BANK OF GHANA

ANNUAL REPORT
2012

BANK OF GHANA

Annual Report
2012

Prepared and Edited
By

The Editorial Committee
Bank of Ghana

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Contents

MANDATE

TO MAINTAIN STABILITY IN THE GENERAL LEVEL OF PRICES

TO ENSURE EFFICIENT OPERATIONS OF THE BANKING AND CREDIT SYSTEMS

TO SUPPORT GENERAL ECONOMIC GROWTH

Foreword

In year 2012, the domestic economy remained strong and inflation was contained amid a fragile global economy. However, Ghana's GDP growth outturn of 7.9 per cent was below the 15 per cent recorded in 2011. Unlike 2011, though, growth in 2012 was largely driven by the non-oil sector, underscoring the growth potential of the economy.

The Bank of Ghana (the Bank) achieved its inflation mandate for the year, as headline inflation stayed within the target range of 8.5 per cent ± 2 per cent. Importantly, inflation was firmly anchored at single digit levels throughout the year while inflation pressures remained subdued, reflecting the impact of prudent monetary policy and improved food supply.

Monetary policy faced a major challenge of dealing with a rapidly depreciating currency in the first half of 2012. Given the potential pass-through to prices of the sharply depreciating cedi, the policy focus was to anchor inflationary expectations and contain probable upside risks to the inflation outlook. Monetary policy was, therefore, tightened with cumulative policy rate hikes of 250 basis points between January and June. In addition, the Bank implemented various policy measures to curb the high demand for foreign exchange. Consequently, exchange rate pressures abated and macroeconomic stability was restored.

The Bank continued to strengthen the financial sector architecture during the year. The regulatory and supervisory frameworks of the financial system were strengthened to ensure financial stability and an enhanced intermediation to support economic activity. In this regard, the Bank strengthened the oversight of both bank and non-bank financial institutions. The Bank issued operating rules and guidelines for microfinance institutions and commenced supervising their operations. Furthermore, to broaden the scope of financial services and credit accessibility, the Bank granted operating licences to a new bank, a credit reference bureau, three non-bank financial institutions, and ninety microfinance institutions. Two bank mergers also took place during the year while significant progress was made in implementing the collateral registry re-design project to bring the operations of the Collateral Registry up to international standards.

A major development in the payment and settlement systems was the completion of the second phase of the national switch and settlement project (gh-link Switch), which created a common platform to facilitate banks' ATMs and POSs interoperability. The Central Securities Depository in collaboration with the Bank took over the settlement of both the securities and cash legs of transactions undertaken in the secondary market to reduce risks and ease the settlement process.

Also in the year, progress was made in currency management. A new currency processing centre was established at the Takoradi branch of the Bank, while work on the Accra multipurpose currency centre continued. Additionally, the Bank introduced an upgraded version of the GH¢50 banknote with technologically advanced security features.

Pursuant to the Anti-Money Laundering Act, 2008 (Act 749), the Bank and other stakeholders collaborated with the Financial Intelligence Centre (FIC) to amend several legislations and regulations covering anti-terrorism, immigration, and criminal offenses. In addition, the Bank conducted money laundering internal risk assessments of banks, and the findings indicated broad compliance with the AML/CFT requirements.

The year also witnessed a major change in the Bank's administrative setup. The former Governor, Mr. K. B. Amissah-Arthur, was appointed the Vice-President of the Republic of Ghana, and he subsequently resigned from the service of the Bank in August. On behalf of the Management and Staff of the Bank, I wish to congratulate him on this achievement and thank him sincerely for the invaluable service rendered to the Bank. I also congratulate Mr. Alexander Yamoah Kyei on his appointment as an External Director, and warmly welcome him to the Board of the Bank.

I wish to thank the Board, Management, and Staff of the Bank for their dedication, hard work, and professionalism throughout the year especially during the challenging periods.

Going forward, economic and financial sector challenges remain which demand continued proactiveness and policy decisiveness. I, therefore, call for continued cooperation and dedication of all to confront these challenges.

Thank You.

Dr H.A. Kofi Wampah

BOARD OF DIRECTORS

Dr. H. A. Kofi Wampah
Acting Governor

Mr. Millison K. Narh
Deputy Governor

Dr. Sydney Y. Laryea
Chartered Accountant

Togbe Afede XIV
Investment Banker

Mrs Esther Lily Nkansah
Chartered Insurer

Mr. Seth Terkper
Chartered Accountant
(Deputy Minister of Finance)

Mr. Kwaku Bram-Larbi
Legal Practitioner

Mr. Sam Appah
Commodity Marketing
Consultant

Dr. David Obu Andah
Banker and Consultant

Mrs. Diana Amewu Ayettey
Economist

Mr. Alexander Y. Kyei
Economist

Mr. Andrew Boye-Doe
Secretary to the Board

DR. SYDNEY LARYEA

Membership: Other Boards/Regulatory Bodies

Integrated Investments Ltd.
Tesano Commercials Ltd.
SIC Insurance Company Ltd.

MRS. ESTHER LILY NKANSAH

Membership: Other Boards/Regulatory Bodies

Donewell Insurance Company Ltd.
Methodist University College

MR. SAM APPAH

Membership: Other Boards/Regulatory Bodies

Chairman-National Risk Management Committee

TOGBE AFEDE XIV

Membership: Other Boards/Regulatory Bodies

Accra World Trade Centre Ltd.
Africa World Airlines Ltd.
SAS Finance Group Ltd.
Strategic Initiatives Ltd.
Sunon Asogli Power Ghana Ltd.

MR. KWAKU BRAM-LARBI

Membership: Other Boards/Regulatory Bodies

Ghana Interbank Payment and Settlement Systems Ltd. (GhIPSS)
Buffer Stock Company

MR. SETH TERKPER

Membership: Other Boards/Regulatory Bodies

VALCO

DR. DAVID OBU ANDAH

Membership: Other Boards/Regulatory Bodies

Central Securities Depository Ltd.
National Development Planning Commission

Mr. Alexander Y. Kyei

Membership: Other Boards/Regulatory Bodies

Investment Advisory Committee

MANAGEMENT OF THE BANK

TOP MANAGEMENT

Dr. H.A. Kofi Wampah
Acting Governor

Mr. Millison K. Narh
Deputy Governor

Mrs. Akofa E. Avorkliyah
Director, Governors Department

Mr. Nicholas Okoe Sai
Advisor, Governors Department

Mr. Andrew Boye-Doe
The Secretary

HEADS OF DEPARTMENT

Mr. Franklyn Belnye
Banking Supervision

Mr. Samuel Tetteh Wayoe
Finance

Mrs. Grace Akrofi
Research

Dr. Benjamin Amoah
Financial Stability

Mrs. Esther Kumado
Legal
(Retired 5th June, 2012)
Mrs. Caroline Otoo
(Appointed 6th August, 2012)

Dr. Mrs. Esther N.K. Kitcher
Medical

Mrs. Akofa E. Avorkliyah
Governors

Mr. Alex Bernasko
Secretary's
(Retired January, 2012)
Mr. Andrew Boye-Doe
(Appointed 13th January 2012)

Mr. Felix Adu
Internal Audit

Mr. Adams Nyinaku
Treasury

Col. (Rtd.) Ani Asamoah
Security

Mr. Arthur Ankrah
Human Resource
(Retired 30th April, 2012)
Mr. Madoc Quaye
(Appointed 6th August, 2012)

Ms. Catherine Ashiley
Currency Management

Mrs. Elly Ohene-Adu
Banking

Mr. Yao Abalo
Risk Management

Mr. Kwasi Debrah
Information Technology
(Retired 4th June, 2012)
Mr. John Fummey
(Appointed 6th August, 2012)

Mrs. Mary Edwards
Information, Documentation &
Publications Services

Ms. Gloria Quartey
Centre for Training &
Professional Development

Mr. Daniel Hagan
General Services

REGIONAL MANAGERS

Mr. James Kingsley Addai
Kumasi, Ashanti Region

Mr. Moses Goka
Hohoe, Volta Region

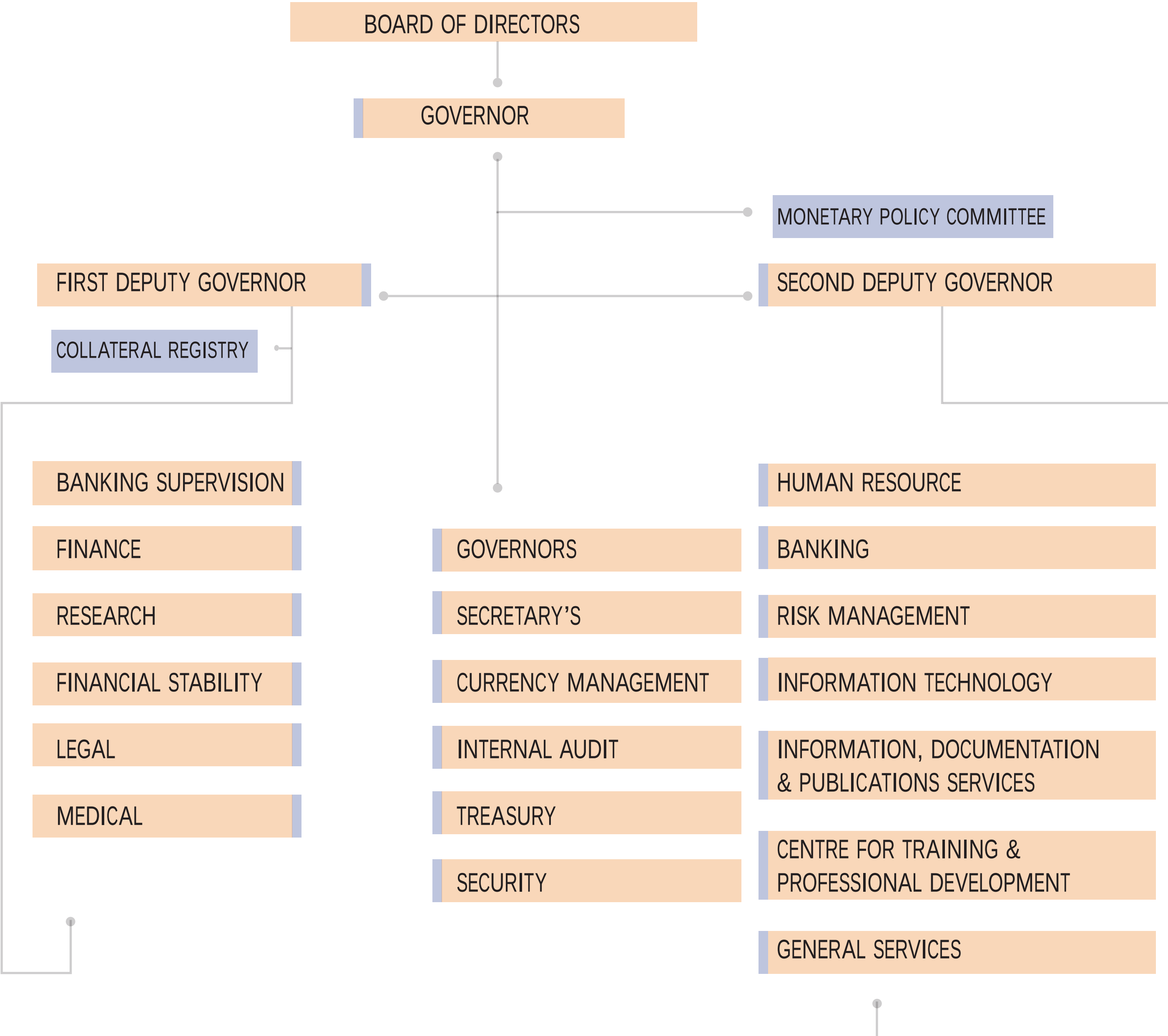
Mr. Charles Sefa
Takoradi, Western Region

Rev. J. Akunyumu Tetteh
Tamale, Northern Region

Mr. Peter Ntsiful
Sunyani, Brong-Ahafo Region

Mr. Paul Danquah
Sefwi-Boako Currency Office
Western Region

ORGANISATIONAL STRUCTURE



CHAPTER 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, consisting of the Governor, who is also the Chairman, the two Deputy Governors and nine External Directors.

The Board of Directors 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 each appointed for a term of four years and are eligible for re-appointment. The External Directors hold office for a period of three years and are also eligible for re-appointment.

Membership of the Board

Mr. K.B. Amissah-Arthur	Governor/Chairman (Resigned August 2012)
Dr. H.A. Kofi Wampah	Acting Governor/ Chairman, (Appointed August 2012)
Mr. Millison K. Narh	Deputy Governor
Dr. Sydney Laryea	External Director
Mrs. Diana Amewu Ayettey	External Director
Mrs. Esther Lily Nkansah	External Director
Mr. Seth Terkper	External Director
Togbe Afede XIV	External Director
Mr. Kwaku Bram-Larbi	External Director
Dr. David Obu Andah	External Director
Mr. Sam Appah	External Director
Mr. Alexander Yamoah Kyei	External Director (Appointed March, 2012)

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 and Legal
- 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 Obu Andah	Member
Mrs. Diana Amewu Ayettey	Member

Corporate Governance Committee

The Committee makes recommendations to the Board on policy matters relating to governance issues including regulations, supervision, processes and operations to ensure compliance with statutory requirements and best practice.

Membership

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

Economy and Research Committee

The Committee is responsible for assessing and making policy recommendations on economic, banking and financial issues relating to the Bank's functions and the economy as a whole. It considers reports and policy proposals from Research and other departments of the Bank to enhance the quality of information provided to the Board and the general public.

Membership

Togbe Afede XIV	Chairman
Mr. Sam Appah	Member
Mr. Seth Terkper	Member
Mrs. Diana Amewu Ayettey	Member
Mr. Alexander Yamoah Kyei	Member
Dr. H.A. Kofi Wampah	Member

Human Resource and Legal Committee

The Committee makes recommendations to the Board on policy matters relating to the human resource management function of the Bank and makes reviews when necessary. It also considers reports on legal issues involving the Bank.

Membership

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

Strategic Planning and Budget Committee

The Committee initiates 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 Obu Andah	Member
Togbe Afede XIV	Member
Mr. Seth Terkper	Member
Mr. Alexander Yamoah Kyei	Member
Mr. Millison K. Narh	Member

1.3 Events and Policy Decisions by the Board

Effective Management of Cedi Liquidity

The Board directed that efforts to ensure increased usage of the e-Zwich plastic cards should be intensified nationwide. The proposal for placement of all government workers on the e-Z-wich platform was to be revisited. The objective was to help reduce cash-based transactions in the economy.

Forex Bureaux and Microfinance Institutions

In order to ensure effective supervision of forex bureaux, the Board directed that the forex bureaux regulations should be revised. The Board also advised that there should be collaboration between the Bank and Associations of Microfinance Institutions in formulating regulations for their supervision.

Expansion of the Terms of Reference of the Human Resource Committee

The Board expanded the terms of reference of the Human Resource Committee to include legal matters. This was to enable the Committee consider all reports on legal issues involving the Bank. In that regard, Legal Department would submit periodic reports on current/outstanding legal issues for consideration by the Committee. The Board therefore renamed the Committee as Human Resource and Legal Committee.

Petroleum Revenue Management Act 2011, (Act 815)

The Bank of Ghana is mandated under Section 26 of the Petroleum Revenue Management Act, 2011 (Act 815), to be responsible for the day-to-day operational management of the Petroleum Holding Fund, the Ghana Petroleum Fund and Petroleum Wealth Fund.

In recognition of this obligation, the Board tasked the Internal Audit Department to review the operations of the Petroleum Revenue Management Office. It further directed that staff of Internal Audit Department be given in-house training on petroleum revenue auditing.

ISO Requirements

The Board decided that key risk areas of every section of the Bank should be audited at least once a year in accordance with ISO Audit Requirements by the Risk Management Department and then followed with a review by the Internal Audit Department. The objective was to identify and manage risks in the Bank.

Engagement of External Quality Assessor and Establishment of a Bilateral Peer Review Arrangement

The Board decided that an external quality assessor be engaged to review the performance of the Internal Audit Department of the Bank to ensure that the department meets International Internal Auditing Standards.

Subsequently, Hubbard & Associates conducted an external quality assessment of the Bank's internal audit functions and recommended among others that the Bank should adopt the Committee of Sponsoring Organisations (COSO) framework to broaden the audit functions. The assessment should be carried out every five years. It was also decided that a bilateral arrangement should be established with a peer central bank to conduct a review of the internal audit functions every three years.

Maintaining Good Health and Safe Environment in the Bank

The Board reviewed the report on good health and safe environment of the Bank and directed that the policy document on HIV being developed by the Medical Department should be finalised for consideration.

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 external members appointed by Government. The MPC held five meetings in the year.

Members of the Committee

Mr. K.B. Amissah-Arthur	Governor/Chairman (Resigned August 2012)
Dr. H.A. Kofi Wampah	Acting Governor/Chairman (Appointed August 2012)
Mr. Millison K. Narh	Deputy Governor
Mrs. Grace Akrofi	Head of Research Department
Mrs. Elly Ohene-Adu	Head of Banking Department
Dr. Nii Kwaku Sowa	External Member
Dr. John K. Kwakye	External Member

Left—Right: Dr. Nii Kwaku Sowa, Mrs. Grace Akrofi, Dr. J. K. Kwakye, Dr. H.A. Kofi Wampah, Mrs. E. Ohene-Adu, Mr. Millison K. Narh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CHAPTER 2 THE GLOBAL ECONOMY

2.1 Overview

The global economy continued to show signs of recovery although at a subdued pace and unevenly spread across economic regions. The sluggish growth was mainly driven by elevated uncertainties and risks surrounding the protracted euro zone debt crises, the United States (US) fiscal cliff as well as the efforts in advanced economies to rein in budgetary spending. These developments adversely affected the financial and commodity markets. Consequently, growth in developed economies remained restrained with prevailing high unemployment rates driven by weak investor and consumer confidence. However, growth momentum picked up slightly in the US and Japan on the back of increased domestic consumption expenditures, net exports, private inventory investments and monetary policy easing. Though emerging and developing economies performed better, economic activities were significantly moderated by weak global demand, policy tightening and country-specific weaknesses.

2.2 World Output Growth

Global growth slowed to 3.2 per cent in 2012 from 3.9 per cent in 2011. The US economy recorded an annual growth rate of 2.3 per cent in 2012 compared with 1.8 per cent in 2011. Japan's economy grew by 2.0 per cent mainly driven by a weaker yen and stronger private consumption while that of the euro zone contracted by 0.4 per cent in 2012 against 1.4 per cent growth in 2011.

Table 2.1: World Economic Indicators (year-on-year)

	Year-on-Year		Projections	
	2011	**2012**	**2013**	**2014**
World Output	3.9	3.2	3.5	4.1
Advanced Economies	1.6	1.3	1.4	2.2
United States	1.8	2.3	2.0	3.0
Euro Area	1.4	-0.4	-0.2	1.0
Germany	3.1	0.9	0.6	1.4
France	1.7	0.2	0.3	0.9
Italy	0.4	-2.1	-1.0	0.5
Spain	0.4	-1.4	-1.5	0.8
Japan	-0.6	2.0	1.2	0.7
United Kingdom	0.9	-0.2	1.0	1.9
Emerging Markets and Developing Economies	**6.3**	**5.1**	**5.5**	**5.9**
World Trade Volume	**5.9**	**2.8**	**3.8**	**5.5**
Commodity Prices				
Oil	31.6	1.0	-5.1	-2.9
Non-oil	17.8	-9.8	-3.0	-3.0
Consumer Prices				
Advanced Economies	2.7	2.0	1.6	1.8

Source: World Economic Outlook, January 2013

The United Kingdom (UK) economy, also contracted by 0.2 per cent in 2012 against a growth of 0.9 per cent in 2011.Economic activities in emerging and developing economies remained vibrant in 2012, albeit at a slower pace than in 2011, with an estimated GDP growth of 5.1 per cent in 2012 compared with 1.3 per cent growth in the advanced economies. Economies in Sub-Saharan Africa (SSA) continued to record strong growth in spite of global economic headwinds, underpinned by natural resource exploitation and implementation of prudent policies.

2.3 Global Inflation

Global headline inflation generally trended downwards in 2012, ending the year at 3.9 per cent from 4.4 per cent in 2011. In the US, annual inflation rose by 1.7 per cent in 2012, after a 3.0 per cent increase in 2011, reflecting decelerations in gasoline and energy indices. In the euro zone, inflation ended the review year at 2.2 per cent, a decline from 2.7 per cent in 2011. UK inflation also slowed down to 2.7 per cent in 2012 from 4.2 per cent recorded in the previous year. Headline inflation in emerging and developing economies decelerated to an average of 6.1 per cent at the end of 2012 from 7.1 per cent at end-2011 due to moderation in economic activities.

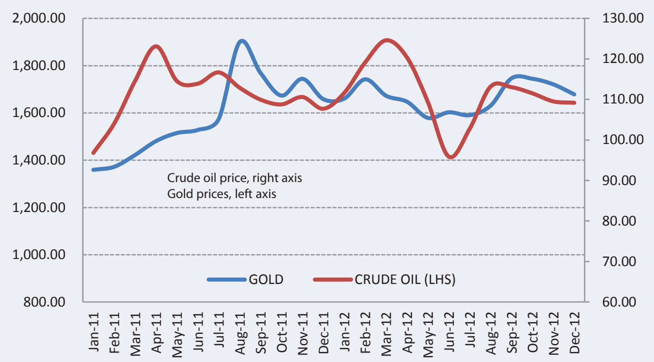
2.4 Commodities Market

Activity in the commodities market in 2012 reflected the lingering sovereign debt crisis in the euro zone, fiscal challenges in the US and the attendant weak global demand.

