**	103,163	5,390	950	(55,592)	-	53,911
Balance at 31/12/10	**145,038**	**9,282**	**1,752**	**12,832**	**42**	**168,946**
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)	(0.3)	(3)	-	(726)
Balance at 31/12/09	**7,931**	**12,550**	**1,398**	**41,021**	**-**	**62,900**
At 1/1/10	7,931	12,550	1,398	41,021	-	62,900
Charge for the year*	2,356	2,655	271	7,203		12,485
Transfers[1]	(9,596)	(14,692)	(1,612)	(47,577)		(73,477)
Balance at 31/12/10	**691**	**513**	**57**	**647**	**-**	**1,908**
Carrying Amounts						
Balance at 31/12/09	**43,306**	**3,037**	**487**	**21,699**	**50,175**	**118,704**
Balance at 31/12/10	**144,347**	**8,769**	**1,695**	**12,185**	**42**	**167,038**

[1] Transfers relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued assets
*Charge for the year includes depreciation charge of assets up to the revaluation date.
**This represents the revaluation reserve recognised on the revaluation of the Group's property, plant and equipment.

notes to the financial statements

18. Property, Plant and Equipment (continued)

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.

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
The Group						
Gross Value						
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**
Gross Value						
At 1/1/10	6,801	16,809	2,883	87,862	50,288	214,643
Additions	271	3,201	586	10,303	43	14,405
Revaluation additions	103,163	5,404	964	(55,360)	-	54,172
Write offs				(2,886)	-	(2,886)
Transfers	(9,583)	(14,692)	(1,612)	(47,690)	-	(73,576)
Transfer from WIP	-	-	-	50,288	(50,288)	-
Disposals		(116)		(1,206)		(1,322)
Translation Adjustment	(12)	(1)	(5)	(23)	-	(41)
Balance at 31/12/10	**150,640**	**10,605**	**2,816**	**41,288**	**43**	**205,392**
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**
At 1/1/10	8,181	13,615	1,610	47,799		71,205
Charge for the Year	2,625	2,825	589	10,598	-	16,637
Released on Disposal		(116)		(908)		(1,024)
Transfers	(9,583)	(14,692)	(1,612)	(47,690)		(73,576)
Write offs	(121)		13	(2,424)		(2,532)
Translation Adjustment	-	(1)	-	(14)	-	(15)
Balance at 31/12/10	**1,102**	**1,631**	**600**	**7,361**	**-**	**10,694**

notes to the financial statements

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
18. The Group (continued)						
Carrying Amounts						
Balance at 01/01/09	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
Balance at 31/12/10	**149,539**	**8,974**	**2,217**	**33,924**	**43**	**194,698**

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 Bank		The Group	
	2010 GH¢'000	2009 GH¢'000	**2010 GH¢'000**	2009 GH¢'000
19. Development Loans and Investments				
Investments - Banks	55,967	55,967	55,475	51,045
Investments - Other Institutions	65,268	53,190	9	12
	121,235	109,157	55,484	51,057
Impairment Losses	(889)	(894)	(889)	(894)
	120,346	108,263	54,595	50,163

Included in investments – Banks are: GH¢4,921,500 representing 51 per cent equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom.

Also, included in investments – other institutions is an amount of GH¢62,259,000 representing 100 per cent holdings in GhIPSS, a company incorporated in Ghana, and an amount of GH¢ 3,000,000 representing 100 per cent in CSD, a company incorporated in Ghana.

These amounts have been eliminated in the consolidated financial statements.

Included in investment in banks are preference shares held by the Bank of Ghana in National Investment Bank valued at GH¢50 million.

notes to the financial statements

20(a). Currency in Circulation

	The Bank 2010 GH¢'000	The Bank 2009 GH¢'000	The Group 2010 GH¢'000	The Group 2009 GH¢'000
Notes and Coins Issued	**5,676,542**	3,234,842	**5,676,542**	3,234,842
Less: Cash Account & Agencies	**(2,413,823)**	(891,044)	**(2,413,823)**	(891,044)
	3,262,719	2,343,798	**3,262,719**	2,343,798

