ANNUAL REPORT

2015

BANK OF GHANA

Annual Report 2015

Prepared and Edited
By
The Editorial Committee
Bank of Ghana

P. O. Box GP 2674, Accra

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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

The Ghanaian economy was subjected to rather difficult global and domestic conditions in 2015 but with the implementation of prudent macroeconomic policies, the challenges were surmounted to a large extent.

Global growth was generally subdued due to a combination of factors including a sharp decline in commodity prices, rebalancing in China from investments towards consumption, and normalisation of monetary policy in the United States. These developments resulted in diverse growth outturns across regions. While growth picked up in advanced economies, it weakened in major emerging market economies and Sub-Saharan Africa.

The global shocks coupled with other domestic challenges such as persistent energy supply shortfalls had adverse impact on the Ghanaian economy. In April, Ghana signed a three-year Enhanced Credit Facility programme with the International Monetary Fund in a bid to regain macroeconomic stability and restore debt sustainability. The key tenets of the programme included fiscal consolidation, enhanced monetary policy implementation and structural reforms, especially in the public sector.

In addition to the energy supply shortfalls, domestic economic activity in the review year was also constrained by tight fiscal policy and slower growth in private sector credit. Provisional real GDP growth for 2015 was 3.9 per cent compared with 4.0 per cent recorded in 2014.

Headline inflation consistently remained above the medium-term target band of 8 ± 2 per cent and ended the year at 17.7 per cent. The high inflation was driven mainly by the pass- through effects of currency depreciation and upward adjustments in utilities tariffs, prices of petroleum products and transport fares, as government deregulated the petroleum sector to remove subsidies.

In response to the heightened inflation and exchange rate pressures, the Monetary Policy Committee hiked the Monetary Policy Rate by a cumulative 500 basis points to 26 per cent by the end of the year and reaffirmed its commitment to achieving the target band by mid-2017, barring any unanticipated shocks. The policy measures contributed significantly to reducing the exchange rate volatility in the second half of the year.

The stability of the financial system was broadly threatened by the domestic macroeconomic challenges. In the year, profit levels of both Deposit Money Banks (DMBs) and Non-Bank Financial Institutions (NBFIs) declined and non-performing loans increased. However, total assets increased and DMBs remained solvent and complied with the minimum capital adequacy requirement. The use of credit reference bureaux also increased significantly as more financial institutions performed due diligence on customers.

The Bank took major steps to further strengthen the regulatory framework underpinning the payment and settlement systems. In July, the Bank launched the Electronic-Money and Agents guidelines to replace the Branchless Banking guidelines introduced in 2008. The new guidelines were aimed at promoting financial inclusion and ensuring that electronic money was provided by regulated financial institutions and duly licensed non-bank entities only. The guidelines were also designed to regulate operations of mobile money agents as the channels for delivering financial services, and introduced specified safeguards and controls to mitigate associated risks and ensure consumer protection. Following the introduction of the guidelines, new institutions emerged alongside new products and services delivered through collaboration between financial and non-financial institutions.

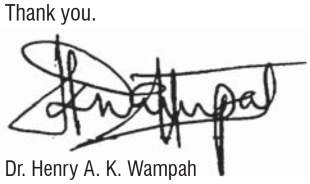
On the regulatory front, the Bank submitted the Banks and Specialised Deposit-Taking Institutions Bill to Parliament for consideration to replace the current Banking Act 2004 (Act, 673). The new banking bill is meant to bridge gaps associated with consolidated supervision, bank resolution and other gaps in the existing legal framework. The Ghana Deposit Protection Bill was submitted for consideration to ensure that small depositors are sufficiently protected. In addition, an amended Bank of Ghana Act, 2002 (Act 612) was also submitted to the Ministry of Finance for onward submission to Cabinet.

A newly constructed ultra-modern Cash Centre at the General Services Complex of the Bank was successfully inaugurated in December 2015. The Cash Centre is equipped with additional storage capacity for banknotes, increased processing capabilities, which would improve the turnaround time in respect of currency transactions and enhance the quality of service delivery. The Bank also completed the construction of a new regional office in Sunyani. The Bank formally adopted ISO 31000:2009 as its Enterprise Risk Management Standard in the review year.

In an effort to strengthen regulation and supervision, the Bank continued its capacity building programmes and also recruited additional staff in the review year.

I would like to extend my appreciation to the Board of Directors, members of the Monetary Policy Committee, Management and Staff for their unflinching support during a rather challenging year. Going forward, I count on the same commitment and support as we work towards regaining macroeconomic stability and setting the economy on a sustainable growth path.

Thank you.



