BANK OF GHANA

ANNUAL REPORT

2013

BANK OF GHANA

Annual Report
2013

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MANDATE OF THE BANK

- 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 BY THE GOVERNOR

Domestic economic conditions were generally challenging in 2013, reflecting both global and domestic developments. On the global front, uncertainties in the financial markets and weak commodity prices impacted adversely on the Ghanaian economy. The main domestic challenges included political uncertainty arising from the election petition, pressures in the fiscal and external sectors, and the severe energy crisis that confronted the country. These moderated the pace of economic activity and weakened business and consumer sentiments.

There were heightened inflation and exchange rate expectations during the first half of the year, which together with fiscal and external sector challenges raised the inflation outlook. Consequently the Monetary Policy Committee hiked the policy rate by 100 basis points to 16 per cent in May 2013. Pressures continued to mount in the second half due to pass-through effects of petroleum and utility tariff adjustments as well as continued fiscal and exchange rate pressures. Headline inflation thus ended the year at 13.5 per cent, breaching the target band of 9.5±2 per cent but expected to track back by the end of 2014 barring no new shocks. Real GDP growth also ended the year at 7.1 per cent, slightly below the projection of 7.9 per cent.

Going forward, the implementation of supportive short to medium-term policy measures would be critical to regain macroeconomic stability. Successful fiscal consolidation is fundamental to this process, and monetary policy will remain vigilant to complement efforts to further lower the fiscal deficit to sustainable levels.

There were further developments in the Bank's operations, particularly in the payment systems during the year. The Central Securities Depository (CSD) was linked to Ghana's Real Time Gross Settlement System to facilitate the cash leg of securities transactions and enable delivery versus payment using the SWIFT messaging platform to reduce financial market risks. The Bank also introduced the standing facility to provide banks with an avenue to manage unexpected liquidity shocks and by so doing reduce interest rate volatility and keep the interbank rate within the monetary policy corridor.

As part of measures to strengthen the management of government finances, another interface between the Ghana Integrated Financial Management Information System (GIFMIS) and the Bank's system went live in September 2013. This paved the way for electronic confirmation of all payments made and revenues received to be sent to the GIFMIS system in real time to aid automatic reconciliation.

In order to continue to effectively regulate and supervise the expanding banking and financial system, a new department called "Other Financial Institutions Supervision Department (OFISD)" was carved out of the Banking Supervision Department (BSD). Hence, the original BSD now supervises the DMBs and NBFIs while the OFISD takes responsibility for the supervision of rural and community banks, microfinance institutions, and forex bureaux.

Due to increasing threats from money laundering activities, the Bank, with the assistance of the IMF and the US Treasury Department, developed and disseminated risk methodology and assessment tools for Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) for DMBS, RCBs and NBFIs. Subsequently, AML/CFT reporting officers from these institutions were trained on techniques for conducting internal risk assessments as well as the obligations of these institutions under the AML Act, 2008 (Act 749).

During the year, the Bank bade farewell to three members of the Board of Directors, Mr. Seth Terkper, Togbe Afede XIV and Mrs. Esther Lily Nkansah who had ended their tenure. Consequently, Mr. Ato Forson, Mrs. Clara Arthur and Professor Kwabena Asomanin Anaman were appointed to the Board in July 2013. I would like to thank all those who retired from the Board for their invaluable services to the Bank and wish them well in their future endeavours. I also take the opportunity to warmly welcome the newly appointed Directors to the Board.

Finally, I would like to thank staff for their continued cooperation and commitment as we navigate these challenging economic terrains and strive to preserve macroeconomic stability. I look forward to engaging more with staff at all levels as we work together to attain new heights in the coming year.

Thank You.

Dr. H. A. Kofi Wampah

BOARD OF DIRECTORS

Mr. Millison K. Narh
First Deputy Governor

Dr. H. A. Kofi Wampah
Governor

Dr. Abdul-Nashiru Issahaku
Second Deputy Governor

Dr. Sydney Y. Laryea
Chartered Accountant

Mr. Kwaku Bram-Larbi
Legal Practitioner

Mrs. Diana Amewu Ayettey
Economist

Hon. Cassiel Ato Forson
Chartered Accountant
(Deputy Minister of Finance)

Mr. Sam Appah
Commodity Marketing
Consultant

Dr. David Obu Andah
Banker and Consultant

Mr. Alexander Y. Kyei
Economist

Prof. Kwabena A. Anaman
Agricultural Economist/Lecturer

Mrs Clara Arthur
Electronic Banking Consultant

Mr. Andrew Boye-Doe
Secretary to the Board

MANAGEMENT OF THE BANK

TOP MANAGEMENT

Dr. H.A. Kofi Wampah
Governor

Mr. Millison K. Narh
First Deputy Governor

Dr. Abdul-Nashiru Issahaku
Second Deputy Governor

Mrs. Akofa E. Avorkliyah
Advisor, Governors Department

Mr. Andrew Boye-Doe
The Secretary

HEADS OF DEPARTMENT

Mrs. Akofa Avorkliyah
Governors

Mr. Felix Adu
Internal Audit

Mr. Andrew Boye-Doe
Secretary's

Mr. Yaw Afrifa-Mensah
Security

Mr. Adams Nyinaku
Treasury

Mrs. Elly Ohene-Adu
Banking

Ms. Catherine Ashley
Currency Management

Mr. Daniel Hagan
General Services

Mrs. Mary Edwards
Information, Documentation and Publications Services

Mr. Madoc Quaye
Human Resource

Ms Gloria Quartey
Centre for Training & Professional Development

Mr. John Fummey
Information Technology

Mr. Yao Abalo
Risk Management

Mr. Franklin Belnye
Banking Supervision

Mr. Raymond Amanfu
Other Financial Institutions Supervision

Dr. (Mrs) Esther N. K. Kitcher
Medical

Dr. Benjamin Amoah
Financial Stability

Mrs. Caroline Otoo
Legal

Mr. Samuel Tetteh-Wayoe
Finance

Mrs. Grace Akrofi
Research

REGIONAL MANAGERS

Mr. James Kingsley Addai
Kumasi, Ashanti Region

Mr. Charles Hope Gatsey
Hohoe, Volta Region

Mr. Charles Sefa
Takoradi, Western Region

Mr. Jacob Tei Kudah
Tamale, Northern Region

Mr. Peter Ntsiful
Sunyani, Brong-Ahafo Region

Mr. William Ntow
Sefwi-Boako Currency Office
Western Region

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

GOVERNOR

Monetary Policy Committee

First Deputy Governor		Second Deputy Governor
Banking	Governors	Banking Supervision
Centre for Training & Professional Development	Secretary's	Other Financial Institutions Supervision
General Services	Internal Audit	Finance
Human Resource	Security	Legal
Information, Documentation and Publications Services	Treasury	Financial Stability
Information Technology		Medical
Currency Management		Research
Risk Management		Collateral Registry

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 Non-Executive 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 Non-Executive Directors hold office for a period of three years and are also eligible for re-appointment.

The Board is responsible for formulating policies necessary for the achievement of the Bank's objectives, which are:

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

1.2 Membership of the Board

During the year, the following changes occurred in the membership of the Board.

Retirements

• Mr. Seth Terkper	Non-Executive Director (Retired on 26th July, 2013)
• Mrs. Esther Lily Nkansah	Non-Executive Director (Retired on 26th July, 2013)
• Togbe Afede XIV	Non-Executive Director (Retired on 26th July, 2013)

Appointments

• Dr. Abdul-Nashiru Issahaku	Deputy Governor (Appointed on 19th July 2013)
• Prof. Kwabena A. Anaman	Non-Executive Director (Appointed on 26th July 2013
• Mrs. Clara Arthur	Non-Executive Director (Appointed on 26th July 2013
• Mr. Cassiel Ato Forson	Non-Executive Director (Appointed on 26th July 2013)

The President of the Republic of Ghana inaugurated the re-constituted Board of Directors with membership as follows:

• Dr. H.A. Kofi Wampah	Governor/Chairman
• Mr. Millison K. Narh	First Deputy Governor
• Dr. Abdul-Nashiru Issahaku	Second Deputy Governor
• Dr. Sydney Laryea	Non-Executive Director
• Mrs. Diana Amewu Ayettey	Non-Executive Director
• Mr. Kwaku Bram-Larbi	Non-Executive Director
• Dr. David Obu Andah	Non-Executive Director
• Mr. Sam Appah	Non-Executive Director
• Mr. Alexander Yamoah Kyei	Non-Executive Director
• Mrs. Clara Arthur	Non-Executive Director
• Prof. Kwabena Asomanin Anaman	Non-Executive Director
• Mr. Cassiel Ato Forson	Non-Executive Director

1.3 Committees of the Board

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

- Audit
- Economy and Research
- Human Resource, Governance and Legal
- Strategic Planning and Budget

Audit Committee

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

Membership

• Dr. Sydney Laryea	Chairman
• Dr. David Obu Andah	Member
• Mrs. Diana Amewu Ayettey	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

• Prof. Kwabena A. Anaman	Chairman
• Mr. Sam Appah	Member
• Mr. Cassiel Ato Forson	Member
• Mrs. Diana Amewu Ayettey	Member
• Mr. Alexander Yamoah Kyei	Member
• Dr. Abdul-Nashiru Issahaku	Member

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

Membership

• Mr. Kwaku Bram-Larbi	Chairman
• Mrs. Clara Arthur	Member
• Dr. David Obu Andah	Member
• Prof. Kwabena A. Anaman	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

• Mr. Sam Appah	Chairman
• Dr. Sydney Laryea	Member
• Mrs. Clara Arthur	Member
• Mr. Cassiel Ato Forson	Member
• Mr. Alexander Yamoah Kyei	Member
• Mr. Millison K. Narh	Member
• Dr. Abdul-Nashiru Issahaku	Member

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

• Dr. H.A. Kofi Wampah	Governor / Chairman
• Mr. Millison K. Narh	First Deputy Governor
• Dr. Abdul-Nashiru Issahaku	Second 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 Kwabena Kwakye	External Member

Members of the Committee


Mr. Millison K. Narh


Dr. H. A. Kofi Wampah


Dr. Abdul-Nashiru Issahaku


Dr. Nii Kwaku Sowa


Mrs. Grace Akrofi


Mrs. E. Ohene-Adu


Dr. J. K. Kwakye

CHAPTER 2 DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview

Global economic recovery progressed steadily in 2013, although growth remained restrained with varying growth momentum across economic regions. Economic activities picked up in most advanced economies, driven by accommodative monetary policy, a smaller fiscal drag, higher inventory demand, improved household balance sheets and positive confidence effects. Though economic activities in emerging and developing countries remained strong, the pace of growth slowed down on the back of renewed uncertainties in currency and financial markets, supply-side bottlenecks and weak commodity prices.

2.2 World Output Growth

The global economy grew by 3.0 per cent in 2013 down from 3.1 per cent in 2012. Across the advanced economies, the US recorded an annual growth of 1.9 per cent in 2013 compared with 2.8 per cent in 2012. Japan grew by 1.7 per cent mainly driven by stronger industrial output, weaker yen induced exports and stronger private consumption during the fourth quarter. The euro zone contracted by 0.4 per cent in 2013 compared with a contraction of 0.7 per cent in 2012. In the United Kingdom, economic growth was robust ending 2013 at 1.7 per cent compared with a growth of 0.3 per cent in 2012.

Table 2.1: World Economic Indicators

	2012	2013	Projections 2014	2015
World Output	3.1	3.0	3.7	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area	-0.7	-0.4	1.0	1.4
Germany	0.9	0.5	1.6	1.4
France	0.0	0.2	0.9	1.5
Italy	-2.5	-1.8	0.6	1.1
Spain	-1.6	-1.2	0.6	0.8
Japan	1.4	1.7	1.7	1.0
United Kingdom	0.3	1.7	2.4	2.2
Emerging Markets and Developing Economies	**4.9**	**4.7**	**5.1**	**5.4**
China	7.7	7.7	7.5	7.3
India	3.2	4.4	5.4	6.4
Brazil	1.0	2.3	2.3	2.8
Sub-Saharan Africa	4.8	5.1	6.1	5.8
South Africa	2.5	1.8	2.8	3.3
World Trade Volume	**2.7**	**2.7**	**4.5**	**5.2**
Commodity Prices				
Oil	1.0	-0.9	-0.3	-5.2
Non-Oil	-10.0	-1.5	-6.1	-2.4
Consumer Prices				
Advanced Economies	2.0	1.4	1.8	1.8
Emerging Markets and Developing Economies	6.0	6.1	5.6	5.3

Economic activities in emerging and developing economies remained vibrant in 2013, albeit at a slower pace than in 2012, with an estimated GDP growth of 4.7 per cent in 2013 compared with 4.9 in 2012. In emerging economies, exports rebounded while domestic demand generally remained subdued, except in China.

Despite the global economic challenges, economies in Sub-Saharan Africa (SSA) continued to put up strong performance underpinned by resource exploitation and implementation of prudent policies. On the whole SSA grew by 5.1 per cent in 2013 compared with 4.8 per cent in the previous year.

2.3 Global Inflation

Global headline inflation generally trended downwards in 2013, on the back of weak international commodity prices, sizeable spare capacity in advanced economies and well-anchored inflation expectations. Global CPI inflation declined to 3.0 per cent at the end of 2013 from 3.9 per cent at the end of 2012. In most advanced economies, inflation slowed down significantly towards the end of 2013. In the United States, annual inflation declined to 1.5 per cent in 2013, from 2.1 per cent in 2012, reflecting decelerations in energy, food and medical care services components. In the euro zone, inflation ended the review year at 0.8 per cent compared with 2.2 per cent in 2012. UK inflation also declined to 1.9 per cent in 2013, from 2.7 per cent recorded in the previous year. A notable exception among advanced economies was Japan, which, after a long period of deflation, saw a gradual shift in price changes into positive territory ending the review year at 0.04 per cent, from zero per cent in 2012.

Headline inflation in emerging and developing economies increased marginally to 6.1 per cent, from 6.0 per cent in 2012. Among the key emerging economies, inflation decelerated sharply in China, India and Russia on account of a slowdown in domestic economic activities and weak international commodities prices that mitigated inflationary pressures. However, CPI inflation in countries such as Turkey, Brazil and South Africa rose steadily in the last quarter of the review year amid expectations of a tapering in the US stimulus.

2.4 Commodities Market

Developments in the commodities market in the review year reflected a wide variety of factors including slowing emerging market growth, fiscal challenges in the US and weak global demand. In particular, the slowdown in growth in emerging economies impacted adversely on the demand for gold. However, crude oil prices rallied on the back of global production outages, sanctions against Iran and threat of attack on Syria. There were bullish market sentiments for cocoa beans reflecting strong demand and better grinding data from North America as well as concerns over supplies in West Africa.

Crude Oil

Brent crude oil price rose to a high of US$116.1 per barrel in February 2013 driven by improved US economic data and strong corporate earnings. However, it declined sharply to an average of US$103.4 per barrel during the second quarter, amid weak economic data from China and increased oil supply from the US. The price picked up again during the third quarter due to improved economic and industry data from the US and China as well as expectations of a drop in North Sea oil output. Bearish sentiments resurfaced in the fourth quarter on the back of tapering in the US bond purchase, rise in oil production in North America and slowdown in demand due to the closure of the Gulf Coast refineries. The oil market, however, gained from the renewed tensions in South Sudan and various supply outages in the US and France in December to end the year at US$110.6 per barrel.

Gold

The bullion market remained bearish for most part of the year. The price of gold declined steadily from US$1,665.4 at the beginning of the year to US$1,314.7 per fine ounce at the end of July. This was driven by the improved US economy and equities market, the announcement of Cyprus' gold bailout in April, dumping of gold Exchange Traded Fund by investors and India's import restriction. The bullion market however rallied in August and remained flat in September amid strong physical and investment buying due to US debt issues. Subsequently, the price of the metal declined in the last quarter to end the year at US$1,223.0 per fine ounce, due mainly to a strong US dollar. The average price of gold in 2013 was US$1,412.5 per fine ounce down from US$1,668.4 per fine ounce in 2012.

Cocoa

The cocoa market was generally bullish in the review year although the commodity experienced initial bearish fundamentals during the first quarter. Cocoa price declined during the first two months due to the general favourable conditions in most growing areas in West Africa, increased volumes of supply on the market and declines in European demand. The price of cocoa beans however picked up remarkably between March and May following the release of better-than-expected first quarter grinding data from North America. In June, heavy liquidation of long-term contracts by some speculators amidst favourable weather conditions in West Africa resulted in a sharp drop in cocoa price. Thereafter, the price rose steadily to end the year at £1,758.0 per tonne, up from £1508.05 per tonne recorded at the end of 2012 mainly due to global supply concerns. The average price of the commodity trended upward to £1,578.0 per tonne in 2013 from £1,539.0 per tonne recorded in 2012.

Chart 2.1: Developments in International Crude Oil and Gold Prices

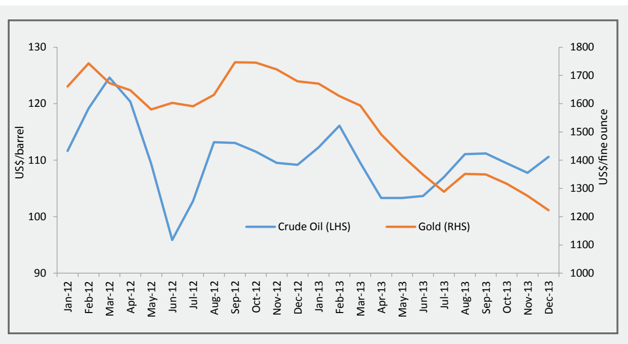
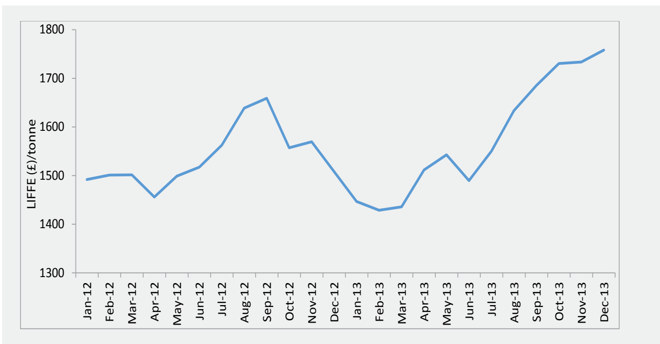


Chart 2.2: Developments in International Cocoa Price



CHAPTER 3 THE GHANAIAN ECONOMY

3.1 Overview

Economic activity in the Ghanaian economy slowed down in 2013 as a result of energy crisis experienced during the first half of the year and declining commodity prices that adversely affected the country's export earnings.

Inflationary pressures picked up in the year due largely to pass through effects of a series of upward adjustments in prices of petroleum products and utility tariffs as well as depreciation of the Cedi against the major trading currencies. Headline inflation increased from 8.8 per cent in December 2012 to 13.5 per cent in December 2013 compared with an end-year target of 9.5 per cent.

Government fiscal operations also faced serious challenges in 2013 as declining government receipts coupled with growing expenditures led to a budget deficit of 10.1 per cent of GDP.

The external sector remained fragile with the current account registering a deficit of 11.7 per cent of GDP. Gross international reserves ended the review year at US$5.6 billion, sufficient to provide cover for 3.1 months of import of goods and services.

Monetary growth as well as credit to the private sector generally moderated in the review year. Growth in broad money (M2+) declined to 19.1 per cent from 24.3 per cent in 2012. Total outstanding credit to public and private institutions increased by 30.2 per cent compared with a growth of 39.3 per cent in 2012. Developments in interest rates were mixed as the monetary policy rate was increased to 16 per cent at the end of the year from 15 per cent at the end of 2012 while rates in the money market generally trended downwards.

The Ghana Stock Exchange Composite Index (GSE-CI) posted a strong cumulative growth of 78.8 per cent compared with a growth of 23.8 per cent in 2012. Market capitalisation also increased by 6.8 per cent mainly as a result of appreciation in some equities on the exchange during the year.

Ghana's external debt stock at the end of 2013 stood at US$11,341.9 million indicating a year-on-year increase of 21.4 per cent.