Crude Oil

Brent crude oil price rallied during the first quarter of 2012 to a high of US$124.6 per barrel in March due to sanctions against Iran's nuclear programme which threatened global supply. However, crude oil price declined sharply to US$95.9 per barrel at the end of June 2012 amid weak demand due to the lingering debt crisis in Europe, signs of weaker growth in China and increased supply from the US. oil prices, however, picked up again during the third quarter owing mainly to geo-political tensions in the Middle-East and natural disasters which affected supply. The bearish sentiment resurfaced in the oil market during the last quarter of 2012 due to uncertainties over the US election and fiscal cliff, rise in production, high inventory levels and slowdown in demand. The average monthly price of Brent crude oil in 2012 was US$111.7 per barrel compared with US$111.1 per barrel in 2011.

Chart 2.1: International Crude Oil and Gold Prices



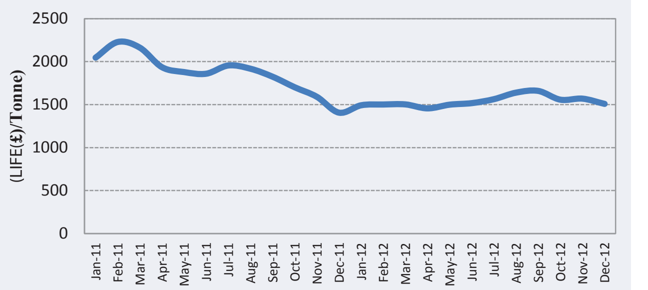
Gold

Gold price went up in the first two months of 2012 due to the worsening euro zone crisis, and the anticipation of another quantitative easing (QE) in the US. The price declined thereafter to reach a year low of US$1,579.2 per fine ounce in May as a result of a pick-up in the US economy and a stronger dollar. The bullion market rallied from June to reach a-year high of US$1,746.9 per fine ounce in September on account of weak US consumer confidence which boosted speculation of another QE. The bullion market however suffered a bearish sentiment during the last quarter of the year amid weak price forecast by Goldman Sachs which triggered some fund liquidation, that more than offset news of any fresh central bank buying and uncertainty over the US fiscal cliff. Consequently, the price of the commodity declined to US$1,678.8 per ounce at the end of the year. The average price of gold rose from US$1,583.3 per fine ounce in 2011 to US$1,668.4 per fine ounce in 2012.

Cocoa

The average price of cocoa on the London International Financial Futures and Options Exchange (LIFFE) generally trended downward from £1,875.0 per tonne in 2011 to £1,539.0 per tonne in 2012, despite marginal price increases during the third quarter. The decline was due to improved supply and high inventory levels in leading markets amid the general slowdown in global demand.

Chart 2.2: International Cocoa Prices



CHAPTER 3 THE GHANAIAN ECONOMY

3.1 Overview

The Ghanaian economy registered a strong growth in 2012 despite the slowdown in the global economy. Real GDP growth was estimated at 7.9 per cent compared with global growth of 3.2 per cent and SSA growth of 4.8 per cent. In the first half of the year, macroeconomic stability was threatened by increased volatility in the foreign exchange market. However, policy measures implemented restored stability in the market during the second half of the year. Inflationary pressures remained subdued, benefiting from good food harvests and relatively stable crude oil prices on the international market. Monetary growth generally slowed down over the review period. Credit to the private sector continued to trend upwards despite increases in interest rates especially during the second half of the year. There were challenges to the fiscal programme due to shortfalls in government receipts and higher spending.

In the external sector, the current account deficit widened on account of worsening trade balance and increased net income payments. Gross international reserves at the end of 2012 stood at US$5,349.0 million, equivalent to 3.0 months of import cover, compared with 3.2 months at the end of 2011. The external debt stock increased by 16.4 per cent to US$8,835.6 million (21.6% of GDP) at the end of 2012.

The Ghana Stock Exchange Composite Index (GSE-CI) ended the review year with a cumulative gain of 23.8 per cent against a loss of 3.1 per cent at the end of 2011. Market capitalisation also appreciated by 21.0 per cent as a result of gains made by some equities, additional shares issued and the listing of the first Commodity Backed Exchange Traded Funds.

Table 3.1: Monetary Policy Decisions in 2012

Date	Decision	Rate (%)
13 - 15 February	Monetary Policy Rate hiked by 100 bps	13.5
11 - 13 April	Monetary Policy Rate hiked by 100 bps	14.5
11 - 13 June	Monetary Policy Rate hiked by 50 bps	15.0
10 - 12 September	Monetary Policy Rate remained unchanged	15.0
12 - 14 November	Monetary Policy Rate remained unchanged	15.0

3.2 Monetary Policy

The stance of monetary policy in 2012 was driven by the need to stabilise the exchange rate of the cedi so as to sustain the low inflation environment. In terms of specific policy measures, the Monetary Policy Rate (MPR) was raised cumulatively by 250 basis points (bps) at the first three meetings of the Monetary Policy Committee (MPC) in response to the considerable volatility in the domestic foreign exchange market. Other measures included:

- Re-introduction of the Bank of Ghana bills to provide additional avenues for cedi investment
- Reduction of the limit on the Net Open Position (NOP) of Deposit Money Banks (DMBs)
- Requirement for DMBs to maintain the mandatory 9.0 per cent cash reserve requirement on both domestic and foreign currency deposit liabilities in cedis only
- A 100 per cent cedi cover for vostro balances to be maintained at the Bank of Ghana

The rationale for these policies was, among others, to realign demand pressures in the foreign exchange market towards cedi denominated assets while augmenting the supply of foreign currencies in the market.

Inflation remained in single digits throughout the year and ended at 8.8 per cent, well within the target band of 8.5 ± 2 per cent

Monetary Policy Committee Meetings

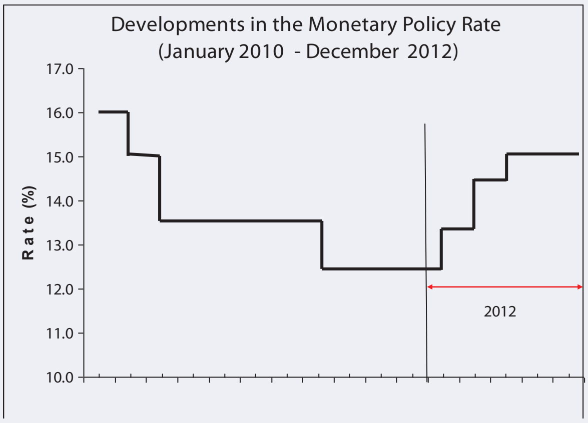
The MPC met five times during the year. The MPR was reviewed upwards at each of the first three meetings moving the rate from 12.5 per cent to 15.0 per cent. It was thereafter maintained at 15 per cent at the last two meetings.

February Meeting

At its first meeting of the year, the Committee reviewed developments in the economy for the previous year and noted that interest rates generally trended downwards, Gross International Reserves of the Bank of Ghana improved, the overall balance of payments recorded a surplus and inflation ended 2011 at 8.6 per cent, which was lower than the target of 9.0 per cent.

In assessing the outlook for inflation, the Committee identified three main sources of upside risks, namely, possible adverse effect of the euro zone debt crisis, domestic fiscal pressures and the unusual volatility in the foreign exchange market.

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



The MPC concluded that the balance of risks to inflation was elevated. In order to contain future inflationary pressures and realign interest rates in favour of domestic assets, the Committee increased the policy rate by 100 bps to 13.5 per cent.

April Meeting

Deliberations at the April meeting were dominated by the continued weakness of the domestic currency in the foreign exchange market. The cedi had depreciated by 8.3 per cent to the US dollar in the first quarter of the year compared with a depreciation of 2.0 per cent in the corresponding period in 2011.

The Committee noted that the weakening of the domestic currency was as a result of a number of factors including:

- Strong GDP growth in the preceding year leading to a surge in import demand which exerted pressure on the domestic currency.
- Worsening global conditions, such as the euro zone crisis, which led to reduced net capital flows into the economy.

On growth, the MPC observed that economic activity remained vibrant and broad-based. Credit to the private sector expanded significantly and consumer confidence was high.

Although growth potentials remained strong and inflation was contained, the Committee recognised that policy intervention should aim at minimising the risks to inflation by stemming the depreciation of the cedi. The Committee therefore decided on the following measures:

- Increase the policy rate by 100 bps to 14.5 per cent; and
- Reduce the single currency NOP of banks from 15.0 per cent to 10.0 per cent and reduce the aggregate NOP from 30.0 per cent to 20.0 per cent.

June Meeting

Issues of the exchange rate depreciation continued to dominate discussions at the June meeting. During the first five months, the cedi had depreciated cumulatively by 15.1 per cent against the US dollar, compared with 1.9 per cent depreciation in the same period of 2011.

The Committee took note of the additional policy measures introduced by the Bank in May to stem the continued depreciation of the cedi. These included:

- A review of the currency composition of reserve requirements of DMBs,
- Re-introduction of Bank of Ghana instruments, and
- A 100 per cent cedi cover for vostro balances to be maintained at the Bank of Ghana.

The Committee observed that these measures, together with earlier increases in the policy rate, had begun to take effect as the pace of depreciation of the cedi had moderated.

The MPC also noted some weakening of real sector activity, moderate growth in private sector credit and decline in Gross International Reserves. The performance of Government finance also showed that risks to the fiscal outlook had intensified.

In assessing the risks in the economy, the Committee concluded that risks to the inflation outlook were on the upside. These were underscored by exchange rate depreciation and domestic financing of the growing fiscal deficit. On the other hand, the weakening of both business and consumer confidence and tightening of credit stance on households and enterprises could pose downside risks to the growth outlook.

Given these considerations, the MPC increased the policy rate from 14.5 per cent to 15.0 per cent.

September Meeting

The Committee observed that the implementation of policies by the Bank had led to a slowdown in the depreciation of the domestic currency. However, it noted that there were still underlying risks to the currency outlook from increased aggregate demand pressures. Forward looking indicators pointed to a moderating growth and softening business and consumer sentiments. However, eased credit conditions to households and strong growth in credit to the private sector provided some boost to the growth outlook.

The MPC held the view that risks to inflation and growth outlook were fairly balanced. Consequently, the Committee left the policy rate unchanged at 15.0 per cent.

November Meeting

At the last meeting of the year, the MPC noted that global economic conditions had worsened leading to lower growth projections which could adversely affect the domestic economy.

The Committee, however, observed some improvement in the domestic economic indicators in the third quarter, contrasting trends in the first half of the year.

Price developments and survey results suggested diminished inflationary expectations while the Bank's inflation forecast indicated that inflation remained anchored within the projected band of 8.5 ± 2 per cent.

Exchange rate pressures, which had threatened macroeconomic stability during the first half of the year, had eased with some marginal appreciation of the cedi against the US dollar in September and October.

In its assessment, the Committee concluded that the risks to inflation and growth outlook were balanced and therefore decided to maintain the policy rate at 15.0 per cent.

Table 3.2: Selected Economic Indicators

Indicators	2009	2010	2011	2012
GDP				
Real GDP Growth (%)	4.0	8.0	15.0	7.9
Nominal GDP (GH¢ million)	38,023.0	46,042.0	59,816.0	73,109.0
Inflation (%)				
Year-on-year	16.0	8.6	8.6	8.8
Annual Average	19.3	10.7	8.7	9.2
Exchange Rate (End Period, Transaction Rates)				
GH¢/US$	1.4284	1.4738	1.5505	1.8800
GH¢/Pound Sterling	2.2991	2.2709	2.4946	3.0574
GH¢/Euro	2.0484	1.9407	2.1076	2.4769
Commodity Prices (End of Period)				
Cocoa (US$/tonne)	2,801.6	2,950.7	2,947.8	2,365.0
Gold (US$/fine ounce)	968.9	1,133.2	1,569.4	1,678.8
Crude oil, IPE Brent Crude (US$/Barrel)	62.5	74.0	111.3	109.2
External Sector				
Exports of Goods and Services (US$' m)	7,609.4	9,437.4	12,785.4	13,513.0
Imports of Goods and Services (US$' m)	10,989.4	13,925.3	15,958.4	17,760.4
Current Account Balance (US$' m)	-1,598.5	-2,700.5	-3,675.1	-4,921.6
Overall Balance of Payments (US$' m)	1,158.8	1,462.7	546.5	-1,210.9
Gross International Reserves (end period. In US$' m)	3,164.8	4,724.9	5,382.8	5,349.0
(Months of imports of Goods and Services)	2.9	3.7	3.2	3.0
External Debt (US$' m)	5,007.9	6,118.3	7,589.5	8,208.3
Interest Rates (%)				
Bank of Ghana Policy Rate	18.0	13.5	12.5	15.0
91-day Treasury Bill	23.7	12.3	10.3	22.9
182-day Treasury Bill	26.5	12.7	11.1	22.9
1-year Note	20.0	12.7	11.3	22.9
2-year Note	23.3	12.7	12.4	23.0
Monetary Aggregates Annual Growth Rates (%)				
Total Domestic Credit	16.1	15.4	17.0	39.3
Private Sector Credit	15.8	19.9	26.3	34.1
Reserve Money	24.9	45.0	31.1	36.0
Money Supply (M2+)	24.7	33.8	33.2	24.3
Money Supply (M2)	18.5	44.8	30.2	22.9
Government Finance (% of GDP)				
Domestic Revenue	15.4	17.4	20.8	21.2
Grant	3.0	2.4	2.1	1.6
Total Expenditure	22.4	26.0	23.8	28.6
Overall Balance (Including Grant & Divestiture)	-5.6	-6.8	-4.3	-11.8
Domestic Primary Balance	0.3	0.1	2.9	-1.6

3.3 Monetary Developments

Monetary growth generally moderated in 2012 reflecting the tight monetary policy stance adopted during the year to restore stability in the foreign exchange market.

Table 3.3: Monetary Indicators (GH¢,m)

Indicators	Levels Dec-10	Dec-11	Dec-12	Variations (year-on-year) As at end-Dec. 2010 abs	%	As at end-Dec 2011 abs	%	As at end-Dec 2012 abs	%
Reserve Money	4,409.6	5,779.6	7,860.8	1,368.7	45.0	1,370.0	31.1	2,081.2	36.0
Narrow Money (M1)	6,401.8	8,714.4	11,157.3	2,254.1	54.3	2,312.6	36.1	2,442.8	28.0
Broad Money (M2)	10,935.1	14,241.1	17,503.8	3,385.1	44.8	3,306.0	30.2	3,262.7	22.9
Broad Money (M2+)	13,663.0	18,195.2	22,620.6	3,451.7	33.8	4,532.2	33.2	4,425.4	24.3
Currency with the Public	2,927.2	3,763.3	4,918.6	844.8	40.6	836.1	28.6	1,155.3	30.7
Demand Deposits	3,474.6	4,951.1	6,238.7	1,409.3	68.2	1,476.5	42.5	1,287.5	26.0
Savings & Time Deposits	4,533.3	5,526.6	6,346.5	1,131.0	33.2	993.4	21.9	819.9	14.8
Foreign Currency Deposits	2,727.9	3,954.2	5,116.8	66.6	2.5	1,226.2	45.0	1,162.6	29.4
Sources of M2+									
Net Foreign Assets (NFA)	5,754.0	7,880.0	7,082.8	1,818.9	46.2	2,126.0	36.9	-797.2	-10.1
BOG	5,240.9	6,669.6	5,910.5	1,969.9	60.2	1,428.7	27.3	-759.1	-11.4
DMBs	513.1	1,210.4	1,172.3	-151.0	-22.7	697.3	135.9	-38.0	-3.1
Net Domestic Assets	7,909.0	10,315.3	15,537.8	1,632.8	26.0	2,406.2	30.4	5,222.5	50.6
Claims on Government (net)	4,248.7	5,180.5	7,716.1	573.0	15.6	931.8	21.9	2,535.6	48.9
BOG	1,371.3	1,943.0	4,139.5	-18.4	-1.3	571.7	41.7	2,196.5	113.0
DMBs	2,877.4	3,237.5	3,576.6	591.4	25.9	360.1	12.5	339.1	10.5
Claims on Public Sector	1,164.1	764.7	1,512.3	43.2	3.9	-399.3	-34.3	747.5	97.7
BOG	24.1	24.1	24.1	18.6	338.2	0.0	0.0	0.0	0.0
DMBs	1,140.0	740.6	1,488.2	24.6	2.2	-399.3	-35.0	747.5	100.9
Claims on Private Sector	6,521.1	8,496.9	11,221.9	801.8	14.0	1,975.7	30.3	2,725.0	32.1
BOG	-255.5	-255.5	-255.5	-208.6	444.9	0.0	0.0	0.0	0.0
DMBs	6,776.6	8,752.4	11,477.4	1,010.4	17.5	1,975.7	29.2	2,725.0	31.1
Other Items (Net) (OIN)	-4,024.9	-4,126.8	-4,912.4	214.8	-5.1	-102.0	2.5	-785.6	19.0
o/w BOG OMO (Sterilisation)	-920.8	-975.5	-511.4	-313.4	51.6	-54.7	5.9	464.1	-47.6

Money Supply

Annual growth in broad money including foreign currency deposits (M2+) slowed down to 24.3 per cent year-on-year in 2012 compared with 33.2 per cent in 2011. Broad money (M2) grew by 22.9 per cent (30.2% in 2011) while foreign currency deposits also went up by 29.4 per cent (45% in 2011).

The annual growth in M2+ was driven by Net Domestic Assets (NDA) of the banking system which went up by 50.6 per cent while Net Foreign Assets (NFA) declined by 10.1 per cent. The change in NDA reflected increases in net claims on Government (48.9%), Claims on the Public sector (97.7%) and Claims on the Private sector (32.1%). The growth in NDA was however moderated by a decline of 19.0 per cent in Other Items Net (OIN). NFA holding of the Bank of Ghana and the Deposit Money Banks (DMBs) declined by 11.4 per cent and 3.1 per cent respectively.

Deposit Money Banks' Credit Developments

Total outstanding credit of DMBs to public and private institutions increased significantly in 2012, driven mainly by the Services, Manufacturing and Commerce & Finance sectors. At the end of 2012, total outstanding credit to public and private institutions stood at GH¢13,025.5 million, an increase of 39.3 per cent year-on-year in nominal terms compared with a growth of 17.0 per cent in 2011. In real terms, total outstanding credit increased by 28.0 per cent at the end of 2012, up from 7.7 per cent at the end of 2011.

Outstanding credit to the private sector went up by 34.1 per cent to GH¢11,477.4 million at the end of 2012, compared with 26.3 per cent recorded in 2011. In real terms, it increased by 23.2 per cent at the end of 2012 compared with 16.3 per cent at end 2011. The private sector's share of total outstanding credit was 88.1 per cent, down from 91.5 per cent at end 2011.

Table 3.4: Sectoral Distribution of Credit to the Private Sector (%)

Sectors	December 2011	December 2012
Transport,Storage, & Communication.	4.4	5.4
Services	26.2	25.2
Miscellaneous	8.8	9.0
Mining & Quarrying	4.6	2.4
Manufacturing	9.6	12.4
Import Trade	10.1	8.8
Export Trade	1.3	1.2
Electricity,Gas & Water	5.0	6.0
Construction	8.6	9.2
Commerce & Finance	15.6	15.9
Agriculture, Forestry & Fishing	5.9	4.7
Grand Total	100.0	100.0

Sectoral distribution of private sector credit during the review period indicated that the Services, Manufacturing and Commerce & Finance sectors collectively accounted for 53.4 per cent of the total credit.

The percentage shares of Services, Mining & Quarrying, Import Trade and Agriculture sectors of total outstanding credit declined in comparison with respective shares in 2011 while all other sectors recorded increases.

Money Market Developments

Money market developments in 2012 largely reflected the impact of policy measures geared towards restoring the external value of the cedi which had witnessed rapid depreciation during the first half of the year.

Interest Rates

The MPC raised the MPR by cumulative 250 bps to end December 2012 at 15.0 per cent. This was part of the broad policy measures to contain the high volatility in the exchange rate market and maintain inflation within target. Consequently, interest rates trended upwards but the pace of increase moderated in the last quarter of the year.

Rates on the 91-day and 182-day instruments increased by 1,223 bps and 1,163 bps respectively to 22.9 per cent and 22.9 per cent in 2012 from the levels recorded at the end of 2011. The 1-year fixed rate gained 1,160 bps to settle at 22.90 per cent at the end of the year.

The DMBs' average 3-month time deposit rate increased to 12.5 per cent in 2012 from 7.8 per cent in 2011. The average base rates declined by 95 bps to 21.5 per cent in 2012 compared with a reduction of 332 bps in 2011.

The average bank lending rates declined marginally by 21 bps to 25.7 per cent during the review year. The spread between the borrowing and lending rates narrowed to 13.2 per cent at the end of 2012 compared with 18.9 per cent in the corresponding period in 2011.

3.4 Stock Market Developments

The Ghana Stock Exchange (GSE) performed better in 2012 than in the previous year although investors continued to drift towards the money market for higher rates of return. The GSE Composite Index ended the year with a cumulative gain of 23.8 per cent against a loss of 3.1 per cent at the end of 2011.