20(b). Currency in Circulation by Denomination

DENOMINATION Notes in Circulation	The Bank 2010 GH¢'000	The Bank 2009 GH¢'000	The Group 2010 GH¢'000	The Group 2009 GH¢'000
Gh¢50	**666,557**	346,735	**666,557**	346,735
GH¢20	**583,913**	397,020	**583,913**	397,020
GH¢10	**875,477**	663,609	**875,477**	663,609
GH¢5	**659,059**	329,383	**659,059**	329,383
GH¢2	**178,227**	-	**178,227**	-
GH¢1	**189,779**	165,457	**189,779**	165,457
Total Notes in Circulation	**3,153,012**	**1,902,204**	**3,153,012**	**1,902,204**
Coins in Circulation				
GH¢1	**22,239**	22,380	**22,239**	22,380
50GP	**26,368**	25,557	**26,368**	25,557
20GP	**19,526**	17,743	**19,526**	17,743
10GP	**11,267**	9,789	**11,267**	9,789
5GP	**6,741**	5,542	**6,741**	5,542
1GP	**806**	766	**806**	766
Total Coins in Circulation	**86,947**	**81,777**	**86,947**	**81,777**
New Currency in Circulation	**3,239,959**	1,983,981	**3,239,959**	1,983,981
Old Currency in Circulation	**22,760**	359,817	**22,760**	359,817
Total Currency in Circulation	**3,262,719**	**2,343,798**	**3,262,719**	**2,343,798**

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
21(a). Deposits				
Government	**1,069,368**	1,556,744	**1,069,368**	1,556,744
Financial Institutions/Banks	**1,361,563**	955,928	**1,368,427**	1,593,322
Others	**885,731**	383,027	**1,333,947**	849,636
	3,316,662	2,895,699	**3,771,742**	3,999,702

21(b). Subsequent Events

A total revenue collection of GH¢142.2 million made prior to 31 December 2010 could not be transmitted into the Government Revenue Accounts by the authorised collection banks as at 31 December 2010. These were however received into Government Revenue Accounts between 1 and 7 January 2011.

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
22. Liabilities to IMF				
(i) IMF Currency Holdings				
IMF No. 1	**49,383**	50,240	**49,383**	50,240
IMF No. 2	**9**	9	**9**	9
IMF Securities	**786,070**	780,895	**786,070**	780,895
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	**576,440**	371,058	**576,440**	371,058
	1,411,902	1,202,202	**1,411,902**	1,202,202

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 (2009: SDR 369 million). IMF currency holdings equivalent to SDR 21,811,168 (2009: SDR 22,305,500) and SDR 4,171 (2009: 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.

notes to the financial statements

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
23. Liabilities under Money Market Operations				
Bank of Ghana Instruments	941,879	790,237	939,484	790,237

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

	The Bank		The Group	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
24(a). Other Liabilities				
Accruals and Account Payable	12,531	21,593	39,750	18,183
Defined Pension Fund Liability (Note 24i)	279,387	109,096	279,387	109,096
Others	183,488	135,324	189,135	158,583
	475,406	266,013	508,272	285,862
24(b). Pension Fund Liability				
Balance as at 1 January	109,096	125,000	109,096	-
Purchase of Treasury bills	-	(125,000)	-	-
Allocations	25,000	108,658	25,000	108,658
Payment	(11,073)	(8,658)	(11,073)	(8,658)
Re-instatement of netting-off Fund Assets and Liabilities	125,000	-	125,000	-
Interest on Treasury bills	31,364	9,096	31,364	9,096
Balance as at 31 December	**279,387**	**109,096**	**279,387**	**109,096**

The actuarial valuation, as contained in the report of the actuarial consultant, set the Bank's obligation at GH¢531 million at 31 December 2009. A provision of GH¢265.09 million (2009: GH¢234 million) has so far been made in the financial statements in respect of the Bank's obligation to the scheme of which GH¢254 million have been invested in treasury bills.

notes to the financial statements

	Number of Shares		Proceeds	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
25. Stated Capital				
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. Statutory 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(a). Other Reserves