3.2 Monetary Policy

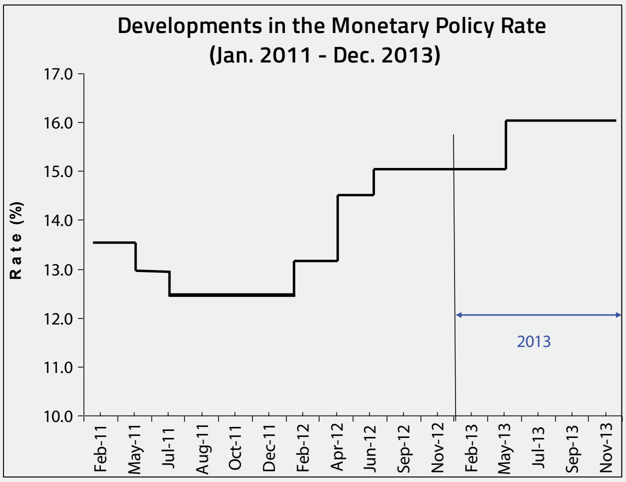
Monetary Policy Committee Meetings

The Monetary Policy Committee (MPC) met five times during the year. The Monetary Policy Rate (MPR) was increased once at the second meeting in May to 16.0 per cent and was maintained at that rate at the last three meetings. Inflation ended the year at 13.5 per cent, missing the targeted band of 9.5 ± 2.0 per cent.

Table 3.1: Monetary Policy Decisions in 2013

Date	Decision	Rate (%)
11 - 13 February	Monetary Policy Rate remained unchanged	15.0
20 -22 May	Monetary Policy Rate increased by 100bps	16.0
29 - 31 July	Monetary Policy Rate remained unchanged	16.0
16 - 18 September	Monetary Policy Rate remained unchanged	16.0
25 - 27 November	Monetary Policy Rate remained unchanged	16.0

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



February Meeting

The Committee held its first meeting in February and reviewed developments in the domestic economy in the preceding year. It noted the lower exchange rate volatility in the second half of 2012 and the strong confidence in the economy evidenced by high participation of non-resident investors in medium-term government securities.

However, going forward, the Committee noted that wages and salary settlements, utility and fuel subsidies, outstanding payments, commitments and the worsening balance of payments posed major challenges.

Table 3.2: Selected Economic Indicators

Indicators	2009	2010	2011	2012	2013
GDP					
Real GDP Growth With Oil (%)	4.0	8.0	15.0	8.8	7.1
Nominal GDP (Gh¢ million)	36,867.4	4 6,042	59,816.0	74,959.0	93,461.0
Inflation (%)					
Year-on-Year	16.0	8.6	8.6	8.8	13.5
Annual Average	19.3	10.7	8.7	9.2	11.4
Exchange Rate (End Period, Transaction Rates)					
Gh¢/US$	1.4284	1.4738	1.5505	1.8800	2.2000
Gh¢/Pound Sterling	2.2991	2.2709	2.4946	3.0574	3.6715
Gh¢/Euro	2.0484	1.9407	2.1076	2.4769	3.0982
Commodity Prices					
Cocoa (US$/tonne)	2,801.6	2,950.7	2,947.8	2,365.0	2,779.0
Gold (US$/fine ounce)	968.9	1,133.2	1,569.4	1,678.8	1,223.0
Crude oil,IPE Brent Crude (US$/Barrel)	62.5	74.0	111.3	109.2	110.6
External Sector					
Exports of Goods and Services (US$' m)	7,609.4	9,437.4	12,785.4	13,513.0	13,751.9
Imports of Goods and Services (US$' m)	10,989.4	13,925.3	15,958.4	17,760.4	17,598.6
Current Account Balance (US$' m)	-1,598.5	-2,700.5	-3,675.1	-4,921.6	-5,702.3
Overall Balance of Payments (US$' m)	1,158.8	1,462.7	546.5	-1,210.9	-1,165.9
Gross International Reserves (end period. In US$' m)	3,164.8	4,724.9	5,382.8	5,349.0	5,632.0
(Months of imports of Goods and Services)	2.9	3.7	3.2	3.0	3.1
External Debt (US$' m)	5,007.9	6,118.3	7,589.5	8,835.6	11,341.9
Interest Rates (%)					
Bank of Ghana Policy Rate	18.0	13.5	12.5	15.0	16.0
91-day Treasury Bill	23.7	12.3	10.3	22.9	18.8
182-day Treasury Bill	26.5	12.7	11.1	22.9	18.8
1-year Note	20.0	12.7	11.3	22.9	17.0
2-year Note	23.3	12.7	12.4	23.0	16.5
Monetary Aggregates Annual Growth Rates (%)					
Total Domestic Credit	16.1	15.4	17.0	39.3	30.2
Private Sector Credit	15.8	19.9	26.3	34.1	28.6
Reserve Money	24.9	45.0	31.1	36.0	15.1
Money Supply (M2+)	24.7	33.8	33.2	24.3	19.1
Money Supply (M2)	18.5	44.8	30.2	22.9	18.2
Government Finance (% of GDP)					
Domestic Revenue	15.4	17.4	20.8	21.2	21.5
Grant	3.0	2.4	2.1	1.6	0.5
Total Expenditure	22.4	26.0	23.8	28.6	30.1
Overall Balance (Including Grant & Divestiture)	-5.6	-6.8	-4.3	-11.8	-10.9
Domestic Primary Balance	0.3	0.1	2.9	-1.6	-0.8

In assessing the outlook for inflation, the Committee observed that while the possible removal of utility and fuel subsidies was a major upside risk, declining inflation expectations, subdued global inflation and lower monetary growth could serve as dampeners on inflation. It viewed the growth outlook as broadly positive even though the energy sector challenges constituted a downside risk.

In view of the foregoing, the Committee judged the risks to inflation and growth in the outlook as fairly balanced and therefore, maintained the policy rate at 15.0 per cent.

May Meeting

In its review of the economy over the first four months of the year, the Committee noted that commodity prices had weakened on the international markets, the trade deficit had widened on the back of a significant deterioration in the terms of trade and pressures had heightened in the foreign exchange market. These factors had increased the risks to the external sector outlook.

The Committee assesesed the risk to inflation and observed that the combined effects of the upward adjustment in petroleum prices and the high twin deficits of 2012 had led to aggregate demand pressures. Food prices also posed a significant near-term risk to the inflation outlook.

On growth, lower commodity prices, energy sector challenges, weakened business and consumer confidence, and tightened credit conditions constituted the main risks to the outlook.

The Committee held the view that on balance, the risks to the inflation outlook were elevated and outweighed the risks to growth and therefore increased the policy rate by 100 basis points to 16.0 per cent.

July Meeting

At this meeting, the Committee noted the lingering fiscal pressures arising from the huge wage bill and outstanding commitments. It however recognised the measures put in place by Government to address the shortfall in revenues and to reduce expenditures.

Real sector indicators improved in the second quarter of the year as evidenced in the Bank's Composite Index of Economic Activity (CIEA), a rebound in consumer confidence and improved credit conditions. In the outlook, the improvement in energy supply and increased oil production were expected to support growth. However, downside risks to growth included the continued softening of commodity prices on the world markets and the implementation of the fiscal consolidation measures.

In assessing the outlook for inflation, the Committee noted that the upside risks included potential pass-through effects of further petroleum price adjustments, possible adjustment of utility tariffs, and pressures arising from the impending public sector wage settlements.

In the circumstance, the Committee took the view that the prevailing monetary policy stance was appropriate and therefore maintained the policy rate at 16.0 per cent.

September Meeting

At the September meeting, the Committee observed that recovery in advanced economies was countered by a slowdown in emerging markets. This, in the face of weakening commodity prices and uncertainties in global financial markets, posed significant risks to the external outlook.

On inflation, the Committee recognised that even though headline inflation had declined in August, upside risks remained in the outlook. These included expected adjustment in utility tariffs and prices of petroleum products. However, relative stability in the foreign exchange market and subdued global inflation were downside risk factors.

In assessing the growth outlook, the Committee observed that economic activity had picked up, evidenced by positive developments in the CIEA and the credit stance of DMBs as well as increased oil production. Downside risks included budgetary cutbacks in domestically financed capital expenditures.

The Committee held the view that risks in the outlook for inflation and growth were balanced and therefore decided to keep the policy rate unchanged at 16.0 per cent.

November Meeting

The Committee noted that the uptick in the CIEA in the third quarter, the continued improvements in the energy sector, the expected increases in oil production and the onset of gas production could support the growth momentum into 2014.

The Committee also noted that inflationary pressures had increased since the September meeting mainly on account of the removal of subsidies on petroleum products and increased tariffs on utilities. There were also exchange rate and demand pressures emanating from fiscal slippages.

In assessing the outlook for inflation, the Committee was wary of lingering uncertainties in world commodity markets, and the continued bearish consumer and business expectations as well as tightened credit conditions. The Committee held the view that the upside risks to inflation, though elevated, were mainly structural. It concluded that headline inflation would breach the 2013 target but would revert to the band in 2014, barring any new shocks. Consequently, the Committee maintained the policy rate at 16.0 per cent.

In addition to the policy rate decision, the Committee recommended the introduction of the following:

- A new set of foreign exchange regulations and code of conduct to guide operations in the foreign exchange market to ensure transparency and streamline activities in the foreign exchange market.
- A review of the Foreign Exchange Act, 2006 (Act 723) for easy application and enforcement.
- A uniform trade reporting platform for all banks to ensure transparency in pricing, price discovery, and online reporting.
- A discussion with the Ministry of Finance on the need to allow foreign participation in the 1- and 2-Year Government of Ghana securities to ensure a more competitive pricing in the market.

3.3 Monetary Developments

In order to contain inflationary and exchange rate pressures, the liquidity tightening policy measures introduced in 2012 were maintained in the review year. The Deposit Money Banks (DMBs) were still required to keep their primary reserve requirements on both foreign and domestic currency deposits in the local currency. The banks continued to provide 100 per cent cedi cover for vostro balances while interest rates on cedi assets remained attractive. Consequently, monetary growth generally moderated in 2013.

Money Supply

Annual growth in broad money supply including foreign currency deposits (M2+), slowed down from 24.3 per cent in 2012 to 19.1 per cent in 2013. The moderation in the growth rate of M2+ reflected in all of its components. The domestic currency component (M2) grew by 18.2 per cent compared with 22.9 per cent in 2012 while foreign currency deposits also increased by 22.0 per cent, down from 29.4 per cent in 2012.

Table 3.3: Monetary Indicators (GH¢' million)

Indicators	Levels			(Year - on- Year) As at end -Dec 2011		As at end -Dec 2012		As at end -Dec 2013	
	Dec -11	Dec -12	Dec -13	abs	%	abs	%	abs	%
Reserve Money	5,779.6	7,860.5	9,051.1	1,370.0	31.1	2,080.9	36.0	1,190.7	15.1
Narrow Money (M1)	8,714.4	11,157.3	12,902.5	2,312.6	36.1	2,442.8	28.0	1,745.2	15.6
Broad Money (M2)	14,241.1	17,503.8	20,692.0	3,306.0	30.2	3,262.7	22.9	3,188.2	18.2
Broad Money (M2+)	18,195.2	22,620.6	26,937.0	4,532.2	33.2	4,425.4	24.3	4,316.4	19.1
Currency with the Public	3,763.3	4,918.6	5,499.7	836.1	28.6	1,155.3	30.7	581.1	11.8
Demand Deposits	4,951.1	6,238.7	7,402.8	1,476.5	42.5	1,287.5	26.0	1,164.2	18.7
Savings & Time Deposits	5,526.6	6,346.5	7,789.5	993.4	21.9	819.9	14.8	1,442.9	22.7
Foreign Currency Deposits	3,954.2	5,116.8	6,245.0	1,226.2	45.0	1,162.6	29.4	1,128.2	22.0
Sources of M2+									
Net Foreign Assets (NFA)	7,880.0	7,082.8	5,700.4	2,126.0	36.9	(797.2)	(10.1)	(1,382.4)	(19.5)
BOG	6,669.6	5,910.5	5,972.7	1,428.7	27.3	(759.1)	(11.4)	62.2	1.1
DMBs	1,210.4	1,172.3	(272.3)	697.3	135.9	(38.0)	(3.1)	(1,444.6)	(123.2)
Net Domestic Assets (NDA)	10,315.3	15,537.8	21,236.6	2,406.2	30.4	5,222.5	50.6	5,698.8	36.7
Claims on Government (net)	5,180.5	7,716.1	11,326.8	931.8	21.9	2,535.6	48.9	3,610.7	46.8
BOG	1,943.0	4,139.5	5,306.2	571.7	41.7	2,196.5	113.0	1,166.7	28.2
DMBs	3,237.5	3,576.6	6,020.6	360.1	12.5	339.1	10.5	2,444.0	68.3
Claims on Public Sector	1,345.0	1,591.7	4,208.6	34.2	2.6	246.7	18.3	2,616.9	164.4
BOG	604.4	103.5	2,070.6	433.6	253.8	(500.8)	(82.9)	1,967.1	1,899.7
DMBs	740.6	1,488.2	2,138.1	(399.3)	(35.0)	747.5	100.9	649.9	43.7
Claims on Private Sector	9,028.8	11,924.6	15,286.7	1,985.5	28.2	2,895.8	32.1	3,362.0	28.2
BOG	276.4	447.3	529.5	9.8	3.7	170.8	61.8	82.2	18.4
DMBs	8,752.4	11,477.4	14,757.2	1,975.7	29.2	2,725.0	31.1	3,279.8	28.6
Other Items (Net) (OIN)	(5,239.0)	(5,694.6)	(9,585.5)	(545.3)	11.6	(455.6)	8.7	(3,890.8)	68.3
o/w BOG OMO (Sterilisation)	(436.7)	(864.6)	(1,125.8)	484.1	(52.6)	(427.9)	98.0	(261.2)	30.2

The annual growth in M2+ in the review year emanated from Net Domestic Assets (NDA) of the banking system which increased by 36.7 per cent. Net foreign Asset (NFA) declined by 19.5 per cent.

The change in the NDA of the banking system reflected increases in Claims on the Private Sector (28.2%), Net Claims on Government (46.8%), Claims on the Public Sector (164.4%) and Other Items Net (68.3%). The decline in NFA was due to a decrease in deposit money banks' holdings by 123.2 per cent.

Deposit Money Banks' (DMBs) Credit Developments

At the end of 2013, total outstanding credit to public and private institutions stood at GH¢16,963.0 million, an increase of 30.2 per cent in nominal terms compared with a growth of 39.3 per cent in 2012. In real terms, it rose by 14.7 per cent in 2013, compared with 28.0 per cent in 2012. The private sector's share in outstanding credit was 87.0 per cent in 2013, down from 88.1 per cent in 2012.

Outstanding credit to the private sector increased by 28.6 per cent in nominal terms to GH¢14,757.2 million compared with 34.1 per cent in 2012. In real terms, it increased by 13.3 per cent compared with 23.2 per cent in 2012.

Sectoral distribution of private sector credit during the review period indicated that the Services, Manufacturing, Commerce & Finance, Construction and Import Trade sectors collectively absorbed 72.0 per cent of the total credit. The shares of Agriculture, Forestry & Fishing; Export Trade; Manufacturing; and Transport & Communication declined while the shares of all other sectors increased.

Money Market Developments

Liquidity on the domestic money market tightened during the year on the back of significant withdrawals by corporate institutions such as oil companies to finance letters of credit for oil imports and telecommunication companies for expansions. Many DMBs therefore resorted to the central bank for liquidity support.

Volume of trade in the interbank market increased by 12 per cent to GH¢56,780.0 million with a weekly average of GH¢1,091.92 million during the review year. The weekly average volume of trade for 2012 was GH¢974.75 million.

Total repo transactions in 2013 was GH¢27,390.66 million, an increase of 38.6 per cent over the 2012 level. Reverse repos also increased by 46.1 per cent to GH¢20,266.9 million during the period. These transactions resulted in an end-of-year net reverse repo stock position of GH¢424.81 million compared to a net repo stock of GH¢186.00 million at the end of 2012.

Interest Rates

The MPR was increased to 16 per cent in May 2013, up from 15.0 per cent at the end of December 2012 and remained unchanged to the end of the year. However, interest rates on all the short-dated instruments on the auction market declined steadily, especially during the second half of the year.

The closing rates for the various securities were as follows: 91-Day Treasury bill (19.22%), 182-Day Treasury bill (18.66%), 1-Year Treasury note (17.0%), and 2-Year Treasury note (16.8%). The comparative 2012 rates were: 91-Day Treasury bill (23.12%), 182-Day Treasury bill (22.99%), 1-Year Treasury note (22.90%), and 2-Year Treasury note (23.0%).

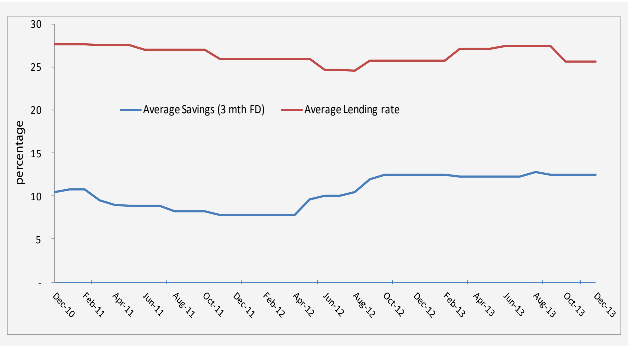
Table 3.4: Sectoral Distribution of Credit

Sectors	Levels (GHC'Billion) 2011	2012	2013	Change (%) 2012	2013	Share in Total (%) 2012	2013
Public Sector	791.5	1,548.1	2,205.8	95.6	42.5		
Total Private Sector	8,560.9	11,477.4	14,757.2	34.1	28.6		
Transport, Storage & Communication	376.9	620.6	674.0	64.6	8.6	5.4	4.6
Services	2,247.1	2,887.9	3,730.0	28.5	29.2	25.2	25.3
Miscellaneous	752.3	1,029.2	1,149.6	36.8	11.7	9.0	7.8
Mining & Quarrying	395.3	271.6	448.2	-31.3	65.0	2.4	3.0
Manufacturing	822.7	1,417.9	1,466.5	72.3	3.4	12.4	9.9
Import Trade	860.8	1,005.8	1,521.3	16.9	51.3	8.8	10.3
Export Trade	108.3	135.2	130.6	24.8	-3.4	1.2	0.9
Electricity, Gas & Water	427.7	686.7	1,196.9	60.6	74.3	6.0	8.1
Construction	735.1	1,053.6	1,480.0	43.3	40.5	9.2	10.0
Commerce & Finance	1,333.7	1,826.8	2,424.2	37.0	32.7	15.9	16.4
Agriculture, Forestry & Fishing	501.0	542.0	535.9	8.2	-1.1	4.7	3.6
Total Outstanding Credit (Public +Private)	9,352.4	13,025.5	16,963.0	39.3	30.2		

DMBs' average 3-month time deposit rate and the average base rate remained unchanged in the review year at 12.50 per cent and 21.51 per cent respectively.

The average bank lending rates declined marginally by 15 basis points to end 2013 at 25.56 per cent. This narrowed the spread between the borrowing and lending rates to 13.06 per cent in 2013 compared with 13.22 per cent in 2012.

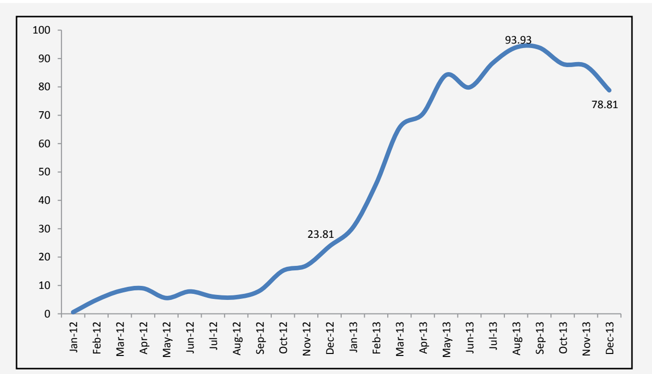
Chart 3.2 : Savings (3-Months Deposit) and Average Lending Rate



3.4 Stock Market Developments

The performance of the Ghana Stock Exchange (GSE) in 2013 was relatively strong compared with 2012 although money market rates remained attractive throughout the review year. The GSE Composite Index ended the review year with a growth of 78.8 per cent compared with 23.8 per cent in 2012.