Dr. Henry A. K. Wampah

BOARD OF DIRECTORS

MR. MILLISON K. NARH
First Deputy Governor

DR. HENRY A. K. WAMPAH
Governor

DR. ABDUL-NASHIRU ISSAHAKU
Second Deputy Governor

DR. SYDNEY Y. LARYEA
Chartered Accountant

MR. KWAKU BRAM-LARBI
Legal Practitioner

MRS. DIANA A. 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
Economist/Lecturer

DR A. FRITZ GOCKEL
Economist

MRS CAROLINE OTOO
Secretary to the Board

MANAGEMENT OF THE BANK

TOP MANAGEMENT

Dr. Henry A.K. Wampah
Governor

Mr. Millison K. Narh
First Deputy Governor

Dr. Abdul-Nashiru Issahaku
Second Deputy Governor

Mr. Daniel Hagan
Advisor

Mrs. Caroline Otoo
The Secretary

Mr. Yao A. Abalo
Treasury Department

HEADS OF DEPARTMENT

Mrs. Elly Ohene-Adu
Banking

Ms. Catherine Ashiley
Currency Management

Mr. Simeon Kyei
Human Resource

Mr. Salifu Abukari
Estate & Projects

Mrs. Mary Edwards
Information, Documentation and Publications Services

Mr. Madoc Quaye
Center for Training & Professional Development

Mr. John Fummey
Information Technology

Mrs. Caroline Otoo
Secretary's

Mr. Stephen D. Amegashie
Governors

Mr. Felix Adu
Internal Audit

Mr. Yao A. Abalo
Treasury

Mr. Yaw Afrifa-Mensah
Security

Ms. Gloria Quartey
Risk Management

Mr. Charles Brew - Hammond
Procurement and Transport

Mr. Michael Oppong-Adusah
Collateral Registry

Mr. Franklin Belnye
Banking Supervision

Mr. Raymond Amanfu
Other Financial Institutions Supervision

Mrs. Grace Akrofi
Research

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

Dr. Benjamin Amoah
Financial Stability

Mr. Stephen S. Sapati
Finance

Mr. Andrew Boye-Doe
Legal

REGIONAL MANAGERS

Mr. Michael Anyamesem
Kumasi, Ashanti Region

Mr. Victor Akakpo
Hohoe, Volta Region

Mr. Paul Mensah – Ashun Jnr.
Takoradi, Western Region

Mrs. Felicia A. Agbozo
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

- Banking
- Currency Management
- General Services
- Human Resource
- Information, Documentation and Publications Services
- Risk Management
- Centre for Training & Professional Development
- Information Technology
- Procurement & Transport

Regional Offices

Governor

- Secretary's
- Governors
- Internal Audit
- Treasury
- Security

Second Deputy Governor

- Banking Supervision
- Other Financial Institutions Supervision
- Finance
- Research
- Financial Stability
- Medical
- Legal
- 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 reappointment.

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

Dr. Henry A. K. 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
Prof. Kwabena Asomanin Anaman	Non-Executive Director
Hon. Cassiel Ato Forson	Non-Executive Director
Dr. Augustine Fritz Gockel	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, Corporate 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
Mr. Millison K. Narh	Member
Dr. Abdul-Nashiru Issahaku	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 Asomanin Anaman	Chairman
Mr. Sam Appah	Member
Mr. Alexander Yamoah Kyei	Member
Mrs. Diana Amewu Ayettey	Member
Hon. Cassiel Ato Forson	Member
Dr. Augustine Fritz Gockel	Member
Dr. Abdul-Nashiru Issahaku	Member

Human Resource, Corporate 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
Dr. David Obu Andah	Member
Prof. Kwabena A. Anaman	Member
Dr. Augustine Fritz Gockel	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
Mr. Alexander Yamoah Kyei	Member
Hon. Cassiel Ato Forson	Member
Dr. Augustine Fritz Gockel	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. Henry A. K. Wampah	Governor/Chairman
Mr. Millison K. Narh	First Deputy Governor
Dr. Abdul-Nashiru Issahaku	Second Deputy Governor
Mrs. Elly Ohene-Adu	Head of Banking Department
Mrs. Grace Akrofi	Head of Research Department
Dr. John Kwabena Kwakye	External Member
Prof. Joshua Yindenaba Abor	External Member

Members of the Committee

Dr. Henry A. K. Wampah

Mr. Millison K. Narh

Dr. Abdul-Nashiru Issahaku

Mrs. Grace Akrofi

Mrs. E. Ohene-Adu

Dr. J. K. Kwakye

Prof. Joshua Y. Abor

CHAPTER 2: DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview

Global economic activity remained broadly subdued throughout 2015. This development was largely underpinned by four main factors: a sharp decline in commodity prices, especially that of crude oil, a gradual decline and redirection of economic activity in China from investment and manufacturing to consumption and services, a tightening in United States monetary policy and a slower growth in emerging and developing economies. Global financial conditions also tightened in 2015, rendering emerging and developing markets vulnerable to widening spreads and currency depreciations.

2.2 World Output Growth

According to the IMF April 2016 World Economic Outlook, global growth declined to 3.1 per cent in 2015 from 3.4 per cent in 2014. This reflected weak recovery in advanced economies and a slowdown in emerging markets. With the exception of the United Kingdom and Germany where the rate of growth declined, all other advanced economies experienced increased growth. The slowdown in growth in emerging markets and developing countries was largely influenced by falling commodity prices and tighter financial conditions.