The Bank	**Price & Exchange Movement GH¢'000**	**Transfer from Surplus GH¢'000**	**2010 GH¢'000**	**2009 GH¢'000**
Balance as at 1 January	653,465	-	653,465	444,840
Retrospective correction of error (Note 34)	(25,000)	-	(25,000)	-108,658
Restated balance at 1 January 2010	**628,465**		**628,465**	**336,182**
(Decrease)/Increase in the year	128,345	109,962	238,307	317,283
Balance at 31 December	**756,810**	**109,962**	**866,772**	**653,465**

notes to the financial statements

The Group	Price & Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	2010 GH¢'000	2009 GH¢'000
Balance at 1 January	636,880	33,120	-	670,000	444,617
Retrospective Correction of Error (Note 34)	(25,000)	-	-	(25,000)	(108,658)
Restated balance at 1 January	**611,880**	**33,120**	**-**	**645,000**	**335,959**
(Decrease)/Increase in the Year	112,507	(705)	109,962	221,764	334,041
Balance at 31 December	**724,387**	**32,415**	**109,962**	**866,764**	**670,000**

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).

28(b) The amount relates to an adjustment in the accounts of GhIPSS to correct a prior period misstatement.

notes to the financial statements

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:

	Note	Held for Trading GH¢'000	Held to Maturity GH¢'000	Designated at Fair Value through P&L GH¢'000	Available for Sale GH¢'000	Loans & Receivables GH¢'000	Total Carrying GH¢'000	Fair Value GH¢'000
Assets								
i. The Bank 2010								
Cash and Balances with Correspondent Banks	12					1,650,021	1,650,021	1,650,021
Government Securities	16		1,239,034	-			1,239,034	1,239,034
Money Market Instruments	16		273,328				273,328	273,328
Short-Term Securities	16		3,806,327				3,806,327	3,806,327
Loans and Advances	15				50,000	1,008,367	1,058,367	1,058,367
Other Assets	17		-		-	842,907	842,907	842,907
Total at 31/12/10			**5,318,689**		**50,000**	**3,501,295**	**8,819,984**	**8,819,984**
ii. The Bank 2009								
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**	**6,889,663**	**6,889,663**

notes to the financial statements

	Note	Held for Trading GH¢'000	Held to Maturity GH¢'000	Designated at Fair Value through P&L GH¢'000	Available for Sale GH¢'000	Loans & Receivables GH¢'000	Total Carrying GH¢'000	Fair Value GH¢'000
i. The Bank 2010								
Cash and Balances with Correspondent Banks	12	-	-	-	-	1,283,190	1,283,190	1,283,190
Government Securities	16		1,239,034				1,239,034	1,239,034
Money Market Instruments	16		273,328	-	-		273,328	273,328
Short-Term Securities	16		3,608,940	-	-		3,608,940	3,608,940
Loans and Advances	15		-	-	-	2,241,600	2,241,600	2,241,600
Other Assets	17		-	-	-	858,502	858,502	858,502
Total at 31/12/10			**5,121,302**		-	**4,383,292**	**9,504,594**	**9,504,594**
ii. The Bank 2009								
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	3,157,202
Loans and Advances	15		-	-	-	2,542,520	2,542,520	2,542,520
Other Assets	17		-	-	-	312,642	312,642	312,642
Total at 31/12/09			**5,021,178**	-	-	**3,136,838**	**5,615,496**	**5,615,496**

notes to the financial statements

	Note	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Liabilities						
i. The Bank 2010						
Government Deposits	21	-	-	1,069,368	1,069,368	1,069,368
Due to Banks and Financial Institutions	21	-	-	1,361,563	1,361,563	1,361,563
Other Short-Term Deposits	21	-	-	885,731	885,731	885,731
Money Market Instruments	23	-	941,879	-	941,879	941,879
Other Liabilities	24	-	-	475,406	475,406	475,406
Total at 31/12/10		-	**941,879**	**3,792,068**	**4,733,947**	**4,733,947**

	Note	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
ii. The Bank 2009						
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**

notes to the financial statements

29.Financial Instruments Classification and Summary (continued)