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



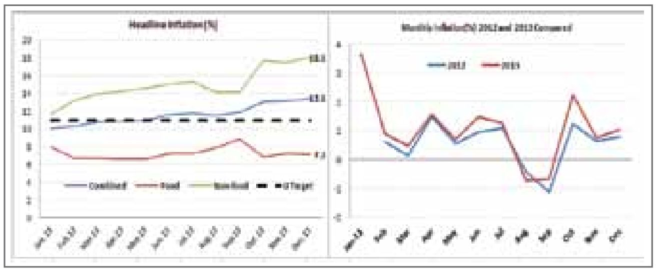
The Agriculture sector index grew by 129.3 per cent to end the review year at 642.0 points. Significant increases were also registered in the following sectors: Food & Beverage (108.7%), Manufacturing (96.5%), Banking & Finance (71.8%), Distribution (61.1%) and Oil (4.5%).

A total of 313.0 million shares, valued at GH¢456.1 million was traded on the Ghanaian bourse in the review year, compared with 218.1 million shares, valued at GH¢102.2 million traded in 2012. HFC Bank was the most traded equity in both volume and value terms, accounting for 37.6 per cent and 15.6 per cent of the total volume and value of shares traded respectively. This was followed by CAL (14.6%), ETI (6.6%) and EBG (4.7%) as top volume traders, while EBG (14.3%), FML (13.9%) and UNIL (13.2%) also placed second, third and fourth respectively in value terms. Market capitalisation increased by 6.8 per cent to GH¢61,158.3 million, driven mainly by appreciation in some equities.

3.5 Price Developments

CPI inflation generally picked up during the year, exceeding the limit target band of 11.56 per cent to end the year at 13.5 per cent, from 8.8 per cent in 2012.

Chart 3.4: Headline and Monthly Inflationary Trends



The rise in CPI inflation was largely driven by the non-food component. Non-food inflation increased from 11.8 per cent at the beginning of the year to 18.1 per cent in December while food inflation declined to 7.2 per cent from 8.0 per cent in 2012. The increase in CPI inflation during the year was due to several factors including petroleum and utility price adjustments and depreciation of the cedi.

3.6 Real Sector Performance

Real GDP grew by 7.1 per cent in 2013, down from 8.8 per cent in 2012. The Services sector recorded the highest growth rate of 8.9 per cent, followed by Industry 7.0 per cent, and Agriculture 5.2 per cent. Though the estimates show an improvement in the growth rate of the Agriculture sector, the contribution of the sector to the economy continued to decline, with its share reducing to 22.0 per cent in 2013 from 23.0 per cent in 2012. Crops, however, remained the largest activity in the economy with a share of 16.9 per cent of GDP. The Industry sector, the second largest sector had a share of 28.6 per cent, same as in 2012. The Services sector remained the largest sector, contributing 49.5 per cent to GDP. Non-oil GDP grew by 6.5 per cent in 2013 compared with 8.1 per cent in 2012.

Table 3.5 GDP Growth by Sectors (%)

Sectors	2010	2011	2012	2013
Agriculture	5.3	0.8	2.3	5.2
Industry	6.9	41.6	11	7
Services	9.8	15	8.8	7.1
GDP Growth	8	15	8.8	7.1

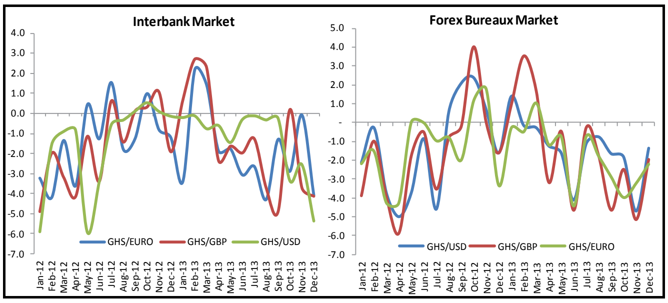
3.7 Exchange Rate Developments

The Ghana cedi came under pressure in both the interbank and forex bureaux market in 2013, as a result of rising import demand, increased dollarisation of the domestic economy as well as speculative activity on the foreign exchange market.

During the year, the cedi depreciated by 14.5 per cent against the US dollar, 16.7 per cent against the pound sterling and 20.1 per cent against the euro in the interbank market. These may be compared with depreciation rates of 17.5 per cent, 18.4 per cent and 14.9 per cent against the US dollar, the pound sterling and the euro, respectively in 2012.

Developments in the forex bureaux market were similar to those of the interbank market. The cedi depreciated by 16.3 per cent against the US dollar, 17.5 per cent against the pounds sterling and 19.3 per cent against the euro during the review year.

Chart 3.6: Monthly Depreciation of the Cedi (%)



Note: - = depreciation; + =appreciation

3.8 Fiscal Developments

The 2013 budget sought to restore fiscal discipline and keep the national debt at sustainable levels. In particular, it aimed at reducing the overall fiscal deficit of 11.8 per cent of GDP in 2012 to 9.0 per cent of GDP in 2013. However, large shortfalls in targeted revenues as well as huge overruns in compensation to public sector workers and higher than expected interest payments affected the fiscal programme.

Table3.6 Selected Fiscal Indicators

Indicators	2011	2012	2013
Overall Budget Balance (Including Divestiture and Discrepancy)	**-2,395.4**	**-8,648.7**	**-9,454.6**
% of GDP	-4.3	-11.8	-10.1
Tax Revenue	**9,854.6**	**12,517.3**	**14,307.7**
% of GDP	17.5	17.1	15.3
Domestic Revenue	**11,676.6**	**15,508.1**	**18,732.1**
% of GDP	20.7	21.2	20.0
Total Revenue and Grants	**12,851.6**	**16,668.4**	**19,169.7**
% of GDP	22.8	22.8	20.5
Total Expenditure & Net Lending	**13,380.0**	**20,944.7**	**26,277.2**
% of GDP	23.8	28.6	28.1
Domestic Primary Balance	**1,601.6**	**-1,172.1**	**-667.8**
% of GDP	2.8	-1.6	-0.7
Net Domestic Financing	**1,988.1**	**6,831.0**	**7,057.9**
% of GDP	3.5	9.3	7.6

Government budgetary operations in 2013 resulted in an overall deficit of GH¢9,454.6 million, equivalent to 10.1 per cent of GDP, against the target of 9.0 per cent. The deficit was financed mainly from the domestic sector, resulting in a net domestic financing of GH¢7,057.9 million (8.1% of GDP), compared with the target of GH¢5,700.8 million (6.4% of GDP). The rest of the financing gap was funded by net foreign inflow of GH¢2,396.7 million (2.6% of GDP). Domestic primary deficit of GH¢667.8 million (0.7% of GDP) was recorded for the year exceeding the target of GH¢154.2 million (0.2 % of GDP) .

Government receipts (including grants) amounted to GH¢19,169.7 million (20.5% of GDP), 14.9 per cent lower than programmed. The major components were Tax Revenue of GH¢14,307.7 million (75.5% of total receipts), Non-Tax Revenue of GH¢4,265.4 million (22.2% of total receipts) and Grants, consisting of Programme Grants, HIPC and MDRI Assistance of GH¢437.6 million (2.3% of total receipts). The shortfall in government receipts was mainly the result of lower than budgeted domestic tax revenue collections on account of low volumes of imports, decline in commodity prices, especially gold and a slowdown in economic activity.

Government expenditures for the year amounted to GH¢26,277.2 million (28.1 % of GDP) which was 6.7 per cent below the target. Recurrent expenditure totalling GH¢21,929.4 million for the year comprised GH¢4,397.0 million interest expenditure (against a target of GH¢3,194.4 million) and GH¢17,532.4 million non-interest expenditure (compared with a target of GH¢19,813.9 million). The overrun in interest expenditure reflected high domestic borrowing and the associated high cost of servicing the debt.

Aggregate non-interest expenditures were within the budget limits, but compensations to employees which amounted to GH¢9,247.2 million was 2.7 per cent higher than budgeted.

Capital expenditures amounted to GH¢4,347.8 million (4.7% of GDP), falling short of the target by 15.7 per cent. This reflected lower foreign financed capital receipts due largely to non-disbursement of project loans and grants by development partners.

Domestic Debt

Composition of Domestic Debt

The stock of domestic debt at the end of 2013 was GH¢26,665.8 million, reflecting an annual growth of 30.9 per cent. The rise in the stock of debt over the review year was on account of increases of GH¢3,071.5 million in short-term instruments, GH¢2,824.1 million in medium-term instruments and GH¢2,339.2 million in long-term instruments. The maturity structure of the domestic debt did not change significantly. As at December 2013 the composition of domestic debt was as follows: short-term debt (33.0%), medium-term debt (47.2%) and long-term debt (19.8%) compared with their respective shares of 31.1 per cent, 52.9 per cent and 16.0 per cent in 2012.

Table 3.7 Composition of Domestic Debt: December 2013 (GH¢ millions)

Instruments	2010	2011	2012	2013
91-Day Treasury Bill	641.0	1,225.0	3,573.9	4,620.4
182-Day Treasury Bill	1,334.6	1,291.1	1,134.4	2,028.7
1-Year Treasury Note	1,134.6	1,733.0	1,026.6	2,157.3
Short term Advance	104.2	104.2	0.0	0.0
A. Short-Term Instruments	**3,214.5**	**4,353.3**	**5,734.9**	**8,806.4**
2-Year Fixed Treasury Note	1,647.0	1,174.1	1,715.5	3,643.5
3-Year Fixed Treasury Note	1,653.1	2,743.8	4,963.7	4,817.2
3-Year Stock(SBG)	0.0	29.9	29.9	29.9
3-Year Stock(SSNIT)	0.0	162.0	370.1	529.4
3-Year Floating Treasury Note	0.0		202.5	202.5
5-Year GOG Bond	268.8	695.1	1,667.9	2,317.9
5-year Golden Jubilee Bond	29.4	34.1	41.1	0.0
7-Year GOG Bond	0.0	0.0	0.0	201.7
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0
TOR Bonds	110.0	682.0	682.0	682.0
NPRA Stocks	0.0	0.0	0.0	72.6
B. Medium-Term Instruments	**3,788.3**	**5,601.1**	**9,752.7**	**12,576.8**
Long Term Government Stocks	673.8	1,320.6	2,377.2	4,811.0
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5
Revaluation Stock	493.1	455.7	455.7	361.1
Others Government Stocks	1.0	1.0	1.0	1.0
C. Long-Term Instruments	**1,277.3**	**1,886.7**	**2,943.3**	**5,282.5**
TOTAL(A+B+C)	**8,280.1**	**11,841.1**	**18,431.0**	**26,665.8**

Holdings of Domestic Debt

Bank of Ghana's holdings of domestic debt stock at the end of 2013 stood at GH¢6,280.2 million, representing 23.6 per cent of the total. The net holdings of DMBs increased by GH¢ 2,495.5 million to GH¢7,687.3 million, accounting for 28.8 per cent of the total. SSNIT held GH¢ 707.5 million (2.7%) and "Other Holders" made up of the rural banks, individuals as well as firms and institutions held GH¢6,112.9 million (22.9%). The non-resident net holdings of domestic debt rose by GH¢817.3 million to GH¢5,756.7 million (21.6%) compared with 16.5 per cent of total holdings held in December 2012.

Table 3.8 Holdings of Domestic Debt: December 2013 (GH¢' millions)

Sectors	2010	2011	2012	2013
A. Banking Sector	5,289.1	7,004.6	8,961.6	13,967.5
Bank of Ghana	1,533.3	2,702.3	3,769.7	6,280.2
Deposit Money Banks	3,755.7	4,302.3	5,191.8	7,687.3
B. Non-Bank Sector	1,426.1	2,568.5	4,530.0	6,941.5
SSNIT	201.4	475.1	668.5	707.5
Insurance Companies	38.6	39.0	46.2	48.5
NPRA	0.0	0.0	0.0	72.6
Other Holders	1,186.0	2,054.3	3,815.4	6,112.9
Rural Banks	163.4	197.6	424.6	456.0
Firms & Institutions	608.1	1,052.4	2,037.4	3,592.9
Individuals	414.5	804.4	1,353.4	2,064.0
C. Foreign Sector(Non-Residents)	1,565.0	2,268.1	4,939.4	5,756.7
TOTAL(A+B+C)	8,280.1	11,841.1	18,431.0	26,665.8

3.9 External Sector Developments

The overall balance of payments registered a lower deficit of US$1,165.9 million in 2013, compared with US$1,210.9 million in 2012. The marginal improvement was mainly on account of increase in net inflows to the capital and financial account which more than compensated for the deterioration in the current account.

Current Account

The current account recorded a higher deficit of US$5,704.1 million (11.7% of GDP) in 2013, compared with US$4,920.5 million (11.9% of GDP) in 2012. This development was driven by a decline in net inflows of current transfers as well as increase in net services and income payments.

Trade Balance

The trade balance recorded a deficit of US$3,848.3 million in 2013 compared with a deficit of US$4,220.4 million in 2012. This was as a result of a moderate growth in export values and a marginal decline in imports.

Merchandise Exports

The value of merchandise exports was estimated at US$13,751.9 million, indicating an increase of 1.5 per cent compared with the level recorded in 2012. This reflected high receipts from exports of oil, timber and other non-traditional commodities which more than offset the decline in receipts from gold and cocoa exports during the period.

Earnings from gold exports amounted to US$4,965.7 million in 2013 compared with US$5,643.3 billion in 2012. The fall in receipts was mainly due to price effect. The average realised price decreased by 14.9 per cent to settle at US$1,410.7 per fine ounce while the exported volume increased by 3.4 per cent to 3.5 million fine ounces.

The value of crude oil exported was estimated at US$3,885.1 million compared with US$2,976.1 million in 2012. The increase was due to the higher export volume of 36.0 million barrels in 2013 from 26.4 million barrels in 2012. However, the average realised price declined by 4.3 per cent to settle at US$107.8 per barrel.

Total export earnings from cocoa beans and products decreased by 19.8 per cent to US$267.3 million from the level recorded in 2012. The value of cocoa beans exported declined by 26.5 per cent to US$1,612.1 million reflecting decreases in both price and volume. The price of cocoa beans fell by 19.3 per cent to US$2,463.4 per tonne while the volume exported also decreased by 8.9 per cent to 654,411 tonnes. Earnings from the export of cocoa products on the other hand, rose by 3.0 per cent to US$655.2 million, driven by a 14.0 per cent increase in volume which more than compensated for a 9.6 per cent decline in average realised price.

Earnings from exports of timber products increased by 26.5 per cent to US$165.8 million, due to increases in both price and volume. The average realised price increased to US$605.6 per cubic metre from US$521.5 per cubic metre in 2012 while the volume also increased to 275,067 cubic metres in 2013 from 251,247 cubic metres in 2012.

The value of 'other' exports increased by 25.1 per cent to US$2,468.1 million, from US$1,973.4 million in 2012.

Merchandise Imports

Total value of merchandise imports for 2013 was US$17,600 billion, down by 0.9 per cent from the outturn in 2012. The marginal reduction in imports emanated from a decline in the value of non-oil imports.

Oil Imports

The value of oil imports (crude oil, refined products and gas) picked up by 6.6 per cent to US$3,550.4 million in 2013. Total crude oil import was 9.3 million barrels at an average price of US$113.4 per barrel. This may be compared with 7.6 million barrels imported at an average realised price of US$117.4 in 2012. The volume of gas imported was 11,573,011 MMBTU valued at US$96.8 million compared with 15,447,246 MMBTU valued at US$128.7 million imported in 2012. The decline in 2013 was due to disruption of supply of gas through the West African Gas Pipeline in

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

	2009	2010	2011	2012	2013
A. **Balance on Current Account (including Grants)**	-1,687.7	-2,769.7	-3,541.3	-4,920.5	-5,704.1
Trade balance	-2,206.5	-2,962.0	-3,052.3	-4,220.4	-3,848.3
Exports f.o.b	5,839.7	7,960.1	12,785.4	13,542.7	13,751.9
Cocoa beans	1422.38	1594.36	2,027.9	2,192.7	1,612.1
Cocoa products	443.7	625.2	842.9	635.9	655.2
Gold	2551.4	3803.5	4,920.2	5,643.3	4,965.7
Oil exports	0.0	0.0	2,778.5	2,976.1	3,885.1
Timber and timber products	179.8	189.5	165.7	121.4	165.8
Other exports	1242.5	1747.6	2,050.1	1,973.4	2,468.1
Imports f.o.b	-8,046.3	-10,922.1	-15,837.7	-17,763.2	-17,600.3
Non-Oil	-6,557.3	-8,686.2	-12,672.3	-14,432.6	-14,049.8
Oil	-1,489.0	-2,235.9	-3,165.4	-3,330.6	-3,550.4
Balance on Services and Income (net)	**-1,559.1**	**-2,130.1**	**-3,086.4**	**-3,105.4**	**-3,795.2**
Services (net)	-1,173.4	-1,595.1	-1,856.3	-975.4	-2,443.8
Inflows	1,769.70	1,477.30	1,810.1	3,259.4	2,454.0
Outflows	-2,943.12	-3,072.44	-3,666.4	-4,234.9	-4,897.8
Investment income (net)	-385.7	-535.0	-1,230.1	-2,130.0	-1,351.4
Inflows	101.12	52.92	55.4	55.3	284.5
Outflows	-486.84	-587.87	-1,285.5	-2,185.2	-1,635.9
Of which: interest payments	-157.1	-192.2	-223.5	-270.7	-416.5
of which: bonds	-85.0	-102.8	-117.7	-98.3	-218.1
Balance on Current Transfers (net)	2,078.0	2,322.4	2,597.4	2,405.3	1,939.4
Private Transfers (net)	1,788.4	2,122.7	2,368.8	2,147.5	1,859.2
Official Transfers (net)	289.6	199.7	228.7	257.8	80.3
B. Capital and Financial Account	**4,327.6**	**4,289.5**	**4,479.3**	**3,651.3**	**4,892.4**
Capital Account (net)	563.9	337.5	445.1	283.4	19.6
Financial Account (net)	3,763.8	3,952.1	4,034.3	3,367.9	4,872.8
Official Financing (Medium & Long-Term Loans)	1,086.2	879.6	649.6	981.7	888.4
Inflows	1,246.2	1,057.9	888.8	1,341.7	1,204.8
Outflows	-160.0	-178.2	-239.2	-360.0	-316.4
Government Oil Investment (net)	0.0	0.0	0.0	-24.0	-380.9
Private Capital (net)	2,755.0	2,034.0	2,863.1	2,983.4	2,919.1
Of which: Foreign Direct Investment (net)	2,890.2	2,527.4	3,222.2	3,293.4	3,226.3
Short-Term Capital (net)	-33.8	418.0	403.9	-1,695.0	787.3
Non-Monetary (net)	195.2	311.3	770.9	-957.5	75.2
Monetary (net)	-229.0	106.7	-367.0	-737.5	712.1
Portfolio Investment (net)	-43.6	620.5	117.6	1,121.8	658.9
Inflows	41.3	723.0	428.4	1,338.2	1,276.2
Outflows	-84.9	-102.5	-310.9	-216.3	-617.3
C. Errors and Omissions	**-1,481.2**	**-57.2**	**-391.5**	**58.3**	**-354.3**
D. Overall Balance	**1,158.8**	**1,462.7**	**546.5**	**-1,210.9**	**-1,165.9**
Changes in Net International Reserves (-,increase)	-1,158.8	-1,462.7	-546.5	1,210.9	1,165.9

the first half of the year. The value of refined oil products increased by 3.7 per cent to US$2,401.9 million in 2013.

Non-Oil Imports

The total value of non-oil imports declined by 2.7 per cent to US$14,049.1 million in 2013 compared with the level in 2012. The decrease was mainly on account of lower imports of capital and intermediate goods.

Services, Income and Current Transfers

The Services, Income and Current Transfers account recorded a higher deficit of US$1,855.7 million, compared with US$699.8 million in 2012. The Services and Income account registered a net outflow of US$3,795.2 million in 2013 compared with an outflow of US$3,105.4 million in 2012. The Current Transfers account also recorded a drop in net inflows as private remittances fell by 13.4 per cent to US$1,859.2 million and official grants declined by 68.9 per cent to US$80.3 million in 2013. Private remittances and grants amounted to US$2,147.5 million and US$257.8 million respectively in 2012.