Chart 3.2: Savings (3-Months Deposit) and Average Lending Rate

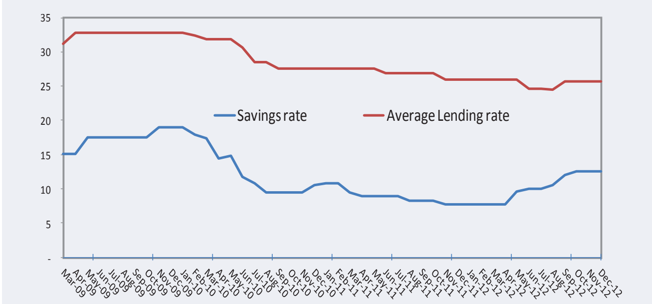
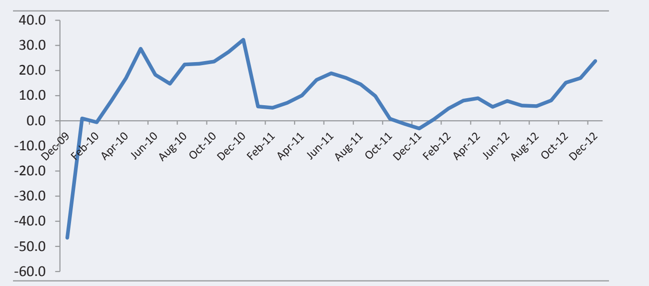


Chart 3.3: GSE Composite Index; Cumulative Changes (%)



The first commodity backed Exchange Traded Funds (ETFs) was listed on the GSE by the South African Group, Absa Capital, with an original issue of 0.4 million shares in 2012. Also, new shares were issued by AGA (0.04 million), EBG (63.1 million), ETI (401.3 million), UTB (154.3 million) and HFC (0.3 million). These developments led to a 21.0 per cent increase in market capitalisation to GH¢57,264.2 million. The best performing sector in 2012 was the Food and Beverages as its index gained 430.0 points (57.2%) to end the year at 1,182.8 points. Significant gains were also registered in the Banking & Finance, Manufacturing, Distribution, Agriculture and Oil sectors.

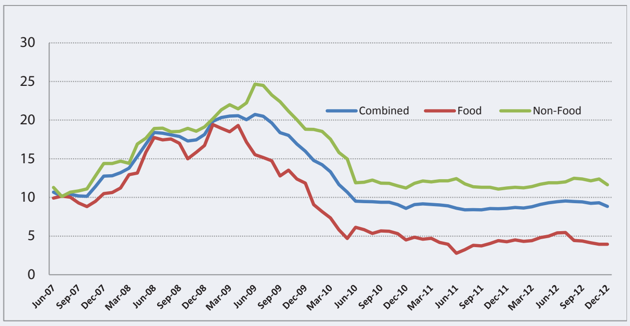
3.5 Price Developments

The main thrust of monetary policy in 2012 was to contain inflationary pressures in the economy to attain an end-year CPI inflation target of 8.5 per cent within a range of 6.5 per cent to 10.5 per cent.

From 8.6 per cent at the end of 2011, headline inflation inched up progressively over the first seven months of 2012 to a peak of 9.5 per cent in July on account of exchange rate pressures and rising food prices. Thereafter, inflation declined steadily, though with a small blip in November, to close the year at 8.8 per cent, reflecting the impact of policy measures and improved food supply during the second half of the year.

The year-on-year rise in inflation was mainly driven by non-food inflation which rose sharply throughout the first half of the year to a peak of 12.5 per cent in August. This reflected the pass-through effect of the sharp depreciation in the exchange rate but non-food inflation stabilised in the fourth quarter to end the year at 11.6 per cent. On the other hand, food inflation remained in the single digits throughout the period and ended the year at 3.9 per cent.

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



3.6 Real Sector Performance

Provisional data from the Ghana Statistical Service (GSS) indicated that the economy expanded by 7.9 per cent in 2012 led by the Services sector which grew by 10.2 per cent. The Industry sector recorded a growth of 7.0 per cent while the Agriculture sector grew by 1.3 per cent. Though the estimates showed an improvement in the growth of the Agriculture sector compared with a growth of 0.8 per cent in 2011, the sector's contribution to the economy continued to decline. The share of the Agriculture sector declined from 25.3 per cent of GDP in 2011 to 22.7 per cent in 2012. Crops remained the largest sub-sector in Agriculture with a share of 16.9 per cent of GDP.

Industry, the second largest sector with a share of 27.3 per cent, declined in growth to 7.0 per cent in 2012 from a record high of 41.6 per cent in 2011. The slowdown in the Industry sector was attributable to the decline in the growth rate of crude oil production after the start of production in 2011, coupled with slow growth in manufacturing, production and distribution of water. The Services sector remained the largest sector, contributing 50.0 per cent of GDP from 49.1 per cent contribution recorded in 2011.

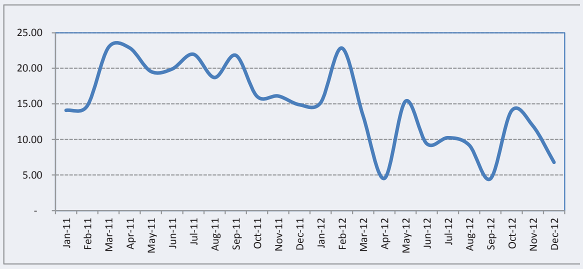
Table 3.5: Growth Rates of GDP by Sector (%)

Sectors	2010	2011	2012
Agriculture	5.3	0.8	1.3
Industry	6.9	41.6	7.0
Services	9.8	9.4	10.2
GDP	8.0	15.0	7.9

Source: Ghana Statistical Service

Bank of Ghana's Composite Index of Economic Activity (CIEA), which tracks developments in economic activities, also pointed to increased real sector activities in 2012 albeit at a slower pace. The index grew by 6.9 per cent year-on-year in 2012 compared with a growth of 14.9 per cent in 2011.

Chart 3.5: Growth in Real CIEA (%, Year-on-Year)



3.7 Exchange Rate Developments

The cedi traded weak in both the interbank and forex bureaux markets in the first half of 2012, but recovered markedly during the second half due to tightening of monetary policy.

The depreciation experienced in the review year was as a result of exceptional demand pressures and speculative activity in the foreign exchange market.

In addition to interest rate hikes and strict implementation of the foreign exchange regulations, other monetary policy measures were introduced to contain the foreign exchange demand pressures.

In the year, the cedi depreciated on the interbank market by 17.5 per cent against the US dollar, 18.4 per cent against the pound sterling and 14.9 per cent against the euro. This could be compared with depreciation rates of 4.9 per cent, 9.0 per cent and 7.9 per cent against the US dollar, the pound sterling and the euro respectively in 2011.

Developments in the forex bureaux market was similar to that of the interbank market as the cedi depreciated by 15.4 per cent against the US dollar, 18.0 per cent against the pound sterling and 15.5 per cent against the euro during the review year.

Chart 3.6a: Monthly Depreciation of the Cedi

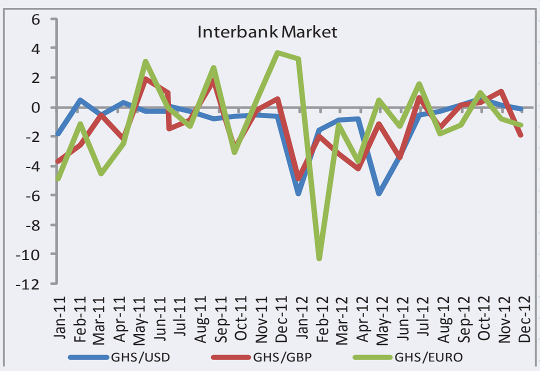
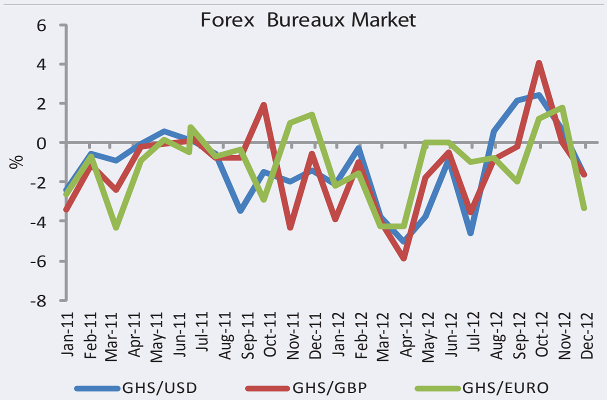


Chart 3.6b: Monthly Depreciation of the Cedi



3.8 Fiscal Developments

The 2012 budget aimed at achieving fiscal sustainability and macroeconomic stability by targeting an overall fiscal deficit of 6.7 per cent of GDP. However, there were major fiscal slippages in the year driven mainly by the implementation of the Single Spine Salary Structure (SSSS) and related arrears, shortfalls in revenues and grants, and election-related expenditures.

Government fiscal operations ended 2012 with an overall deficit of GH¢8,648.7 million representing 11.8 per cent of GDP compared with the target of GH¢4,648.7 million (6.7% of GDP), and the deficit of 4.3 per cent of GDP registered in 2011.

The deficit was financed from domestic sources to the tune of GH¢6,831.0 million (9.3% of GDP) while GH¢1,817.7 million (2.5% of GDP) was financed from foreign sources.

Total receipts and grants amounted to GH¢16,668.4 million (22.8 % of GDP), 1.5 per cent lower than the programmed receipts for 2012. Tax Revenue amounted to GH¢12,517.2 million, representing 75.0 per cent of total receipts. Non-Tax Revenue was GH¢2,990.4 million (18% of total receipts) and Grants of GH¢1,160.3 million (7.0% of total receipts).

Pay As You Earn (PAYE) outperformed the budgeted target of GH¢1,789.4 million by 23.2 per cent, while other components of Tax Revenues, including Corporate Tax and Communication Tax, fell below their targets. Non-Tax revenue exceeded the target by 6.7 per cent. Grants received amounted to GH¢1,160.3 million, and was 25.1 per cent below the target of GH¢1,549.7 million.

Total government expenditure in 2012 amounted to GH¢20,994.7 million (28.6 % of GDP), and was 10.0 per cent higher than the budgeted amount of GH¢ 19,035.7 million (27.3% of GDP). Recurrent expenditure for the year far exceeded the budget target driven by high levels of wages and salaries, unbudgeted expenditures on goods and services as well as fuel and utility subsidies.

Interest expenditure also exceeded the target, reflecting high domestic borrowing and the associated high cost of debt servicing. Capital expenditure constituted 4.6 per cent of GDP, falling short of the budget target of 8.6 per cent of GDP. The lower capital expenditure was mainly on account of low disbursement of project loans and grants from development partners.

Table 3.6: Selected Fiscal Indicators

Indicators	2008	2009	2010	2011	2012
Overall Balance	(1,976.5)	(2,056.2)	(2,999.9)	(2,395.4)	(8,648.7)
% of GDP	(6.5)	(5.6)	(6.5)	(4.3)	(11.8)
Tax Revenue	4,368.5	4,803.6	6,504.5	9,854.6	12,517.2
% of GDP	14.5	13.0	14.0	17.5	17.1
Domestic Revenue	4,802.4	5,674.0	7,730.6	11,676.6	15,508.1
% of GDP	15.9	15.4	16.7	20.7	21.2
Total Revenue & Grants	5,619.7	6,775.2	8,810.9	12,851.6	16,668.4
% of GDP	18.6	18.4	19.0	22.8	22.8
Total Expenditure & Net Lending	8,009.8	8,248.2	11,532.2	13,380.0	20,944.7
% of GDP	26.5	22.4	24.9	23.8	28.6
Domestic Primary Balance		122.5	33.6	1,601.6	(1,172.1)
% of GDP	(5.9)	0.3	0.1	2.8	(1.6)
Net Domestic Financing	1,152.7	1,042.1	2,142.6	1,988.1	6,831.0
% of GDP	3.8	2.8	4.6	3.5	9.3

Domestic Debt

Composition of Domestic Debt

The stock of domestic debt increased by 56.5 per cent to GH¢18,535.2 million (25.3% of GDP) at the end of December 2012. The rise in the debt stock reflected increases of GH¢1,485.8 million in short-term instruments, GH¢3,956.6 million in medium-term instruments, and GH¢1,264.8 million in the long-term instruments. The growth in medium-term instruments was driven mainly by changes in the 3-year and 5-year Government of Ghana bonds which went up by GH¢2,219.8 million and GH¢972.8 million respectively.

The structure of the debt also changed significantly with a shift from short-term towards medium-term and long-term instruments in 2012. At the end of the review year, short-term debt, medium-term and long-term instruments constituted 31.5 per cent, 51.5 per cent and 17.0 per cent respectively, compared with the corresponding shares of 36.8 per cent, 47.3 per cent and 15.9 per cent in 2011.

Table 3.7: Composition of Domestic Debt: End of Period (GH¢ millions)

Instruments	December 2011	December 2012	% of December 2012 Total
A. Short-Term Instruments			
91-Day Treasury Bill	1,225.0	3,573.9	19.3
182-Day Treasury Bill	1,291.1	1,134.4	6.1
1-Year Treasury Note	1,733.0	1,026.6	5.5
Short Term Advance	104.2	104.2	0.6
SUB-TOTAL (A)	**4,353.3**	**5,839.2**	**31.5**
B. Medium-Term Instruments			
2-Year Fixed Treasury Note	1,174.1	1,715.5	9.3
3-Year Fixed Treasury Note	2,743.8	4,963.7	26.8
3-Year Floating Treasury Note (SADA-UBA)		202.5	1.1
3-Year Stock (SBG)	29.9	29.9	0.2
3-Year Stock (SSNIT)	162.0	162.0	0.9
5-Year GOG Bond	34.1	1,667.9	9.0
5-year Golden Jubilee Bond	80.0	41.1	0.2
GOG Petroleum Finance Bond	682.0	80.0	0.4
TOR Bonds	682.0	682.0	3.7
SUB-TOTAL (B)	**5,587.9**	**9,544.5**	**51.5**
C. Long-Term Instruments			
Long-Term Government Stocks	1,320.6	2,585.3	13.9
Telekom Malaysia Stocks	109.5	109.5	0.6
Revaluation Stock	455.7	455.7	2.5
Others Government Stocks	1.0	1.0	0.0

Source: Bank of Ghana

Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt stock at the end of December 2012 stood at GH¢3,769.7 million, representing 20.3 per cent of the total. The holdings of DMBs increased by 21.1 per cent (GH¢908.9 million) to GH¢5,211.25 million and constituted 28.1 per cent of the total. SSNIT held GH¢753.4 million (4.1%) and "other holders" made up of the rural banks, firms and institutions as well as individuals held GH¢3,815.4 million (20.6%). The non-resident holdings of 3-year Treasury note and 5-year Government of Ghana bonds rose by GH¢2,671.3 million to GH¢4,939.4 million and represented 26.6 per cent of total holdings at the end of 2012.

Table 3.8: Holdings of Domestic Debt: December 2012 (GH¢ millions)

HOLDERS	2011 DECEMBER	% Of TOTAL	2012 DECEMBER	% Of TOTAL
A. Banking Sector	**7,004.6**	**59.2**	**8,980.9**	**48.5**
Bank of Ghana	2,702.3	22.8	3,769.7	20.3
Deposit Money Banks	4,302.3	36.3	5,211.2	28.1
B. Non-Bank Sector	**2,568.5**	**21.7**	**4,614.9**	**24.9**
SSNIT	475.1	4.0	753.4	4.1
Insurance Companies	39.0	0.3	46.2	0.2
Other Holders	2,054.3	17.3	3,815.4	20.6
Rural Banks	197.6	1.7	424.6	2.3
Firms & Institutions	1,052.4	8.9	2,037.4	11.0
Individuals	804.4	6.8	1,353.4	7.3
C. Foreign Sector (Non-Residents)	2,268.1	19.2	4,939.4	26.6
TOTAL (A+B+C)	11,841.1	100.0	18,535.2	100.0

3.9 External Sector Developments

The balance of payments recorded an overall deficit of US$1,210.9 million in 2012 against a surplus of US$546.5 million in 2011. The outturn in 2012 was underpinned by a worsening current account balance and a reduction in net inflows into the capital and financial account.

The Current Account

The current account registered a deficit of US$4,920.5 million (12.1% of GDP) in 2012, compared to a deficit of US$3,541.3 million (9.0% of GDP) recorded in 2011. This development was on account of deterioration in the trade account, increased net payments in the income account and a decline in private transfers.

Trade Balance

The trade balance worsened from a deficit of US$3,052.3 million in 2011 to US$4,220.4 million in 2012. This was attributed to significant increase in both oil and non-oil imports which outpaced growth in merchandise exports.

Merchandise Exports

Receipts from merchandise exports in 2012 amounted to US$13,542.7 million compared with US$12,785.4 million in 2011. The higher total earning in 2012 was due to increased receipts from the export of cocoa beans, oil and gold. The shares of these products in total exports were 16.2 per cent, 22.0 per cent and 41.7 per cent respectively in 2012 compared with the corresponding shares of 15.9 per cent, 21.7 per cent and 38.5 per cent respectively in 2011.

Earnings from cocoa beans improved by 8.1 per cent on account of a 14.0 per cent increase in volume to 718,634 tonnes which was moderated by a 5.2 per cent decline in average realised price to US$3,051.2 per tonne. The value of cocoa products exported however, declined by 24.6 per cent to US$635.9 million due to both volume and price effects.

The value of gold exports went up by 14.7 per cent to US$5,643.3 million in 2012. The volume increased by 9.1 per cent to 3.4 million fine ounces, while average realised price also rose by 5.2 per cent to US$1,645.3 per fine ounce.

Revenue from crude oil exports was US$2,976.1 million in 2012 compared with US$2,778.5 million in 2011. This was mainly due to higher exported volumes. In 2012, a total of 26.4 million barrels were exported at a realised price of US$112.6 per barrel, compared with 24.7 million barrels at a realised price of US$112.4 per barrel in the previous year.

The value of timber products exports declined by 26.7 per cent to US$121.4 million from US$165.7 million in 2011. The decrease reflected a 33.2 per cent fall in volume which was moderated by a 9.7 per cent increase in average realised price.

Receipts from other exports (including non-traditional exports) decreased to US$1,973.4 million from US$2,050.4 million in 2011.

Table 3.9: Developments in Balance of Payments (in US$'M)

	2009 Annual	2010 Annual	2011 Annual	2012* Annual
CURRENT ACCOUNT	**-1,687.7**	**-2,769.7**	**-3,541.3**	**-4,920.5**
Merchandise Exports (f.o.b)	**5,839.7**	**7,960.1**	**12,785.4**	**13,542.7**
Cocoa beans and Products	1866.03	2219.54	2,870.9	2,828.6
Gold	2551.4	3803.5	4,920.2	5,643.3
Oil exports	0.0	0.0	2,778.5	2,976.1
Timber and timber products	179.8	189.5	165.7	121.4
Other exports	1242.5	1747.6	2,050.1	1,973.4
Merchandise Imports (f.o.b)	**-8,046.3**	**-10,922.1**	**-15,837.7**	**-17,763.2**
Non-oil	-6,557.3	-8,686.2	-12,672.3	-14,432.6
Oil	-1,489.0	-2,235.9	-3,165.4	-3,330.6
Trade Balance	**-2,206.5**	**-2,962.0**	**-3,052.3**	**-4,220.4**
Services (net)	-1,173.4	-1,595.1	-1,856.3	-975.4
Income (net)	-385.7	-535.0	-1,230.1	-2,130.0
Current Transfers (net)	2,078.0	2,322.4	2,597.4	2,405.3
Services, Income and Current Transfers (net)	**518.9**	**192.3**	**-489.0**	**-700.0**
CAPITAL AND FINANCIAL ACCOUNT	4,327.6	4,289.5	4,479.3	3,651.3
Capital Account (net)	563.9	337.5	445.1	283.4
Financial Account (net)	**3,763.8**	**3,952.1**	**4,034.3**	**3,367.9**
Official Financing (medium & long-term loans)	1,086.2	879.6	649.6	981.7
Government Oil Investment (net)	0.0	0.0	0.0	-24.0
Private Capital (net)	2,755.0	2,034.0	2,863.1	2,983.4
Of which: Foreign Direct Investment (net)	2,890.2	2,527.4	3,222.2	3,293.4
Short-Term Capital (net)	-33.8	418.0	403.9	-1,695.0
Non-Monetary (net)	195.2	311.3	770.9	-957.5
Monetary (net)	-229.0	106.7	-367.0	-737.5
Portfolio Investment (net)	-43.6	620.5	117.6	1,121.8
ERRORS AND OMISSIONS	**-1,481.2**	**-57.2**	**-391.5**	**58.3**
OVERALL BALANCE	**1,158.8**	**1,462.7**	**546.5**	**-1,210.9**
CHANGES IN NET INTERNATIONAL RESERVES	**-1,158.8**	**-1,462.7**	**-546.5**	**1,210.9**

Source: Bank of Ghana, (*) denotes provisional estimates

Merchandise Imports

The value of total merchandise imports (fob) in 2012 rose by 12.2 per cent to US$17,763.2 million. This comprised non-oil imports of US$14,432.6 million and oil imports of US$3,330.6 million. Capital and intermediate goods together accounted for 70.2 per cent of total non-oil imports, compared with 73.7 per cent in 2011.

Oil imports

The value of oil imports (including gas) rose by 5.2 per cent to US$3,330.6 million in 2012, driven by higher imports of finished oil products. Total crude oil imports declined by 34.0 per cent to US$885.5 million on account of reduced import volume of 7.5 million barrels compared to 11.7 million barrels in 2011 and slightly higher average realised price of US$117.3 per barrel. However, imports of finished oil products increased by 35 per cent to US$2,326.4 million in 2012.

During the period, 15.4 million MMBTU of gas valued at US$128.7 million was imported. In 2011, a volume of 31.2 million MMBTU of gas imported amounted to US$172.8 million. The reduction in volume imported was due mainly to technical challenges that caused disruption in gas supply from the West African Gas Pipeline.

Services, Income and Current Transfers

The Services, Income and Current Transfers accounts recorded a deficit of US$700.1 million compared with a deficit of US$489.0 million in the previous year. The deficit for the review period was due to net outflows in the Services and Income accounts which were complemented by a marginal decline in net inflow of current (official and private) transfers. The Services and Income accounts recorded net outflows of US$975.4 million and US$2,130.0 million respectively in 2012 compared with net outflows of US$1,856.3 million and US$1,230.1 million in 2011. On the other hand, the Current Transfer account recorded a net inflow of US$2,405.3 million in 2012 compared with net inflow of US$2,597.4 million in 2011.

Capital and Financial Account

The Capital and Financial account recorded 18.5 per cent decrease in net inflow to US$3,651.3 million in 2012. The capital account received a net inflow of US$283.4 million in 2012 compared with US$445.1 million in 2011.