	Note	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Liabilities						
iii. The Group 2010						
Government Deposits	21	-	-	1,069,368	1,069,368	1,069,368
Due to Banks and Financial Institutions	21	-	-	1,368,427	1,368,427	1,368,427
Other Short-Term Deposits	21	-	-	1,333,947	1,333,947	1,333,947
Money Market Instruments	23	-	939,484		939,484	939,484
Other Liabilities	24	-	-	508,272	508,272	508,272
Total at 31/12/2010		**-**	**939,484**	**4,280,014**	**5,219,498**	**5,219,498**

	Note	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
iv. The Group 2009						
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**

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

notes to the financial statements

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	2010 GH¢'000	2009 GH¢'000
Short-term employee benefits	624	436
Termination benefit	276	219
Post-employment benefits	124	99
	1,024	754

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. 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.

notes to the financial statements

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	
	2010	2009	**2010**	2009
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Loans and advances	**1,058,367**	1,530,936	**2,241,600**	2,542,520
Cash and cash equivalent	**1,650,021**	257,200	**1,283,190**	281,676
	2,708,388	1,788,136	**3,524,790**	2,824,196

31. Risk Management Disclosures (continued)

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:

a. The Bank 2010	**Amount GH¢'000**	**3 months or less GH¢'000**	**3 to 6 Months GH¢'000**
Non-Derivative Financial Liabilities			
Government deposits	1,069,368	1,069,368	
Deposits by Banks and Financial Institutions	1,361,563	1,361,563	
Other Short-Term Deposits	885,731	885,731	
Money Market Instruments	941,879	365,675	576,204
Other Liabilities	475,406	475,406	-
Balance at 31/12/10	**4,733,947**	**4,157,743**	**576,204**

notes to the financial statements

31. Risk Management Disclosures (continued)

	3months	3 to 6	
	Amount	or less	months
	GH¢'000	GH¢'000	GH¢'000
The Bank 2009			
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 2010			
Non-Derivative Financial Liabilities			
Government Deposits	1,069,368	1,069,368	
Deposits by Banks and Financial Institutions	1,368,427	1,368,427	
Other Short-Term Deposits	1,333,947	1,333,947	
Money Market Instruments	939,484	363,280	576,204
Balance at 31/12/10	**4,711,226**	**4,135,022**	**576,204**
The Group 2009			
Non-Derivative Financial Liabilities			
Government Deposits			
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
Balance at 31/12/09	**3,233,195**	**2,656,990**	**576,205**

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.

notes to the financial statements

31. Risk Management Disclosures (continued)

Cash flow sensitivity analysis for variable rate instruments

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

The analysis is performed on the same basis for 2009.

	100bp Increase GH¢'000	100bp Decrease GH¢'000
Effects in Ghana Cedis		
31 December 2010		
Average for the period	(8,430)	8,430
Maximum for the period	6,908	(6,908)
Minimum for the period	(10,345)	10,345
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)

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 or later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and amongst currencies.

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

notes to the financial statements

MATURITY PROFILE ANALYSIS – Liquidity Risk

	Up to 1 mth GH¢'000	B/n 1&3 months GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	>5years GH¢'000	Total GH¢'000
The Bank 2010						
LIABILITIES						
Currency in Circulation	-	-	-	-	3,262,719	3,262,719
Allocations of Special Drawing Rights	801,194	-	-	-	-	801,194
Deposits	3,316,662	-	-	-	-	3,316,662
Liabilities to IMF	-	-	-	576,440	835,462	1,411,902
Liabilities under Money Market Operations	8,275	12,760	-	920,844	-	941,879
Other Liabilities	3,550	0		0	471,856	475,406
Total	**4,129,681**	**12,760**		**1,497,284**	**4,570,037**	**10,209,762**
The Bank 2009						
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**	**8,295,003**
The Group 2010						
LIABILITIES						
Currency in Circulation	-	-	-	-	3,262,719	3,262,719
Allocations of Special Drawing Rights	801,194	-	-	-	-	801,194
Deposits	3,204,014	493,283	74,445			3,771,742
Liabilities to IMF	-	-	-	576,440	835,462	1,411,902
Provision for Corporation Tax	-	-	-	4,031	-	4,031
Liabilities under Money Market Operations	8,275	10,365		920,844		939,484
Other Liabilities	3,550	49,135	-	7,722	447,865	508,27-2
Deferred Income	-	-	-	-	-	-
Total	**4,017,033**	**552,783**	**74,445**	**1,509,037**	**4,546,046**	**10,699,344**
The Group 2009						
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	-	790,237
Other Liabilities		35,216	32,133	1,750	216,763	285,862
Deferred Income	-	-	306	1,530	625	2,461
Total	**4,554,564**	**610,206**	**336,043**	**1,359,317**	**2,561,186**	**9,421,316**