Capital and Financial Account

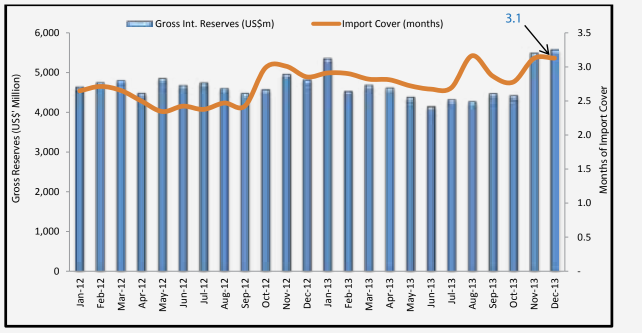
The Capital and Financial account recorded a net inflow of US$4892.4 million, representing an increase of 34.0 per cent over the outturn in 2012. The capital account registered a net inflow of US$19.6 million in 2013 compared to US$283.4 million in 2012.

Transactions in the financial account recorded a net inflow of US$4,872.8 million, compared with a net inflow of US$3367.9 million in 2012. The main source of inflows was short-term capital. Net inflows from foreign direct investments and portfolio investments declined in 2013 relative to 2012.

International Reserves

The stock of net international reserves (NIR) at the end of 2013 was estimated at US$2.1 billion, indicating a drawdown of US$1,165.1 million from a stock position of US$3.2 billion at the end of December 2012. Gross international reserves increased by US$283.2 million to US$5,632.2 million in 2013, sufficient to provide 3.1 months of import cover compared with 2.9 months at end 2012.

Chart 3.7 Gross International Reserves (US$' million)



3.10 External Debt

Ghana's external debt stock as at end 2013 was US$11,341.9 million, showing an increase of 21.4 per cent over the level at the end of 2012. As regards the composition, multilateral debt was US$4,490.7 million (39.6% of the total debt stock). This was followed by bilateral debt of US$3,538.9 million (31.2%) and commercial debt of US$3,312.3 million (29.2%).

External debt-to-GDP ratio was 23.3 per cent at the end of 2013 within the threshold of 50.0 per cent. Similarly, the debt service-to-exports of goods and services and debt service-to-revenue ratios at end-2013 were 2.3 per cent and 0.004 per cent respectively, well within their respective thresholds of 25.0 per cent and 35.0 per cent.

Table 3.10 Selected External Debt Indicators

Indicators	2010	2011	2012	2013
External Debt (US$ Millions)	6,254.6	7,653.0	9,153.6	11,341.9
Multilateral Debt (US$ Millions)	3,057.7	3,696.1	4,336.8	4,490.7
Bilateral Debt (US$ Millions)	2,169.2	2,955.3	3,108.4	3,538.9
Commercial Debt (US$ Millions)	1,027.7	1,001.5	1,708.4	3,312.3
External Debt Stock/GDP (%)	19.4	19.4	22.1	23.3
External Debt Service/Exports of Good and Services (%)	4.1	2.9	3.3	2.3
External Debt Service/Domestic Revenue (%)	10.2	8.2	12.0	7.4
External Debt Service/GDP (%)	1.2	1.1	1.3	0.8

CHAPTER 4 DEVELOPMENTS IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The banking and non-bank financial institutions (NBFIs) continued to be safe, sound, stable and profitable throughout the year. In August 2013 the Bank established, out of the Banking Supervision Department (BSD); a new department, Other Financial Institutions Supervision Department (OFISD) to provide close supervision of the Rural and Community Banks (RCBs), Micro Finance Institutions (MFIs) and forex bureaux. The BSD now supervises the Deposit Money Banks (DMBs), other NBFIs and credit reference bureaux.

There were 27 DMBs, 57 NBFIs, 140 RCBs and 337 MFIs at the end of the year. The number of Credit Reference Bureaux remained at three.

4.2 Banks and Non-Bank Financial Institutions

Structure

The total number of DMBs increased from 26 to 27 in the year, following the licensing of First Capital Plus, an NBFI, as a DMB. The DMBs comprised 12 Ghanaian-owned and 15 foreign-owned banks. The number of branches of DMBs also increased from 859 in 2012 to 892 in 2013. Four RCBs were licensed to bring the number to 140. Six new NBFIs were licensed in the year while one migrated to a DMB, increasing the number of NBFIs from 52 to 57 in 2013. This consisted of 31 finance houses, 23 savings and loans companies, 2 leasing companies and 1 mortgage company. The number of licensed MFIs increased from 90 in 2012 to 337 in 2013.

Credit Referencing

The number of credit reference bureaux remained unchanged at three at the end of the year. As at end December 2013 all DMBs and NBFIs had signed up for credit reference services and had been submitting data to the credit reference bureaux. The number of credit checks made by financial institutions increased by 156.6 per cent to 528,491 in 2013. The increased patronage was as a result of full operation by all the credit reference bureaux. Also, RCBs started obtaining credit information from the credit reference bureaux.

Assets and Liabilities

Total assets of banks (DMBs and RCBs), and NBFIs grew by 35.2 per cent to GH¢42,523.2 million at end-December 2013. The growth in total assets reflected mainly in Loans & Advances and Investments which increased by 35.2 per cent and 47.2 per cent to GH¢18,639.3 million and GH¢12,135.5 million respectively. The ratio of total earning assets (loans & advances and investments) to total assets was 72.3 per cent compared to 70.1 per cent in 2012.

The expansion in total assets was funded from Deposits, Borrowings and Shareholders' funds which increased by 21.8 per cent, 98.3 per cent and 36.0 per cent to GH¢26,992.4 million, GH¢9,200.8 million and GH¢6,329.9 million respectively. The share of total asset funded from Deposits declined from 70.4 per cent in 2012 to 63.5 per cent in 2013.

Out of the total assets of banks and NBFIs, banks accounted for 89.4 per cent compared with 91.5 per cent in 2012.

Table 4.1 Assets and Liabilities of Banks and NBFIs

	2012				2013					
	DMBs GH¢M	NBFIs GH¢M	RCBs GH¢M	TOTAL GH¢M	DMBs GH¢M	NBFIs GH¢M	RCBs GH¢M	TOTAL GH¢M	CHANGE GH¢M	% CHANGE
ASSETS										
Loans & Advances	11,686.9	1,453.0	648.5	13,788.4	15,442.3	2,480.2	716.8	18,639.3	4,850.9	35.2
Investments	7,493.5	287.7	461.2	8,242.3	10,905.3	692.5	537.7	12,135.5	3,893.2	47.2
Cash and Bank Balances	6,572.5	465.8	202.5	7,240.8	7,854.0	623.5	266.7	8,744.2	1,503.4	20.8
Other Assets and PPE	1,484.2	480.1	211.8	2,176.2	1,968.3	704.2	331.7	3,004.1	827.9	38.0
Total Assets	27,237.1	2,686.5	1,524.0	31,447.7	36,169.9	4,500.4	1,852.9	42,523.2	11,075.5	35.2
LIABILITIES										
Deposits	19,581.1	1,387.3	1,185.6	22,153.9	23,331.7	2,288.2	1,372.5	26,992.4	4,838.5	21.8
Borrowings and Other Liabilities	3,632.3	857.1	149.8	4,639.2	7,515.1	1,450.3	235.4	9,200.8	4,561.6	98.3
Shareholders' Funds										
Paid-Up Capital	2,168.0	299.0	45.4	2,512.3	2,345.4	541.6	58.8	2,945.7	433.4	17.3
Reserves	1,855.8	143.2	143.3	2,142.3	2,977.7	220.3	186.2	3,384.2	1,241.9	58.0
Total Liabilities	27,237.1	2,686.5	1,524.0	31,447.7	36,169.9	4,500.4	1,852.9	42,523.2	11,075.5	35.2

Deposit Money Banks

Profitability

The DMBs continued to operate profitably as all the key earnings indicators showed improved performance in 2013 compared with 2012. The improvement was attributable to enhanced net interest income resulting from the rising trend in interest rates.

Table 4.2 Profitability Indicators in (%)

Indicators	2010	2011	2012	2013
Return on Equity	20.4	19.7	25.8	30.9
Return on Assets	3.8	3.9	4.9	6.2
Return on Earning Assets	5.1	5.3	6.5	8.1
Net Interest Spread (NIS)	11.1	9.7	10.3	11.5
Cost to Income Ratio	58.5	59.8	53.8	48.2
Net Interest Margin (NIM)	12.4	10	10.9	12.6

Solvency

Throughout the year all the DMBs remained solvent and complied with the minimum capital adequacy ratio (CAR) of 10.0 per cent. The industry average CAR of DMBs as at end-December 2013 was 18.5 per cent compared to 18.6 per cent as at end-December 2012.

The networth of DMBs increased by 32.3 per cent to GH¢5,323.1 million as at end-December 2013 mainly as a result of increase in reserves. The non-performing loans ratio (including the loss category) improved from 13.2 per cent at end-December 2012 to 12.0 per cent as at end-December 2013.

Liquidity

The management of liquidity by the DMBs was generally satisfactory as all the DMBs met the primary reserve requirement of 9.0 per cent during the year. The average industry domestic primary reserve ratio was 9.7 per cent compared with 9.1 per cent in 2012.

Non-Bank Financial Institutions

Total assets of NBFIs increased by 67.5 per cent to GH¢4,500.4 million in 2013. The increase reflected mainly in Loans and Advances (70.7%) and Investments (140.7%). The growth in total assets was funded by deposits, borrowings and shareholders' funds which increased by 64.9 per cent, 69.2 per cent and 72.3 per cent respectively. The assets of NBFIs constituted 10.6 per cent of total assets of banks and NBFIs, up from 8.5 per cent recorded in 2012.

Rural and Community Banks

The balance sheet of RCBs grew by 21.6 per cent to GH¢1,852.9 million. The increase in assets reflected mainly in Loans and Advances (10.5%), Investment (16.6%) and Cash and Bank Balances (31.7%). The growth in assets was funded by Shareholders' funds, Deposits and Borrowings which increased by 29.8 per cent, 15.8 per cent and 57.1 per cent respectively. Total assets of RCBs represented 4.4 per cent of total assets of banks and NBFIs compared with 4.6 per cent recorded in the previous year.

Microfinance Institutions

Out of 337 licensed MFIs, a total of 114 had commenced operations by the end of 2013. These reported total assets of GH¢316.2 million. The main components of total assets of the MFIs were Loans and Advances (GH¢177.7 million) and Cash and Bank Balances (GH¢66.8 million). The total assets of MFIs were funded mainly from Borrowings (GH¢163.3 million) and Deposits (GH¢94.3 million). Total assets of MFIs formed 0.7 per cent of total assets of banks, NBFIs and MFIs as at end-December 2013.

4.3 Developments in the Payment and Settlement Systems

The year 2013, witnessed various changes and developments in the Bank's operations. Notable among them were: the implementation of an interface between the Ghana Interbank Settlement (GIS) System and the Central Securities Depository (CSD); the linkage of the Ghana Integrated Financial Management Information System (GIFMIS) to Bank of Ghana; and the introduction of a standing facility to the banking system.

Interface between GIS and the Central Security Depository

The CSD, a depository facility for government and Bank of Ghana securities, was interfaced with the GIS, Ghana's real time gross settlement system, to facilitate the settlement of the cash leg of securities transactions. The interface enables delivery versus payment (DVP) using the SWIFT messaging platform so as to reduce financial market risks. Transactions covered include the settlement of new issues, redemptions, secondary market trading, repurchase agreements and collateralised lending.

Linkage of GIFMIS to BOG

As part of measures to strengthen the management of government finances, the government of Ghana implemented GIFMIS. It serves as the official system of record and analysis of the national budget, financial accounting and reporting, disbursements and cash management with built-in internal controls and auditing capabilities. It also seeks to eliminate the numerous manual interventions in the payment process.

The GIFMIS was interfaced with the Bank's system in September 2013 to among others ensure timely receipt of information from the Bank on the status of payment requests as well as revenues received on behalf of government.

Standing Facility

To enhance the transmission mechanism of monetary policy, the Bank in July 2013 introduced a standing facility to banks and issued related operational guidelines. The facility involves the granting of overnight collateralised loans and the acceptance of overnight deposits from participating banks.

The purpose of the facility is to minimise interbank interest rate volatility by keeping interbank rates within the monetary policy corridor. It was also intended to provide banks with an avenue to manage unexpected liquidity shocks after the close of normal trading for the day.

Large Value Payments

The Ghana Interbank System (GIS) continued to provide the platform for making high value and time-critical payments for banks and their customers.

Total volume of transactions through the system increased by 25.4 per cent to 586,200. Total value of transactions also went up by 42.0 per cent to GH¢470,375.1 million. The average value per transaction rose by 13.3 per cent to GH¢802,414. The growth in volume and value of transactions was driven by increased settlements for cheque clearing, ACH transfers and securities issued through Bank of Ghana.

Table 4.3 GIS Transactions

	2009	2010	2011	2012	2013	(%) Change
Volume	199,814.0	251,555.0	360,954.0	467,642.0	586,200.0	25.4
Value (GH¢'million)	229,442.2	285,447.4	289,818.2	331,320.9	470,375.1	42.0
Average (GH¢)	1,148,279.1	1,134,731.7	802,922.8	708,492.7	802,414.0	13.3

Low Value/Retail Payments

Cheques continued to be the major non-cash retail payment instrument. Other means of non-cash payments are however also gradually gaining prominence. These are cards (debit, prepaid and credit) and ACH products.

Cheques

The volume of interbank cheques cleared during the year increased by 1.3 per cent to 6.8 million. In value terms it went up by 17.2 per cent to GH¢81,144.3 million with an average value per cheque also growing by 15.7 per cent to GH¢11,938.8.

Table 4.4 Cheques Cleared

	2010	2011	2012	2013	(%) Change
Total Volume	6,068,212	6,509,594	6,710,475	6,796,712	1.3
Total Value (GH¢ million)	38,501.18	53,160.92	69,222.07	81,144.33	17.2
Average per Transaction (GH¢)	6,344.73	8,166.55	10,316.25	11,938.76	15.7

Automated Clearing House

Since the introduction of the Automated Clearing House (ACH) in 2010, the volume and value of transactions have increased steadily.

Direct Credit Transactions

During the year, total volume of transactions cleared through the direct credit system was 2,378,997 with a value of GH¢6,332.71 million. The average value per transaction was GH¢2,661.92. There were significant increases in volume (79.5%) and value (71.6%) compared with 2012. The increase in ACH direct credit transactions was partly due to the commencement of the monthly payments of Social Security and National Insurance Trust (SSNIT) benefits to pensioners through the system.

Table 4.5 ACH Direct Credit Transactions

	2011	2012	2013	(%) Change
Volume	420,478	1,325,533	2,378,997	79.5
Value (GH¢'million)	1,302.60	3,690.04	6,332.71	71.6
Average Value per Transaction (GH¢)	3,097.96	2,783.82	2,661.92	-4.4

Direct Debit Transactions

Total volume of transactions cleared by the ACH direct debit system in 2013 was 172,908 valued at GH¢22.8 million with an average value per transaction of GH¢131.9.

E-Zwich Transactions

The number of card holders increased by 14 per cent to 903,724. Total volume of e-zwich transactions in 2013, however, decreased by 29.0 per cent to 814,441 while the value also decreased by 0.3 per cent to GH¢217.2 million. The major transactions were the payment distribution system, money transfers, cash withdrawals and cash deposits. Total value on issued cards as at end 2013 increased marginally by 0.3 per cent to GH¢8.1 million. The average value per transaction increased by 40.5 per cent to GH¢266.7.

Table 4.6 Selected Indicators of e-Zwich Usage

	2009	2010	2011	2012	2013	(%) Change
Total Number of Cards Issued	322,907	496,538	676,779	792,966	903,724	14
Cards with Value (% of Total)	31.3	36.2	40.2	43.4	43	-0.9
Value on Cards Issued (GH¢)	1,651,560	5,164,739	6,170,553	8,120,680	8,141,135	0.3
Average Value Per Card (GH¢)	16.3	28.7	22.7	23.6	21	-11
Volume of Transactions	204,383	460,746	995,140	1,147,418	814,441	-29
Value of Transaction (GH¢million)	25.2	84.5	176.2	217.8	217.2	-0.3

Gh-LinkTM

At the end of 2013, a total number of 27 member institutions were connected to the gh-linkTM, the national switch that facilitates ATMs and POS interoperability. This was made up of 24 banks, two savings and loans companies and one switch operator. Out of a total of 1,296 ATMs across the country, 1,080 were connected to the gh-linkTM. The total number of gh-linkTM transactions recorded in 2013 was 549,456 with a value of GH¢67.5 million compared with 10,295 with a value of GH¢1.1 million in 2012.

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

During the year, the Bank, with assistance from the IMF and the US Treasury Department, developed a methodology and tools for AML/CFT risk assessment for banks and NBFIs, and disseminated these to the banks.

Subsequently, AML/CFT reporting officers of banks and NBFIs were trained on techniques for conducting internal risk assessments as well as the obligations of these institutions under the AML Act, 2008 (Act 749). The DMBs, RCBs and NBFIs generally complied with AML/CFT requirements during the year.

CHAPTER 5 INTERNAL DEVELOPMENTS

5.1 Overview

During the review year, the Bank implemented some changes to its organisational structure and supervisory framework. These were to streamline and enhance the efficiency of operations and strengthen the Bank's regulatory and supervisory capacity, particularly, for the management of risk in the newly licensed MFIs.

The Collateral Registry continued to create public awareness on its operations while the Bank's Clinic embarked on various outreach programmes to enhance preventive health care.

5.2 Restructuring of the Banking Supervision and Financial Stability Departments

In view of the emergence of new institutions and financial instruments, the supervisory role of the Bank was restructured and split into two namely; the Banking Supervision Department and Other Financial Institutions Supervision Department. The Banking Supervision Department is presently responsible for the supervision of universal banks, finance houses, savings and loans companies as well as mortgage finance companies. The Other Financial Institutions Supervision Department is responsible for the supervision of rural and community banks, micro-finance institutions and forex bureaux.

The mandate of the Financial Stability Department was expanded to include the functions of the old Banking Supervision Department which dealt with systemic issues. The objective was to ensure that potential risks to the efficient functioning of the whole financial system were identified at an early stage and proposals made for early remedial actions on any recognised vulnerabilities.

5.3 Collateral Registry

After successfully operating for three years, the Collateral Registry was formally launched by the Bank of Ghana in May, 2013.

The Registry continued its training programme for users during the year. A total of 261 institutions, mainly newly licensed microfinance institutions and money lenders, were trained on the use of the Registry's fully-automated web-based software. In addition, the Registry prepared a documentary on its activities for the electronic media to enhance public awareness of its operations.

As regards performance, the total volume of registered charges increased by 8.2 per cent to 18,542 charges in 2013 while registered collaterals went up by 10.4 per cent to 39,537 in 2013. Movable assets accounted for 84.6 per cent of registered collaterals, while immovable assets constituted 12.5 per cent. Other registered collaterals, made up of both movable and immovable assets, constituted 2.9 per cent. The number of institutions which registered charges and collaterals during the year increased by 25 per cent to 140. The value of loans secured by the 18,542 charges amounted to GH¢16.7 billion. Of the total charges, individuals and small & medium scale enterprises (SMEs) had a share of 15.6 per cent.

5.4 Health

Health education continues to occupy pride of place in the Bank's strategic interventions in preventive health care. In this connection, the Bank's Clinic conducted outreach programmes on topical issues including prevention of lifestyle diseases like hypertension, diabetes, dyslipidaemia/ obesity, diarrhoeal diseases, malaria, hand hygiene, sexual health, HIV /AIDS and Sexually Transmitted Infections (STI).

The Bank's Clinic marked its 25th anniversary with a week-long commemorative celebration in June 2013. The objective of the celebration was to raise awareness on health matters among staff and also acknowledge the contributions of all persons associated with the establishment and running of the Clinic. The programme of activities for the celebration included a health walk, aerobics exercises, fun games, health screening, staff durbar, a panel discussion on the topic - "Management Of Work Related Musculoskeletal Illnesses"(MSD), and a symposium. A Thanksgiving service was held to climax the programme.

5.5 Human Resource Activities

The total number of staff, as at the end of the review year was 1,589 compared with 1,572 in 2012. The categorisation of staff by grade and gender was as follows:

Table 5.1 Staff Position

Staff Position	Male	Female	Total	% of Total
Management Staff	148	50	198	12.5
o/w Heads of Department	13	8	21	
Middle Level Staff	534	320	854	53.7
Junior Staff	425	112	537	33.8

The total number of staff engaged during the year was 101 comprising 28 regular and 73 contract appointments. Of the newly recruited staff, there were two management staff, five middle level staff and 94 junior staff.