Transactions in the Financial account registered a net inflow of US$3,367.9 million compared with US$4,034.3 million in 2011. The period witnessed a large outflow in other investment category, namely net short-term capital payments, which moderated the significant inflows of foreign direct investment and portfolio investments.

International Reserves

Gross international reserves declined by US$33.9 million to US$5,348.9 million as at end December 2012. This level was sufficient to provide cover for 3.0 months of imports of goods and services compared with 3.2 months cover as at the end of December 2011. The stock of net international reserves (NIR) at the end of December 2012 was estimated at US$3,228.1 million, indicating a drawdown of US$1,210.9 million during the year.

3.10 External Debt

Ghana's external debt stock was US$8,835.6 million at the end of 2012, showing an annual growth of 16.4 per cent over the US$7,589.5 million at the end of 2011. The external debt sustainability indicators showed that all the various indicators were within their respective thresholds. External debt-to-GDP ratio stood at 21.7 per cent. The debt service-to-exports of goods and services and debt service-to-revenue ratios for 2012 were 3.0 per cent and 7.4 per cent respectively, compared with their respective thresholds of 25.0 per cent and 35.0 per cent.

Multilateral debt remained the largest component of external debt stock with a share of 47.8 per cent, followed by bilateral debt (32.9%) and commercial debt (19.3%)

Chart 3.7: Gross International Reserves (US$' million)

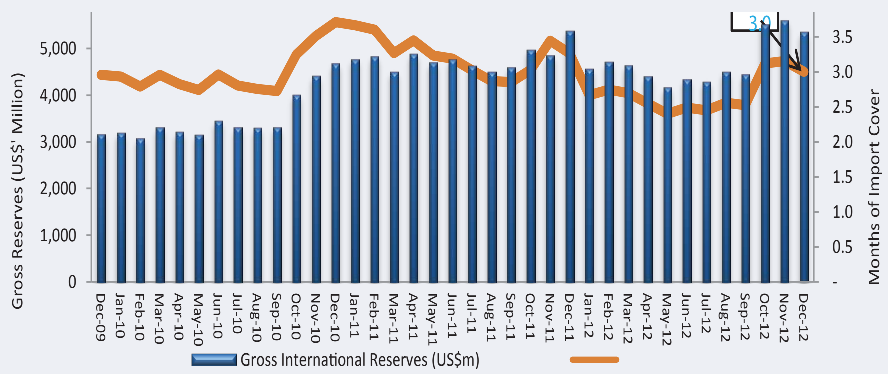


Table 3.10: Selected External Debt Indicators

	2007	2008	2009	2010	2011	2012
External Debt	3,585.93	4,035.07	5,007.88	6,320.68	7,589.45	8,835.56
External Debt Stock/GDP	15	16	19.4	20.5	20.8	21.7
External Debt Service/Exports of Goods and Services	3.2	4.3	4.3	4.0	2.9	3.0
External Debt Service/D omestic Revenue	5.1	7.7	9.7	6.8	6.4	7.4
External Debt Service/GDP	0.8	1.2	1.3	1	1.2	1.2

Source: Bank of Ghana

CHAPTER 4 DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The banking industry remained liquid, solvent and profitable throughout the year. The number of DMBs and Non-Bank Financial Institutions (NBFIs) stood at 26 and 52 respectively. One rural bank was licensed in the year to bring the total number of Rural and Community Banks (RCBs) to 136. Also, one Credit Reference Bureau was issued with an operating licence, bringing the number of Credit Reference Bureaux to three. During the year, 90 microfinance institutions were granted operating licences.

4.2 Banks and Non- Bank Financial Institutions

Structure

In the review year, a new DMB, namely Royal Bank, started operations while two mergers (Ecobank & The Trust Bank and Access Bank & Intercontinental Bank Ghana) took place. These developments reduced the number of DMBs from 27 to 26 comprising 15 foreign-owned and 11 Ghanaian-owned with all holding Class 1 banking licence. The number of bank branches however, increased to 859 from 795 in 2011.

The number of RCBs increased to 136 from 135 in 2011. ARB Apex Bank continued to provide banking and non-banking services to RCBs. Three new NBFIs were licensed during the year increasing the number to 52. One credit reference bureau, Dun and Bradstreet, was issued with an operating licence bringing the current number to three. Following the issuance of Operating Rules and Guidelines on microfinance, a number of institutions applied for licence to operate microfinance business.

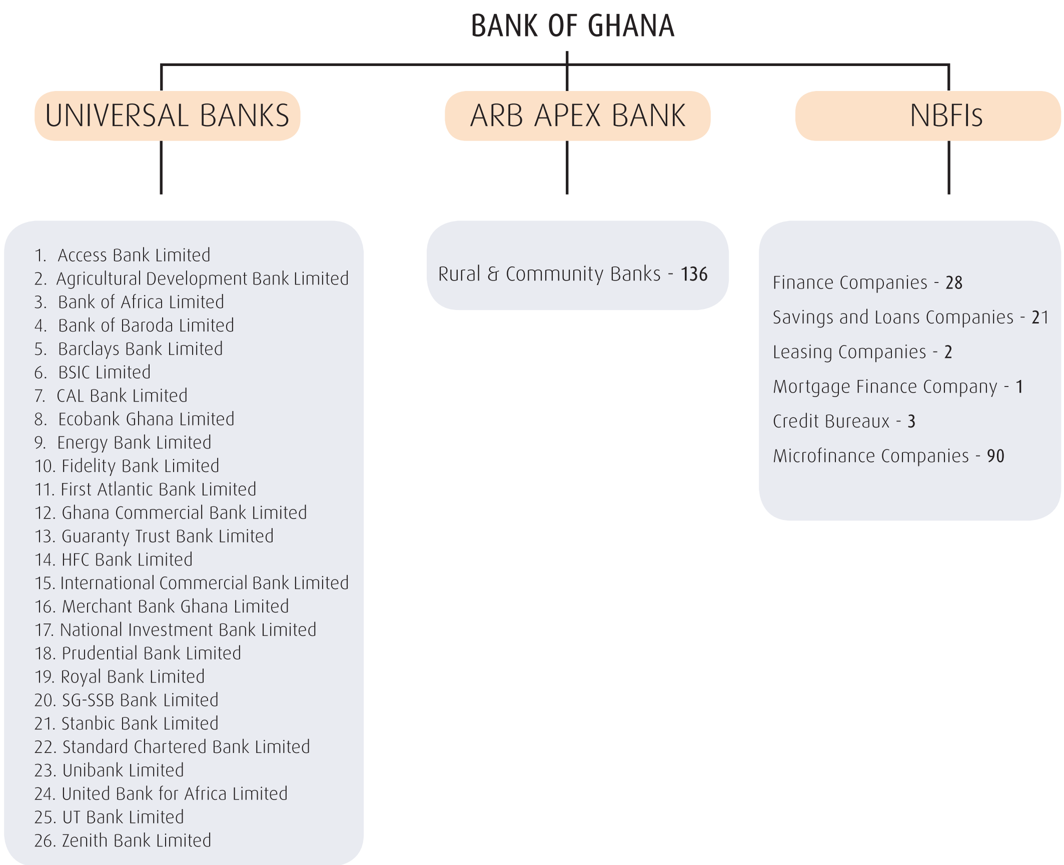
Re-Capitalisation Policy

At the end of the year, all DMBs met the new minimum paid up capital of GH¢60 million set by the Bank of Ghana.

Microfinance Sub-Sector

During the year, the Bank issued operating rules and guidelines for microfinance business. By the end of the year, 90 microfinance institutions had been granted licences to operate, comprising 77 microfinance companies, 11 money lending companies and two financial NGOs. In addition, 213 applications were at various stages of processing.

Banks and Non-Bank Financial Institutions



Credit Referencing

A third credit reference bureau, Dun and Bradstreet was issued an operating licence in 2012. This was in addition to XDS Data Ghana Ltd and Hudson Price Data Solution.

By end-December 2012, all the DMBs and NBFIs had signed up for credit reference services. However, nine NBFIs were yet to submit data to the credit reference bureaux. The total number of credit checks made by financial institutions increased by 160 per cent to 205,949 in 2012.

Assets and Liabilities

Total assets of banks (DMBs and RCBs) and NBFIs increased by 26.3 per cent to GH¢31,447.7 million as at end-December 2012.

The increase in the total assets reflected mainly in Loans & Advances and Investments which went up by 41.8 per cent and 25.5 per cent to GH¢13,788.4 million and GH¢8,242.3 million respectively. Total earning assets (Loans & Advances and Investments) constituted 70.1 per cent of total assets compared with 69.2 per cent in the previous year.

The increase in assets was funded mainly from Deposits which went up by 25.1 per cent to GH¢22,153.9 million. Total assets of banks was GH¢28,761.4 million and constituted 91.5 per cent of total assets of banks and NBFIs compared with 88.3 per cent in the previous year.

Deposit Money Banks

Profitability

The DMBs remained profitable with all the indicators showing improvement as compared to the previous year. The improvement in the key profitability indicators was driven by significant increase in interest income resulting from the upward trend in interest rates as against marginal increase in the cost of funds.

Table 4.1: Profitability Indicators (%)

Indicators	2009	2010	2011	2012
Return on Assets (ROA)	2.8	3.8	3.9	4.9
Return on Earning Asset (ROEA)	3.8	5.1	5.3	6.5
Return on Equity (ROE)	17.5	20.4	19.7	25.8
Net Interest Spread (NIS)	9.1	11.1	9.7	10.3
Cost to Income Ratio	62.8	58.5	59.8	53.8
Net Interest Margin (NIM)	10.8	12.4	10.2	10.9

Solvency

The DMBs remained solvent throughout the year. With the exception of one bank, all DMBs complied with the minimum Capital Adequacy Ratio (CAR) of 10.0 per cent. The industry average CAR was 18.6 per cent as at end-December 2012, up by 1.2 per cent from 17.4 per cent as at end-December 2011.

The networth of DMBs increased by 32.7 per cent to GH¢4,023.8 million as at the end of the year mainly on account of increase in paid-up capital. The non-performing loans (NPLs) ratio improved from 14.1 per cent in 2011 to 13.2 per cent as at end- December 2012.

Liquidity

The liquidity position of DMBs was generally satisfactory. Throughout the year, all DMBs generally complied with the primary reserve requirement of 9.0 per cent. The average industry domestic primary reserve ratio was 9.1 per cent.

Rural and Community Banks

Total assets of RCBs went up by 44.5 per cent to GH¢1,524.0 million. The growth in assets was funded mainly by Shareholders Funds and Deposits which went up by 53.3 per cent, and 45.5 per cent respectively. The increase in assets reflected mainly in Loans & Advances (GH¢240.8 million), Investment (GH¢47.8 million) and Cash & Bank Balances (GH¢37.7 million). Total assets of RCBs constituted 4.8 per cent of total assets of banks and NBFIs in 2012 compared with 4.6 per cent in the previous year.

Non-Bank Financial Institutions

The balance sheet of NBFIs expanded by 49.7 per cent to GH¢2,686.5 million. The growth in assets reflected mainly in Loans & Advances (49.4%), Investments (128.2%) and Other Assets (59.2%). The growth in assets was funded largely by Deposits and Borrowings which increased by 53.3 per cent and 49.2 per cent respectively. Total assets of NBFIs constituted 8.5 per cent of total assets of banks and NBFIs, up from 7.1 per cent recorded in the previous year.

4.3 Developments in the Payment and Settlement Systems

The payment systems landscape continued to witness improvements. A significant development in the review year was the completion of the second phase of the National Switch and Settlement System (gh-link). The 'gh-link', is an inter-bank switching and settlement system that enables banks and other financial institutions to share each others' Automated Teller Machines (ATMs). It also interconnects the switches of financial institutions and systems of third party institutions to enable them utilise a common platform for financial transactions.

The Ghana Interbank Payment and Settlement System (GhIPSS) also introduced Express Cheques Clearing Session for both the Cheque Codeline Clearing (CCC) and Automated Clearing House (ACH) systems to enable same-day clearing and settlements.

Large Value Payments

Ghana Interbank Settlement System

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

Table 4.2: GIS Transactions

Indicators	2008	2009	2010	2011	2012	(%) Change
Volume	167,481	199,814	251,555	360,954	467,642	29.6%
Value (GH¢ Million)	130,481.1	229,442.2	285,447.4	289,818.2	331,320.9	14.3%
Average (GH¢)	779,079.7	1,148,279.1	1,134,731.7	802,922.8	708,492.7	-11.8%

Total volume of transactions recorded in the year increased by 29.6 per cent to 467,642. Total value of transactions also went up by 14.3 per cent to GH¢331,320.9 million. The average value per transaction however, declined by 11.8 per cent to GH¢708,492.7 due to higher volume of customer-to-customer transfers with small amounts.

Low Value/Retail Payments

Cheques

Cheques remained the major non-cash retail payment instrument in Ghana. The volume of cheques cleared during the year increased by 3.1 per cent to 6.7 million while in value terms, it went up by 30.2 per cent to GH¢69,222.07 million. The average value per cheque also increased by 26.3 per cent to GH¢10,316.3. The increase in volume and value of cheques cleared during the period largely reflected growth in the economy and reduction in the clearing cycle.

Table 4.3: Cheques Cleared

	2008	2009	2010	2011	2012	Change
Volume	5,580,738	5,604,763	6,068,212	6,509,594	6,710,475	3.1%
Value (GH¢million)	25,214.2	28,607.0	38,501.2	53,160.9	69,222.1	30.2%
Average per Transaction (GH¢)	4,518.10	5,104.10	6,344.73	8,166.55	10,316.25	26.3%

Automated Clearing House (ACH)

Total volume of transactions cleared by the ACH system was 1,325,533 with a value of GH¢3,690.0 million.

Table 4.4: ACH Transactions

	2011	2012	% Change
Volume	420,478	1,325,533	215.2
Value (GH¢'million)	1,302.60	3,690.04	183.3

e-Zwich Transactions

Total e-Zwich transactions for 2012 showed an increase of 24.0 per cent in value to GH¢217.8 million and 15.3 per cent increase in volume to 1,147,418. The number of card holders increased by 17.2 per cent to 792,966. The major transactions for 2012 were the payment distribution system, money transfers, cash withdrawals and cash deposits. Total value on issued cards as at end 2012 rose by 31.6 per cent to GH¢8.1 million.

Table 4.5: Selected Indicators of e-Zwich Usage

Indicators	2009	2010	2011	2012	(%) Change
Total Cards Issued (volume)	322,907	496,538	676,779	792,966	17.2
Issued Cards with Value (% of Total)	31.3	36.2	40.2	43.4	8.0
Value on Cards issued (GH¢)	1,651,560	5,164,739	6,170,553	8,120,680	31.6
Average Value Per Card (GH¢)	16.3	28.7	22.7	23.6	4.0
Volume of Transaction on Switch	204,383	460,746	995,140	1,147,418	15.3
Value of Transaction (GH¢million)	25.2	84.5	176.2	217.8	23.6
Average Value per Transaction (GH¢)	109.8	183.4	220.1	189.8	13.8

Gh-link Operations

In August 2012, GhIPSS installed the national switch, gh-link to facilitate ATM and POS interoperability, and enable bank customers to use ATMs and POS terminals of banks other than their own.

At the end of December 2012, eighteen DMBs were hooked on to the gh-link Switch. It is expected that all DMBs in the country would be connected to the national switch by the end of 2013.

4.4 Central Securities Depository

The Central Securities Depository Limited (CSD) continued to provide secured clearing, settlement and depository services to government securities and money market instruments.

At the end of 2012, the number of Depository Participants (DPs) increased from 38 to 42, comprising 26 DMBs, 8 custodian firms, 6 brokerage/discount firms, the Social Security and National Insurance Trust (SSNIT) and the Bank of Ghana. During the year, 6 new DPs licensed by the National Pensions Regulatory Authority (NPRA) and Securities and Exchange Commission (SEC) were admitted as custodians into the CSD system.

Following the mergers of Ecobank and The Trust Bank, as well as Access Bank and Intercontinental Bank, the number of participating DMBs was reduced by two. Similarly, the merger of Ecobank and the Trust Bank reduced the number of PDs from 15 to 14. A total of 70,463 investor accounts were opened during the year bringing the total number of investor accounts to 467,145.

In December 2012, the CSD in collaboration with the Bank took over the settlement of both the securities and cash legs of all transactions undertaken in the secondary market. This was to achieve simultaneous and irrevocable settlement (Delivery versus Payment) in the settlement process to reduce risk.

A mandatory price reporting policy was also introduced into the market during the year. The aim was to promote price discovery and transparency in Ghana's securities market consistent with international standards.

4.5 Anti-Money Laundering/Combating the Finance of Terrorism (AML/CFT)

Pursuant to the Anti-Money Laundering Act, 2008 (Act749), the Bank of Ghana and other stakeholders collaborated with the Financial Intelligence Centre (FIC) leading to the enactment of the following AML/CFT legislations by Parliament in 2012:

- Anti-Terrorism (Amendment) Act, 2012 (Act 842)
- Anti-Terrorism Regulations, 2012 (L.I.2181)
- Immigration (Amendment) Act, 2012 (Act 848)
- Criminal Offences (Amendment) Act, 2012 (Act 849)
- Economic and Organised Crime Office (Operations) Regulations, 2012 (L.I. 2183)

- Executive Instrument, 2012 (E.I. 8) for the implementation of United Nations Security Council's Resolutions (UNSCR) 1267 (1999); 1373 (2001); 1718 (2006), successor Resolutions and other relevant Resolutions
- Executive Instrument, 2012 (E.I.19) for the enforcement of United Nations Consolidated List and third party requests

In addition, the United Nations Conventions against Transnational Organised Crime (Palermo Convention) was ratified by Parliament.

At the beginning of the year, some deficiencies were identified in Ghana's AML/CFT regime which led to the country being blacklisted by the Financial Action Task Force (FATF). However, as a result of adequate legal and institutional reforms put in place, Ghana was removed from the FATF's blacklist in October 2012.

The Bank also collaborated with the FIC in the following areas during the year:

- Review of the currency importation and exportation notices and forms
- Preparation and launch of an AML/CFT compliance manual and guidelines for banks and NBFIs
- Carrying out AML/CFT awareness training/workshops for rural/community bank managers and senior accountants in all the 10 regions of Ghana
- Holding joint meetings with Ghana Investment Promotion Council to review the processes involved in attracting foreign direct investments taking cognisance of AML/CFT issues

During the year, the Bank undertook money laundering internal risk assessments of DMBs and noted that they were generally in compliance with the AML/CFT requirements. The Bank also organised training programmes for staff of financial institutions on the AML/CFT compliance manual and guidelines.

CHAPTER 5 INTERNAL DEVELOPMENTS

5.1 Overview

The Bank continued to pursue policies and strategies to enhance its operations during the year. A new currency processing centre was established at the Takoradi branch while work on a multipurpose currency processing centre in Accra continued. The Bank introduced an upgraded version of the GH¢50 banknote with more secure and technologically advanced security features. An external quality assessment of the internal audit function of the Bank was undertaken during the year. The ISO assessments in 2012 established that the Bank continued to comply with the requirement of ISO/IEC 27001.

5.2 Collateral Registry

The Registry's operations during the year focused on the sensitisation of major stakeholders of the credit market and the continuation of the implementation of the Collateral Re-Design Project. The project was a collaborative effort between the Bank and International Finance Cooperation [IFC] to bring the operations of the Registry up to international standards.

A web-based fully-automated software was completed and launched under the systems component of the project. Under the legal review component, rules for effective implementation of the Borrowers and Lenders Act, 2008 (Act 773), were finalised and published while the proposed amendment to Act 773 was forwarded to the Ministry of Finance and Economic Planning for consideration.

The number of institutions accessing the services of the Registry increased from 75 to 112 during the year. A total of 17,133 charges and 35,801 collaterals were registered. Registered collaterals for the year comprised 28,879 movable assets, accounting for 80.7 per cent of registered collaterals, 5,324 immovable assets and 1,598 made up of both movable and immovable assets. The 17,133 registered charges secured total loans of GH¢19.7 billion.

5.3 Currency Management

In August 2012, the Bank of Ghana introduced an upgraded version of the GH¢50 banknote with a more secure and technologically advanced public recognition feature called 'SPARK' together with other security features. The objective was to ensure that banknote security was not compromised.

The old banknote circulated concurrently with the upgraded notes and remained legal tender until end-September 2012. Thereafter, the old banknote ceased to be legal tender and could only be exchanged at the banks and the Bank of Ghana.

The Bank established a new currency processing centre at the Takoradi branch in October 2012, bringing the number of currency processing centres to three. Work on the multipurpose currency processing centre in Accra continued during the year and is expected to be completed in 2013.

5.4 External Quality Assessment of Internal Audit Function

The Bank underwent an external quality assessment of its internal audit function in November 2012 in conformity with the requirement of the Institute of Internal Auditors (IIA). The objective was to assess compliance with the IIA's International Standards for Professional Practice of Internal Auditing. The external assessor expressed the opinion that the internal audit function of the Bank generally conformed to the International Standard for the Professional Practice of Internal Auditing.

5.5 Human Resource Activities

Staff Position

Total staff position of the Bank at end 2012 was 1,572, up from 1,532 in 2011. The breakdown by grade and gender was as follows:

Table 5.1: Categorisation of Staff by Grade/Gender

Grade	Male	Female	Total	% of Total
Management Staff	116	40	156	9.9
o/w Heads of Department	11	8	19	
Middle Level Staff	539	324	863	54.9
Junior Staff	437	116	553	35.2
Total	**1,092**	**480**	**1,572**	**100**

The total number of staff engaged during the year was 88, comprising 51 regular and 37 contract appointments.

Forty-eight members of staff left the service of the Bank during the year. These comprised of three resignations, forty retirements, one end of contract, and four deaths.