The United States economy remained resilient in 2015, registering a growth of 2.4 per, same as in 2014. This was supported by strengthening housing and labour markets and easing financial conditions. However, the strong dollar adversely affected manufacturing activity while lower oil prices curtailed investment in the mining sector.

In the euro area, growth rose to 1.6 per cent in 2015 from 0.9 per cent in 2014. The main driving forces were stronger private consumption, spurred on by lower oil prices, and easing financial conditions, which outweighed weakening net exports.

Growth in emerging markets and developing economies slipped to 4.0 per cent in 2015 from 4.6 per cent in 2014. This was primarily due to weaker economic activity in Russia as the country was hard hit by declining oil prices, with growth falling to negative 3.7 per cent from 0.6 per cent in 2014; and also in China where growth declined from 7.3 per cent in 2014 to 6.9 per cent.

In Sub-Saharan Africa, growth moderated to 3.4 per cent from 5.0 per cent in 2014. Notably, growth in Africa's biggest economy, Nigeria, declined by more than half, from 6.3 per cent in 2014 to 2.7 per cent in 2015, and in South Africa, growth slowed marginally from 1.5 per cent to 1.3 per cent in 2015.

Table 2.1: World Economic Indicators

	Real GDP Growth (%)			
	Realised		Projections	
	2014	2015	2016	2017
World Output	3.4	3.1	3.2	3.5
Advanced Economies	1.8	1.9	1.9	2.0
United States	2.4	2.4	2.4	2.5
Euro Area	0.9	1.6	1.5	1.6
Germany	1.6	1.5	1.5	1.6
France	0.2	1.1	1.1	1.3
Italy	-0.4	0.8	1.0	1.1
Spain	1.4	3.2	2.6	2.3
Japan	0.0	0.5	0.5	-0.1
United Kingdom	2.9	2.2	1.9	2.2
Emerging Markets and Developing Economies	4.6	4.0	4.1	4.6
Russia	0.6	-3.7	-1.8	0.8
China	7.3	6.9	6.5	6.2
India	7.3	7.3	7.5	7.5
Latin America and the Caribbean	1.3	-0.1	-0.5	1.5
Brazil	0.1	-3.8	-3.8	0.0
Sub-Saharan Africa	5.0	3.4	3.0	4.0
Nigeria	6.3	2.7	2.3	3.5
South Africa	1.5	1.3	0.6	1.2
Memorandum				
World Trade Volume (Goods and Services)	3.5	2.8	3.1	3.8
Commodity Prices (US dollars)				
Oil	-7.5	-47.2	-31.6	17.9
Non-Fuel	-4.0	-17.4	-9.4	-0.7
Consumer Prices				
Advanced Economies	1.4	0.3	0.7	1.5
Emerging Market & Developing Economies	4.7	4.7	4.5	4.2

Source: IMF, World Economic Outlook, April 2016.

2.3 Global Inflation

Global headline inflation remained low in the review year following declines in the prices of oil and other commodities. In advanced economies, headline inflation declined to 0.3 per cent from 1.4 per cent, lowest since the global financial crisis. Inflation in emerging markets and developing economies was 4.7 per cent in 2015 same as the previous year, reflecting the conflicting implications of weak commodity prices and currency depreciation.

Inflation in the United States was 0.7 per cent in 2015, down from 0.8 per cent in 2014, largely as a result of lower gasoline and fuel costs. Notable upward price pressures emerged from services, shelter, medical care and transportation services. Core inflation excluding food and energy accelerated to 2.1 per cent, the highest since July 2012.

In the United Kingdom, consumer prices edged up by 0.2 per cent in 2015, driven mainly by housing and utilities as well as restaurants and hotels prices.

Inflation in Japan rose at a slower pace of 0.2 per cent in 2015 compared with 2.4 per cent in the previous year due mainly to rising food prices.

In South Africa, annual inflation was 5.2 per cent in 2015, driven mainly by food costs, transport and household contents and services.

In Nigeria, inflation edged up to 9.6 per cent in 2015 from 8.0 per cent in 2014 as the depreciating naira contributed to higher import prices. Core inflation rate, excluding prices of volatile agricultural products, was 8.7 per cent.

2.4 Commodities Market

Developments in international commodities prices were mixed during the review year. This was the result of weak global demand for crude oil amid ample supply, stronger US dollar, and sluggish growth in China and other emerging market economies.

Crude Oil

Crude oil prices experienced a steady decline in 2015, falling by an average of 21.8 per cent to end the year below US$40 per barrel, the lowest level since early 2009. The decline reflected a sustained excess supply over global demand on the back of increased US shale oil production, weak demand in some major economies, a relatively stronger dollar, and OPEC's indecision on its output quota.