Below is the gender distribution and percentage of inflows during the period:

Table 5.2 Staff Inflows

Staff Inflows	Male	Female	Total	% of Total
Management Staff	2	-	2	2
Middle Level Staff	2	3	5	5
Junior Staff	72	22	94	93
Total	76	25	101	100

A total of 84 members of staff exited the service of the Bank during the year made up of resignations (11), compulsory retirements (38), voluntary retirements (2), end of contract (24), dismissal (1), and deceased (8). In all 80 interdepartmental and 21 interregional transfers were made during the year.

5.6 Regional Branch Activities

During the year, the regional mangers held conferences in Accra and Takoradi to create a platform for dialogue among members on their operations. The theme for the Takoradi conference was “The Role of Financial Intelligence Centre in Contemporary Banking System”. The conference discussed challenges of the branches and the Bank in general.

A one-day workshop for MMDA’s was organised by the Bank in the Volta Region in December 2013 to educate participants on the requirements of the automated cheque confirmation system.

Renovation works at the Hohoe regional branch premises and the construction of a new regional manager’s residence were completed in the review year. A sod-cutting ceremony for the construction of an ultra modern office complex in Sunyani was also performed by the Governor in November 2013.

CHAPTER 6 EXTERNAL RELATIONS

6.1 Overview

International co-operation continued to be an important aspect of the operations of the Bank in the review year. To this end the Bank participated actively in various international, regional and bilateral activities.

6.2 International Monetary Fund (IMF)/ World Bank

The Bank of Ghana participated in the IMF/World Bank Spring and Annual Meetings held in Washington D.C. in April and October respectively. At the Spring meeting, the managing director of the IMF, Christine Lagarde, presented the Global Policy Agenda of the IMF against the backdrop of a still fragile global economy with uneven recovery. The agenda would focus on a specific action plan of the Fund over the next six to twelve months. The plan aimed at assisting members to identify emerging risks and adopt measures to address them as well as design calibrated policies to encourage stronger and sustainable growth. It also sought to address medium-term structural issues, strengthen financial systems, address high deficits and debt, support growth and jobs and narrow global imbalances in order to restore the resilience of the world economy.

The Annual meeting noted the continuing growth of the global economy, although subdued with downside risks. The meeting therefore urged countries to carefully manage multiple transitions, including the shift in growth dynamics. It called for the normalisation of global financial conditions, achievement of fiscal sustainability, rebalancing of global demand and a move to a more stable global financial system. It also encouraged countries to put in place structural policies to boost productivity and reduce unemployment in order to achieve more inclusive growth.

International Monetary and Financial Committee (IMFC)

The IMFC discussed issues relating to uneven recovery, weak global growth and job creation, amid the persistence of some downside risks. The Committee emphasised the need for policy makers to act decisively to nurture a sustainable recovery and restore the resilience of the global economy. It also urged emerging market and developing countries to recalibrate their policies to rebuild buffers and guard against financial vulnerabilities. The Committee recognised the effort made in many smaller developing economies, especially in Africa, to sustain higher growth, increase participation in economic activity, and transform their economic structures.

Development Committee of the World Bank

The Development Committee noted the sustained economic growth in developing countries over the last decade and resolved to remain strongly committed to the Millennium Development Goals (MDGs). It called on the World Bank Group (WBG) to intensify its efforts to support countries in reaching the MDG targets and to participate actively in setting an ambitious post 2015-agenda.

The Committee urged countries to promote successful domestic policy responses, international cooperation and effective international institutions in order to address the challenges relating to global macroeconomic stability, persistently high unemployment and high food prices which continue to affect the poorest.

In order to address issues of poverty it called on the WBG to remain committed to all client countries, paying special attention to countries and regions with the highest incidence of poverty and to fragile and conflict affected situations, as well as to the particular challenges facing small states.

The Committee endorsed the WBG's goal of promoting shared prosperity, which would entail fostering income growth of the bottom 40 per cent of the population in every country in order to reduce inequality.

IMF Missions

The IMF made two missions to Ghana in April and September 2013. The discussions centred on the 2013 Article IV consultations and prevailing economic conditions and challenges.

The Missions noted that the growth momentum from 2012 continued into 2013, amid rising inflation pressures, energy sector challenges and rising interest rates. The Missions recognised Ghana's strong economic potential and expressed strong support for the government's transformation agenda centred on economic diversification, shared growth, job creation and macroeconomic stability. They encouraged Ghana to make, as an immediate priority, the rebuilding of buffers to safeguard stability and to lower budget deficits, contain external pressures and keep debt within sustainable limits. They also emphasised the realignment of spending away from wages and subsidies towards infrastructural investment for successful economic transformation.

The Missions shared the Bank of Ghana's view on maintaining a tight monetary policy stance. They also agreed with the authorities on the need to tackle the challenges in the energy sector and welcomed the re-instatement of the automatic fuel price adjustment mechanism and the ongoing efforts to improve revenue collection and public financial management reforms.

Inter-Governmental Group of Twenty Four on International Monetary Affairs and Development (G24)

The G24 dedicated greater part of its deliberations to IMF governance reforms. The Group expressed regret that the October 2012 deadline for entry into force of the 2010 quota and governance reform as well as the January 2013 deadline on an agreement for a new quota formula were missed. It called for reforms to increase the resources of the Fund, enhance the voice and representation of emerging market and developing countries and provide a third IMF Board chair for Sub-Saharan Africa in order to make the Fund more credible and effective.

6.3 Institute of International Finance (IIF)

The Spring and Annual meetings of the IIF were held in Paris and Washington D.C. in June and October respectively. The meetings provided several perspectives on the macroeconomic environment as well as the prospects ahead for the global economy and discussed the challenges posed by existing quantitative easing in a number of mature economies. Sessions focused on an in-depth look at the challenges facing the various regions.

The IIF meetings also discussed issues relating to regulatory stress testing, removal of structural impediments to growth in Europe and the global outlook and risks. Issues relating to bank reputation, the changing landscape for institutional investors and tailoring regulatory reforms to insurance were also discussed.

6.4 Association of African Central Banks (AACB)

The Assembly of Governors of the AACB held its 37th Ordinary Meeting in Port Louis, Mauritius in August 2013. The meeting was preceded by a symposium on the theme: "Financial Inclusion in Africa, the Challenges of Financial Innovations for Monetary Policy and Stability of Financial System".

The symposium highlighted the role of central banks in the implementation of appropriate policies to maintain price and financial stability and the need for global regulations and standards to enhance financial inclusion on the continent.

At the Assembly of Governors meeting, Governors examined the status of Monetary Cooperation in Africa and noted the impact of the subdued global economic environment on the macroeconomic performance of African economies. They urged African countries to continue to implement sound economic policies to consolidate the underlying strength of their economies. They also welcomed the establishment of the Community of African Banking Supervisors (CABS) in the light of the importance of banking supervision in Africa.

The Assembly decided that the theme for the Governors 2014 symposium should be "Central Bank Independence: Myth or Reality?" and also selected the topic, "The Imperatives for Improvement and Integration of Payment Systems in Africa" for the Continental Seminar for 2014.

6.5 African Export-Import Bank (AFRIEXIMBANK)

The Afrieximbank marked the 20th anniversary of its establishment with an impressive array of activities in Addis Ababa, Ethiopia, that drew the participation of some of Africa's leading political and business figures. This was followed by the Annual General Meeting of the Bank which approved resolutions noting and accepting the Bank's annual report for 2012; the audited financial statements for the year ended 31 December 2012; the dividend declaration for 2012; and the appointment of the external auditors for the 2013 financial year.

The Afreximbank won recognition for its work in support of Africa's small and medium-scale enterprises (SMEs), and took honours for the best initiative in support for SMEs and the Millennium Development Goals at the 2013 Africa Investor Investment and Business Leader Awards. Accepting the award, the President of Afreximbank, Jean-Louis Ekra reiterated the commitment of the Bank to continuing to promote intra and extra-African trade, stressing the important role of SMEs in achieving that objective.

6.6 The African Development Bank (AfDB)

The AfDB held its 2013 Annual General Meeting in Marrakesh, Morocco. The President of the Bank, Dr. Donald Kaberuka, reiterated management's determination to continue to shepherd the Bank to attain strong finances and adopt well crafted and tailored support to meet the needs of each member country. Key issues arising from the meeting included calls on the Bank to focus much more on the fragile states such as in the Sahel, the Horn of Africa and the Mano River.

The AfDB's Ten-Year Strategy (2013-2022) was given much support by participants because they felt it reflected the aspirations of the entire African continent. The strategy aimed to achieve growth that was more inclusive and sustainable. The Summit acknowledged the progress Africa has made but drew attention to the need to ensure the sustainable management of the region's natural resources.

The meeting recognised infrastructure deficit as one of the key important binding constraints to development and suggested that innovation should be key, as countries mobilise internal resources. There was an overwhelming endorsement of the proposal for a special vehicle for scaling up infrastructure finance called the 'Africa50 Infrastructure Fund'. The Bank was asked to provide full details and deepen the work on Fund.

The Board of Governors of AfDB ratified the recommendations of Governors Consultative Committee on the roadmap for an orderly, safe and phased return of the Bank to its headquarters in Abidjan, Côte d'Ivoire from Tunis where it was temporarily re-located.

6.7 West Africa Monetary Agency (WAMA)

During the year, the Committee of Governors and the Joint Technical Committees of the WAMA, met in Abuja, Nigeria and Accra, Ghana to assess the level of convergence within ECOWAS and progress of activities under the roadmap for the ECOWAS single currency. The Governors acknowledged the progress made in respect of economic growth in member countries but expressed concerns over the poor performance with regard to macroeconomic convergence, low tax revenues, high expenditures, high public sector wage bills and inadequate gross external reserves. They encouraged members to take the necessary measures to address these shortfalls.

The Convergence Council of Ministers of Finance and Governors of central banks agreed that the political will of the Authority of Heads of State was required to push the single currency project further as member countries continued to make efforts to implement other aspects of the integration process. To this end, the ECOWAS Authority of Heads of State and Government at an extraordinary meeting held in October, 2013 in Dakar, Senegal, appointed the Heads of State of Ghana and Niger to oversee the implementation of the roadmap of the ECOWAS single currency programme.

6.8 West African Monetary Zone (WAMZ)

The WAMZ held two statutory meetings of the Convergence Council of Ministers and Governors of Central Banks during the year to review macroeconomic convergence within the Zone and assess progress towards the single currency programme. The Council observed a decline in the level of convergence and highlighted the need for fiscal and other structural reforms and the creation of an enabling environment for growth in order to provide sufficient space for economic convergence.

Box 6.1 West Africa Monetary Agency Meetings

Venue:	Date:
Abuja, Nigeria	17th January, 2013
Accra, Ghana	26th July, 2013

Major Decisions and Recommendations:

- The WAMZ College of Supervisors and the UEMOA Banking Commission should handle jointly, the implementation of the technical aspects of harmonisation of regulatory and supervisory framework of banks and non-financial institutions in ECOWAS;
- WAMA and EBID should work with the ECOWAS Commission on the establishment of the proposed ECOWAS Regional Stock Exchange;
- WAMA, in collaboration with WAMI and ECOWAS Commission should prepare a report on the status of preparedness towards the ECOWAS Single Currency project and present it at its 2014 mid-year statutory meetings;
- The study conducted by the ECOWAS Consultant on the harmonisation of convergence criteria should be sent to the member central banks for further consideration in order to determine the basis for the choice of some of the new criteria and the related thresholds, as well as the possibility of revising them;
- ECOWAS Commission should organise the meetings of the inter-institutional committee before the statutory meetings of WAMA and WAMI to take stock of the status of implementation of the roadmap activities. Each of the institutions involved in the process will submit, at its next statutory meeting, an extract of the report on the activities assigned to it under the ECOWAS single currency roadmap;
- Member countries and other stakeholders should take measures to facilitate the process of quoting and trading in local currencies;
- Member countries should lift restrictions undermining the effective implementation of the ECOWAS Trade Liberalization Scheme and remove tariff and non-tariff barriers undermining effective enforcement of the ECOWAS protocols on free movement of persons and goods;
- Regulations relating to the fight against money laundering and terrorism financing as well as protocols geared toward harmonisation of these legislations should be adopted at the regional level to strengthen member countries' capacity in fighting money laundering and terrorism financing;
- Member countries and ECOWAS Commission should expedite the process of statistical harmonisation in ECOWAS, particularly consumer price indices and national accounts and work towards improving the quality and production of data;
- WAMA should commence the process of preparing for adoption, an ECOWAS Liberalisation Scheme on Services similar to the one that has already been put in place on trade (the ETLS);
- WAMA should speed up the adoption, ratification and implementation process of the regional code on investment;
- The various stages (involving preparation, harmonisation, cooperation, integration and unification) to facilitate convergence of national financial systems towards a regional financial system should be defined.

Box 6.2 West African Monetary Zone Meetings

Venue:	Date:
Abuja, Nigeria	17th January, 2013
Accra, Ghana	26th July, 2013
Major Decisions and Recommendations:	

- Monetary authorities across the WAMZ should make the containment of inflation a priority by adopting appropriate monetary policy measures;
- Member States should also strengthen fiscal consolidation in order to contain the budget deficits within approved targets;
- Member States were urged to put in place formal coordination platforms between monetary and fiscal authorities;
- Member States should consider the implementation of sectoral and structural policies that promote food production in order to help dampen inflationary pressures;
- The portion of domestic revenue allocated to public investments should be increased across Member countries;
- The rising wage bill should be contained through the rationalisation of the size of the public sectors in member countries;
- Member States should further strengthen the on-going public-private partnership programmes across the Member States, such as the Build, Operate and Transfer (BOT) arrangements to reduce the over-reliance on external donors for infrastructural development;
- The chairman of the Convergence Council may further consult the Council of Ministers of ECOWAS for the reconsideration of the ECOWAS harmonised set of macroeconomic convergence criteria for adoption by the multilateral surveillance institutions in the region. Until then, WAMI should continue to assess member states based on the existing WAMZ criteria;
- Member States should deepen the implementation of reform policies that seek to reduce domestic borrowing and rising interest payments;
- Member States should continue to pursue both multilateral and bilateral approaches to the resolution of trade disputes in the ECOWAS region;
- The numerous check-points along the transit corridors and other non-tariff barriers should be reduced.

College of Supervisors of WAMZ

The College of Supervisors of the WAMZ held two meetings in January and July 2013 as part of the meetings of the Committee of Governors of the WAMZ. The meetings provided a platform for discussing ways to enhance financial stability as well as collaboration among regulators in the zone including the harmonisation of banking supervisory processes. The Governors noted that improvements in the regulatory and supervisory policies of member states underpinned buoyant activities in the financial sector across the zone. They called for the strengthening of compliance with the revised twenty-nine Basel Core Principles and migration to Basel II and III.

Ghana and Sierra Leone were cited as having fully implemented the International Financial Reporting Standards (IFRS), with other member states at various stages of migration to the Standards. Host countries of regional banks were also encouraged to send their examination plans for such banks to their home countries to facilitate joint cross-border supervision.

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

The Board of Directors of WAIFEM met twice during the year in Abuja (January) and Accra (July). The Board approved the Institute's training programme and budget for 2014 and recommended that the Business Development Unit of the Institute should be more aggressive in the marketing of its courses.

The Board members agreed to waive the 2013 contribution of the Central Bank of the Republic of Guinea after recognising that the Guineans were not getting the full benefits from WAIFEM courses because the medium of communication was English. The Board further directed that the Central Bank of the Republic of Guinea should be given observer status and allowed to send participants to WAIFEM courses of their choice for a fee.

6.10 Bilateral Visits

The Bank hosted three officials from the internal Audit and Information Systems Department of the Central Bank of Kenya in May 2013 to study the internal audit systems of the Bank of Ghana. Also officials from the Central Bank of Liberia were on attachment in June 2013 to understudy the internal audit systems of the Bank

FINANCIAL STATEMENTS

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CHAPTER 7 FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Dr. Henry A. Kofi Wampah	Governor / Chairman
Mr. Millison K. Narh	First Deputy Governor
Dr. Abdul-Nashiru Issahaku	Second Deputy Governor - Appointed 19th July 2013
Dr Sydney Laryea	Non-Executive Director
Mrs. Diana Amewu Ayettey	Non-Executive Director
Mrs. Esther Lily Nkansah	Non-Executive Director – Retired 26th July 2013
Mr. Seth Terkper	Non-Executive Director – Retired 26th July 2013
Togbe Afede XIV	Non-Executive Director – Retired 26th July 2013
Dr. David Obu Andah	Non-Executive Director
Mr. Sam Appah	Non-Executive Director
Mr. Alexander Yamoah Kyei	Non-Executive Director
Mr. Kwaku Bram-Larbi	Non-Executive Director
Prof. Kwabena Asomanin Anaman	Non-Executive Director - Appointed 26th July 2013
Mr. Cassiel Ato Forson	Non-Executive Director - Appointed 26th July 2013
Mrs. Clara Arthur	Non-Executive Director - Appointed 26th July 2013

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

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 2013 financial year.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

BOARD OF DIRECTORS

The Board of Directors was reconstituted in July 2013. All the previous Directors were reappointed except for Prof. Kwabena Anaman, Mrs. Clara Arthur and Mr. Casiel Ato Forson who were appointed to replace Mrs. Esther Lily Nkansah, Togbe Afede XIV and Mr. Seth Terkper

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 2 (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).

SUBSIDIARY COMPANIES

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

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

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

DIVIDEND

The Directors have declared a dividend of GH¢400,000,000 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).

GOING CONCERN

The Directors have assessed the ability of the Group to continue as a going concern. The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, we continue to adopt the going concern basis in preparing the annual consolidated and separate financial statements.

Chairman (Governor)
Date: 31st March, 2014

Director
Date: 31st March, 2014

INDEPENDENT AUDITORS' REPORT TO THE HONOURABLE MINISTER OF FINANCE

Report on the Financial Statements

We have audited the consolidated and separate annual financial statements of Bank of Ghana, which comprise the statements of financial position as at 31 December 2013, and the statements of profit or loss, the statements of other comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the Directors' report, as set out on pages 35 to 95.

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 consolidated and separate 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 consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate 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 control 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As disclosed under note 35, a total amount of GH¢169,629,000 relating to net unrealised foreign exchange gain on gold, Special Drawing Rights (SDRs) with the International Monetary Fund or holdings of foreign securities were charged directly to revaluation accounts in accordance with the requirements of Section 7 of the Bank of Ghana Act, 2002 (Act, 612) instead of profit or loss as required under IAS 21 the Effects of Changes in Foreign Exchange Rates. Similarly, an amount of GH¢271,016,000 relating to price and exchange movements in gold are charged to other reserves in note 30 instead of profit or loss under IAS 39.

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, these consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Bank of Ghana as at 31 December 2013, and its consolidated and separate financial performance and consolidated and separate 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) and the Financial Administration Act, 2003 (Act 654).