Table 5.2: Training Programmes in 2012

Programme	Number of Participants	
	2011	2012
Foreign	173	285
Local		
In-House	840	523
Others	169	357

Health

The Bank continued with its HIV/AIDS education and sensitisation programme during the year. Outreach programmes were organised in the regional offices. The 2012 World AIDS Day was celebrated with a health walk, fun games and other social activities.

5.6 ISO Certification

The Bank's ISO/IEC 27001: 2005 certification was renewed in February 2012 after a successful assessment. A subsequent assessment in July 2012 found that the Bank's ISMS continued to meet the requirement of ISO/IEC 27001: 2005.

CHAPTER 6 EXTERNAL RELATIONS

6.1 Overview

The Bank of Ghana maintained keen interest in international financial matters during the year. It participated in various international, regional and sub-regional meetings. It also maintained close bilateral and multilateral collaboration with affiliated institutions in the areas of policy harmonisation, capacity building and sharing of experiences.

6.2 International Monetary Fund and the World Bank

The Bank participated in the Spring and Annual meetings of the Bretton Woods Institutions held in Washington DC and Tokyo in April and September 2012 respectively. The meetings were dominated by concerns over global economic decline as data showed that economic growth was likely to be even lower than anticipated for the year. Participants discussed major risks to the global economy posed by the euro zone crisis, the uncertainties surrounding the U.S. fiscal deficit and China's slowing economy.

In the light of these risks, countries were urged to formulate policies and programmes aimed at bringing about job-creating growth that would benefit all segments of the society and also engender broad political support. Countries were further encouraged to avoid a piecemeal approach to addressing the challenges and introduce reforms that ensure equal access to economic opportunities, promote transparency, improve access to credit, and enhance the business environment as well as labour market reforms.

The International Monetary and Financial Committee (IMFC)

The International Monetary and Financial Committee (IMFC), during its meetings, welcomed the policy actions implemented in the euro area, both at the national and regional levels. It noted that despite improvement in economic indicators in the US, emerging markets and developing countries, risks remained that warranted collective action to repair financial systems, and reduce global imbalances. Firm commitments were made to make more resources (over US$430 billion) available to the IMF in addition to the quota increase under the 2010 reform. This was to make more resources available for the whole membership of the IMF.

The meeting called for further actions by advanced economies to achieve credible fiscal consolidation while avoiding excessively contractionary fiscal policies. It also called for monetary policy to remain accommodative as long as inflation prospects remained anchored and weak growth persisted, while calling for close monitoring of the potential impact. Emerging markets and developing countries were also urged to maintain the right balance between attenuating downside risks to support growth and curbing inflationary pressures. The Committee also stressed the need for global collaboration as key to sustaining growth and ensuring stability.

Development Committee

The Development Committee of the World Bank took cognisance of the challenging global economic outlook and noted that policy adjustments and improved economic activity could reduce the threat of a sharp global slowdown.

The Committee urged poor countries to implement policies and structural reforms to promote poverty reduction and inclusive growth. It also called on the World Bank Group (WBG) to continue pursuing multi-sectoral solutions to food insecurity and malnutrition through instruments such as the Global Agriculture and Food Security Programmes.

The Committee expressed its appreciation and gratitude to Robert B. Zoellick for his leadership of the WBG over the last five years as well as overseeing the rise in the voting share of developing countries to 47 per cent, to be followed by a further review of voice by 2015. It also congratulated Dr. Jim Yong Kim on his appointment as President of the WBG .

The Committee noted with satisfaction the proposed revision of the Development Committee's membership to reflect the addition of a third chair for Sub-Saharan Africa on the WBG's Board.

IMF Missions

The IMF Executive Board completed the fifth and sixth reviews under Ghana's Extended Credit Facility (ECF) after two missions to the country in February and May 2012.

The missions noted Ghana's successful economic performance in 2011 which culminated in a real GDP growth of 14.5 per cent and inflation in the single digits. However, they also observed that buffers against external shocks were thin while risks to macroeconomic stability were rising.

The missions encouraged Bank of Ghana to sustain the tight monetary policy stance taken in the wake of the fall in the value of the cedi in the first half of the year to stabilise the currency and also achieve its inflation target. The Bank was also urged to take measures to gradually rebuild its stock of foreign reserves and increase liquidity in the foreign exchange market to help reduce excessive exchange rate volatility. On the fiscal front, the public payroll audit, which was meant to keep the wage bill in check, was welcomed. The government was urged to eliminate costly subsidies on fuel and utility consumption.

The IMF Executive Board approved the final installment under the ECF bringing total disbursements to SDR 387.45 million (about US$581.28 million).

Inter-Governmental Group of Twenty-Four on International Monetary Affairs and Development (G-24)

The G-24 meetings expressed concern about the fragility of the global economic and financial situation, notwithstanding the implementation of recent policy actions and buttressing of firewalls. The meetings were also concerned about the risks from possible aggressive fiscal tightening in the US.

The Group called on advanced economies to take decisive steps towards addressing the policy uncertainties that were impeding the restoration of confidence and further reiterated its firm commitment to strong, sustainable and inclusive growth in their respective countries. It called for concerted actions to mitigate excess volatility in commodity prices, especially in food and energy, which was adversely affecting the poor and the vulnerable. It also welcomed recent steps taken to improve the global financial regulatory system and urged faster and more rigorous implementation.

6.3 Institute of International Finance (IIF)

The IIF held its meetings alongside the Spring and Annual meetings of the Bretton Woods Institutions in Washington and Tokyo respectively.

At the Spring meetings, the IIF noted that global economic growth continued to be weak, with reduced demand in the face of the European debt crisis and continued deleveraging by international banks. It emphasised the need for policymakers to work together and take decisive and coordinated actions in three primary areas namely, addressing sovereign debt challenges, encouraging economic growth, and establishing balanced and supportive financial regulations. The meeting also discussed several new initiatives launched by the Institute to analyse challenges relating to regulatory reform and risk management for insurance activities.

Key issues discussed at the Tokyo meetings included development and integration of Asian financial markets, implementation and peer reviews of Basel standards, and sovereign debt restructuring. The meetings also focused on Japan's recovery from natural disasters and discussed the approaches to coping with disasters as well as opportunities and challenges ahead of the country. Other issues discussed included addressing bank resolution and restructuring, systemic risk and global economic outlook.

6.4 The Association of African Central Banks (AACB)

The 36th Ordinary Meeting of the Assembly of Governors of the AACB was held in August 2012 in Algiers, Algeria. The Assembly expressed concern about the impact of the unfavourable international economic environment on economic performances of African economies and encouraged member states to continue with efforts geared towards safeguarding and consolidating macroeconomic stability and convergence.

It urged the joint committee of African Union Commission and AACB to finalise the study on the creation of the African Central Bank, incorporating comments by subregional committees of AACB and the Bureau and submit the final document to the Assembly of Governors at its next Ordinary Meeting in 2013.

The Assembly decided that the theme for the AACB's 2013 Symposium should be, "Financial Inclusion in Africa: The Challenges of Financial Innovations for Monetary Policy and the Stability of the Financial System". It also selected the topic, "The Role of Central Banks in the Promotion of Sustainable Growth in Africa" for the continental seminar in 2013.

6.5 African Development Bank (AfDB)

The Bank of Ghana participated in the AfDB Conference in Arusha, Tanzania in May/June. Among the key issues discussed was the call by the private sector on governments to support their effort to tackle the problem of rising youth unemployment in member countries.

African countries with natural resources were urged to use them judiciously to achieve economic transformation. At Ghana's constituency meeting, Governors raised concern about the formula used by AfDB in allocating funds and called for a review to make it more beneficial to small and poor countries.

6.6 The African Export and Import Bank (Afreximbank)

The Afreximbank held its 19th Annual Shareholders meeting in Beijing, China in July 2012. The meeting discussed the equity capital challenges facing the bank and proposed the following amendments to the bank's Charter to address the problem:

- An increase in the authorised capital from US$ 750 million to US$5 billion.
- The creation of Class D shares open to any investor and having the rights and obligations as contained in the Charter.
- Authorisation of the Board of Directors to make an initial US$500 million issue of Class D shares to be listed on any reputable stock exchange.

These amendments to the Charter were adopted at the Extraordinary General Meeting held in December 2012 in Harare, Zimbabwe.

6.7 The West African Monetary Zone (WAMZ)

The West African Monetary Zone held two statutory meetings which focused on the assessment of member states' compliance with the macroeconomic convergence criteria and progress made under the single currency programme. The Convergence Council noted a moderate slowdown in compliance by member states and expressed concern that the convergence criteria did not take into account the developmental challenges of member states. It urged member countries to implement sectoral and structural policies that promote food production that would help in dampening inflationary pressures.

During the year, the Director-General of The West African Monetary Institute (WAMI), Dr. Temitope Oshikoya's tenure of office expired and Mr. John H. T. Kitcher, the Director of Multilateral Surveillance, was appointed as Acting Director-General pending the appointment of a substantive Director-General.

College of Supervisors of the WAMZ

The College of Supervisors of the West African Monetary Zone also held two statutory meetings in 2012 in Freetown and Monrovia. The meetings approved the Finan-

Box 6.1: West African Monetary Zone Meetings

Venues:	Dates:
Freetown, Sierra Leone	January 2012
Monrovia, Liberia	July 2012

Major Decisions and Recommendations:

- Member states should intensify efforts to further improve performance on both the primary and secondary convergence criteria.
- Member states should review existing legal frameworks on fiscal responsibility in line with the Model Act to ensure strong fiscal management.
- Member states should deepen the implementation of reform policies that seek to reduce domestic borrowing and rising interest payments.
- Member states should progressively liberalise their capital accounts beginning with intra-regional capital account liberalisation.
- Member states were urged to intensify rehabilitation and building of infrastructure in order to remove supply-side bottlenecks and improve output growth and employment.
- WAMI should obtain unemployment statistics from Member States where available or from other credible sources such as the International Labour Organisation.
- WAMI should work within the AfDB and ACBF guidelines to ensure the successful completion of the Regional Payments System Project and send a letter of appreciation to the President of AfDB on the resumption of the regional payments system project.
- Member states should continue to pursue both multilateral and bilateral approaches to the resolution of trade disputes in the ECOWAS region.

cial Stability Report for the zone and set the agenda for harmonising supervisory practices in member countries. It also discussed the report of the joint examinations for 2012.

The College continued to urge member countries to enter into a memorandum of understanding with the Commission Bancaire of the UEMOA for the exchange of supervisory information. Updates on the eFASS implementation, adoption of Risk Based Supervision and International Financial Reporting Standards (IFRS) by banks within the zone were also presented and discussed.

6.8 West African Monetary Agency (WAMA)

The West African Monetary Agency (WAMA) held two statutory meetings in the year to assess level of convergence among member states and progress under the single currency project of ECOWAS.

The Committee of Governors expressed concern about impact of the euro zone debt crisis, the fiscal challenges in US, declining growth trends in the emerging and developing countries and declining commodity prices on the balance of payments of some countries in the region. The Committee commended efforts of member countries in stabilising the macroeconomic environment.

Box 6.2: WAMA Meetings

Venues:	**Dates**
Freetown, Sierra Leone	January 2012
Monrovia, Liberia	July 2012

Major Decisions and Recommendations:

- The Committee of Governors noted delays in the execution of some activities under the roadmap and urged WAMA to accelerate implementation of those activities.
- WAMA, in collaboration with WAMI and the ECOWAS Commission, should submit a comprehensive report on the deadlines relating to the process of establishing the ECOWAS single currency, highlighting the status of implementation of the various preconditions as at end-December 2012 at the next mid-year statutory meetings.
- Member countries should explore modalities for enhancing tax revenue mobilisation whilst rationalising government expenditures.
- WAMA should coordinate the sharing of experiences in macroeconomic management among member countries so as to facilitate improvement in macroeconomic convergence.
- The Chairman of the Committee of Governors may submit to the Ministers of Finance of ECOWAS a summary of the report on the status of convergence of the economies of member states, providing specific recommendations on each country.
- The Committee of Governors took note of the paper on “The Study on the Euro Zone Debt Crisis and Key Lessons for ECOWAS” and endorsed the recommendation to set up a crisis resolution mechanism.
- The implementation of the technical aspects of the harmonisation of regulatory and supervisory frameworks of banks and non-bank financial institutions in ECOWAS should be handled jointly by the WAMZ College of Supervisors and the UEMOA Banking Commission. WAMA and WAMI should act as the Secretariat while WABA could be invited as observer.
- WAMA and EBID should work in with the ECOWAS Commission for the establishment of the proposed ECOWAS regional stock exchange.
- WAMA should take lessons learnt from euro zone crisis into account in the execution of its activities for the creation of the single currency.

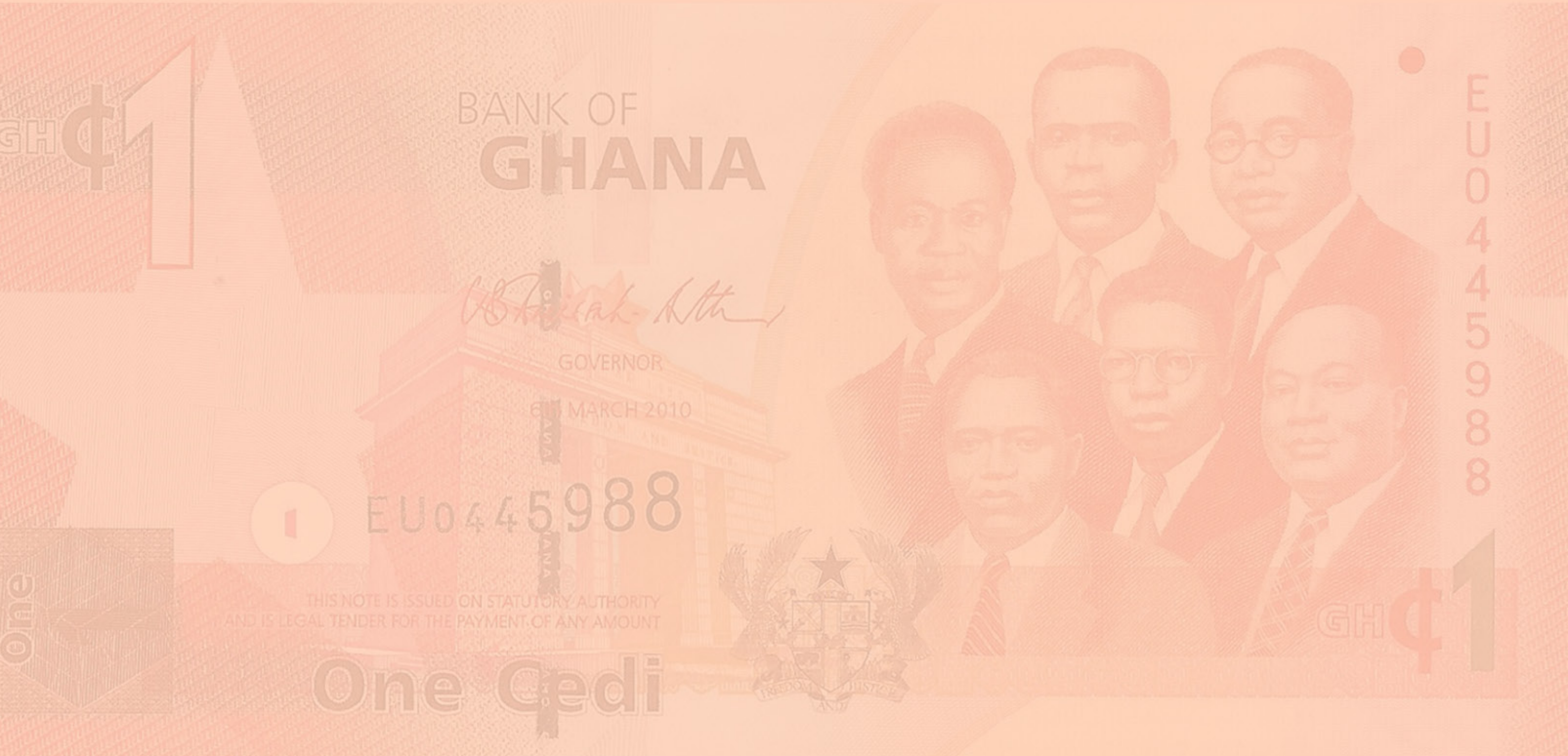
6.9 West African Institute for Financial and Economic Management (WAIFEM)

The West African Institute for Financial and Economic Management (WAIFEM) Board of Directors met twice during the year. The Board approved the Institute's budget for 2012 and training programme for 2013. It also urged WAIFEM to aspire to be a centre of excellence. The Board approved the application of the Central Bank of the Republic of Guinea to become a member of WAIFEM.

6.10 Bilateral Visits

The Bank hosted some central bank and representatives of government of some regional member countries of Africa for the sharing of her experiences in diverse areas of its operations. These included:

- Central bank and Ministry of Finance of Zambia- to learn Ghana's experience in the currency re-denomination exercise
- Central bank of Tanzania- to learn from Ghana's experience in setting up the Agricultural Development Bank.
- Central bank of the Republic of Guinea -to understudy Ghana's monetary policy framework and financial market development.
- Central bank of Liberia – to study the structure, procedures and practices of the Bank's Internal Audit Department.



FINANCIAL STATEMENTS

CHAPTER 7 FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. K. B. Amissah-Arthur	Governor/Chairman (Resigned August 2012)
Dr. Henry A. Kofi Wampah	Acting Governor/Chairman (Appointed August 2012)
Mr. Millison K. Narh	Second Deputy Governor
Dr. Sydney Laryea	Non-Executive Director
Mrs. Diana Amewu Ayettey	Non-Executive Director
Mrs. Esther Lily Nkansah	Non-Executive Director
Dr. David Obu Andah	Non-Executive Director
Mr. Sam Appah	Non-Executive Director
Togbe Afede XIV	Non-Executive Director
Mr. Kwaku Bram-Larbi	Non-Executive Director
Mr. Seth Terkper	Non-Executive Director
Mr. Alexander Yamoah Kyei	Non-Executive Director (Appointed March 2012)

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 KA 16009
Airport, Accra, Ghana.

SECRETARY

Mr. Andrew Boye – Doe
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 and the Group.

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 2012 financial year.

Responsibilities Of The Board Of Directors For The Preparation Of The Financial Statements

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

In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

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

The Bank commenced the construction of the state of the art currency processing centre at the General Services Complex. The construction has progressed steadily and expected to be completed in 2013.

Board Of Directors

The Chairman of the Board, Mr. K. B. Amissah-Arthur (Governor) resigned in August 2012. The Board expressed its appreciation to him for his immense contributions to the Bank.

Mr. Alexander Yamoah Kyei was appointed to the Board effective March 2012 to fill the existing vacancy.

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 as follows:

Departure From IFRS

The application of the Bank of Ghana Act, 2002 (Act 612) has led to a departure from the requirements of the IFRS as follows:

- Treatment of net foreign exchange difference; and
- Net foreign exchange differences on holdings of Gold, Special Drawing Rights and Foreign Securities which have been treated in accordance with the Bank's accounting policy and presented under notes 3 (f, g and j.)

Details of this departure are presented under note 35. 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).

Dividend

The directors have declared a dividend of GH¢500,000,000 subsequent to the reporting date which would be used to offset government indebtedness in the books of the Bank in accordance with Section 6 of the Bank of Ghana Act, 2002 (Act 612).

Subsidiary Companies

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

The Bank also owns 100% shares of Ghana Interbank Payment and Settlement Systems Limited (GhIPSS), a company incorporated in Ghana which carries on the business of setting up and operation of a national payments system.

Bank of Ghana also owns 100% shares of the Central Securities Depository (GH) Limited (CSD), a company incorporated in Ghana to carry out the business of immobilisation and dematerialisation of securities.

Chairman (Acting Governor)

Date: 28th March, 2013

Director

Date: 28th March, 2013

INDEPENDENT AUDITORS' REPORT ON BANK OF GHANA AND ITS SUBSIDIARIES 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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended of the Bank; together with the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows 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 47 to 93.

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.

Auditors' 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 audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank of Ghana and it's subsidiaries as at 31 December 2012 and of their financial performance and their cash flows for the year then ended, in accordance with International Financial Reporting Standards, and in the manner required by the Bank of Ghana Act, 2002 (Act 612).

Emphasis of Matter

We draw attention to note 35 of the financial statements which contains disclosures 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".