Gold

Gold prices generally declined in 2015 as a result of expectation of higher interest rates in the US, unsupportive macroeconomic environment in emerging markets, and weak investor sentiments. The metal lost 9.2 per cent of its value to end the year at an average price of US$1,160.4 per fine ounce compared with US$1,266.8 per fine ounce in 2014.

Cocoa

Cocoa performed strongly with the market remaining generally bullish throughout the year. The price rose to an average of US$3,082 per tonne in 2015 from US$3,003 per tonne in 2014. The rally in cocoa prices in 2015 stemmed from supply concerns in major cocoa growing regions, coupled with the fears of El Nino effects. The low production in Ghana for the 2014/15 crop year was the main catalyst behind the rally in cocoa prices in spite of the record production in Cote d'Ivoire and a fall in demand.

Chart 2.1: International Gold and Crude Oil Prices

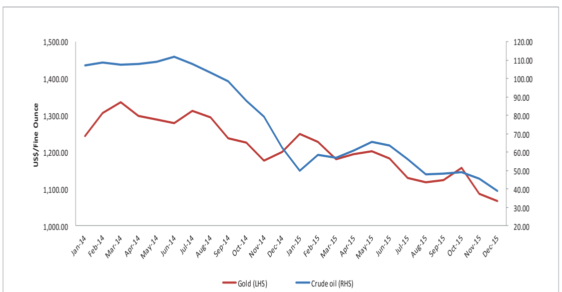
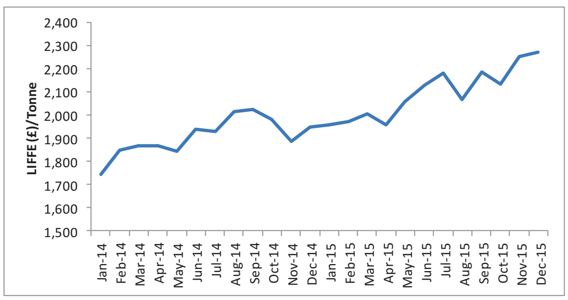


Chart 2.2: Developments in International Cocoa Prices (LIFFE (£)/per Tonne)



CHAPTER 3: DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

The pace of domestic economic activity marginally slowed down in 2015 relative to 2014, largely due to the effect of the energy sector challenges especially on industry. According to the GSS, real GDP grew by 3.9 per cent compared with 4.0 per cent in 2014. Inflation pressures remained elevated during the year due to pass-through effects of a series of upward adjustments in utility tariffs and petroleum prices, as well as depreciation of the domestic currency. Consequently, headline inflation increased steadily to end the year at 17.7 per cent, up from 17.0 per cent in the preceding year.

Key monetary aggregates and credit to the private sector recorded slower growth in 2015. Growth in money supply, including foreign currency deposits (M2+), declined to 26.1 per cent from 36.8 per cent in the previous year. Credit to the private sector recorded a lower growth of 30.8 per cent compared with 42.6 per cent in 2014. The Ghana Stock Exchange Composite Index (GSE-CI) declined by 11.7 per cent and market capitalisation also fell by 11.2 per cent.

In the external sector, the balance of payments registered a higher deficit of US$105.8 million compared with US$85.2 million in 2014. Gross international reserves (GIR) increased marginally to US$5,884.7 million, sufficient to provide cover for 3.5 months of imports of goods and services. Total external debt at the end of 2015 was estimated at US$15,781.9 million, equivalent to 42.8 per cent of GDP.

Table 3.1: Selected Economic Indicators

Indicators	2011	2012	2013	2014	2015
Real GDP Growth (%)	14.0	9.3	7.3	4.0	3.9*
Agriculture	0.8	2.3	5.7	4.6	2.4
Industry	41.6	11.0	6.6	0.8	1.2
Services	9.4	12.1	10.0	5.6	5.7
Non-Oil GDP Growth (%)	8.2	8.6	6.7	3.9	4.1
Nominal GDP (GH¢' million)	59,816.0	75,315.0	93,416.0	113,343.0	139,936.0
Year-on-Year Inflation (%)					
End Period	8.6	8.8	13.5	17.0	17.7
Annual Average	8.7	9.2	11.4	15.4	17.1
Monetary Aggregates Annual Growth Rates (%)					
Reserve Money	31.1	36.0	15.1	30.2	24.2
Money Supply (M2+)	33.2	24.3	19.1	36.8	26.1
Money Supply (M2)	30.2	22.9	18.2	33.0	26.6
Private Sector Credit	26.3	34.1	28.6	42.6	30.8
Interest Rate, End of Period (%)					
Monetary Policy Rate	12.5	15.0	18.0	21.0	26.0
91-Day Treasury Bill	10.3	22.9	18.8	25.8	23.1
182-Day Treasury Bill	11.1	22.9	18.8	26.4	24.4
1-Year Note	11.3	22.9	17.0	22.5	22.7
2-Year Note	12.4	23.0	16.5	23.0	24.0
Exchange Rates (End-Period Transaction Rates)					
GH¢/US$	1.6	1.9	2.2	3.2	3.8
GH¢/Pound Sterling	2.5	3.1	3.7	5.0	5.6
GH¢/Euro	2.1	2.5	3.1	3.9	4.2
External Sector (US$' Million)					
Exports of Goods and Sevices	14,595.5	16,812.0	16,206.0	15,257.8	10,438.1
Imports of Goods and Services	19,504.2	21,998.0	22,498.1	19,247.1	14,037.9
Current Account Balance	- 3,541.3	-4,910.6	-5,704.1	3,694.5	-2,808.3
Overall Balance of Payments	712.5	-669.2	-874.2	-85.2	-105.8
Gross Foreign Assets (End-Period)	5,452.0	5,742.3	5,632.2	5,461.0	5,884.7
Months of Imports of Goods & Services	*3.2*	*3.1*	*3.6*	*3.8*	*3.5*
Debt					
External Debts (US$'Million)	7,653.0	9,153.6	11,901.9	13,871.8	15,781.8
Domestic'Debt (GH¢'Million)	11,841.1	18,535.2	26,665.8	34,650.8	38,828.1
Government (% of GDP)					
Domestic Revenue	19.5	20.7	20.1	21.1	20.9
Grants	1.9	1.6	0.8	0.7	1.2
Total Expenditure	22.4	27.9	29.2	28.2	26.7
Overall Balance (Incl. Grant & Divestiture)	-4.0	-11.5	-9.2	-10.2	-6.7
Domestic Primary Balance	2.9	-1.6	-0.5	3.2	3.9