Ernst & Young

Pamela Des Bordes (ICAG/P/1329)
For and on behalf of Ernst & Young (ICAG\F\2014\126)
Chartered Accountants
Accra, Ghana

Date: 31st March, 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

		The Bank		The Group	
		2013	2012	**2013**	2012
	Note	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
ASSETS					
Cash and Amounts due from Banks	11	**1,164,818**	1,950,951	**451,254**	958,700
Gold	12	**743,314**	877,012	**743,314**	877,012
Balances with IMF	13	**2,050,748**	1,815,448	**2,050,748**	1,815,448
Securities	14	**14,994,838**	10,817,144	**15,361,129**	11,233,222
Loans and Advances	15	**5,602,805**	3,330,704	**7,625,430**	4,803,494
Derivatives Asset	16	**2,625,232**	1,019,673	**2,625,232**	1,019,673
Other Assets	19	**1,345,494**	864,887	**1,362,528**	877,207
Development Loans and Investments	18	**180,736**	176,739	**38,181**	38,000
Property, Plant and Equipment	19	**287,142**	250,599	**306,686**	277,316
Deferred Tax	10(iii)	**-**	-	**-**	581
TOTAL ASSETS		**28,995,127**	21,103,157	**30,564,502**	21,900,653
LIABILITIES					
Deposits	20	**7,342,466**	5,820,247	**8,535,882**	6,321,278
Derivative Financial Liability	21	**2,906,255**	891,100	**2,906,255**	891,100
Liabilities under Money Market Instruments	22	**3,924,219**	1,657,867	**3,920,894**	1,656,117
Allocations of Special Drawing Rights	2g	**1,195,297**	1,022,503	**1,195,297**	1,022,503
Liabilities to IMF	23	**2,733,252**	2,395,435	**2,733,252**	2,395,435
Taxation		**-**	-	**7,187**	5,417
Other Liabilities	24	**1,787,676**	956,505	**1,827,345**	998,588
Currency in Circulation	26	**6,197,407**	5,555,472	**6,197,407**	5,555,472
TOTAL LIABILITIES		**26,086,572**	18,299,129	**27,323,519**	18,845,910
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	**2,754,273**	2,649,746	**2,831,955**	2,693,800
Retained Earnings		**-**	-	**46,457**	40,611
Total Equity Attributable to Equity Holders of the Bank		**2,908,555**	2,804,028	**3,032,694**	2,888,693
NON-CONTROLLING INTEREST		**-**	-	**208,289**	166,050
TOTAL EQUITY		**2,908,555**	2,804,028	**3,240,983**	3,054,743
TOTAL LIABILITIES AND EQUITY		**28,995,127**	21,103,157	**30,564,502**	21,900,653

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

Chairman (Governor)________________ Director________________

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

		The Bank		The Group	
	Note	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Operating Income					
Interest and Similar Income	5(i)	1,298,532	968,110	1,322,119	986,230
Fee and Commission Income		63,589	65,249	80,469	82,467
Other Operating Income		20,057	17,909	63,574	45,912
Exchange Differences	5(ii)	539,712	1,039,934	551,273	1,052,886
Dividend Income		12,280	8,977	12,280	8,977
Total Operating Income		1,934,170	2,100,179	2,029,715	2,176,472
Operating Expenses					
Interest Expense and Similar Charges	5(iii)	(661,764)	(213,551)	(666,517)	(216,405)
Administration	6	(290,824)	(212,793)	(320,456)	(268,107)
Premises and Equipment Expenses	7	(25,118)	(32,130)	(34,155)	(39,326)
Currency and Issue Expenses	8	(59,260)	(10,525)	(59,260)	(10,525)
Total Operating Expenses		(1,036,966)	(496,371)	(1,080,388)	(534,363)
Impairment Recognised	9(a)	-	(94,604)	-	(95,979)
Profit before Taxation		897,204	1,536,576	949,327	1,573,502
Taxation	10b(ii)	-	-	(12,973)	(10,553)
Operating profit for the year		897,204	1,536,576	936,354	1,562,949
Surplus Attributed to:					
Equity Shareholders of the Bank		897,204	1,536,576	936,354	1,562,949
Non-Controlling Interest		-	-	20,696	15,620
		897,204	1,536,576	915,658	1,547,329

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

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	The Bank 2013 GH¢'000	The Bank 2012 GH¢'000	The Group 2013 GH¢'000	The Group 2012 GH¢'000
Other Comprehensive Income	897,204	1,536,576	936,354	1,562,949
Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods:				
Foreign Currency Translation Reserve	-	-	53,778	53,331
Tax Effect	-	-	-	-
	-	-	53,778	53,331
Net Gains on Available for Sale Financial Assets	-	-	1,815	-
Tax Effect	-	-	(422)	-
	-	-	1,393	-
Net other Comprehensive Income to be Reclassified to Profit or Loss in subsequent Periods	-	-	55,171	53,331
Other Comprehensive Income not to be Reclassified to Profit or Loss in Subsequent Periods:				
Re-measurement Gains (losses) on Defined Benefit Plans	(21,661)	(13,686)	(21,661)	(13,686)
Tax Effect	-	-	-	-
	(21,661)	(13,686)	(21,661)	(13,686)
Total Comprehensive Income for the Year, net of Tax	875,543	1,522,890	969,864	1,602,594

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

The Bank 2013	Stated Capital (note 27) GH¢'000	Asset Revaluation Reserve (note 28) GH¢'000	Statutory Reserve (note 29) GH¢'000	Other Reserve (note 30) GH¢'000	Retained Earnings GH¢'000	Total GH¢'000
Balance as at 1 January 2013	10,000	115,522	28,760	2,649,746	-	2,804,028
Profit for the Year	-	-	-	-	897,204	897,204
Actuarial Losses					(21,661)	(21,661)
Dividend	-	-	-	(500,000)	-	(500,000)
Price/Exchange Movements in Gold & Other Foreign Assets	-	-	-	(271,016)	-	(271,016)
Transfer to Other Reserve	-	-	-	875,543	(875,543)	-
Balance at 31 December 2013	10,000	115,522	28,760	2,754,273	-	2,908,555

The Bank 2012	Stated Capital (note 27) GH¢'000	Asset Revaluation reserve (note 28) GH¢'000	Statutory Reserve (note 29) GH¢'000	Other Reserve (note 30) GH¢'000	Retained Earnings GH¢'000	Total GH¢'000
Balance as at 1 Jan 2012	10,000	115,522	28,760	1,076,863	-	1,231,145
Profit for the Year	-	-	-	-	1,536,576	1,522,890
Actuarial Losses				-	(13,686)	(13,686)
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 Group 2013	Stated Capital (note 27) 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	Available for Sale Reserve GH¢'000	Retained Earnings GH¢'000	Total GH¢'000	Non-controllin g Interest GH¢'000	Total GH¢'000
Balance at 1Jan 2013	10,000	115,522	28,760	2,649,834	43,966	-	40,613	2,888,695	166,050	3,054,745
Profit for the Year	-	-	-	-	-	-	915,658	915,658	20,696	936,354
Actuarial Losses	-	-	-	-	-	-	(21,661)	(21,661)	-	(21,661)
Gains on Translation of Foreign Operation	-	-	-	-	32,917	-	-	32,917	20,861	53,778
Gains on Available for Sale Instrument	-	-	-	-	-	711	-	711	682	1,393
Dividend	-	-	-	(500,000)	-	-	(12,610)	(512,610)		(512,610)
Transfer to Other Reserves	-	-	-	875,543	-	-	(875,543)	-	-	-
Price & Exchange Movement in Gold, and Other Foreign Assets	-	-	-	(271,017)	-	-	-	(271,016)	-	(271,016)
Balance at 31 Dec 2013	10,000	115,522	28,760	2,754,361	76,883	711	46,457	3,032,694	208,289	3,240,983
The Group 2012										
Balance at 1 January 2012	10,000	115,522	28,760	1,076,949	31,953	-	50,013	1,313,197	63,532	1,376,729
Profit for the Year	-	-	-	-	-	-	1,562,949	1,562,949	15,620	1,578,569
Actuarial Losses	-	-	-	-	-	-	(13,686)	(13,686)	-	(13,686)
Other Comprehensive Income	-	-	-	-	12,013	-	3,755	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 31 Dec 2012	10,000	115,522	28,760	2,649,832	43,966	-	40,613	2,888,693	166,050	3,054,743

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

		The Bank		The Group	
		2013	2012	2013	2012
	Notes	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash Outflows from Operating Activities	34	**(4,269,059)**	(1,552,125)	**(3,947,143)**	(1,653,012)
Cash flows from Investing Activities					
Increase in Development Loans and Investments		**(3,997)**	(18,917)	**(180)**	18,186
Proceeds from Disposal of PPE		**13**	-	**14**	7
Property, Plant & Equipment Purchased	19	**(52,552)**	(92,105)	**(54,096)**	(93,386)
Net Cash Used in Investing Activities		**(56,536)**	(111,022)	**(54,262)**	(75,193)
Tax Paid		**-**	-	**(10,622)**	(10,265)
Cash flows from Financing Activities					
Dividend paid to Non-controlling Interest (NCI)		**-**	-	**(12,610)**	(11,715)
Acquisition of Additional NCI		**-**	-	**(20,696)**	37,361
Increase in Bank of Ghana Instruments		**2,266,352**	523,843	**2,264,777**	523,639
Increase in Currency in Circulation		**641,935**	1,311,204	**641,935**	1,311,204
Change in Allocation of SDRs		**172,794**	177,500	**172,794**	177,500
Increase in enhanced Structural Adjustment Facility		**337,817**	641,312	**337,817**	641,312
Net cash from Financing Activities		**3,418,898**	2,653,859	**3,384,017**	2,679,301
Net Change in Cash and Cash Equivalents		**(906,697)**	990,712	**(628,010)**	940,831
Balance at 1 January		**1,950,951**	886,444	**958,700**	88,129
Net Foreign Exchange Difference		**120,564**	73,795	**120,564**	(70,260)
Balance at 31 December	11	**1,164,818**	1,950,951	**451,254**	958,700

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2013

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 2013 comprise the Bank and its subsidiaries, together referred to as "The Group".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of Compliance and Basis of Preparation

The consolidated and separate 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 as issued 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.

Going Concern

The Group has reviewed its business activities, together with the factors likely to affect its future development, performance and position. Based on the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Group continued to adopt the going concern basis of accounting in preparing the annual separate and consolidated financial statements.

b(i) New and Amended Standards and Interpretations

The Group applied, for the first time, certain standards and amendments that require restatement of previous financial statements. These include IFRS 10 Consolidated Financial Statements, IAS 19 Employee Benefits (Revised 2011), IFRS 13 Fair Value Measurement and amendments to IAS 1 Presentation of Financial Statements.

Several other amendments including IFRS 11 Joint Arrangements, IFRS 11 Joint Arrangements and IAS 28 Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities apply for the first time in 2013. However, they do not impact the annual consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

The nature and the impact of each new standards and amendments is described below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

The Group adopted IFRS 10 in the current year. The application of this standard did not affect the Group as all entities over which the Group had a controlling interest were already being consolidated.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group re-assessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurement of liabilities. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy is provided in Note 32.

IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments only affected the presentation of the statement of other comprehensive income.

IAS 1 Clarification of the Requirement for Comparative Information (Amendment)

These amendments clarify the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. This amendment has no impact on the Group's financial position.

IAS 19 Employee Benefits (Revised 2011)

The Group has adopted IAS 19 (Revised 2011) in the current period. This has resulted in significant changes to the accounting policy on defined benefit. Some of the key changes include the following: All past service costs are recognised at the earlier of when the amendment/curtailment occurs or when the related restructuring or termination costs are recognised. As a result, unvested past service costs can no longer be deferred and recognised over the future vesting period. The Group had no unrecognised service costs. The interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a net-interest amount under IAS 19 (Revised 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. There was no unrecognised actuarial gains/loss thus the amendment did not impact prior year. Actuarial losses were however reclassified from statement of profit or loss to other comprehensive income.

b(ii) Standards Issued but not yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments are not expected to be relevant to the Group.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36 Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

b(iii) Improvements to International Financial Reporting Standards

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment clarifies that an entity that has stopped applying IFRS may choose to either:

(i) Re-apply IFRS 1, even if the entity applied IFRS 1 in a previous reporting period

Or

(ii) Apply IFRS retrospectively in accordance with IAS 8 (i.e., as if it had never stopped applying IFRS) in order to resume reporting under IFRS.

IAS 1 Presentation of Financial Statements

Clarification of the Requirements for Comparative Information

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. The opening statement of financial position (known as 'the third balance sheet') must be presented when an entity changes its accounting policies (making retrospective restatements or reclassifications) and those changes have a material effect on the statement of financial position. The opening statement would be at the beginning of the preceding period. For example, the beginning of the preceding period for a 31 December 2014 year-end would be 1 January 2013. However, unlike the voluntary comparative information, the related notes are not required to include comparatives as of the date of the third balance sheet.

IAS 16 Property, Plant and Equipment

Classification of Servicing Equipment

The amendment 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

Tax Effects of Distributions to Holders of Equity Instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting

Interim Financial Reporting and Segment Information for Total Assets and Liabilities

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

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, except where otherwise indicated.

d. Use of Significant Estimates, Assumptions and Judgements

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.

Fair Value Measurement of Financial Instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities, obligations under finance leases, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity. Details on fair value determination and the fair value hierarchy have been disclosed in note 2x and 32.

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 judgment 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. Details on the Group's tax position are disclosed in note 10.

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. Details on the Group's pension benefit scheme are disclosed in note 24 and 25.

Impairment Losses on Loans and A dvances

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 judgment 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. Factors considered include the nature and values of any collateral held against these facilities. 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. Details on the Group's impairments are disclosed in note 9.

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

a. Basis of Consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the proportion of the equity held by non-controlling interests changes, the Group adjust the carrying amounts of the controlling and non-controlling interests to reflect the changes in their relative interests in the subsidiary. The Group recognises directly in equity any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received, and attribute it to the owners of the parent.

(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. Dividends Received

Dividends are recognised in profit or loss when the Bank's right to receive 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, available for sale reserves derecognised on 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.

Currency	Average Rate GH¢	ClosingRate GH¢
US Dollar	1.9497	2.1934
GBP	3.0546	3.6336
EURO	2.5927	3.0211

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

(iii) 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. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

(iv) 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.

(v) 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.

(vi) Available-for-Sale Financial Assets

Available-for-sale financial assets are those 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.

(vii) Financial Liabilities Measured at Amortised Cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

(viii) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value with the resultant fair value changes recognised in other comprehensive income. The fair value changes on available-for-sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or derecognised as well as impaired. Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value with the resultant fair value changes recognised in profit or loss. Loans and receivables, held-to-maturity instruments and other liabilities are subsequently carried at amortised cost using the effective interest method. EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

(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 Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at reporting. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy disclosed in note 32.

(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 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 'Impairment recognised.

- 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

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 'Impairment recognised'.

(xiv) Designation at Fair Value through Profit or Loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

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

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

(xv) Derivative Financial Instruments and Hedge Accounting

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

j. Gold

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 Policy 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) and I(viii).

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. Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. A revaluation surplus is recorded in OCI and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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. 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.

p. Employee Benefits

(i) Defined Contribution Plans

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

(ii) Defined Benefit Plans

The 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 using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods. Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under administration expenses in consolidated statement of profit or loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

(iii) Termination Benefits

The Group recognises a liability and expense for termination benefits at the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits; and

- When the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

For termination benefits payable as a result of an entity's decision to terminate an employee's employment, the Group can no longer withdraw the offer when the entity has communicated to the affected employees a plan of termination meeting all of the following criteria:

- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made.

- The plan identifies the number of employees whose employment is to be terminated, their job classifications or functions and their locations (but the plan need not identify each individual employee) and the expected completion date.

- The plan establishes the termination benefits that employees will receive in sufficient detail that employees can determine the type and amount of benefits they will receive when their employment is terminated.

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. When an employee has rendered service to the Group during an accounting period, the Group recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Group recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

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.

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.

r. 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.

s. 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.

t. Provisions and Contingencies

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.

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

The Group does not recognise a contingent liability. The Group only discloses a contingent liability, unless the possibility of an outflow of resources embodying economic benefits is remote.

u. 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.

3. COMMITMENTS AND CONTINGENT LIABILITIES

The Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain some risk and are therefore disclosed below:

(a) Capital Expenditure Commitment

The Group had capital expenditure commitments of GH¢95,270,733 not provided for in the financial statements as at 31 December 2013 (2012: GH¢31,339,894). Capital expenditure commitments include capital expenditure contracts that have been awarded but have not yet been executed.

(b) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢ 1,937.63 million (2012: GH¢1,942.92 million).

(c) Documentary Credits

Contingent liabilities in respect of documentary credits for the Group amounted to GH¢49.984 million (2012: GH¢428.918 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 2013 was GH¢405.570 million (2012: GH¢376.281 milion).

4. 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:

	2013 GH¢'000	2012 GH¢'000
Assets		
Securities – Government	**0 - 23.07%**	0 - 26%
External	**0.05 - 3.00%**	0.1- 3.45%
Loans and Advances	**15.00 - 16.00%**	12.50%- 15%
Liabilities		
Deposits	**0%**	0%
Liabilities under Money Market Operations	**11.74 - 27.33%**	11.74%- 22.81%

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

5(i) INTEREST AND SIMILAR INCOME

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest on Overnight Lending, Government Securities, Medium/Long-Term Notes and Bonds	700,642	343,625	689,486	336,923
Interest on Foreign Accounts and Foreign Investments	73,385	81,204	73,385	81,205
Total Interest on Held to Maturity Instruments	774,027	424,829	762,871	418,128
Interest on Loans and Advances-Loans and Receivables	344,785	384,917	379,528	409,738
Total Interest Income	1,118,812	809,746	1,142,399	827,866
Discount on Treasury Bill Operations	179,720	158,364	179,720	158,364
	1,298,532	968,110	1,322,119	986,230

5(ii) EXCHANGE DIFFERENCE

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Transactional Exchange Difference	47,913	37,653	59,474	50,605
Exchange Rate Equalisation	491,799	1,002,281	491,799	1,002,281
	539,712	1,039,934	551,273	1,052,886

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.

5 (iii) INTEREST EXPENSE AND SIMILAR CHARGES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
IMF & SDR Allocations[1]	226	271	226	271
Foreign Loans and Credits	3,913	1,741	3,913	1,741
Forex Deposits	-	-	-	30,852
Interest on Money Market Instruments	616,559	180,555	616,559	180,555
Repo Expense and Other Commissions Paid	41,066	30,984	45,819	2,986
	661,764	213,551	666,517	216,405

All interest is earned from financial instruments measured at amortised cost.

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

6. ADMINISTRATIVE EXPENSES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Personnel Cost	209,940	174,818	228,773	204,889
Foreign and Domestic Travel	8,392	5,319	8,503	5,347
Motor Vehicle Maintenance/Running	9,691	6,647	9,740	6,744
Communication Expenses	4,553	2,981	4731	3,356
Banking College and Monetary Institutes	3,201	1,498	3,201	1,498
Computer Related Expenses	3,947	1,370	4,617	4,820
Banking Supervision Expenses	1,759	1,141	1,759	1,141
Auditors' Remuneration	215	229	480	502
Directors' Remuneration	1,381	1,137	5,763	3,833
Expense on Foreign Currency Importation	344	435	344	435
Depreciation – Motor vehicles	4,964	3,113	5,015	3,149
Other Administrative Expenses	42,437	14,105	47,530	32,393
	290,824	212,793	320,456	268,107

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

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Directors	11	11	33	33
Staff	1,590	1,567	1,700	1,672
	1,601	1,578	1,733	1,705

7. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Rent and Rates	1,294	738	1,294	1,513
Electricity, Water and Conservancy	3,414	2,913	3,719	3,150
Repairs and Renewals	6,054	6,213	9,396	7,114
Insurance – Premises and Equipment	8	172	15	172
Depreciation – Premises & Equipment	10,473	19,946	13,311	24,677
Generator Running Expenses	228	155	261	177
General Premises and Equipment Expenses	3,647	1,993	6,159	2,523
	25,118	32,130	34,155	39,326

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

8. CURRENCY AND ISSUE EXPENSES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Agency Fees	988	769	988	769
Notes Printing	57,844	7,405	57,845	7,405
Coin Minting	-	2,219	-	2,219
Other Currency Expenses	427	132	427	132
	59,259	10,525	59,260	10,525

9(a) IMPAIRMENT LOSSES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance at 1 January	104,153	9,549	107,440	11,461
Impairment Loss Recognised	-	94,604	-	95,979
Write Off	(4,503)	-	(4,503)	-
Exchange Difference	-	-	4,375	-
Balance at 31 December (9b)	99,650	104,153	107,312	107,440

This is in respect of impairment made on loans and advances, other assets and development loans and investments, disclosed in notes 15, 17 and 18 respectively whose recoverability has become doubtful.