Signed by Victor Gborglah (ICAG\P\1151)

For and on behalf of Ernst & Young (ICAG\F\029)
Chartered Accountants
Accra, Ghana

Date: ate: 28th March, 2013

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

		The Bank		The Group	
		2012	2011	2012	2011
	Note	GH¢'000	GH¢'000	GH¢'000	GH¢'000
ASSETS					
Cash and Amounts Due from Banks	12	1,950,951	886,444	958,700	88,129
Gold	13	877,012	680,043	877,012	680,043
Balances with IMF	14	1,815,448	1,550,897	1,815,448	1,550,897
Securities	15	10,817,144	9,100,014	11,233,222	9,346,070
Loans and Advances	16	3,330,704	1,167,664	4,803,494	2,619,245
Derivatives Asset	17	1,019,673	-	1,019,673	-
Other Assets	18	1,419,985	753,168	1,432,305	766,029
Development Loans and Investments	19	176,739	157,823	38,000	56,186
Deferred Tax	11(iii)	-	-	581	459
Property, Plant and Equipment	20	250,599	184,890	277,316	213,594
TOTAL ASSETS		21,658,255	14,480,943	22,455,751	15,320,652
LIABILITIES					
Deposits	21	5,820,247	4,570,720	6,321,278	5,227,019
Derivative Financial Liability	22	891,100	-	891,100	-
Liabilities Under Money Market Instruments	23	1,657,867	1,134,024	1,656,117	1,132,478
Allocations of Special Drawing Rights		1,022,503	845,004	1,022,503	845,003
Liabilities to IMF	24	2,395,435	1,754,123	2,395,435	1,754,123
Taxation		-	-	5,417	4,030
Other Liabilities	25	1,511,603	659,509	1,553,686	694,852
Currency in Circulation	26	5,555,472	4,244,268	5,555,472	4,244,268
TOTAL LIABILITIES		18,854,227	13,207,648	19,401,008	13,901,773
SHAREHOLDERS' FUNDS					
Stated Capital	27	10,000	10,000	10,000	10,000
Asset Revaluation Reserve	28	115,522	115,522	115,522	115,522
Statutory Reserve	29	28,760	28,760	28,760	28,760
Other Reserve	30	2,649,746	1,119,013	2,693,800	1,151,054
Retained Earnings		-	-	40,611	50,011
Total Equity Attributable to Equity Holders of the Bank		2,804,028	1,273,295	2,888,693	1,355,347
NON-CONTROLLING INTEREST		-	-	166,050	63,532
TOTAL EQUITY		2,804,028	1,273,295	3,054,743	1,418,879
TOTAL LIABILITIES AND EQUITY		21,658,255	14,480,943	22,455,751	15,320,652

The attached notes 1 to 36 form an integral part of these financial statements

Chairman (Acting Governor)________________________ Director________________________

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

		The Bank		The Group	
	Note	2012 GH¢000	2011 GH¢000	2012 GH¢000	2011 GH¢000
Operating Income					
Interest and Similar Income	6(i)	968,110	367,324	986,230	380,518
Fee and Commission Income		65,249	40,993	82,467	51,397
Other Operating Income	6(iii)	17,909	18,964	45,912	38,687
Exchange Differences	6(iv)	1,039,934	320,181	1,052,886	333,878
Dividend Income		8,977	5,267	8,977	5,267
Total Operating Income		2,100,179	752,729	2,176,472	809,747
Operating Expenses					
Interest Expense and Similar Charges	6(ii)	(213,551)	(154,487)	(216,405)	(157,009)
Administration	7	(226,479)	(168,744)	(254,421)	(190,422)
Premises and Equipment Expenses	8	(32,130)	(20,793)	(39,326)	(25,957)
Currency and Issue Expenses	9	(10,525)	(27,288)	(10,525)	(27,288)
Direct Expenses		-	-	-	(4,837)
Total Operating Expenses		(482,685)	(371,312)	(520,677)	(405,513)
Impairment Recognised / Reversal	10(a)	(94,604)	4,960	(95,979)	4,307
Profit Before Taxation		1,522,890	386,377	1,559,816	408,541
Taxation	11b(i)	-	-	(10,553)	(8,169)
Operating Profit for the Year		1,522,890	386,377	1,549,263	400,372

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	The Bank		The Group	
	2012	2011	2012	2011
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Other Comprehensive Income				
Foreign Currency Translation Reserve	-	-	53,331	(462)
Total Comprehensive Income for the Year Net of Tax	-	-	53,331	(462)
Surplus Attributed to:				
Equity Shareholders of the Bank	1,522,890	386,377	1,533,643	389,751
Non Controlling Interest	-	-	15,620	10,621
	1,522,890	386,377	1,549,263	400,372
Total Comprehensive Income Attributed to				
Equity Shareholders of the Bank	-	-	15,509	(236)
Non Controlling Interest	-	-	37,822	(226)
	-	-	53,331	(462)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

The Bank 2012

	Stated Capital (Note 27) GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve (Note 28) GH¢'000	Statutory Reserve (Note 29) GH¢'000	Other Reserve (Note 30) GH¢'000	Total GH¢'000
Balance as at 1 January 2012	10,000	-	115,522	28,760	1,119,013	1,273,295
Retrospective Correction of Error (Note 34)	-	-	-	-	(42,150)	(42,150)
Restated Balance as at 1/1/2012	10,000	-	115,522	28,760	1,076,863	1,231,145
Profit for the Year	-	1,522,890	-	-	-	1,522,890
Price/Exchange Movements in Gold & Other Foreign Assets	-	-	-	-	49,993	49,993
Transfer to Other Reserve	-	(1,522,890)	-	-	1,522,890	-
Balance at 31 December 2012	10,000	-	115,522	28,760	2,649,746	2,804,028

The Bank 2011

	Stated Capital (Note 27) GH¢'000	**Retained Earnings GH¢'000**	**Asset Revaluation Reserve (Note 28) GH¢'000**	**Statutory Reserve (Note 29) GH¢'000**	**Other Reserve (Note 30) GH¢'000**	**Total GH¢'000**
Balance as at 1 January 2011	10,000	-	115,436	28,760	866,772	1,020,968
Retrospective Correction of Error (Note 34)	-	-	-	-	(200,000)	(200,000)
Restated Balance as at 1/1/2011	10,000	-	115,436	28,760	666,772	820,968
Profit for the Year	-	386,377	-	-	-	386,377
Other Comprehensive Income	-	-	-	-	-	-
Price/Exchange Movements in Gold & Other Foreign Assets	-	-	-	-	65,950	65,950
Transfer from Other Reserve	-	-	86	-	(86)	-
Transfer to Other Reserves	-	(386,377)	-	-	386,377	-
Balance at 31 December 2011	10,000	-	115,522	28,760	1,119,013	1,273,295

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

The Group 2012

	Stated Capital (Note 27) GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve (Note 28) GH¢'000	Statutory Reserve (Note 29) GH¢'000	Other Reserve (Note 30) GH¢'000	Foreign Currency Translation Reserve (Note 30) GH¢'000	Total GH¢'000	Non-Controlling Interest GH¢'000	Total GH¢'000
Balance at 1st January 2012	10,000	50,013	115,522	28,760	1,119,099	31,953	1,355,347	63,532	1,418,879
Retrospective Correction of Error (Note 34)	-	-	-	-	(42,150)	-	(42,150)	-	(42,150)
Restated Balance as at 1/1/2012	10,000	50,013	115,522	28,760	1,076,949	31,953	1,313,197	63,532	1,376,729
Profit for the Year	-	1,533,643	-	-	-	-	1,533,643	15,620	1,549,263
Other Comprehensive Income	-	3,755	-	-	-	12,013	15,768	37,822	53,590
Dividend Paid	-	(23,908)	-	-	-	-	(23,908)	11,715	(12,193)
Additional Capital	-	-	-	-	-	-	-	37,361	37,361
Price & Exchange Movement in Gold, and Other Foreign Assets	-	-	-	-	49,993	-	49,993	-	49,993
Transfer to Other Reserves	-	(1,522,890)	-	-	1,522,890	-	-	-	-
Balance at	**10,000**	**40,613**	**115,522**	**28,760**	**2,649,832**	**43,966**	**2,888,693**	**166,050**	**3,054,743**

The Group 2011

Note (Note 27)	Stated Capital GH¢'000	Retained Earnings GH¢'000	Asset Revaluation Reserve (note 28) GH¢'000	Statutory Reserve (Note 29) GH¢'000	Other Reserve (Note 30) GH¢'000	Foreign Currency Translation Reserve GH¢'000	Total GH¢'000	Non-controlling interest GH¢'000	Total GH¢'000
Balance at 1st January 2011	10,000	46,639	117,799	28,760	834,349	32,415	1,069,962	58,123	1,128,085
Retrospective Correction of Error (Note 34)	-	-	-	-	(200,000)	-	(200,000)	-	(200,000)
Restated Balance as at 1/1/2011	10,000	46,639	117,799	28,760	634,349	32,415	869,962	58,123	928,085
Profit for the Year	-	389,751	-	-	-	-	389,751	10,621	400,372
Other Comprehensive Income	-	-	-	-	-	-	-	-	-
Dividend Paid	-	-	-	-	-	-	-	(5,212)	(5,212)
Foreign Currency Translation Reserve	-	-	-	-	-	(462)	(462)	-	(462)
Price & Exchange Movement in Gold, and Other Foreign Assets	-	-	(2,277)	-	98,373	-	96,096	-	96,096
Transfer to Other Reserves	-	(386,377)	-	-	386,377	-	-	-	-
Balance at 31 December 2011	10,000	50,013	115,522	28,760	1,119,099	31,953	1,355,347	63,532	1,418,879

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

		The Bank		The Group	
		2012	2011	2012	2011
	Notes	GH¢000	GH¢000	GH¢000	GH¢000
Cash Outflows from Operating Activities	34	(1,552,125)	(2,177,323)	(1,653,012)	(2,627,689)
Cash Flows from Investing Activities					
Increase in Development Loans and Investments		(18,917)	(37,476)	18,186	(1,591)
Proceeds from Disposal of PPE		-	23	7	102
Property, Plant & Equipment Purchased	20	(92,105)	(30,593)	(93,386)	(35,274)
Net Cash Used in Investing Activities		(111,022)	(68,046)	(75,193)	(36,763)
Tax Paid		-	-	(10,265)	(8,915)
Cash Flows from Financing Activities					
Dividend Paid to Non-Controlling Interest (NCI)		-	-	(11,715)	(5,212)
Acquisition of Additional NCI		-	-	37,361	--
Change in Bank of Ghana Instruments		523,843	192,145	523,639	192,995
Increase in Currency in Circulation		1,311,204	981,549	1,311,204	981,549
Change in Allocation of SDRs		177,500	43,809	177,500	43,809
Change In Enhanced Structural Adjustment Facility		641,312	(55,892)	641,312	(55,891)
Net Cash from Financing Activities		2,653,859	1,161,611	2,679,301	1,157,250
Net Changein Cash and Cash Equivalents		990,712	(1,083,758)	940,831	(1,516,117)
Balance at 1 January		886,444	1,650,021	88,129	1,283,190
Net Foreign Exchange Difference		73,795	320,181	(70,260)	321,056
Balance at 31 December 2012	12	1,950,951	886,444	958,700	88,129

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 2012 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 35.

b. New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2012:

- *IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets*
- *IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters*
- *IFRS 7 Financial Instruments: Disclosures (Amendments)*
- *(IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements*

The adoption of the standards or interpretations is described below:

IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has been of no effect on the Group's financial position, performance or its disclosures.

IFRS 1 First-Time Adoption of International Financial Reporting Standards (Amendment) – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters

The IASB provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to hyperinflation. The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment had no impact to the Group.

IFRS 7 Financial Instruments: Disclosures — Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Improvements to IFRSs (May 2012)

These improvements will not have an impact on the Group, but include:

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

These improvements are effective for annual periods beginning on or after 1 January 2013.

c. Basis of Measurement

These consolidated financial statements are presented in Ghana cedi, which is the Bank's functional currency, rounded to the nearest thousand.

They are prepared on the historical cost basis except for the financial assets and liabilities that are stated at their fair value: derivative financial instruments, financial instruments that are fair valued through profit or loss and financial instruments classified as available-for-sale as well as property plant and equipment which is carried on the revaluation model. The Group's accounting policies have been applied consistently with those used in the previous year.

d. Use of Estimates and Judgement

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

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of Non-Financial Assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

Taxes

Though the Bank of Ghana is not subject to tax, the subsidiaries are. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Group assesses the probability for any litigation with respect to taxes as remote, no contingent liability has been recognised. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Pension Benefits

The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Impairment Losses on Loans and Advances

The bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears), and judgements to the effect of concentrations of risks and economic data.

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 31 DECEMBER 2012

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) 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 at 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 remeasured 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 remeasured 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.

(iii) Transactions Eliminated on Consolidation

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

b. Revenue Recognition

Dividends Received

Dividends are recognised in profit or loss when the Bank's right to receive payment is established payment is established, which is generally when shareholders approve the dividend.

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 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 off, in part or full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

The following were the average and closing rates for the year ended 31 December 2012.

Currency	Average Rate GH¢	Closing Rate GH¢
US Dollar	1.78473	1.87600
GBP	2.83790	3.04990
EURO	2.30041	2.47400

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 into 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 at fair value through profit or loss or at amortised cost. 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 less impairment.

(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. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short-term.

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

(iv) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit making. The Group's loans and receivables include cash and amounts due from banks and loans and advances.

(v) Available-for-Sale Financial Assets

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

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 are initially recognised at fair value plus transaction costs, except in the case of financial assets at fair value through profit or loss.

Financial liabilities are initially recognised at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs

(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 derecognized 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 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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

(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 active, 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.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index. In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross–settled.

(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 currently enforceable 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR.

(xiii) Identification and Measurement of Impairment

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

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

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

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. 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.

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.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held to maturity investments), the Bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, 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 has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). 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. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 Interest and similar income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write–off is later recovered, the recovery is credited to the 'Credit loss expense'.

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 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 either:

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

Note 31 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss.

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 reserves.

Foreign exchange gains and losses on gold holdings are for the account of the Government of Ghana and consequently such gains and losses are transferred to Revaluation Account in accordance with Section 7 of the Bank of Ghana Act, 2002 (Act 612). 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 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 of Ghana Act, 2002. 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. Property, Plant and Equipment

(i) Recognition and Measurement

Items of property and equipment except land and buildings are measured at cost less accumulated depreciation and accumulated 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:

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

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 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. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

n. Deposits

This is mainly made up of customer, government, commercial banks and other financial institutions' deposit accounts. They are categorised as financial liabilities carried in the statement of financial position at amortised cost. Interest bearing deposits are stated at amortised cost.

o. 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

Defined Benefit Pension Plan

The Group operates a defined benefit pension plan, which requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting year exceed 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

Past service cost is recognised as an expense on a straight–line basis over the average period until the benefits become vested. If the benefits vest immediately following the introduction of, or changes to, a pension plan, the past service cost is recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of any asset is restricted to the sum of any actuarial losses and past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the 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.

p. 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.

q. 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 or equity in which case it is recognised in other comprehensive income or equity.

The Bank is not subject to tax in respect of its functions under the Bank of Ghana Act.

Tax on the profit of the Bank's subsidiaries, Ghana International Bank Plc and Ghana Interbank Payments and Settlements Systems Ltd for the 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 (recovered 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.

r. Deferred Taxation

Deferred tax is provided using the liability 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.

s. 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.

t. 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.

u. Provisions

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

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

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

v. 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, adjusted for transaction costs that are directly attributable to the issuance of the guarantee, 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 best estimate of the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

4. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitment

The Group had capital expenditure commitments of GH¢ 31,339,894 not provided for in the financial statements as at 31 December 2012 (2011: GH¢38,668,532).

(b) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢1,942.924 million (2011: GH¢1,503.17 million).

(c) Documentary Credits

Contingent liabilities in respect of documentary credits for the group amounted to GH¢428.918m (2011: GH¢349.976 million)

(d) Guarantees and Performance Bonds

The Bank enters into various commitments in the normal course of its business. The maximum exposure of the Group in respect of guarantees and performance bonds outstanding, at 31 December 2012 was GH¢376.281 million (2011: 311.182 million).

5. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets at 31 December 2012 and 2011 were in the following ranges:

	2012 %	**2011 %**
Assets		
Securities - Government	0 - 26	0 - 14
External	0.1- 3.45	0.04 - 4.55
Loans and Advances	12.50- 15	12.5 - 13.5
Liabilities		
Deposits	0	0
Liabilities under Money Market Operations	11.74- 22.81	11.70 - 11.99

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

6(i) INTEREST AND SIMILAR INCOME

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Interest on Overnight Lending, Government Securities, Medium/Long-Term Notes and Bonds	728,542	257,027	746,661	270,221
Interest on Foreign Correspondent Accounts and Foreign Investments	81,204	37,780	81,205	37,780
Total Interest Income	809,746	294,807	827,866	308,001
Discount on Treasury Bill Operations	158,364	72,517	158,364	72,517
	968,110	367,324	986,230	380,518

6(ii) INTEREST EXPENSE AND SIMILAR CHARGES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
IMF & SDR Allocations[1]	271	690	271	690
Foreign Loans and Credits	1,741	2	1,741	2
Forex Deposits	-	-	30,852	-
Interest on Money Market Instruments	180,555	85,452	180,555	87,952
Repo Expense and Other Commissions Paid	30,984	68,343	2,986	68,365
	213,551	154,487	216,405	157,009

6(iii) OTHER OPERATING INCOME

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Other Income	17,909	18,964	45,912	38,687
	17,909	18,964	45,912	38,687

6(iv) ANALYSIS OF EXCHANGE DIFFERENCE

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Transactional Exchange Difference	37,653	57,972	50,605	71,669
Exchange Rate Equalisation	1,002,281	262,209	1002,281	262,209
	1,039,934	320,181	1,052,886	333,878

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.

[1] These are charges relating to transactions with IMF.

7. ADMINISTRATIVE EXPENSES

	The Bank		The Group	
	2012	2011	2012	2011
	GH¢'000	GH¢000	GH¢'000	GH¢000
Personnel Cost	174,818	111,341	191,203	124,372
Foreign and Domestic Travel	5,319	3,691	5,347	4,652
Motor vehicle Maintenance/Running	6,647	6,584	6,744	6,584
Communication Expenses	2,981	2,712	3,356	2,711
Banking College and Monetary Institutes	1,498	704	1,498	704
Computer Related Expenses	1,370	1,397	4,820	1,397
Banking Supervision Expenses	1,141	1,564	1,141	1,564
Auditors' Remuneration	229	163	502	374
Directors' Remuneration	1,137	1,056	3,833	3,377
Expense on Foreign Currency Importation	435	93	435	93
Depreciation – Motor Vehicles	3,113	3,068	3,149	3,092
Others	27,791	36,371	32,393	41,502
	226,479	168,744	254,421	190,422

The number of persons in employment at the end of the year was as follows:

	The Bank		The Group	
	2012	2011	2012	2011
Directors	11	11	33	33
Staff	1,567	1,529	1,672	1,634
	1,578	1,540	1,705	1,667

Included in personnel cost for the year is an amount of GH¢38,951,000 in respect of pension benefit expenses.

8. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢000	**GH¢'000**	GH¢000
Rent and Rates	738	1,051	1,513	1,075
Electricity, Water and Conservancy	2,913	2,384	3,150	2,384
Repairs and Renewals	6,213	7,980	7,114	7,980
Insurance – Premises and Equipment	172	166	172	166
Depreciation – Premises & Equipment	19,946	7,233	24,677	11,388
Generator Running Expenses	155	128	177	128
Other Premises and Equipment Expenses	1,993	1,851	2,523	2,836
	32,130	20,793	39,326	25,957

9. CURRENCY AND ISSUE EXPENSES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢000	**GH¢'000**	GH¢000
Agency Fees	769	738	769	738
Notes Printing	7,405	25,799	7,405	25,799
Coin Minting	2,219	-	2,219	-
Other Currency Expenses	132	751	132	751
	10,525	27,288	10,525	27,288

10 a. IMPAIRMENT LOSSES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢000	**GH¢'000**	GH¢000
Balance at 1 January	9,549	14,509	11,461	15,768
Impairment Loss Recognised/(Reversal)	94,604	(4,960)	95,979	(4,307)
Balance at 31 December (10b)	104,153	9,549	107,440	11,461

This is in respect of impairment made on loans and advances, other assets and development loans and investments, disclosed in notes 16, 18 and 19 respectively whose recoverability has become doubtful.

10 b. RECONCILIATION OF CHANGES IN IMPAIRMENT

The Bank 2012

	Loans & Advances (note 16) GH¢000	Other Assets (note 18) GH¢000	Development Loans & Advances (note 19) GH¢000	Total 2012 GH¢000
At 1/1/2012	5,945	2,715	889	9,549
Impairment Losses Recognised/Reversal	94,681	(77)	-	94,604
At 31/12/2012	100,626	2,638	889	104,153

The Bank 2011

	Loans & Advances (note 16) GH¢000	Other Assets (note 18) GH¢000	Development Loans & Advances (note 19) GH¢000	Total 2011 GH¢000
At 1/1/2011	8,290	5,330	889	14,509
Reversal of Impairment Losses	(2,345)	(2,615)	-	(4,960)
At 31/12/2011	5,945	2,715	889	9,549

The Group 2012

	Loans & Advances (note 16)	Other Assets (note 18)	Development Loans & Advances (note 19)	Total 2012
At 1/1/2012	7,857	2,715	889	11,461
Impairment Losses Recognised/Reversal	96,056	(77)	-	95,979
At 31/12/2012	103,913	2,638	889	107,440

The Group 2011

	Loans & Advances (note 16)	Other Assets (note 18)	Development Loans & Advances (note 19)	Total 2011
At 1/1/2011	9,549	5,330	889	15,768
Reversal of Impairment Losses	(1,692)	(2,615)	-	(4,307)
At 31/12/2011	7,857	2,715	889	11,461

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

(i) The charge for the year can be reconciled to the profit or loss as follows:

	2012 GH¢'000	2011 GH¢'000
Profit on Ordinary Activities before Tax	42,431	29,718
Tax at 26.5% (2011; 28%)	10,396	7,909
Expenses Disallowed (Bank Bonus)	48	8
Expenses Disallowed for Other Tax Purposes	39	37
Effect of Tax Rate Charge	70	215
	10,553	8,169

(ii) Deferred Tax

	The Bank		The Group	
	2012 GH¢000	2011 GH¢000	2012 GH¢000	2011 GH¢000
Capital Allowances Effect	-	-	581	459
Total Deferred Tax Assets	-	-	581	459

12. CASH AND AMOUNTS DUE FROM BANKS

	The Bank		The Group	
	2012 GH¢000	2011 GH¢000	2012 GH¢000	2011 GH¢000
Correspondent Bank Balances	1,896,399	857,558	904,148	59,243
Notes and Coins Holdings	54,552	28,886	54,552	28,886
	1,950,951	886,444	958,700	88,129

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

13. GOLD

	The Bank		The Group	
	2012	2011	2012	2011
	GH¢000	GH¢000	GH¢000	GH¢000
Bank of England Gold Set Aside	344,967	267,454	344,967	267,454
Federal Reserve Bank NY Gold	241,087	186,915	241,087	186,915
UBS Gold Investment	259,036	200,924	259,036	200,924
Gold -Local Holdings	31,922	24,750	31,922	24,750
	877,012	680,043	877,012	680,043

14. BALANCES WITH INTERNATIONAL MONETARY FUND (IMF)

	The Bank		The Group	
	2012	2011	2012	2011
	GH¢000	GH¢000	GH¢000	GH¢000
Holdings	749,222	669,762	749,222	669,762
Quota	1,066,226	881,135	1,066,226	881,135
	1,815,448	1,550,897	1,815,448	1,550,897

15. SECURITIES

	The Bank		The Group	
	2012	2011	2012	2011
	GH¢000	GH¢000	GH¢000	GH¢000
Long-Term Government Securities	2,875,325	1,885,741	2,875,325	1,885,741
Money Market Instruments	1,800,809	1,101,875	1,821,905	1,122,698
Short-Term Securities	6,141,010	6,112,398	6,141,002	6,112,397
Others	-	-	394,990	225,234
	10,817,144	9,100,014	11,233,222	9,346,070

(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.