notes to the financial statements

INTEREST RATE REPRICING ANALYSIS

	3 months or less GH¢'000	B/n 3&12 months GH¢'000	Over 1 yr GH¢'000	Non-Interest bearing GH¢'000	Total GH¢'000	2009 GH¢'000
The Bank 2010						
ASSETS						
Cash and Amounts due from Banks	1,606,189	-	-	43,832	1,650,021	257,200
Gold		197,247		381,108	578,355	441,828
Balances with IMF		1,495,006			1,495,006	1,487,700
Securities	3,836,619	118,583	1,014,746	348,740	5,318,689	4,800,998
Loans and Advances	-	-	-	1,058,367	1,058,367	1,530,936
Other assets				842,907	842,907	300,529
Property, Plant and Equipment	-	-	-	167,039	167,039	118,704
Development Loans and Investments	-	-	-	120,346	120,346	108,263
Total Assets	**5,442,809**	**1,810,835**	**1,014,746**	**2,962,340**	**11,230,730**	**9,046,158**
LIABILITIES	-	-	-			
Currency in Circulation	-	-	-	3,262,719	3,262,719	2,343,798
Allocations of Special Drawing Rights	-	-	-	801,194	801,194	797,054
Deposits				3,316,662	3,316,662	2,895,699
Liabilities to IMF	-	1,411,902	-	-	1,411,902	1,202,202
Liabilities under Money Market Operations	-	941,879	-	-	941,879	790,237
Other Liabilities		0		475,406	475,406	266,013
Total Liabilities		**2,353,781**		**7,855,980**	**10,209,762**	**8,295,003**
						(755,155)
Assets-Liability Gap	**5,442,809**	**(542,945)**	**1,014,746**	**(4,893,640)**	**1,020,969**	**257,200**
The Bank 2009						
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 IMF	-	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	5,232,840
Assets-Liability Gap	**3,301,267**	**(287,050)**	**(1,200,723)**	**(3,459,785)**	**(755,155)**	**(542,530)**

notes to the financial statements

INTEREST RATE REPRICING ANALYSIS

	3 months or less GH¢'000	B/n 3&12 months GH¢'000	Over 1 yr GH¢'000	Non-Interest bearing GH¢'000	Total GH¢'000	2009 GH¢'000
The Group 2010						
ASSETS						
Cash and Amounts due from Banks	1,206,109			77,081	1,283,190	281,676
Gold		197,247		381,108	578,355	441,828
Balances with IMF		1,495,006			1,495,006	1,487,700
Securities	3,522,796	205,255	1,044,512	348,740	5,121,303	5,021,178
Loans and Advances	945,774	123,322	114,136	1,058,367	2,241,599	2,542,520
Other Assets				858,502	858,502	312642
Property, Plant and Equipment				194,698	194,698	143,557
Development Loans and Investments				54,595	54,595	50,163
Deferred Tax Assets	-	-	-	179	179	162
Total Assets	**5,674,679**	**2,020,830**	**1,158,648**	**2,973,270**	**11,827,427**	**10,281,426**
LIABILITIES						
Currency in Circulation	-			3,262,719	3,262,719	2,343,798
Allocations of Special Drawing Rights	-			801,194	801,194	797,054
Deposits	394,709	68,760		3,308,272	3,771,742	3,999,702
Liabilities to IMF		1,411,902			1,411,902	1,202,202
Provision for corporation tax				4,031	4,031	1,505
Liabilities under money market operations		939,484			939,484	790,237
Other Liabilities				508,272	508,272	285,862
Deferred Income	-	-	-	-	-	2,461
Total Liabilities	**394,709**	**2,420,146**	**-**	**7,884,488**	**10,699,344**	**9,422,821**
Assets-Liability Gap	**5,279,970**	**(399,316)**	**1,158,647**	**(4,911,218)**	**1,128,083**	**858,605**
The Group 2009						
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
Non-controlling	-	-	-	52,822	52,822	37,939
Total liabilities and NCI	**490,928**	**2,057,668**	**-**	**6,925,542**	**9,474,138**	**5,893,806**
Assets-Liability Gap	**3,784,831**	**(223,951)**	**1,333,667**	**(4,087,259)**	**912,932**	**650,222**