9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT

The Bank 2013

	Loans & Advances (note 15)	Other Assets (note 17)	Development Loans & Advances (note 18)	Total 2013
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1/1/2013	100,626	2,638	889	104,153
Impairment Written Off	(2,554)	(1,531)	(418)	(4,503)
At 31/12/2013	98,072	1,107	471	99,650

The Group 2013

	Loans & Advances (note 15)	Other Assets (note 17)	Development Loans & Advances (note 18)	Total 2013
At 1/1/2013	103,913	2,638	889	107,440
Impairment Losses Recognised	4,375	-	-	4,375
Impairment Losses Reversal	(2,554)	(1,531)	(418)	(4,503)
At 31/12/2013	105,734	1,107	471	107,312

9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT (CONT'D)

The Bank 2012

	Loans & Advances (note 15) GH¢'000	Other Assets (note 17) GH¢'000	Development Loans & Advances (note 18) 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 Group 2012

	Loans & Advances (note 15)	Other Assets (note 17)	Development Loans & Advances (note 18)	Total 2012
At 1/1/2012	7,857	889	2,715	11,461
Reversal of Impairment Losses/(Reversals)	96,056	-	(77)	95,979
At 31/12/2012	**103,913**	**889**	**2,638**	**107,440**

10. TAXATION

(i) Income Tax Payable

(a) The Bank

The Bank is exempt from payment of income tax. 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:

	2013 GH¢'000	2012 GH¢'000
Profit on Ordinary Activities before Tax	55,264	42,431
Tax at 23.25 %(2012; 24.5%)	12,848	10,396
Depreciation of Non-Qualifying Assets	54	51
Expenses Disallowed for Other Tax Purposes	7	9
Effect of Change in Tax Rate	74	46
Prior Year Adjustment	(10)	51
	12,973	10,553

(ii) Current Tax Charge

	2013 GH¢'000	2012 GH¢'000
Current Year	12,874	10,538
Movement in Deferred Tax	18	(41)
Prior Year Adjustment	81	56
Total Current Tax Charge	12,973	10,553
Deferred Tax Charge Current Year	18	(41)
Effect on Change in Tax Rate	1	46
Prior Year Adjustment	(19)	(5)
Overall Tax Charge	12,973	10,553

11. CASH AND AMOUNTS DUE FROM BANKS

	The Bank		The Group	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Correspondent Bank Balances	1,099,020	1,896,399	385,456	904,148
Notes and Coins Holdings	65,798	54,552	65,798	54,552
	1,164,818	1,950,951	451,254	958,700

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

12. GOLD

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Bank of England Gold Set Aside	**292,337**	344,967	**292,337**	344,967
Federal Reserve Bank NY Gold	**204,306**	241,087	**204,306**	241,087
UBS Gold Investment	**219,618**	259,036	**219,618**	259,036
Gold-Local Holdings	**27,053**	31,922	**27,053**	31,922
	743,314	877,012	**743,314**	877,012

13. BALANCES WITH INTERNATIONAL MONETARY FUND (IMF)

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Holdings	**804,340**	749,222	**804,340**	749,222
Quota	**1,246,408**	1,066,226	**1,246,408**	1,066,226
	2,050,748	1,815,448	**2,050,748**	1,815.448

14. SECURITIES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Long-Term Government securities	**5,281,533**	2,875,325	**5,281,533**	2,875,325
Money Market Instruments	**1,377,692**	1,800,809	**1,377,826**	1,821,905
Short-Term Securities	**8,335,613**	6,141,010	**8,335,606**	6,141,002
Others	**-**	-	**366,164**	394,990
	14,994,838	10,817,144	**15,361,129**	11,233,222

(i) Long-Term Government Securities

This represents interest and non-interest bearing securities which have been issued by the Government of Ghana to cover among others 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.

iii) Other Securities

This represents securities that the Group has designated as available-for-sale. These include certificate of deposits and government and other securities.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

15. LOANS AND ADVANCES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government	**2,741,977**	3,118,086	**2,741,977**	3,118,086
Financial Institutions	**832,020**	203,272	**2,381,605**	1,380,861
Lending	**2,126,880**	109,972	**2,607,582**	408,460
Gross Amount	**5,700,877**	3,431,330	**7,731,164**	4,907,407
Less: Impairment Losses (9b)	**(98,072)**	(100,626)	**(105,734)**	(103,913)
Carrying Amount	**5,602,805**	3,330,704	**7,625,430**	4,803,494

16. DERIVATIVE ASSETS

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Swap Receivable	**2,625,232**	1,019,673	**2,625,232**	1,019,673

This represents receivables from currency swap transactions entered into by the Bank with various banks in Ghana.

17. OTHER ASSETS

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Items in course of Collection	**84,865**	266,794	**84,865**	266,794
Revaluation Account	**324,015**	154,386	**324,013**	154,386
Accrued Interest on Securities	**648,342**	298,220	**648,342**	298,220
Other Receivables	**289,379**	148,125	**306,415**	160,445
	1,346,601	867,525	**1,363,635**	879,845
Less: Impairment Losses (note 9b)	**(1,107)**	(2,638)	**(1,107)**	(2,638)

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 are imprest, accounts receivable and staff provident fund investment.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

18. DEVELOPMENT LOANS AND INVESTMENTS

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investments – Banks	100,798	101,210	38,652	38,881
Investments - Other Institutions	80,409	76,418	-	8
	181,207	177,628	38,652	38,889
Impairment Losses	(471)	(889)	(471)	(889)
	180,736	176,739	38,181	38,000

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.

The holdings of Bank of Ghana in the various subsidiaries are as follows:

Subsidiaries	Holding		Nature of Business
	2013	2012	
	%	%	
Ghana International Bank Plc (GHIB)	51	51	Banking
Ghana Interbank Payment and Settlement Systems	100	100	Operation of national payment and settlement systems
Central Securities Depository	100	100	Operation of national securities depository

All subsidiaries except GHIB are incorporated in the Republic of Ghana. Investment in subsidiaries has been carried at cost in the Bank's separate financial statements. GHIB is a limited liability company incorporated in the United Kingdom (UK).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

19a. PROPERTY, PLANT AND EQUIPMENT

The Bank 2013

	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 1/1/13	151,951	13,536	3,227	65,742	56,491	290,947
Additions	4,230	5,498	1452	12,347	29,025	52,552
Disposals	(455)	(34)	(27)	(123)	-	(639)
Balance at 31/12/13	155,726	19,000	4,652	77,966	85,516	342,860
Accumulated Depreciation & impairment Losses						
At 1/1/13	12,973	6,661	1,943	18,771	-	40,348
Charge for the year*	1,942	7,788	743	5,069	-	15,542
Disposals	(55)	(9)	(20)	(88)	-	(172)
Balance at 31/12/13	14,860	14,440	2,666	23,752	-	55,718
Carrying Amounts						
Balance at 31/12/13	**140,866**	**4,560**	**1,986**	**54,214**	**85,516**	**287,142**

The Group 2013

Gross Value	Land & Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Plant & Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
At 1/1/13	158,414	14,343	4,850	97,718	60,826	336,151
Additions	4,230	11,499	1,465	7,297	29,605	54,096
Disposals	(454)	(123)	(28)	(208)		(813)
Translation Adjustment	-	49	-	2,020	-	2,069
Balance at 31/12/13	162,190	25,768	6,287	106,827	90,431	391,503
Accumulated Depreciation and Impairment Losses						
At 1/1/13	14,216	7,252	3,348	34,019	-	58,835
Charge for the Year	3,021	6,123	818	14,860	-	24,822
Released on Disposal	(55)	(88)	(20)	(9)	-	(172)
Translation Adjustment	-	23	217	1,092	-	1,332
Balance at 31/12/13	17,182	13,310	4,363	49,962	-	84,817
Carrying Amounts						
Balance at 31/12/13	**145,008**	**12,458**	**1,924**	**56,865**	**90,431**	**306,686**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

19b. 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 1/1/12	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 31/12/12	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

The Group 2012

Gross Value	Land & Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture & Fittings GH¢'000	Plant & Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
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 31/12/12	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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

20. DEPOSITS

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government	3,726,482	2,710,180	3,726,482	2,710,180
Financial Institutions/Banks	2,998,247	2,693,813	4,191,663	3,194,844
Other Deposits	617,737	416,254	617,737	416,254
	7,342,466	5,820,247	8,535,882	6,321,278

21. DERIVATIVE FINANCIAL LIABILITY

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Swap Payable	2,906,255	891,100	2,906,255	891,100

This represents the Group's obligations to various banks in respect of currency swap transactions entered into.

22. LIABILITIES UNDER MONEY MARKET OPERATIONS

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Bank of Ghana Instruments	3,924,219	1,657,867	3,920,894	1,656,117

These are securities (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. These instrument include 91 day and 182 day instruments.

23. LIABILITIES TO IMF

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
(i) IMF Currency Holdings				
IMF No. 1	54,650	51,106	54,650	51,106
IMF No. 2	3	12	3	12
IMF Securities	1,191,759	1,015,120	1,191,759	1,015,120
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	1,486,840	1,329,197	1,486,840	1,329,197

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 SDR369 million at December 31, 2013 (2012: SDR 369 million). IMF currency holdings equivalent to SDR 16.179 million at December 31, 2013 (2012: SDR 17.686 million) and SDR 0.85 million (2012: 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

24. OTHER LIABILITIES

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Accruals and Account Payable	245,058	43,116	252,206	83,465
Defined Pension Fund Liability (note 25)	62,363	83,124	62,363	83,124
Short-Term Facilities	1,316,040	562,800	1,316,040	562,800
Other Payables	164,215	267,465	196,736	269,199
	1,787,676	956,505	1,827,345	998,588

The short-term facilities were obtained from the Bank for International Settlements (BIS) and Bank of New York Mellon. These facilities had three months maturity period with a roll over option and with fixed rates of interest.

25 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. The value of defined benefit assets and obligations at the year end are as follows:

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Defined Benefit Obligation	(827,435)	(638,219)	(827,435)	(638,219)
Plan Assets	765,072	555,095	765,072	555,095
Total Recognised Benefit Liability	(62,363)	(83,124)	(62,363)	(83,124)
Plan Assets				
Balance at 1 January	555,095	310,204	555,095	310,204
Contributions by Employer During the Year	209,977	244,891	209,977	244,891
Fund Assets in Investments	765,072	555,095	765,072	555,095

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance at 1 January	638,219	527,758	638,219	527,758
Restatement	-	42,150	-	42,150
Pension Payments	(19,694)	(16,584)	(19,694)	(16,584)
Interest Earned	147,260	45,944	147,260	45,944
Actuarial Losses	21,661	13,686	21,661	13,686
Service Cost	39,989	25,256	39,989	25,256
Value of Fund Obligation at 31 December	827,435	638,219	827,435	638,219

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

25 DEFINED BENEFIT PLAN (CONT'D)

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 within the year. The present value of the defined benefit obligation and the related service cost are measured using the projected unit credit method.

	2013	2012
Actuarial Assumptions		
Discount Rate at 31 December	**18.25%**	12%
Salary Increment Rate	**20%**	15%

The sensitivity of the present values of the defined benefit obligations are presented below:

		Salary Increment Rate	
Discount Rate	18%	22%	24%
	GH¢'000	GH¢'000	GH¢'000
19.25%	587,667	934,883	1,230,084
18.25%	654,933	1,075,394	1,440,950
20.25%	532,410	820,846	1,061,652

26 (a) CURRENCY IN CIRCULATION

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Notes and Coins Issued	**19,554,442**	9,461,719	**19,554,442**	9,461,719
Less: Cash Account & Agencies	**(13,357,035)**	(3,906,247)	**(13,357,035)**	(3,906,247)
	6,197,407	5,555,472	**6,197,407**	5,555,472

26 (b) CURRENCY IN CIRCULATION BY DENOMINATION

	The Bank		The Group	
DENOMINATION	2013	2012	2013	2012
Notes in Circulation	GH¢'000	GH¢'000	GH¢'000	GH¢'000
GH¢50	**1,640,274**	1,087,570	**1,640,274**	1,087,570
GH¢20	**1,936,352**	1,726,566	**1,936,352**	1,726,566
GH¢10	**1,423,105**	1,397,795	**1,423,105**	1,397,795
GH¢5	**809,906**	973,314	**809,906**	973,314
GH¢2	**93,101**	91,992	**93,101**	91,992
GH¢1	**157,207**	154,912	**157,207**	154,912
Total Notes in Circulation	**6,059,945**	5,432,149	**6,059,945**	5,432,149
Coins in Circulation				
GH¢1	**23,103**	21,119	**23,103**	21,119
50GP	**32,802**	29,160	**32,802**	29,160
20GP	**31,196**	26,346	**31,196**	26,346
10GP	**19,184**	15,802	**19,184**	15,802
5GP	**7,957**	7,430	**7,957**	7,430
1GP	**889**	863	**889**	863
Total Coins in Circulation	**115,131**	100,720	**115,131**	100,720
New Currency in Circulation	**6,175,076**	5,532,869	**6,175,076**	5,532,869
Old Currency in Circulation	**22,331**	22,603	**22,331**	22,603
Total Currency in Circulation	**6,197,407**	5,555,472	**6,197,407**	5,555,472

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

27. STATED CAPITAL

	Number of Shares		Proceeds	
	2013	2012	2013	2012
	'000	'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-2013

	Price & Exchange Movement GH¢'000	Transfer from Surplus GH¢'000	Transfer to other Reserve GH¢'000	2013 GH¢'000
Balance at 1 January	872,753	1,777,079	(86)	2,649,746
Dividend	-	-	(500,000)	(500,000)
(Decrease)/Increase in the Year	(271,016)	875,543	-	604,527
Balance at 31 December	601,737	2,652,622	(500,086)	2,754,273

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 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

30. OTHER RESERVES (CONT'D)

The Group-2013

	Price & Exchange Movement GH¢'000	Foreign Currency Translation Reserve GH¢'000	Available for Sale Reserves GH¢'000	Transfer From Surplus GH¢'000	Total 2013 GH¢'000
Balance at 1 January	872,755	43,966	-	1,777,079	2,693,800
Dividend	-	-	-	(500,000)	(500,000)
(Decrease)/Increase in the Year	(271,016)	32,917	711	875,543	638,155
Balance at 31 December	**601,739**	**76,883**	**711**	**2,152,622**	**2,831,955**

The Group-2012

	Price & Exchange Movement GH¢'000	Translation Reserve GH¢'000	Transfer from Surplus GH¢'000	Total 2012 GH¢'000
Balance at 1 Jan	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

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:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Assets

i. The Bank 2013

	Notes	Held to Maturity	Designated at Fair Value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Value
		GH¢000	GH¢000	GH¢000	GH¢000	GH¢000	GH¢000
Cash and Balances with Correspondent Banks	11	-	-	-	1,164,818	1,164,818	1,164,818
Balances with IMF	13	-	-	-	2,050,748	2,050,748	2,050,748
Government Securities	14	5,281,533	-	-		5,281,533	5,281,533
Money Market Instruments	14	1,377,692	-	-		1,377,692	1,377,692
Short-Term Securities	14	8,335,043	-	-		8,335,043	8,335,043
Loans and Advances	15	-	-	-	5,602,805	5,602,805	5,602,805
Derivative Assets	16	-	2,625,232	-	-	2,625,232	2,625,232
Development Loans and investments	18	-	-	-	180,736	180,736	180,736
Total at 31/12/2013		**14,994,268**	**2,625,232**	**-**	**8,999,107**	**26,618,607**	**26,618,607**

Assets

ii. The Bank 2012

	Notes	Held to Maturity	Designated at Fair Value through P&L	Available for Sale	Loans & Receivables	Total Carrying Amount	Fair Value
		GH¢000	GH¢000	GH¢000	GH¢000	GH¢000	GH¢000
Cash and Balances with Correspondent Banks	11	-	-	-	1,950,951	1,950,951	1,950,951
Balances with IMF	13	-	-	-	1,815,448	1,815,448	1,815,448
Government Securities	14	2,875,325	-	-	-	2,875,325	2,875,325
Money Market Instruments	14	1,800,809	-	-	-	1,800,809	1,800,809
Short-Term Securities	14	6,141,010	-	-	-	6,141,010	6,141,010
Loans and Advances	15	-	-	-	3,330,704	3,330,704	3,330,704
Derivative Assets	16	-	1,019,673	-	-	1,019,673	1,019,673
Development Loans and Investments	18	-	-	-	176,739	176,739	176,739
Total at 31/12/12		18,817,144	1,019,673	-	7,273,842	19,110,659	19,110,659

Assets

i. The Group 2013

	Notes	Held to Maturity	Designated at Fair Value through P&L	Available for Sale	Loans & Receivables	Total Carrying	Fair Value
		GH¢000	GH¢000	GH¢000	GH¢000	GH¢000	GH¢000
Cash and Balances with Correspondent Banks	11	-	-	-	451,254	**451,254**	**451,254**
Balances with IMF	13	-	-	-	2,050,748	**2,050,748**	**2,050,748**
Government Securities	14	5,281,533	-	-	-	**5,281,533**	**5,281,533**
Money Market Instruments	14	1,377,826	-	-	-	**1,377,826**	**1,377,826**
Short-Term Securities	14	8,335,613	-	366,162	-	**8,701,775**	**8,701,775**
Loans and Advances	15	-	-	-	7,625,430	**7,625,430**	**7,625,430**
Derivative Assets	16	-	2,625,232	-	-	**2,625,232**	**2,625,232**
Development Loans and Investments	18	-	-	-	38,181	38,181	38,181
Total at 31/12/13		14,994,838	2,625,232	366,162	10,165,613	28,151,979	28,151,979

Assets

ii. The Group 2012

	Notes	Held to Maturity	Designated at Fair Value through P&L	Available for Sale	Loans & Receivables	Total Carrying	Fair Value
		GH¢000	GH¢000	GH¢000	GH¢000	GH¢000	GH¢000
Cash and Balances with Correspondent Banks	11	-	-	-	958,700	958,700	958,700
Balances with IMF	13	-	-	-	1,815,448	1,815,448	1,815,448
Government Securities	14	2,875,325	-	-	-	2,875,325	2,875,325
Money Market Instruments	14	1,821,905	-	-	-	1,821,905	1,821,905
Short-Term Securities	14	1,807,962	-	-	-	6,535,992	6,535,992
Loans and Advances	15	-	-	-	4,803,494	4,803,494	4,803,494
Derivative Assets	16	-	1,019,673	-	-	1,019,673	1,019,673
Development Loans and Investments	18	-	-	-	38,000	38,000	38,000
Total at 31/12/12		6,085,992	1,019,673	-	7,615,642	19,868,537	19,868,537

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONT'D)

Liabilities

i. The Bank 2013

	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	20	-	-	3,726,482	3,726,482
Due to Banks and Financial Institutions	20	-	-	2,998,247	2,998,247
Other Short-Term Deposits	20	-	-	617,737	617,737
Derivative Liabilities	21	-	2,906,255	-	2,906,255
Money Market Instruments	22	-	-	3,924,219	3,924,219
Liabilities to IMF	23	-	-	2,733,252	2,733,252
Total at 31/12/13		-	2,906,255	13,999,937	16,906,192

Liabilities

ii. 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	20	-	-	2,710,180	2,710,180
Due to Banks and Financial Institutions	20	-	-	2,693,813	2,693,813
Other Short-Term Deposits	20	-		416,254	416,254
Derivative Liabilities	21	-	891,100	-	891,100
Money Market Instruments	22	-	-	1,657,867	1,657,867
Liabilities to IMF	23	-	-	2,395,435	2,395,435
Total at 31/12/12		-	891,100	9,873,549	10,764,649

I. The Group 2013

	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	20	-	-	3,726,482	3,726,482
Due to Banks and Financial Institutions	20	-	-	4,191,663	4,191,663
Other Short-Term Deposits	20	-	-	617,737	617,737
Derivative Liabilities	21	-	891,100	-	891,100
Money Market Instruments	22	-	-	3,920,894	3,920,894
Liabilities to IMF	23	-	-	2,733,252	2,733,252
Total at 31/12/13		-	**891,100**	**15,190,028**	**16,081,128**

31. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONT'D)

Liabilities

ii) 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	20	-	-	2,710,180	2,710,180
Due to Banks and Financial Institutions	20	-	-	3,194,814	3,194,814
Other Short-Term Deposits	20	-	-	416,254	416,254
Derivative Liabilities	21	-	891,100	-	891,100
Money Market Instruments	22	-	-	1,656,117	1,656,117
Liabilities to IMF	23	-	-	2,395,435	2,395,435
Total at 31/12/2012		-	891,100	10,372,800	11,263,900

32. FAIR VALUE HIERARCHY

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, The Ghana Stock Exchange).

- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of Bank of Ghana's securities and other derivative contracts. The inputs used include the Bank of Ghana published rates and discounted cash flow techniques. Also included in this level are items of property, plant and equipment carried at market values. The main input into the valuation is recent market transactions.

- **Level 3** – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. As at 31 December 2013 and 31 December 2012, the Group did not hold any Level 3 financial assets and / or liabilities.