16. LOANS AND ADVANCES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢000	**GH¢000**	GH¢000
Government	3,118,086	1,002,536	3,118,086	1,002,536
Financial Institutions	203,272	79,805	1,380,861	1,353,894
Lending (Note 15a)	109,972	91,268	408,928	270,672
Gross Amount	3,431,330	1,173,609	4,907,875	2,627,102
Less: Impairment Losses	(100,626)	(5,945)	(104,381)	(7,857)
Carrying Amount	3,330,704	1,167,664	4,803,494	2,619,245

17. DERIVATIVE ASSETS

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢000	**GH¢000**	GH¢000
Swap Receivable	1,019,673	-	1,019,673	-

This represents a receivable from a currency swap transaction entered into by the Bank with Standard Chartered Bank Ghana Limited.

18. OTHER ASSETS

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢000	**GH¢000**	GH¢000
Items in Course of Collection	266,794	140,354	266,794	140,354
Revaluation Account	154,386	48,248	154,386	48,528
Others	1,001,443	567,281	1,013,763	579,862
	1,422,623	755,883	1,434,943	768,744
Less: Impairment Losses (Note 15c)	(2,638)	(2,715)	(2,638)	(2,715)
	1,419,985	753,168	1,432,305	766,029

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. Included in Others is a pension fund asset of GH¢ 555.097 million. Also included are Imprest, Inventory, Accounts receivable and Staff Provident Fund Investment.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

19. DEVELOPMENT LOANS AND INVESTMENTS

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Investments – Banks	101,210	86,794	38,881	57,066
Investments - Other Institutions	76,418	71,918	8	9
	177,628	158,712	38,889	57,075
Impairment Losses	(889)	(889)	(889)	(889)
	176,739	157,823	38,000	56,186

Included in Investments - Banks is GH¢70,164,525 representing 51% 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¢72,909,229 representing 100% holdings in GhIPSS, a company incorporated in Ghana, and an amount of GH¢ 3,500,000 representing 100% in CSD, a company incorporated in Ghana. These amounts have been eliminated in the consolidated financial statements.

20 a. PROPERTY, PLANT AND EQUIPMENT

The Bank 2012

	Land & Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Plant & Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Gross Value						
At 1/1/12	149,555	9,187	2,398	25,344	12,876	199,360
Additions	2,396	4,867	829	40,398	43,615	92,105
Disposals	-	(518)	-	-	-	(518)
Balance at 31/12/12	151,951	13,536	3,227	65,742	56,491	290,947
Accumulated Depreciation & Impairment Losses						
At 1/1/11	4,873	3,547	440	5,610	-	14,470
Charge for the Year*	8,100	3,114	1,503	13,161	-	25,878
Balance at 31/12/11	12,973	6,661	1,943	18,771	-	40,348
Carrying Amounts						
Balance at 31/12/12	138,978	6,875	1,284	46,971	56,491	250,599
Balance at 31/12/11	144,682	5,640	1,958	19,734	12,876	184,890

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

20 b. PROPERTY, PLANT AND EQUIPMENT

The Group 2012

	Land & Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Plant & Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Gross Value						
At 1/1/12	155,493	9,929	3,721	55,051	16,572	240,766
Additions	2,395	4,409	882	41,446	44,254	93,386
Disposals	-	(45)	-	-	-	(45)
Translation Adjustment	526	50	247	1,221	-	2,044
Balance at 31/12/1 2	158,414	14,343	4,850	97,718	60,826	336,151
Accumulated Depreciation & Impairment Losses						
At 1/1/12	5,666	4,029	1330	16,147	-	27,172
Charge for the Year	8,428	3,241	1,825	17,251		30,745
Released on Disposal	-	(39)	-	-	-	(39)
Translation Adjustment	122	21	193	621	-	957
Balance at 31/12/12	14,216	7,252	3,348	34,019	-	58,835
Carrying Amounts						
Balance at 31/12/12	144,198	7,091	1,502	63,699	60,826	277,316
Balance at 31/12/11	149,827	5,900	2,391	38,904	16,572	213,594

20 c. PROPERTY, PLANT AND EQUIPMENT

The Bank 2011

	Land & Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Plant & Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Gross Value						
At 1/1/11	145,038	9,283	1,753	12,831	42	168,947
Additions	4,517	84	645	12,513	12,834	30,593
Disposals	-	(180)	-	-	-	(180)
Balance at 31/12/11	149,555	9,187	2,398	25,344	12,876	199,360
Accumulated Depreciation & Impairment Losses						
At 1/1/11	691	513	57	647	-	1,908
Charge for the Year*	4,182	3,068	383	4,963		12,596
Disposals	-	(34)	-	-	-	(34)
Balance at 31/12/11	4,873	3,547	440	5,610	-	14,470
Carrying Amounts						
Balance at 31/12/11	144,682	5,640	1,958	19,734	12,876	184,890
Balance at 31/12/10	144,347	8,770	1,696	12,184	42	167,038

20 d. PROPERTY, PLANT AND EQUIPMENT

The Group 2011

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Plant & Equipment	Work in Progress	Total
Gross Value						
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1/1/11	150,640	10,605	2,816	41,288	42	205,392
Additions	4,664	300	889	13,552	15,869	35,274
Disposals	-	(263)	-	-	-	(263)
Translation Adjustment	189	(713)	16	211	661	363
Balance at 31/12/11	155,493	9,929	3,721	55,051	16,572	240,766
Accumulated Depreciation and Impairment Losses						
At 1/1/11	1,102	1,631	600	7,361	-	10,694
Charge for the Year	4,449	3,169	738	8,662	-	17,018
Released on Disposal	-	(50)	-	-	-	(50)
Translation Adjustment	115	(721)	(8)	124	-	(490)
Balance at 31/12/11	5,666	4,029	1330	16,147	-	27,172
Carrying Amounts						
Balance at 31/12/11	149,827	5,900	2,391	38,904	16,572	213,594
Balance at 31/12/10	149,538	8,974	2,216	33,294	42	194,698

21. DEPOSITS

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Government	2,710,180	1,709,889	2,710,180	1,709,889
Financial Institutions/Banks	2,693,813	1,789,400	3,194,844	2,048,660
Others	416,254	1,071,431	416,254	1,468,470
	5,820,247	4,570,720	6,321,278	5,227,019

22. DERIVATIVE FINANCIAL LIABILITY

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
SCB Swap Payable	891,100	-	891,100	-

This represents a Payable from a currency swap transaction entered into by the Bank with Standard Chartered Bank Ghana Limited.

23. LIABILITIES UNDER MONEY MARKET OPERATIONS

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Bank of Ghana Instruments	1,657,867	1,134,024	1,656,117	1,132,478

These are securities (treasury bills carrying a fixed rate of interest) issued by the Bank for monetary policy purpose and are shown as a liability of the Central Bank of Ghana to the buyers.

24. LIABILITIES TO IMF

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
(i) IMF Currency Holdings				
IMF No. 1	51,106	46,142	51,106	46,142
IMF No. 2	12	10	12	10
IMF Securities	1,015,120	834,993	1,015,120	834,993
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	1,329,197	872,978	1,329,197	872,978
	2,395,435	1,754,123	2,395,435	1,754,123

Ghana 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 at December 31, 2012 (2011: SDR 372 million). IMF currency holdings equivalent to SDR million 17.686 million (2011: SDR 19.32 million) and SDR 4.171 million (2011; SDR 4.171 million) are held in the IMF's No.1 and No. 2 accounts respectively. These are deposit accounts of the IMF with the Bank

25. OTHER LIABILITIES

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Accruals and Account Payable	43,116	25,878	83,465	30,268
Defined Pension Fund Liability (Note 24a)	638,219	527,758	638,219	527,758
Others	830,268	105,873	832,002	136,826
	1,511,603	659,509	1,553,686	694,852

Included in others is a short term facility obtained from the Bank for International Settlements (BIS) in March 2012 amounting to USD 300 million (GH¢562.8 million).

25 a. DEFINED BENEFIT PLAN

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every two years. An estimate is made to adjust the benefit obligation on a yearly basis. The plan liability is measured on an actuarial basis using the projected unit credit method, adjusted for unrecognised actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the long-term government bond rates. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are not recognised unless the net cumulative unrecognised gains or losses at the end of the previous reporting year exceeded the greater of either 10% of the fair value of plan assets or the present value of defined benefit obligation. In these circumstances, the excess is charged or credited to the income statement over the employees' expected average remaining working lives.

Defined Benefit Obligation

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Balance at 1 January	527,758	279,387	527,758	279,387
Prior Year Restatement	42,150	-	42,150	-
Pension Payments	(16,584)	(13,765)	(16,584)	(13,765)
Interest Earned	45,944	62,136	45,944	62,136
Current Service Cost	38,951	200,000	38,951	200,000
Value of Fund Obligation at 31 December	638,219	527,758	638,219	527,758
Plan Assets				
Balance at 1 January	310,204	254,000	310,204	254,000
Contributions by Employer During the Year	244,891	56,204	244,891	56,204
Fund Assets in Investments	555,095	310,204	555,095	310,204

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of the Bank at 31 December 2011. An update was made to December 2012 to take cognisance of any significant change in pension liabilities. The present value of the defined benefit obligation and the related past service cost were measured using the projected unit credit method. Amounts for the current and previous year are, as follows:

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Defined Benefit Obligation	(638,219)	(527,758)	(638,219)	(527,758)
Plan Assets	555,095	310,204	555,095	310,204
Total Recognised Benefit Liability	(83,124)	(217,554)	(83,124)	(217,554)
			2012	2011
Actuarial Assumptions				
Discount Rate at 31 December			12%	12.0%
Salary Increment Rate			15%	15%

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

26 a. CURRENCY IN CIRCULATION

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Notes and Coins Issued	9,461,719	7,052,805	9,461,719	7,052,805
Less: Cash Account & Agencies	(3,906,247)	(2,808,537)	(3,906,247)	(2,808,537)
	5,555,472	4,244,268	5,555,472	4,244,268

26 b. CURRENCY IN CIRCULATION BY DENOMINATION

	The Bank		The Group	
DENOMINATION	**2012**	2011	**2012**	2011
	GH¢000	GH¢'000	**GH¢000**	GH¢'000
Notes in Circulation				
GH¢50	1,087,570	622,312	1,087,570	622,312
GH¢20	1,726,566	1,109,268	1,726,566	1,109,268
GH¢10	1,397,795	1,036,278	1,397,795	1,036,278
GH¢5	973,314	978,751	973,314	978,751
GH¢2	91,992	179,805	91,992	179,805
GH¢1	154,912	203,987	154,912	203,987
Total Notes in Circulation	5,432,149	4,130,401	5,432,149	4,130,401
Coins in Circulation				
GH¢1	21,119	20,663	21,119	20,663
50GP	29,160	26,899	29,160	26,899
20GP	26,346	22,552	26,346	22,552
10GP	15,802	13,338	15,802	13,338
5GP	7,430	7,186	7,430	7,186
1GP	863	832	863	832
Total Coins in Circulation	100,720	91,470	100,720	91,470
New Currency in Circulation	5,532,869	4,221,871	5,532,869	4,221,871
Old Currency in Circulation	22,603	22,397	22,603	22,397
Total Currency in Circulation	5,555,472	4,244,268	5,555,472	4,244,268

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

27. STATED CAPITAL

	Number of Shares		Proceeds	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Authorised 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

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

28. ASSET REVALUATION RESERVE

This represents surplus arising on the revaluation of the Group's property, plant and equipment.

29. 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).

30. OTHER RESERVES

The Bank 2012

	Price & Exchange Movement GH¢'000	Transfer from Surplus GH¢'000	Transfer to Other Reserve GH¢'000	2012 GH¢'000
Balance at 1 January	822,760	296,339	(86)	1,119,013
Retrospective Correction of Error (Note 34)	-	(42,150)	-	(42,150)
Restated Balance at 1 January 2011	822,760	254,189	(86)	1,076,863
(Decrease)/Increase in the Year	49,993	1,522,890	-	1,572,883
Balance at 31 December	872,753	1,777,079	(86)	2,649,746

The Bank 2011

	Price & Exchange Movement GH¢'000	Transfer from Surplus GH¢'000	Transfer to Other Reserve GH¢'000	2011 GH¢'000
Balance at 1 January	756,810	109,962	-	866,772
Retrospective Correction of Error (Note 34)	-	(200,000)	-	(200,000)
Restated balance at 1 January 2011	756,810	(90,038)	-	666,772
(Decrease)/Increase in the Year	65,950	386,377	(86)	452,241
Balance at 31 December	822,760	296,339	(86)	1,119,013

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

30. OTHER RESERVES

The Group 2012

	Price & Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	Total 2012 GH¢'000
Balance at 1 January	822,762	31,953	296,339	1,151,054
Retrospective Correction of Error (Note 35)	-	-	(42,150)	(42,150)
Restated Balance at 1 January	822,762	31,953	254,189	1,108,904
(Decrease)/Increase in the Year	49,993	12,013	1,522,890	1,584,896
Balance at 31 December	872,755	43,966	1,777,079	2,693,800

The Group 2011

	Price & Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	Total 2011 GH¢'000
Balance at 1 January	724,389	32,415	109,962	866,766
Retrospective Correction of Error (Note 34)	-	-	(200,000)	(200,000)
Restated Balance at 1 January	724,389	32,415	(90,038)	666,766
(Decrease)/Increase in the Year	98,373	(462)	386,377	484,288
Balance at 31 December	822,762	31,953	296,339	1,151,054

Other Reserve represents the unrealised gains and losses on revaluation of gold holdings as a result of the change in the spot market price. 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).

31. 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 held for 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 overleaf:

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Assets

i. The Bank 2012

	Nots	Trading GH¢'000	Held to Maturity GH¢'000	Designated at Fair Value Through P&L GH¢'000	Available for Sale GH¢'000	Loans & Receivables GH¢'000	Total Carrying Amount GH¢'000
Cash and Balances with Correspondent Banks	12			-	-	1,950,951	1,950,951
Government Securities	15		2,875,325	-	-		2,875,325
Money Market Instruments	15		1,800,809	-	-		1,800,809
Short-Term Securities	15	4,728,030	1,412,980	-	-		6,141,010
Loans and Advances	16	-	-	-	-	3,330,704	3,330,704
				-	-		
Total at 31/12/2012		4,728,030	6,089,114	-	-	5,281,655	16,098,799

Assets

ii. The Bank 2011

	Notes	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	Amount GH¢'000
Cash and Balances with Correspondent Banks	12	-	-	-	-	886,444	886,444
Government Securities	15	-	1,885,741	-	-	-	1,885,741
Money Market Instruments	15	-	1,101,875	-	-	-	1,101,875
Short-Term Securities	15	917,152	5,195,245	-	-	-	6,112,397
Loans and Advances	16	-	-	-	-	1,167,664	1,167,664
Total at 31/12/11		917,152	8,182,861	-	-	2,054,108	11,154,121

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Assets

i. The Group 2012

	Notes	Trading	Held to Maturity	Designated at Fair Value Through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and Balances with Correspondent Banks	12					958,700	958,700
Government Securities	15		2,875,325				2,875,325
Money Market Instruments	15		1,821,905				1,821,905
Short-Term Securities	15	4,728,030	1,807,962				6,535,992
Loans and Advances	16	-	-			4,803,494	4,803,494
Total at 31/12/12		4,728,030	6,505,192			5,762,194	16,995,416

Assets

ii. The Group 2011

	Notes	Trading	Held to Maturity	Designated at Fair Value Through P&L	Available for Sale	Loans & Receivables	Total Carrying
		GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and Balances with Correspondent Banks	12	-	-	-	-	88,129	88,129
Government Securities	15	-	1,885,741				1,885,741
Money Market Instruments	15	-	1,101,875	-	-		1,101,875
Short-Term Securities	15	917,167	5,195,244	-	9		6,112,420
Loans and Advances	16	-	-	-	-	2,619,245	2,619,245
Total at 31/12/11		917,167	8,182,860	-	9	2,707,374	11,807,410

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Liabilities

i. The Bank 2012

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total GH¢'000
Government Deposits	21			2,710,180	2,710,180
Due to Banks and Financial Institutions	21			2,693,813	2,693,813
Other Short-Term Deposits	21			416,254	416,254
Money Market Instruments	23	-	-	1,657,867	1,657,867
Total at 31/12/12		-	-	7,478,114	7,478,114

Liabilities

ii. The Bank 2011

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total GH¢'000
Government Deposits	21	-		1,709,889	1,709,889
Due to Banks and Financial Institutions	21	-		1,789,400	1,789,400
Other Short-Term Deposits	21	-		1,070,431	1,070,431
Money Market Instruments	23	-	-	1,134,024	1,134,024
Total at 31/12/11		-	-	5,703,744	5,703,744

i. The Group 2012

	Notes	Trading GH¢'000	Designated at Fair Value through P&L GH¢'000	Financial Liabilities at Amortised cost GH¢'000	Total GH¢'000
Government Deposits	21			2,710,180	2,710,180
Due to Banks and Financial Institutions	21			3,194,814	3,194,814
Other Short-Term Deposits	21			416,254	416,254
Money Market Instruments	23	-	-	1,656,117	1,656,117
Total at 31/12/12		-	-	7,977,365	7,977,365

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Liabilities

ii) The Group 2011

	Notes	Trading GH¢000	Designated at Fair Value Through P&L GH¢000	Financial Liabilities at Amortised Cost GH¢000	Total GH¢000
Government Deposits	21	-	-	1,709,889	1,709,889
Due to Banks and Financial Institutions	21	-	-	2,048,660	2,048,660
Other Short-Term Deposits	21	-	-	1,468,470	1,468,470
Money Market Instruments	23	-	-	1,132,478	1,132,478
Total at 31/12/2011		-	-	6,359,497	6,359,497

Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1:
quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2:
other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;

Level 3:
techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial instruments carried at fair value are on level 2 of the fair valuation hierarchy

32. 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 statement of financial position 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.

Key management personnel compensation for the period comprised

The Bank

	2012 GH¢'000	2011 GH¢'000
Short-Term Employee Benefits	750	770
Termination Benefit	334	331
Post-Employment Benefits	150	149
	1,234	1,250

33. 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 credit risk management process.

The risk that counter parties to trading instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Bank deals with counterparts of good credit standing.

Concentrations of credit risk (whether on or off statements of financial position) 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.

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**	
	2012 GH¢'000	2011 GH¢'000	**2012 GH¢'000**	2011 GH¢'000
ASSETS				
Cash and Amounts Due from Banks	1,950,951	886,444	958,700	88,129
Gold	877,012	680,043	877,012	680,043
Balances with IMF	1,815,448	1,550,897	1,815,448	1,550,897
Securities	10,817,144	9,100,014	11,233,222	9,346,070
Loans and Advances	3,330,704	1,167,664	4,803,494	2,619,245
Development Loans and Investments	176,739	157,823	38,000	56,186
TOTAL ASSETS	18,967,998	13,542,885	19,725,876	14,340,570

No financial assets are past due nor impaired.

Liquidity Risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets to appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

The Group usually has access to a diverse funding base. Funds are raised using a range of instruments including deposits, other liabilities regulated by law and other credit facilities. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds.

The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet its goals and targets set in terms of overall Bank strategy. In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

The following are contractual maturities of financial liabilities:

The Bank 2012

	Amount GH¢'000	3 Months or Less GH¢'000	3 to 6 Months GH¢'000
Non-Derivative Financial Liabilities			
Government Deposits	2,710,180	2,710,180	
Deposits by Banks and Financial Institutions	2,693,813	2,693,813	-
Other short-Term Deposits	416,254	416,254	-
Bridging Facility from BIS	562,800	-	562,800
Money Market Instruments	1,657,867	1,221,152	436,715
Balance at 31/12/12	8,040,914	7,041,399	999,515

The Bank 2011

Non-Derivative Financial Liabilities	Amount GH¢'000	3 Months or Less GH¢'000	3 to 6 Months GH¢'000
Government Deposits	1,709,889	1,709,889	-
Deposits by Banks and Financial Institutions	1,789,400	1,789,400	-
Other Short-term Deposits	1,070,431	1,070,431	-
Money Market Instruments	1,134,024	697,309	436,715
Balance at 31/12/11	5,703,744	5,267,029	436,715

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

33. RISK MANAGEMENT DISCLOSURES

The Group 2012

Non-Derivative Financial Liabilities	Amount GH¢'000	3 Months or Less GH¢'000	3 to 6 Months GH¢'000
Government Deposits	2,710,180	2,710,180	
Deposits by Banks and Financial Institutions	3,194,814	3,194,814	
Other Short-Term Deposits	416,254	416,254	
Bridging Facility from BIS	562,800		562,800
Money Market Instruments	1,656,117	1,219,402	436,715
Balance at 31/12/12	8,540,165	7,540,650	999,515

The Group 2011

Non-Derivative Financial Liabilities	Amount GH¢'000	3 Months or Less GH¢'000	3 to 6 Months GH¢'000
Government Deposits	1,709,889	1,709,889	-
Deposits by Banks and Financial Institutions	2,048,660	2,048,660	-
Other Short-Term Deposits	1,467,454	1,467,454	-
Money Market Instruments	1,132,478	697,763	436,715
Balance at 31/12/11	6,358,481	5,923,766	436,715

Market Risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable. The instruments are recognised at fair value, and all changes in market directions directly affect net trading income.