notes to the financial statements

31. Risk Management Disclosures (continued)

INTEREST RATE REPRICING ANALYSIS

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 Ghana cedis. As a result, movement in the exchange rates of the various foreign currencies in which the Bank maintains selected assets and liabilities impacts these financial statements.

The Bank's foreign currency denominated transactions and balances give rise to exchange gains and losses that are recognised in the financial statements in accordance with note 3(f).

The foreign currency exposures are as follows:

CURRENCY EXPOSURE ANALYSIS

The Bank	**December 2010 GH¢'000**	December 2009 GH¢'000
ASSETS		
Ghana Cedi	**3,543,441**	5,752,042
US Dollar	**5,688,605**	1,452,947
Pound Sterling	**244,536**	17,438
Euro	**143,416**	164,050
Special Drawing Rights	**1,495,006**	1,618,172
Others	**115,726**	41,509
Total	**11,230,730**	**9,046,158**
LIABILITIES & EQUITY		
Ghana Cedi	**(8,328,745)**	6,290,450
US Dollar	**- (1,097,632)**	1,003,623
Pound Sterling	**- (47,590)**	45,017
Euro	**- (41,310)**	41,164
Special Drawing Rights	**- (1,636,656)**	1,621,187
Others	**(78,797)**	44,717
Total	**(11,230,730)**	**9,046,158**
NET POSITION		
Ghana Cedi	**(4,785,304)**	(538,408)
US Dollar	**4,590,973**	449,324
Pound Sterling	**196,946**	(27,579)
Euro	**102,106**	122,886
Special Drawing Rights	**(141,650)**	(3,015)
Others	**36,929**	(3,208)
Total	**-**	**-**

notes to the financial statements

31. Risk Management Disclosures (continued)

CURRENCY EXPOSURE ANALYSIS

The Group	December 2010 GH¢'000	December 2009 GH¢'000
ASSETS		
Ghana Cedi	3,535,931	6,079,896
US Dollar	5,688,605	2,019,464
Pound Sterling	848,743	287,886
Euro	143,416	231,775
Special Drawing Rights	1,495,006	1,618,172
Others	115,726	44,233
Total	**11,827,427**	**10,281,426**
LIABILITIES & EQUITY		
Ghana Cedi	(8,336,252)	6,618,304
US Dollar	(1,097,632)	1,626,451
Pound Sterling	(636,780)	256,695
Euro	(41,310)	111,312
Special Drawing Rights	(1,636,656)	1,621,187
Others	(78,797)	47,477
Total	**(11,827,427)**	**10,281,426**
NET POSITION		
Ghana Cedi	(4,800,321)	(538,408)
US Dollar	4,590,973	393,013
Pound Sterling	211,963	31,191
Euro	102,106	120,463
Special Drawing Rights	(141,650)	(3,015)
Others	36,929	(3,244)
	-	-

The following significant exchange rates applied during the year:

	Average rate		Closing Rate	
	2010 GH¢	2009 GH¢	2010 GH¢	2009 GH¢
Currency				
US Dollar	1.42340	1,4132	1.4699	1.4270
GBP	2.19166	2.2025	2.2929	2.3077
EURO	1.89176	1.9620	1.9688	2.0448
SDR	2.16930	2.2048	2.2524	2.2524

notes to the financial statements

31. Risk Management Disclosures (continued)

Sensitivity Analysis

A 10 per cent 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 remains constant. The analysis is performed on the same basis for 2009.

	Profit or (loss) GH¢'000
31 December 2010	
US Dollar	(459,097)
GBP	(19,694)
EURO	(10,211)
SDR	14,165

	Profit or (loss) GH¢'000
31 December 2009	
US Dollar	(44,932)
GBP	2,758
EURO	(12,289)
SDR	301

A 10 per cent 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 subsidiary's banking operations are directly supervised by its local regulators.