This hierarchy requires the use of observable market data when available. The Group considers relevant observable market prices in its valuation where possible. There has been no movement of financial instruments between different levels in the current year. Financial instruments measured at fair value at 31 December 2013 and 31 December 2012 was classified as follows:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

32. FAIR VALUE HIERARCHY (CONT'D)

The Bank

	Level 1 The Bank		Level 2 The Bank		Level 3 The Bank	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Fair Value through Profit or Loss						
Derivatives Asset	-	-	2,625,232	1,019,673	-	-
Financial Liabilities at Fair Value through Profit or Loss						
Derivative Financial Liability	-	-	2,906,255	891,100	-	-
Other Assets						
Property Plant and Equipment (Land and Buildings)	-	-	140,866	151,951	-	-

The Group

	Level 1 The Group		Level 2 The Group		Level 3 The Group	
	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000	2013 GH¢'000	2012 GH¢'000
Fair Value through Profit or Loss						
Derivatives Asset	-	-	2,625,232	1,019,673	-	-
Financial Liabilities at Fair Value through Profit or Loss						
Derivative Financial Liability	-	-	2,906,255	891,100	-	-
Other Assets						
Property Plant and Equipment (Land and Buildings)	-	-	145,008	138,978	-	-

33. RELATED PARTY TRANSACTIONS

Transactions with Government of Ghana/IMF

The Bank of Ghana is wholly owned by the Government of Ghana. The Bank and the Government of Ghana have borrowings from the IMF, which have been undertaken through the Bank. The Central Bank is a member of the IMF/World 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.

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.

Loans and advances to governments as well as securities issued to government are made at rates of interest agreed between the Ministry of Finance and the Bank of Ghana in accordance with the Bank of Ghana act. Interest on any overdraft by government is charged at the Bank of Ghana's normal rate of interest. There are currently no impairments held in respect of loans, advances and securities to government. The balances on loans and security transactions with government have been disclosed in notes 14, 15 and 20 respectively.

Key management personnel compensation for the period comprised:

The Bank

	2013 GH¢'000	2012 GH¢'000
Short-Term Employee Benefits	**920**	750
Termination Benefit	**375**	334
Post-Employment Benefits	**169**	150
	1,464	1,234

Key management personnel include directors and top level management.
Transactions with related companies in the year under review are as follows:

Name of Subsidiary	% Ownership	Deposits by Subsidiary with Bank of Ghana GH¢'000	Investments by Subsidiary with Bank of Ghana GH¢'000	Budgetary support by BoG to Subsidiaries GH¢'000
Ghana International Bank	51	828,257	-	-
Ghana Interbank Payments and Settlement Systems	100	69	-	3,800,000
Central Securities Depository	100	1,381	3,325	200,000

The balances on these transactions are included in the respective assets and liabilities in the books of the Bank.

34. 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. The nature of the Group's operation as a Central Bank makes its loan portfolio not lend itself to normal aging analysis as the case is for commercial banks.

- **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	
	2013	2012	2013	2012
ASSETS	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash and Amounts due from Banks	**1,164,818**	1,950,951	**451,254**	958,700
Gold	**743,314**	877,012	**743,314**	877,012
Balances with IMF	**2,050,748**	1,815,448	**2,050,748**	1,815,448
Securities	**14,994,838**	10,817,144	**15,361,127**	11,233,222
Loans and Advances	**5,602,805**	3,330,704	**7,625,430**	4,803,494
Development Loans and Investments	**180,736**	176,739	**38,181**	38,000
	24,737,259	18,967,998	**26,270,054**	19,725,876

- **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 assets and liabilities:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

33. RISK MANAGEMENT DISCLOSURES (CONT'D)

Liquidity Risk (Cont'd)

The Bank 2013

	Up to 1 mth GH¢ '000	B/n1mth & 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
Assets						
Cash and Amounts due from Banks	1,164,818	-	-	-	-	1,164,818
Derivative Financial Asset		-	2,953,386	-	-	2,953,386
Gold	27,053	496,643	219,618	-	-	743,314
Balances with IMF	804,340	1,246,408	-	-	-	2,050,748
Securities	8,505,507	703,735	27,254	7,925,271	1,614,098	18,775,865
Loans and Advances	5,661,168	-	-	-	-	5,661,168
Development Loans and Investments	164	-	-	-	293,433	293,596
Total	**16,163,049**	**2,446,786**	**3,200,258**	**7,925,271**	**1,907,531**	**31,642,895**
LIABILITIES						
Currency in Circulation	-	-	-	-	6,197,407	6,197,407
Allocations of SDR	1,195,297	-	-	-	-	1,195,297
Deposits	7,342,466	-	-	-	-	7,342,466
Liabilities to IMF	-	-	-	1,486,840	1,246,412	2,733,252
Derivative Financial Liability	-	-	3,269,537	-	-	2,906,255
Bridging Facilities	-	-	1,480,545	-	-	1,316,040
Liabilities under Money Market Operations	-	-	827,404	3,587,343	-	3,924,219
Total	**8,537,763**	**-**	**5,577,486**	**5,074,183**	**1,246,412**	**19,417,529**
Maturity Surplus/(Shortfall)	**7,625,286**	**2,446,786**	**-2,377,227**	**2,851,089**	**661,119**	**12,225,366**

The Bank 2012

	Up to 1 mth GH ¢ '000	B/n1mth & 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
Assets						
Cash and Amounts due from Banks	1,950,951	-	-	-	-	1,950,951
Derivative Financial Asset	1,030,295	-	-	-	-	1,030,295
Gold	32,256	604,367	291,416	0	-	928,038
Balances with IMF	749,222	1,066,226	-	-	-	1,815,448
Securities	6,288,042	1,098,644	287	4,119,422	1,614,098	13,120,493
Loans and Advances	3,330,704	-	-	-	-	3,330,704
Development Loans and Investments	167	-	-	-	286,933	287,099
Total	**13,381,636**	**2,769,237**	**291,702**	**4,119,422**	**1,901,031**	**22,463,029**
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	-	-	919,772	-	-	919,772
Bridging facility from BIS	-	-	580,388	-	-	580,388
Liabilities under Money Market Operations	801,546	-	-	1,404,949	-	2,206,495
Total	**7,644,296**	**-**	**1,500,159**	**2,734,146**	**6,621,710**	**18,500,312**
Maturity Surplus/(Shortfall)	**5,737,340**	**-**	**(1,208,457)**	**1,385,276**	**(4,720,679)**	**3,962,717**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

33. RISK MANAGEMENT DISCLOSURES (CONT'D)

Liquidity Risk (Cont'd)

The Group 2013

	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
ASSETS						
Cash and Amounts due from Banks	451,254	-	-	-	-	451,254
Derivative Financial Asset		-	2,953,386	-	-	2,953,386
Gold	27,053	496,643	219,618		-	246,671
Balances with IMF	804,340	1,246,408	-	-	-	2,050,748
Securities	8,505,646	766,227	169,687	8,117,527	1,712,633	19,271,720
Loans and Advances	6,591,173	359,666	295,400	756,543	41,108	8,043,890
Development Loans and Investments	164	-	-	-	61,781	61,945
TOTAL	16,379,630	2,372,301	3,638,091	8,874,070	1,815,522	33,079,614
LIABILITIES						
Currency in Circulation	-	-	-	-	6,197,407	6,197,407
Allocations of Special Drawing Rights	1,195,297	-	-		-	1,195,297
Deposits	7,355,543	615,636	558,423	6,280	-	8,535,882
Liabilities to IMF	-	-	-	1,486,840	1,246,412	2,733,252
Derivative Financial Liability	-	-	3,269,537	-	-	3,269,537
BIS Bridging Facility	-	-	1,480,545	-	-	1,480,545
Liabilities under Money Market Operations	-	-	-	6,371,453	-	6,371,453
Total	8,550,840	615,636	5,308,505	7,864,573	7,443,819	29,783,373
Assets-Liability Gap	7,828,790	1,756,665	(1,670,414)	1,009,497	(5,628,298)	3,296,241

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

The Group 2012

	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
ASSETS						
Cash and Amounts due from Banks	958,700	-	-	-	-	958,700
Derivative Financial Asset	1,030,295	-	-	-	-	1,030,295
Gold	31,923	586,053	259,036	-	-	877,012
Balances with IMF	749,222	1,066,226	-	-	-	1,815,448
Securities	6,288,042	766,227	468,375	4,119,422	1,614,098	13,256,164
Loans and Advances	4,853,530	-	-	-	-	4,853,530
Development Loans and Investments	-	-	-	-	38,000	38,000
TOTAL	13,911,712	2,418,506	727,411	4,119,422	1,652,098	22,829,149
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	-	-	1,002,488	-	-	1,002,488
BIS Bridging Facility	-	-	633,150	-	-	633,150
Liabilities under Money Market Operations	793,283	-	-	862,834	-	1,656,117
Total	8,137,064	-	1,635,638	2,192,031	6,621,710	18,586,443
Assets-Liability Gap	5,774,648	2,418,506	-908,227	1,927,391	-4,969,612	4,242,706

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

- **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 an increase/decrease on profit or loss, and equity 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 2012.

Effects in Cedis	100bp Increase GH¢'000	100bp Decrease GH¢'000
The Bank 2013		
Average for the Period	81,631	(81,631)
Maximum for the Period	83,315	(83,315)
Minimum for the Period	78,885	(78,885)
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)

- **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.

The Bank 2013

	3 mths or Less GH¢'000	B/n 3 mths & 12 mths GH¢'000	Over 1 yr GH¢'000	Non-Interest Bearing GH¢'000	TOTAL GH¢'000	2012 GH¢'000
ASSETS						
Cash and Amounts due from Banks	1,099,020	-	-	65,798	1,164,818	1,950,951
Balances with IMF	-	2,050,748	-		2,050,748	1,815,448
Securities	8,471,079	100,691	6,311,413	111,655	14,994,838	10,817,144
Loans and Advances	3,224,059	250,400	2,098,808	29,538	5,602,805	3,330,704
Derivative Asset	-	2,625,232	-		2,625,232	1,019,673
Other Assets	-	-	-	1,345,494	1,345,494	864,887
Property, Plant and Equipment	-	-	-	287,142	287,142	250,599
Development Loans and Investments	-	-	-	180,736	180,736	176,739
Total Assets	**12,794,158**	**5,450,995**	**8,410,221**	**2,339,753**	**28,995,127**	**21,103,157**
LIABILITIES						
Currency in Circulation	-	-	-	6,197,407	6,197,407	5,555,472
Allocations of Special Drawing Rights	-	-	-	1,195,297	1,195,297	1,022,503
Deposits	-	-	-	7,342,466	7,342,466	5,820,247
Liabilities to IMF	-	2,733,252			2,733,252	2,395,435
Liabilities under Money Market Operations	-	3,924,219			3,924,219	1,657,867
Other Liabilities	-	-		1,726,026	1,726,026	956,505
Derivative Liability	-	2,906,255	-	-	2,906,255	891,100
Total Liabilities	-	**9,563,726**	-	**16,461,196**	**26,024,922**	**18,299,129**
Assets-Liability Gap	**12,794,158**	**(4,112,731)**	**8,410,221**	**(14,121,443)**	**2,970,205**	**2,804,028**

The Bank 2012

	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	2012 GH¢'000
ASSETS						
Cash and Amounts due from Banks	1,896,399	-	-	54,552	1,950,951	886,444
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	-	-	-	864,887	864,887	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**	**6,185,698**	**21,103,157**	**14,480,943**
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	-	-	-	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	-	393,705	956,505	659,509
Derivative Liability	-	891,100	-	-	891,100	-
Total Liabilities	-	5,507,202	-	12,791,927	**18,299,129**	**13,207,648**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

33. RISK MANAGEMENT DISCLOSURES (CONT'D)

Interest Rate Risk (Cont'd)

The Group 2013	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	2012 GH¢'000
ASSETS						
Cash and Amounts due from Banks	385,286	-	-	65,968	451,254	958,700
Balances with IMF	-	2,050,748	-	-	2,050,748	1,815,448
Securities	8,837,368	100,691	6,311,413	111,657	15,361,129	11,233,222
Loans and Advances	4,408,459	821,461	2,365,972	29,538	7,625,430	4,803,494
Derivative Asset	-	-	-	2,625,232	2,625,232	1,019,673
Other Assets	-	-	-	1,362,528	1,362,528	877,207
Property, Plant and Equipment	-	-	-	306,686	306,686	277,316
Development Loans and Investments	-	-	-	38,181	38,181	38,000
Deferred Tax Assets	-	-	-	-	-	581
Total Assets	13,631,113	3,396,824	8,677,385	4,859,180	30,564,502	21,900,653
LIABILITIES						
Currency in Circulation	-	-	-	6,197,407	6,197,407	5,555,472
Allocations of Special Drawing Rights	-	-	-	1,195,297	1,195,297	1,022,503
Deposits	823,834	-	-	7,712,048	8,535,882	6,321,278
Liabilities to IMF	-	2,733,252	-		2,733,252	2,395,435
Provision for Corporation Tax	-	-	-	7,187	7,187	5,417
Liabilities under Money Market Operations	-	3,920,894	-	-	3,920,894	1,656,117
Derivative Liability	-	2,906,255	-		2,906,255	891,100
Other Liabilities	-	-	-	1,765,695	1,765,695	998,588
Deferred Income	-	-	-	-	-	-
Total Liabilities	823,834	9,560,401	-	16,877,634	27,261,869	18,845,910
ASSETS-LIABILITY GAP	12,807,279	(6,163,577)	8,677,385	(12,018,454)	3,306,633	3,054,743

The Group 2012	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
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	-	-	-	877,207	877,207	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	7,182,478	21,900,653	15,320,652
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	-	435,788	998,588	694,852
Deferred Income	-	-	-	-	-	-
Total Liabilities	-	5,505,452	-	13,340,458	18,845,910	13,901,773
ASSETS-LIABILITY GAP	7,518,744	(3,185,278)	4,879,257	(6,157,980)	3,054,743	1,418,879

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

- **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 Group'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 2013 GH¢'000	December 2012 GH¢'000
Cedi	16,399,030	10,593,885
US Dollar	9,981,147	8,928,847
Pound Sterling	312,575	86,842
Euro	69,363	103,871
Special Drawing Rights	2,101,990	1,815,448
Others	131,022	129,362
Total	28,995,127	21,658,255
LIABILITIES & EQUITY		
Cedi	(19,102,955)	(15,601,106)
US Dollar	(7,105,139)	(3,697,058)
Pound Sterling	(68,445)	(61,181)
Euro	(139,885)	(132,176)
Special Drawing Rights	(2,502,719)	(2,088,741)
Others	(75,984)	(77,993)
Total	(28,995,127)	(21,658,255)
NET POSITION		
Cedi	(2,703,925)	(5,007,221)
US Dollar	2,876,008	5,231,789
Pound Sterling	244,130	25,660
Euro	(70,522)	(28,305)
Special Drawing Rights	(400,730)	(273,293)
Others	55,039	51,370

CURRENCY EXPOSURE ANALYSIS

The Group

	December 2013 GH¢'000	December 2012 GH¢'000
ASSETS		
Cedi	17,966,808	11,391,381
US Dollar	9,980,922	8,928,847
Pound Sterling	314,313	86,842
Euro	69,438	103,871
Special Drawing Rights	2,101,989	1,815,448
Others	131,030	129,362
Total	30,564,500	22,455,751
LIABILITIES & EQUITY		
Cedi	(20,670,732)	(16,398,602)
US Dollar	(7,105,123)	(3,697,058)
Pound Sterling	(69,975)	(61,181)
Euro	(139,958)	(132,176)
Special Drawing Rights	(2,502,719)	(2,088,741)
Others	(75,993)	(77,993)
Total	(30,564,500)	(22,455,751)
NET POSITION		
Cedi	(2,703,924)	(5,007,221)
US Dollar	2,875,799	5,231,789
Pound Sterling	244,338	25,660
Euro	(70,520)	(28,305)
Special Drawing Rights	(400,730)	(273,293)
Others	55,037	51,370

The Following Significant Exchange Rates Applied during the Year:

Currency	Average rate		Closing Rate	
	2013 GH¢	2012 GH¢	2013 GH¢	2012 GH¢
US Dollar	**1.9497**	1.78473	**2.1934**	1.87600
GBP	**3.0546**	2.83790	**3.6336**	3.04990
EURO	**2.5927**	2.30041	**3.0211**	2.47400
SDR	**2.9343**	2.73339	**3.4622**	2.88950

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

Sensitivity Analysis

A 10% strengthening of the Ghana Cedi against the following currencies at 31 December will have an increase/(decrease) on 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 2012.

31 December 2013	Profit or (Loss)/Equity GH¢'000
US Dollar	**(287,601)**
GBP	**(24,413)**
EURO	**7,052**
SDR	**40,073**

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

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. There has not been any non-compliance with capital management requirements of the Bank of Ghana Act.

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

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

	2013 GH¢'000	2012 GH¢'000
Operating Profit for the Year	897,204	1,536,576
(Increase) in Securities	(4,177,694)	(1,717,130)
Increase in Deposit Accounts	1,522,219	1,249,526
(Increase) in Advances	(2,272,101)	(2,163,040)
	(4,030,372)	(1,094,068)
Non–Cash items included in Profit before Tax		
Change in Other Assets	(1,531,068)	(1,686,489)
Change in Other Liabilities	2,269,567	1,729,508
Depreciation	15,542	25,875
Movement in Reserves	(771,017)	7,843
Price Change in Gold	133,698	(196,969)
Change in Balances with IMF	(235,300)	(264,551)
Effect of Exchange Rate Fluctuations on Cash Held	(120,564)	(73,274)
Loss on Disposal of PPE	455	-
Net Cash Inflows From Operating Activities	(4,269,059)	(1,552,125)

(b) The Group

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

	2013 GH¢'000	2012 GH¢'000
Operating Profit for the Year	949,327	1,562,949
(Increase) in Securities	(4,127,904)	(1,887,154)
Decrease in Deposit Accounts	2,214,604	1,094,260
(Increase) in Advances	(2,821,936)	(2,184,247)
	(3,785,909)	(1,414,192)
Non–Cash Items Included in Profit before Tax		
Change in Other Assets	(1,535,783)	(1,685,949)
Change in other Liabilities	2,267,154	1,736,248
Change in Reserves	(695,888)	19,857
Depreciation	24,822	30,746
Loss on sale of Property, Plant & Equipment	627	(1)
Price Change in Gold	133,698	(196,969)
Effect of Exchange Rate Fluctuations on Cash Held	(120,564)	121,799
Change in Balances with IMF	(235,300)	(264,551)
Net Cash (Outflows) from Operating Activities	(3,947,143)	(1,653,012)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2013

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 2(f), net unrealised foreign exchange gain 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. The impact of the departure stated above on the financial statements is shown below:

	The Bank		The Group	
	2013	2012	2013	2012
	GH¢	GH¢	GH¢	GH¢
Income Statement				
Surplus for the Year	**897,204**	1,536,576	**936,354**	1,562,949
Exchange Gain/(Loss) Charged to Revaluation Account	**(169,629)**	(106,138)	**(169,629)**	(106,138)
Exchange Gain/(Loss) Charged to NFA Reserve	**(271,016)**	49,993	**(271,016)**	49,993
Surplus for the Year Restated	**456,559**	1,480,431	**495,709**	1,506,804
Equity/Net Assets				
Net Assets Reported	**2,908,555**	2,804,028	**3,032,694**	2,888,693
Exchange Gain/(Loss) Charged to Revaluation Account	**(169,629)**	(106,138)	**(169,629)**	(106,138)
Exchange Gain/(Loss) Charged to NFA Reserve	**(271,016)**	49,993	**(271,016)**	49,993
Net Assets Re-stated	**2,467,910**	2,747,883	**2,592,049**	2,832,548

36. Events After Reporting Date

The Directors have declared a dividend of GH¢400,000,000 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).

ADDRESSES AND TELEPHONE NUMBERS

Head Office

Bank of Ghana
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Website: www.bog.gov.gh
Cedi House (Head Office Annex) 030-2665252, 2665253
General Services Complex 030-2811301, 2811006
Bank of Ghana Clinic: 030-2224837

Regional Branches

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

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

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

Western Region
P. O. Box 532
Takoradi
Tel: 031-2024035, 2024372, 2024604, 2021257
Fax: 031-20 24705

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

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

Agencies Held by Ghana Commercial Bank Limited

Ghana Commercial Bank Ltd.
P. O. Box 65
Cape Coast
Central Region
Tel: 033-2132812–3, 2132354
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Ghana Commercial Bank Ltd.
P. O. Box 286
Koforidua
Eastern Region
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Ghana Commercial Bank Ltd.
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Nkawkaw
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Ghana Commercial Bank Ltd.
Tema-Main
P. O. Box 272
Tema-Greater Accra Region
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Ghana Commercial Bank Ltd.
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