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

Cash Flow Sensitivity Analysis For Variable Rate Instruments

A change of 100 basis points 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 2011.

Effects in Cedis	100 bp Increase GH¢'000	100 bp Decrease GH¢'000
The Bank 2012		
Average for the Period	539,880	(539,880)
Maximum for the Period	564,838	(564,838)
Minimum for the Period	348,524	(348,524)
The Bank 2011		
Average for the Period	(11,808)	11,808
Maximum for the Period	(7,347)	7,347
Minimum for the Period	(16,504)	16,504

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

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Bank 2012

Assets	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	5 years GH¢'000	Total GH¢000
Cash and Amounts due from Banks	1,950,951	-	-	-	-	1,950,951
Derivative Financial Asset	1,019,673	-	-	-	-	1,019,673
Gold	31,923	586,053	259,036	-	-	877,012
Balances with IMF	749,222	1,066,226	-	-	-	1,815,448
Securities	6,223,217	1,065,352	255	2,535,029	993,291	10,817,144
Loans and Advances	3,330,704	-	-	-	-	3,330,704
Development Loans and Investments	165	-	-	-	176,574	176,739
Total	13,305,855	2,717,631	259,291	2,535,029	1,169,865	19,987,671
LIABILITIES						
Currency in Circulation	-	-	-	-	5,555,472	5,555,472
Allocations of SDR	1,022,503	-	-	-	-	1,022,503
Deposits	5,820,247	-	-	-	-	5,820,247
Liabilities to IMF	-	-	-	1,329,197	1,066,238	2,395,435
Derivative Financial Liability	-	-	891,900	-	-	891,900
Bridging Facility from BIS	-	-	562,800	-	-	562,800
Liabilities under Money Market Operations	793,283	-	-	864,584	-	1,657,867
Total	7,636,033	-	1,454,700	2,193,781	6,621,710	17,906,224
Maturity surplus/(shortfall)	5,669,822	2,717,631	(1,195,409)	341,248	(5,451,845)	2,081,447

The Bank 2011

Assets	Up to 1 mth GH¢'000	B/n1-3 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
Cash and Amounts due from Banks	886,444	-	-	-	-	886,444
Gold	24,750	655,293	-	-	-	680,043
Balances with IIMF	669,762	881,135	-	-	-	1,550,897
Securities	6,013,359	309,352	450,141	1,333,871	993,291	9,100,014
Loans and Advances	1,167,664	-	-	-	-	1,167,664
Development Loans and Investments	1,828	-	-	-	155,995	157,823
Total	8,763,807	1,845,780	450,141	1,333,871	1,149,286	13,542,885
LIABILITIES						
Currency in Circulation	-	-	-	-	4,244,268	4,244,268
Allocations of SDR	845,003	-	-	-	-	845,003
Deposits	4,570,720	-	-	-	-	4,570,720
Liabilities to IMF	-	-	-	872,978	881,145	1,754,123
Liabilities under Money Market Operations	697,309	-	-	436,716	-	1,134,025
Other Liabilities	659,509	-	-	-	-	659,509
Total	6,772,541	-	-	1,309,694	5,125,413	13,207,648
Maturity surplus/shortfall	1,991,266	1,845,780	450,141	24,177	-3,976,127	335,237

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Group 2012

ASSETS	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	>5years GH¢'000	Total GH¢000
Cash and Amounts due from Banks	958,700	-	-	-	-	958,700
Derivative Financial Asset	1,019,673	-	-	-	-	1,019,673
Gold	31,923	586,053	259,036	-	-	877,012
Balances with IMF	749,222	1,066,226	-	-	-	1,815,448
Securities	6,223,217	1,065,352	416,333	2,535,029	993,291	11,233,222
Loans and Advances	4,803,494	-	-	-	-	4,803,494
Development Loans and Investments	-	-	-	-	38,000	38,000
TOTAL	13,786,229	2,717,631	675,369	2,535,029	1,031,291	20,745,549
LIABILITIES						
Currency in Circulation	-	-	-	-	5,555,472	5,555,472
Allocations of Special Drawing Rights	1,022,503	-	-	-	-	1,022,503
Deposits	6,321,278	-	-	-	-	6,321,278
Liabilities to IMF	-	-	-	1,329,197	1,066,238	2,395,435
Derivative Financial Liability	-	-	891,100	-	-	891,100
BIS Bridging Facility	-	-	562,800	-	-	562,800
Liabilities under Money Market Operations	793,283	-	-	862,834	-	1,656,117
Total	8,137,064	-	1,453,900	2,192,031	6,621,710	18,404,705
Assets-Liability Gap	5,649,165	2,717,631	(778,531)	342,998	(5,590,419)	2,340,844

The Group 2011

ASSETS	Up to 1 mth GH¢'000	B/n 1 mth & 3 mths GH¢'000	B/n 3 mths & 1 yr GH¢'000	B/n 1 yr & 5 yrs GH¢'000	>5years GH¢'000	Total GH¢000
Cash and Amounts due from Banks	886,444	-	-	-	-	886,444
Gold	-24,750	-655,293	-	-	-	680,043
Balances with IMF	-669,762	-881,135	-	-	-	1,550,897
Securities	-6,013,359	-309,352	450,141	1,333,871	993,291	9,100,014
Loans and Advances	-1,167,664	-	-	-	-	1,167,664
Development Loans and Investments	1,828	-	-	-	155,995	157,823
Total	8,763,807	1,845,780	450,141	1,333,871	1,149,286	13,542,885
LIABILITIES						
Currency in Circulation	-	-	-	-	4,244,268	4,244,268
Allocations of SDRs	845,003	-	-	-	-	845,003
Deposits	4,826,715	324,574	75,730	-	-	5,227,019
Liabilities to IMF	-	-	-	872,978	881,145	1,754,123
Provision for Corporation Tax	-	-	-	4,030	-	4,030
Liabilities under Money Market Operations	697,308	-	-	435,170	-	1,132,478
Total	6,369,026	324,574	75,730	1,312,178	5,125,413	13,206,921
Assets-Liability Gap	2,394,781	1,521,206	374,411	21,693	(3,976,127)	335,964

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

INTEREST RATE REPRICING ANALYSIS

The Bank 2012

ASSETS	3 mths or less GH¢'000	B/n 3 & 12 mths GH¢'000	Over 1 yr GH¢'000	Non-Interest Bearing GH¢'000	TOTAL GH¢'000	2011 GH¢'000
Cash and Amounts due from Banks	1,896,399	-	-	54,552	1,950,951	886,444
Gold	-	500,123	-	376,889	877,012	680,043
Balances with IMF	-	1,815,448	-		1,815,448	1,550,897
Securities	6,198,517	4,603	4,502,369	111,655	10,817,144	9,100,014
Loans and Advances	-	-	-	3,330,704	3,330,704	1,167,664
Derivative Asset	-	-	-	1,019,673	1,019,673	-
Other Assets	-	-	-	1,419,985	1,419,985	753,168
Property, Plant and Equipment	-	-	-	250,599	250,599	184,890
Development Loans and Investments	-	-	-	176,739	176,739	157,823
Total Assets	8,094,916	2,320,174	4,502,369	6,740,796	21,658,255	14,480,943
LIABILITIES						
Currency in Circulation	-	-	-	5,555,472	5,555,472	4,244,268
Allocations of SDRs	-	-	-	1,022,503	1,022,503	845,003
Deposits	-	-	-	5,820,247	5,820,247	4,570,720
Liabilities to IMF	-	2,395,435	-		2,395,435	1,754,123
Liabilities under Money Market Operations	-	1,657,867	-		1,657,867	1,134,025
Other Liabilities	-	562,800	-	948,803	1,511,603	659,509
Derivative Liability	-	891,100	-	-	891,100	-
Total Liabilities	-	5,507,202	-	13,347,025	18,854,227	13,207,648
Assets-Liability Gap	8,094,916	(3,187,028)	4,502,369	(7,106,229)	2,804,028	1,273,295

The Bank 2011

ASSETS	3 mths or less GH¢'000	B/n 3 & 12 mths GH¢'000	Over 1 yr GH¢'000	Non-Interest bearing GH¢'000	TOTAL GH¢'000	2010 GH¢'000
Cash and Amounts due from Banks	857,558	-	-	28,886	886,444	1,650,021
Gold	-	387,840	-	292,203	680,043	578,355
Balances with IMF	-	1,550,897	-		1,550,897	1,495,006
Securities	6,112,990	5,188	2,870,187	111,648	9,100,014	5,318,689
Loans and Advances	-	-	-	1,167,664	1,167,664	1,058,367
Other Assets	-	-	-	753,168	753,168	842,907
Property, Plant and Equipment	-	-	-	184,890	184,890	167,039
Development Loans and Investments	-	-	-	157,823	157,823	120,346
Total Assets	6,970,548	1,943,925	2,870,187	2,696,282	14,480,943	11,230,730
LIABILITIES						
Currency in Circulation	-	-	-	4,244,268	4,244,268	3,262,719
Allocations of SDRs	-	-	-	845,003	845,003	801,194
Deposits	-	-	-	4,570,720	4,570,720	3,316,662
Liabilities to IMF	-	1,754,123	-	-	1,754,123	1,411,902
Liabilities under Money Market Operations	-	1,134,024	-	-	1,134,025	941,879
Other Liabilities	-	-	-	659,509	659,509	475,406
Total Liabilities	-	2,888,147	-	10,319,500	13,207,648	10,209,762
Assets-Liability Gap	6,970,548	(944,222)	2,870,187	(7,623,218)	1,273,295	1,020,968

INTEREST RATE REPRICING ANALYSIS

The Group 2012

ASSETS	3 mths or less GH¢'000	B/n 3 & 12 mths GH¢'000	Over 1 yr GH¢'000	Non-Interest Bearing GH¢'000	TOTAL GH¢'000	2011 GH¢'000
Cash and Amounts due from Banks	904,148	-	-	54,552	958,700	88,129
Gold	-	500,123	376,889		877,012	680,043
Balances with IMF	-	1,815,448			1,815,448	1,550,897
Securities	6,614,596	4,603	4,502,368	111,655	11,233,222	9,346,070
Loans and Advances	-	-	-	4,803,494	4,803,494	2,619,245
Derivative Asset	-	-	-	1,019,673	1,019,673	
Other Assets	-	-	-	1,432,305	1,432,305	766,029
Property, Plant and Equipment	-	-	-	277,316	277,316	213,594
Development Loans and Investments	-	-	-	38,000	38,000	56,186
Deferred Tax Assets	-	-	-	581	581	459
Total Assets	7,518,744	2,320,174	4,879,257	7,737,576	22,455,751	15,320,652
LIABILITIES						
Currency in Circulation	-		-	5,555,472	5,555,472	4,244,268
Allocations of Special Drawing Rights	-		-	1,022,503	1,022,503	845,003
Deposits	-		-	6,321,278	6,321,278	5,227,019
Liabilities to IMF	-	2,395,435	-		2,395,435	1,754,123
Provision for Corporation Tax	-		-	5,417	5,417	4,030
Liabilities under Money Market Operations	-	1,656,117	-		1,656,117	1,132,478
Derivative Liability	-	891,100	-		891,100	-
Other Liabilities	-	562,800	-	990,886	1,553,686	694,852
Deferred Income	-	-	-	-	-	
Total Liabilities	-	5,505,452	-	13,895,556	19,401,008	13,901,773
Assets-Liability Gap	7,518,744	(3,185,278)	4,879,257	(6,157,980)	3,054,743	1,418,879

The Group 2011

ASSETS	3 mths or less GH¢'000	B/n 3 & 12 mths GH¢'000	Over 1 yr GH¢'000	Non-interest Bearing GH¢'000	TOTAL GH¢'000	2010 GH¢'000
Cash and Amounts due from Banks	59,303			28,826	88,129	1,283,190
Gold		387,840		292,203	680,043	578,355
Balances with IMF		1.550,897			1,550,897	1,495,006
Securities	6,227,297	57,989	2,928,313	132,471	9,346,070	5,121,303
Loans and Advances	1,147,976	139,616	163,989	1,167,664	2,619,245	2,241,599
Other Assets	-	-	-	766,029	766,029	858,502
Property, Plant and Equipment	-	-	-	213,594	213,594	194,698
Development Loans and Investments	-	-	-	56,186	56,186	54,595
Deferred Tax Assets	-	-	-	459	459	179
Total Assets	7,434,576	2,136,342	3,092,302	2,657,432	15,320,652	11,827,427
LIABILITIES						
Currency in Circulation	-	-	-	4,244,268	4,244,268	3,262,719
Allocations of SDRs	-	-	-	845,003	845,003	801,194
Deposits	488,068	75,730	-	4,663,221	5,227,019	3,771,742
Liabilities to IMF	-	1,754,123	-	-	1,754,123	1,411,902
Provision for Corporation Tax	-		-	4,030	4,030	4,031
Liabilities under Money Market Operations	-	1,132,478	-	-	1,132,478	939,484
Other Liabilities	-	-	-	694,852	694,852	508,272
Total Liabilities	488,068	2,962,331	-	10,451,374	13,901,773	10,699,344
Assets-Liability Gap	6,946,508	(825,989)	3,092,302	(7,793,942)	1,418,879	1,128,083

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

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

The foreign currency exposures are as follows:

CURRENCY EXPOSURE ANALYSIS

The Bank

ASSETS	December 2012 GH¢'000	December 20 11 GH¢'000
Cedi	10,593,885	5,094,268
US Dollar	8,928,847	7,222,052
Pound Sterling	86,842	366,024,
Euro	103,871	133,080
Special Drawing Rights	1,815,448	1,550,897
Others	129,362	114,622
Total	21,658,255	14,480,943
LIABILITIES & EQUITY		
Cedi	(15,601,106)	(11,003,226)
US Dollar	(3,697,058)	(1,531,825)
Pound Sterling	(61,181)	(59,737)
Euro	(132,176)	(82,015)
Special Drawing Rights	(2,088,741)	(1,726,148)
Others	(77,993)	(77,992)
Total	(21,658,255)	(14,480,943)
NET POSITION		
Cedi	(5,007,221)	(5,908,958)
US Dollar	5,231,789	5,690,227
Pound Sterling	25,660	306,287
Euro	(28,305)	51,065
Special Drawing Rights	(273,293)	(175,250)
Others	51,370	36,629
Total	-	-

CURRENCY EXPOSURE ANALYSIS

The Group

ASSETS	December 2012 GH¢'000	December 2011 GH¢'000
Cedi	11,391,381	5,094,268
US Dollar	8,928,847	7,222,052
Pound Sterling	86,842	366,024,
Euro	103,871	133,080
Special Drawing Rights	1,815,448	1,550,897
Others	129,362	114,622
Total	22,455,751	14,480,943
LIABILITIES & EQUITY		
Cedi	(16,398,602)	(11,003,226)
US Dollar	(3,697,058)	(1,531,825)
Pound Sterling	(61,181)	(59,737)
Euro	(132,176)	(82,015)
Special Drawing Rights	(2,088,741)	(1,726,148)
Others	(77,993)	(77,992)
Total	(22,455,751)	(14,480,943)
NET POSITION		
Cedi	(5,007,221)	(5,908,958)
US Dollar	5,231,789	5,690,227
Pound Sterling	25,660	306,287
Euro	(28,305)	51,065
Special Drawing Rights	(273,293)	(175,250)
Others	51,370	36,629
	-	-

The following significant exchange rates applied during the year:

Currency	Average Rate 2012 GH¢	Average Rate 2011 GH¢	Closing Rate 2012 GH¢	Closing Rate 2011 GH¢
US Dollar	1.78473	1.51105	1.87600	1.55030
GBP	2.83790	2.41754	3.04990	2.40725
EURO	2.30041	2.09692	2.47400	2.01140
SDR	2.73339	2.38127	2.88950	2.38790

Sensitivity Analysis

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

This analysis assumes that all other variables, in particular interest rates remain constant. The analysis is performed on the same basis for 2011.

31 December 2012	Profit or (Loss) GH¢'000
US Dollar	(523,179)
GBP	(2,566)
EURO	2,830
SDR	27,329

31 December 2011	Profit or (loss) GH¢'000
US Dollar	(569,023)
GBP	(30,629)
EURO	(5,106)
SDR	(17,525)

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

Capital Management

The Bank does not have any regulator that sets and monitors its capital requirements. The 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.

34. NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

(a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2012 GH¢'000	2011 GH¢'000
Operating Profit for the Year	1,522,890	386,377
Change in Securities	(1,717,130)	(3,781,325)
Change in Deposit Accounts	1,249,526	1,254,059
(Decrease)/Increase in Advances	(2,163,040)	(109,297)
	(1,107,754)	(2,250,186)
Non–Cash Items included in Profit Before Tax		
Change in Other Assets	(1,686,489)	89,739
Change in Other Liabilities	1,743,194	184,094
Depreciation	25,875	12,596
Movement in Reserves	7,843	(134,041)
Price change in Gold	(196,969)	(101,687)
Change in Balances with IMF	(264,551)	342,221
Effect of Exchange Rate Fluctuations on Cash Held	(73,274)	(320,181)
Loss on Disposal of PPE	-	122
Net Cash Inflows from Operating Activities	(1,552,125)	(2,177,323)

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2012 GH¢'000	2011 GH¢'000
Operating Profit for the Year	1,549,263	409,015
Change in Securities	(1,887,154)	(4,224,767)
Change in Deposit Accounts	1,094,260	1,455,276
(Decrease)/Increase in Advances	(2,184,247)	(377,645)
	(1,427,878)	(2,738,121)
Non–Cash Items Included in Profit Before Tax		
Change in Other Assets	(1,685,949)	92,473
Change in Other Liabilities	1,749,934	186,577
Change in Reserves	19,857	(102,088)
Depreciation	30,746	17,018
Loss on Sale of Property, Plant & Equipment	(1)	102
Write Off	-	(3,129)
Price Change in Gold	(196,969)	(101,686)
Effect of Exchange Rate Fluctuations on Cash Held	121,799	(321,056)
Change in Balances with IMF	(264,551)	342,221
Net Cash (Outflows) from Operating Activities	(1,653,012)	(2,627,689)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2012

35. DEPARTURES FROM IFRS

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

(a) Treatment of Exchange Differences on Specified Balances

As discussed in Note 3(f), net unrealised foreign exchange gain of GH¢65 million (2010: GH¢128 million) on gold, Special Drawing Rights (SDRs) with the International Monetary Fund or holdings of foreign securities were charged directly to other reserves under note 30 in accordance with requirement under Section 7 of the Bank of Ghana Act, 2002 (Act, 612) instead of profit or loss as required by IAS 21.

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

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢	GH¢	**GH¢**	GH¢
Income Statement				
Surplus for the Year	1,522,890	386,377	1,549,263	389,751
Exchange Gain/(Loss) Charged to Revaluation Account	49,993	65,950	49,993	98,375
Surplus for the Year Restated	1,572,883	452,327	1,599,256	488,126
Equity/Net Assets				
Net Assets Reported	2,804,028	1,273,295	2,888,693	1,355,347
Restatements Per Above	49,993	65,950	49,993	98,375
Net Assets Re-Stated	2,854,021	1,339,245	2,938,686	1,453,722

36. RETROSPECTIVE CORRECTION OF ERROR

The restatement in Other Reserves (Note 30) 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 2012.

The effect on the financial statement is summarised below:

	The Bank		The Group	
	2012	2011	**2012**	2011
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Other Reserves				
Other Reserves Brought Forward	666,772	866,772	666,764	866,764
Additional Provision for Pension Fund	(42,150)	(200,000)	(42,150)	(200,000)
Restated Balance at 1 January	624,622	666,772	624,614	666,764
	The Bank	2011	The Group	2011
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Other liabilities				
Other Liabilities Brought Forward	675,406	475,406	708,272	508,272
Additional Provision for Pension Fund Liability	42,150	200,000	42,150	200,000
Restated Balance at 1 January	717,556	675,406	750,422	708,272

Standards Issued But Not Yet Effective

Standards issued but not yet effective 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 Group reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective. The Group expects that adoption of these standards, amendments and interpretations in most cases will not have any significant impact on the Group's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact, the Group is still assessing the possible impact.

IAS 19 Post Employee Benefits (Revised)

The amendments are effective for annual periods beginning on or after 1 January 2013. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognised immediately. Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Management is still assessing the impact of this revision.

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This will have no impact as investments are presented at cost.

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures (as revised in 2011) and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as the Bank does not have any investments in associates and interests in joint arrangements.

IFRS 10 Consolidated Financial Statements; IFRS 11 Joint Arrangements; IFRS 12 Disclosure of Interest in Other Entities. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities. The changes will require management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control.IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint Operation

An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.

Joint Venture

An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.

The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as it is not party to any joint arrangements.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as a number of new disclosures. An entity is now required to disclose the judgement made to determine whether it controls another entity.

The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Group 1 July 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Clarifications on certain aspects are also provided.The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group 1 July 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected during 2013. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.

Financial Assets

All financial assets are measured at fair value at initial recognition. Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding

All other debt instruments are subsequently measured at fair value.
All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice to recognise fair value changes in OCI by instrument for all other equity financial assets.

Financial Liabilities

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 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. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

IAS32 Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities

The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts". This means that the right of set-off:

- must not be contingent on a future event; and,
- must be legally enforceable in all of the following circumstances:
- the normal course of business;
- the event of default; and,
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

Early Adoption of Standards

The Group did not early-adopt any other new or amended standards and does not anticipate doing so in the future.

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