*Provisional

Source: BoG, Ministry of Finance and GSS

3.2 Monetary Policy

Monetary Policy Committee Meetings

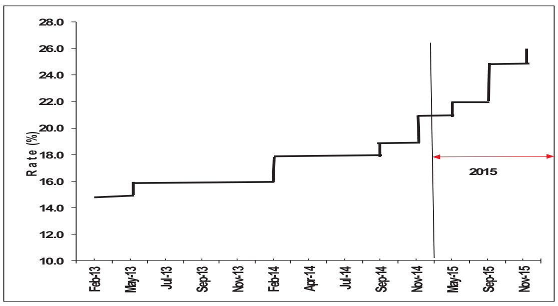
The Monetary Policy Committee (MPC) held five meetings in the review year. The Monetary Policy Rate (MPR) was cumulatively increased by 500 basis points: 100 basis points each in May, September and November. In August, the Bank merged the monetary policy rate and the reverse repo rate into a new MPR which was positioned at 24.0 per cent, effectively increasing the MPR by 200 basis points.

Table 3.2: Monetary Policy Decisions in 2015

Date	Decision	Rate (%)
16 – 18 February	Policy rate remained unchanged	21.0
11 – 13 May	Policy rate was increased by 100 bps	22.0
13 – 15 July	Policy rate remained unchanged	22.0
14 – 16 September	Policy rate was increased by 100 bps	25.0
16 – 18 November	Policy rate was increased by 100 bps	26.0

Note: In August, the MPR which was 22 per cent was merged with the reverse repo rate and positioned at 24 per cent.

Chart 3.1: Developments in the Policy Rate (January 2013-December 2015)



February Meeting

At its first meeting of the year, the Committee noted the deceleration in economic activity attributable to energy supply constraints and rising cost of inputs. The Committee also observed the decline in commodity prices due to adverse global economic and financial developments. Consequently, risks to the growth outlook remained tilted to the downside.

In assessing the inflation outlook, the Committee observed that inflation, which peaked at 17.0 per cent in December 2014, had declined to 16.4 per cent in January 2015 on the back of tight monetary policy, base drift effects and improved inflation expectations. The Committee, however, noted with concern the rising food prices ahead of the lean season as well as the rising core inflation. In the Committee's view, the upside risks to inflation included increased input costs due to the prolonged energy crisis, high inflation expectations and emerging pressures in the foreign exchange market. On the other hand, the downside risks to inflation included the pass-through effects of declining crude oil prices, the ongoing fiscal consolidation and the anticipated programme with the International Monetary Fund.

Consequently, the Committee concluded that the risks to inflation and growth were balanced and therefore maintained the MPR at 21.0 per cent.

May Meeting

The MPC, at its May meeting, noted that inflation and inflation expectations were elevated. The heightened inflation pressures were largely driven by exchange rate pass-through, anticipated upward adjustment in energy prices and utility tariffs as well as cost-push factors associated with persistent energy sector challenges.

The Committee also noted that the energy sector challenges, fiscal consolidation, weakening currency and high cost of doing business could weigh down on growth performance. The softened business confidence and subdued consumer confidence could reinforce the slowdown in economic activity. On the external sector, the fragile global financial conditions and continued commodity price volatility posed considerable risks to both inflation and growth.

On the basis of the above developments, the Committee concluded that risks to both inflation and growth were elevated, but tilted more to inflation, and therefore increased the MPR by 100 basis points to 22.0 per cent to rein in inflation and inflation expectations.