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

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

notes to the financial statements

32. Notes to Cash Flow Statement for the Year Ended 31 December 2010

(a) The Bank	2010 GH¢'000	2009 GH¢'000
Surplus for the Year	**109,962**	295,626
Change in other Assets	**(542,378)**	81,126
Change in other Liabilities	**184,402**	(216,193)
Depreciation	**12,485**	14,523
Movement in Reserves	**130,931**	(87,000)
Change in Deposit Accounts	**420,963**	1,275,702
Change in Advances	**472,569**	(988,691)
Price Change in Gold	**(136,528)**	(147,754)
Exchange Gain on Cash & Cash Equivalent	-	30,161
Change in Securities	**(517,691)**	(1,322,219)
Net Cash Inflows/(Outflows) from Operating Activities	**134,715**	**(1,125,041)**

(b) The Group	2010 GH¢'000	2009 GH¢'000
Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities		
Surplus for the Year	121,466	302,934
Change in Other Assets	(545,860)	75,863
Change in Other Liabilities	194,952	(228,504)
Change in Reserves	9,061	(56,330)
Depreciation	16,757	18,329
Profit/Loss on sale of Property, Plant & Equipment	298	10
Write off	6,103	-
Change in Deposit Accounts	(227,960)	1,791,605
Change in Advances	300,920	(1,318,665)
Price Change in Gold	111,801	(147,753)
Exchange Gain on Cash & Cash Equivalent	-	31,084
Change in Securities	(236,652)	(1,387,930)
Net Cash Inflows/(Outflows) from Operating Activities	(249,106)	(981,525)

notes to the financial statements

33. Departures From IFRS

The following represent material departure from IFRS to comply with Bank of Ghana Act, 2002 (Act 612):

Treatment of Exchange Differences on Specified Balances

As discussed in Note 3(f), net unrealised foreign exchange gain of GH¢128 million (2009: GH¢96 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 the 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	
	2010 GH¢'000	2009 GH¢'000	**2010 GH¢'000**	2009 GH¢'000
Income Statement				
Surplus for the Year	**109,962**	295,626	**121,466**	290,755
Exchange Gain/(loss) Charged to Revaluation Account	**128,337**	96,657	**112,507**	96,657
Surplus/(Deficit) for the Year Restated	**238,299**	392,283	**233,973**	387,412
Equity/Net Assets				
Net Assets Reported	**1,020,968**	751,155	**1,069,960**	858,605
Restatements per above	**128,337**	96,657	**112,507**	96,657
Net Assets Restated	**1,149,305**	847,812	**1,182,467**	955,262

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 2010.

The effect on the financial statement is summarised below:

	The Bank GH¢'000	The Group GH¢'000
Effect on 2010		
Other Reserves	841,772	841,764
Additional Provision for Pension Fund	25,000	25,000
Restated Balance at 1 January 2010	866,772	866,764

35. Relevant Standards, Amendments and Interpretations Issued but not yet Effected

Standards issued but not yet effected up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduced a partial exemption of disclosure requirements for government-related entities. The company does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the Board's work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the Board will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in mid-2011. The adoption of IFRS 9 will have an effect on the classification and measurement of the company's financial assets. However, the Bank determined that the effect shall be quantified in conjunction with the other phases when issued to present a comprehensive picture.

The Board had previously decided to retain the existing IAS 39 classification and measurement requirements for financial liabilities not designated at fair value through profit or loss using the Fair Value Option (FVO) (i.e., financial liabilities at amortised cost and held for trading liabilities). The Board also decided to retain the criteria within IAS 39 for using the FVO for financial liabilities. As a result, the changes resulting from the Amendments only affect the measurement of FVO liabilities. All other requirements in IAS 39 in respect of liabilities are carried forward into IFRS 9. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Amendments.

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income (OCI). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

The Amendments prohibit any recycling through profit or loss of amounts recognised in OCI upon derecognition of the liability. Instead, these amounts may be transferred to retained earnings upon derecognition. This is similar to the treatment of fair value changes on equity investments designated as fair value through OCI.

Liabilities arising from certain derivatives on unquoted equity instruments will no longer be able to be measured at cost and will be required to be measured at fair value.

IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Company.

notes to the financial statements

IAS 12: Income Tax

The amendments are mandatory for annual periods beginning on or after 1 January 2012, but earlier application is permitted.

The amendments require that:

- Deferred tax on investment property measured at fair value is required to be determined using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale

- The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale

- Deferred tax on non-depreciable assets measured using the revaluation model in IAS 16 will always be determined on a sale basis

IFRS 7: New Disclosures for Derecognition of Financial Instruments

The amendment impacts an entity which has “transferred” assets as defined in IAS 39. If the transfer results in the derecognition of the transferred assets in their entirety and the entity have continuing involvement in the derecognised assets then the entity must disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. If the transfer does not result in the derecognition of the transferred assets in their entirety, then disclosures need to be made that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities.

Improvements to IFRSs (Issued in May 2010)

The IASB issued improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments listed below are considered to have a reasonable possible impact on the Bank:

IFRS 3 Business Combinations
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 27 Consolidated and Separate Financial Statements

The Bank however, expects no impact from the adoption of the amendments on its financial position or performance.

ADDRESSES AND TELEPHONE NUMBERS

Head Office

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

Cable Address: GHANABANK, Accra
Telex: 2052, 2541 GHBANK GH
Swift Code: BAGHGHAC
International Dial Code: 233
Telephone Numbers: 030-2666174-6
2666361- 5, 2666902-8, 2666921-5

Fax: (0302) 662996, 665074
E-mail: bogsecretary@bog.gov.gh
Website: www.bog.gov.gh
Cedi House (Head Office Annex) 030-2665252, 2665253
General Services Complex 030-2811301, 2811006
Bank of Ghana Clinic: 030-2224837

Regional Branches

Ashanti Region
P. O. Box 1989
Kumasi
Tel: 032-2022551, 2023944, 2024807
Fax: 032-2026317

Brong-Ahafo Region
P. O. Box 598
Sunyani
Tel: 035-2023814-6, 2023813, 2027161
Fax 0356-2027260

Tamale
P.O Box 340
Tamale
Tel: 037-2022130
037-2022664
Fax: 037-2022329

Western Region
P. O. Box 532
Takoradi
Tel: 031-2024035, 2024372, 2024604
Fax: 031-20 24705

Volta Region
P. O. Box 116
Hohoe
Tel: 036-2722045, 2722122, 2722992
Fax: 036-2722013

Currency Office
Sefwi-Boako
P.O Box 176, Sefwi-Wiawso
Western Region
Tel: 027-7765554, 7765558
Fax: 027-7900115

Agencies Held by Ghana Commercial Bank Ltd

Ghana Commercial Bank Ltd.
P. O. Box 65
Cape Coast
Central Region
Tel: 033-2132812–3, 2132354
Fax: 033-2132549

Ghana Commercial Bank Ltd.
P. O. Box 286
Koforidua
Eastern Region
Tel: 034-2023049, 2023069, 2023059

Ghana Commercial Bank Ltd.
P. O. Box 272
Nkawkaw
Eastern Region
Tel: 034-2222105, 2222222
Fax: 034-2222126

Ghana Commercial Bank Ltd.
Tema-Main
P. O. Box 272
Tema-Greater Accra Region
Tel: 030-3202760, 3202764
3202768

Ghana Commercial Bank Ltd.
P.O. Box 66
Wa
Upper West Region
Tel: 039-2022025, 202038-9, 2020501

Ghana Commercial Bank Ltd.
Dunkwa-on-Offin
Tel: 033-2228236, 2228674
2228528
Fax: 033-2228673

Ghana Commercial Bank Ltd.
P. O. Box 186
Agona - Swedru
Central Region
Tel: 033-2020291
Fax: 033-2020414

Ghana Commercial Bank Ltd.
P. O. Box 12,
Bolgatanga.
Tel: 038-2022500, 2023462, 2022445

Ghana Commercial Bank Ltd.
P. O. Box 164
Ho.
Tel: 036-2027067, 2026436

General enquiries relating to the Bank may be made to the Governors Department on (0302) 663319 / 666174-6 or by e-mail to bogsecretary@bog.gov.gh