July Meeting

The MPC observed that headline inflation continued to rise on the back of pass-through of currency depreciation and cost-push factors. Core inflation also continued to rise, signaling underlying inflation pressures. The Committee, however, noted that though inflation and inflation expectations were still elevated, the pressures in the outlook for the medium-term were waning, reflecting the tight monetary policy stance, continuing fiscal consolidation and the recovery of the cedi in early July.

Economic growth had moderated but the medium-term outlook was positive, though there were potential headwinds including continued energy sector challenges, tight credit conditions, weak consumer confidence and subdued commodity prices and production.

The Committee viewed risks to inflation and growth to be balanced and therefore decided to maintain the MPR at 22.0 per cent.

In addition to the policy rate decision, the MPC mandated the Bank of Ghana to do the following:

- Merge the MPR with the reverse repo rate within 30 days
- Introduce a 7-day reverse repo instrument in the money market
- Open the 2-year Treasury note to non-resident participation following a previous agreement with the Ministry of Finance.

September Meeting

Inflation pressures persisted with headline inflation reaching 17.7 per cent in July before moderating to 17.3 per cent in August. Core inflation also continued to rise while inflation expectations remained elevated. In assessing the outlook, the Committee took cognisance of the planned significant adjustments in utility tariffs which constituted a significant upside risk to inflation.

Regarding domestic growth, the pace of economic activity continued to be impaired by challenges in the energy sector, fiscal consolidation, as well as headwinds from the global economic and financial conditions. The Bank's Real Composite Index of Economic Activity for June 2015 signalled a slower pace of economic activity compared with similar period in 2014. Business sentiments had softened while consumer confidence, though up, remained subdued. This notwithstanding, growth was projected to rebound in the medium-term as the economy was expected to rebalance, supported by increased production of oil and gas.

On balance, the Committee viewed risks to inflation as elevated and therefore increased the policy rate by 100 basis points to 25.0 per cent.

November Meeting

At this meeting, the Committee observed that headline inflation continued its upward trajectory though at a moderate pace. Core inflation continued to rise over the period while inflation expectations remained elevated. The main upside risks in the inflation outlook were the worsening external financial conditions and the higher than expected utility tariff adjustments in September.

On growth, the Bank's real Composite Index of Economic Activity for September indicated a slower pace compared with similar period a year earlier. In the medium-term however, growth outcomes were expected to recover, on the back of improved electricity supply and increased production of oil and gas.

In the outlook, risks from the global environment had heightened, driven mainly by slower growth prospects in China and other emerging market economies as well as declining commodity prices and tightening financial conditions.

The Committee was of the view that risks to inflation and growth remained elevated but were tilted more to inflation and therefore increased the policy rate by 100 basis points to 26.0 per cent.

3.3 Developments in Money, Credit and Interest Rates

Money Supply

Growth in broad money supply, including foreign currency deposits (M2+), decreased to 26.1 per cent from 36.8 per cent in 2014. This was mainly due to a decline in foreign currency deposits and demand deposits. Foreign currency deposits grew by 24.5 per cent compared with 49.1 per cent in 2014. Demand deposit rose by 20.7 per cent compared with 40 per cent in 2014.

Broad money, excluding foreign currency deposits (M2), grew by 26.6 per cent compared with 33 per cent in 2014.

The Net Domestic Assets (NDA) of the banking system increased by 26.7 per cent in 2015, compared with a growth of 31.2 per cent recorded in 2014. The change in NDA during the review period was due to a decline in net claims on Government which contracted by 10.5 per cent in 2015 compared with a growth of 26.6 per cent in 2014. Growth in claims on private sector also declined from 41.6 per cent in 2014 to 30.8 per cent in 2015. Claims on the public sector shrank by 14.6 per cent in 2015 compared with a growth of 20.2 per cent in 2014. Other Items Net (OIN) also contracted by 23.0 per cent during the period under review compared with a growth of 37.7 per cent in 2014.

Table 3.3: Monetary Indicators (GH¢'Million)

				(Year- on- Year)					
		Levels		As at end-Dec 2013		As at end-Dec 2014		As at end-Dec 2015	
	Dec-13	Dec-14	Dec-15	abs	per cent	abs	per cent	abs	per cent
Reserve Money	9,051.1	11,784.6	14,636.3	1,190.7	15.1	2,733.5	30.2	2,851.6	24.2
Narrow Money (M1)	12,902.5	17,257.6	21,014.4	1,745.2	15.6	4,355.1	33.8	3,756.8	21.8
Broad Money (M2)	20,692.0	27,530.2	34,857.0	3,188.2	18.2	6,838.2	33.0	7,326.9	26.6
Broad Money (M2+)	26,937.0	36,843.2	46,451.4	4,316.4	19.1	9,906.1	36.8	9,608.2	26.1
Currency with the Public	5,499.7	6,896.3	8,503.7	581.1	11.8	1,396.6	25.4	1,607.4	23.3
Demand Deposits	7,402.8	10,361.3	12,510.7	1,164.2	18.7	2,958.4	40.0	2,149.4	20.7
Savings & Time Deposits	7,789.5	10,272.6	13,842.6	1,442.9	22.7	2,483.1	31.9	3,570.1	34.8
Foreign Currency Deposits	6,245.0	9,313.0	11,594.4	1,128.2	22.0	3,068.0	49.1	2,281.4	24.5
Sources of M2+									
Net Foreign Assets (NFA)	5,700.4	8,991.3	11,151.0	(1,382.4)	(19.5)	3,290.9	57.7	2,159.7	24.0
BOG	5,972.7	8,677.8	9,954.3	62.2	1.1	2,705.1	45.3	1,276.6	14.7
DMBs	(272.3)	313.5	1,196.7	(1,444.6)	(123.2)	585.8	(215.1)	883.2	281.7
Net Domestic Assets (NDA)	21,236.6	27,851.9	35,300.4	5,698.8	36.7	6,615.3	31.2	7,448.5	26.7
Claims on Government (net)	11,326.8	14,344.7	12,841.4	3,610.7	46.8	3,017.9	26.6	(1,503.3)	(10.5)
BOG	5,306.2	6,887.7	6,418.7	1,166.7	28.2	1,581.5	29.8	(469.0)	(6.8)
DMBs	6,020.6	7,457.0	6,422.6	2,444.0	68.3	1,436.4	23.9	(1,034.4)	(13.9)
Claims on Public Sector	4,208.6	5,059.5	4,319.3	2,616.9	164.4	850.8	20.2	(740.2)	(14.6)
BOG	2,070.6	2,077.7	2,084.6	1,967.1	1,899.7	7.1	0.3	6.9	0.3
DMBs	2,138.1	2,981.8	2,234.7	649.9	43.7	843.7	39.5	(747.1)	(25.1)
Claims on Private Sector	15,286.7	21,649.6	28,308.6	3,362.0	28.2	6,362.9	41.6	6,659.0	30.8
BOG	529.5	606.9	496.5	82.2	18.4	77.4	14.6	(110.4)	(18.2)
DMBs	14,757.2	21,042.7	27,812.1	3,279.8	28.6	6,285.5	42.6	6,769.4	32.2
Other Items (Net) (OIN) \2	(9,585.5)	(13,201.9)	(10,168.9)	(3,890.8)	68.3	(3,616.4)	37.7	3,033.0	(23.0)
o/w BOG OMO (Sterilisation)	(1,125.8)	(1,254.4)	(204.7)	(261.2)	30.2	(128.6)	11.4	1,049.7	(83.7)

Deposit Money Banks' (DMBs) Credit

The annual growth in banks' outstanding credit to the public and private institutions in 2015 showed a decline on year-on-year basis. This may be attributed to a slowdown in credit extension due to concerns about rising Non-Performing Loans (NPLs).

In real terms, growth in outstanding credit declined to 6.2 per cent in 2015, from 21.4 per cent in 2014. The private sector accounted for 87.1 per cent of total outstanding credit compared with 87.3 per cent in the same period of 2014.

In terms of sectoral distribution of private sector credit, the major beneficiary sectors were Commerce and Finance (16.6%), Electricity, Gas and Water (12.6%), Services (22.4%), Construction (10.5%) and Manufacturing (9.0%), which collectively accounted for 71.1 per cent in 2015.

Interest Rates

The MPR was raised by cumulative 500 bps in the year to 26.0 per cent to help combat rising inflation. Developments in rates on the money market were however mixed. Interest rates on the 14-day BOG bill increased by 14.24 percentage points to 26.0 per cent. The rates on 91-day and 182-day Treasury bills declined by 267 bps and 199 bps to 23.12 per cent and 24.4 per cent respectively.

The interbank weighted average rate ended the year at 24.94 per cent, an increase of 131 bps while the average base rate of DMBs ended the year at 26.94 per cent. The average lending rate of banks, however, declined by 148 bps to 27.50 per cent and the average 3-month time deposit rate also increased by 68 bps to 13.0 per cent. This reduced the spread between the borrowing and lending rates to 14.5 per cent at the end of 2015 compared with 15.1 per cent in 2014.

Table 3.4: Sectoral Distribution of DMBs' Credit

	Level (GH¢'Million)			Change (%)		Share in Total (%)	
	2013	2014	2015	2014	2015	2014	2015
Public Sector	**2,205.8**	**3,059.2**	**3,896.0**	**38.7**	**27.4**	**12.7**	**12.9**
Private Sector	**14,757.2**	**21,042.7**	**26,237.4**	**42.6**	**24.7**	**87.3**	**87.1**
Services	3,730.0	4,719.6	5,866.5	**26.5**	**24.3**	**22.4**	22.4
Commerce & Finance	2,424.2	3,070.7	4,343.3	**26.7**	**41.4**	**14.6**	16.6
Construction	1,480.0	2,205.1	2,759.9	**49.0**	**25.2**	**10.5**	10.5
Miscellaneous	1,149.6	2,184.7	2,548.9	**90.0**	**16.7**	**10.4**	9.7
Elect.,Gas & Water	1,196.9	2,039.9	3,307.5	**70.4**	**62.1**	**9.7**	12.6
Manufacturing	1,466.5	1,963.9	2,363.8	**33.9**	**20.4**	**9.3**	9.0
Import Trade	1,521.3	1,831.6	2,140.9	**20.4**	**16.9**	**8.7**	8.2
Trans.,Stor., & Comm.	674.0	1,255.0	1,170.1	**86.2**	**-6.8**	**6.0**	4.5
Agric.,For. & Fish.	535.9	890.1	1,020.7	**66.1**	**14.7**	**4.2**	3.9
Mining & Quarrying	448.2	655.1	570.9	**46.2**	**-12.9**	**3.1**	2.2
Export Trade	130.6	226.8	145.0	**73.7**	**-36.1**	**1.1**	0.6
Total Outstanding Credit (Public +Private)	**16,963.0**	**24,101.9**	**30,133.5**	**42.1**	**25.0**		

Chart 3.2: DMBs Savings and Lending Rates (%)

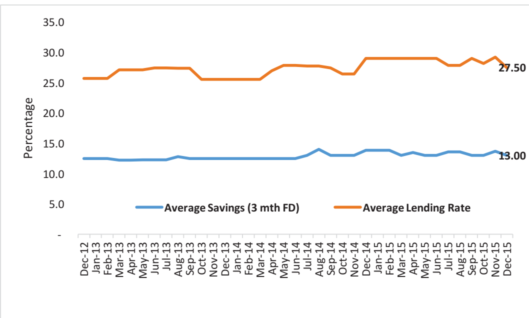
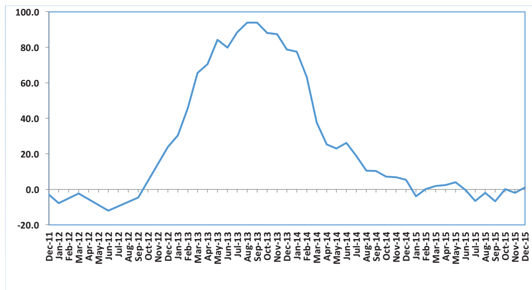


Chart 3.3: GSE Composite Index (Year-on-Year, %)



3.4 Stock Market Developments

Activity on the Ghana Stock Exchange (GSE) slowed in 2015. The GSE Composite Index declined by 11.7 per cent in 2015 compared with a loss of 5.4 per cent in 2014. The weak performance of the stock market was attributed to several factors including investor preference for higher yielding money market instruments and weak macroeconomic fundamentals.

Total market capitalisation declined by 11.2 per cent to GH¢57,116.8 million in 2015, compared with a growth of 5.2 per cent recorded in 2014. The decrease in market capitalisation for the review period was due to decline in prices of most equities particularly during the second half of the year.

3.5 Price Developments

Price developments in the review year indicated that inflation pressures were elevated. Headline inflation picked up from 17.0 per cent at the end of 2014 to 17.7 per cent at the end of 2015. The rise in inflation was driven by the food index. Food inflation increased from 6.8 per cent in 2014 to 8.0 per cent in 2015. Non-food inflation, however, declined slightly from 23.9 per cent in 2014 to 23.3 per cent in 2015.

Chart 3.4: Headline Inflation (Year-on-Year, %)

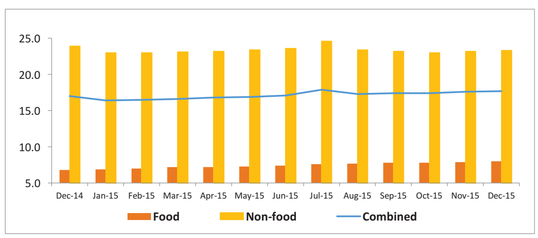
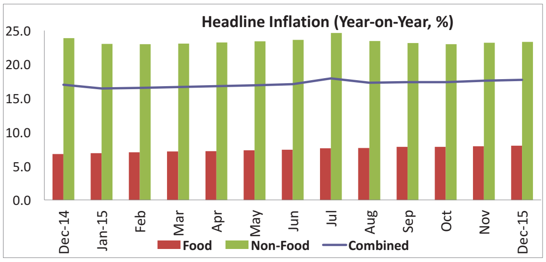


Table 3.5: Headline Inflation



3.6 Real Sector Performance

Provisional data released by the Ghana Statistical Service indicated that the domestic economy registered a growth of 3.9 per cent in 2015, marginally lower than 4.0 per cent recorded in 2014. This development reflected the adverse effects of the energy crisis, lower than expected international commodity prices and the persistent exchange rate depreciation. In terms of the sectoral contribution to GDP growth in 2015, the services sector accounted for 54.4 per cent (51.9% in 2014), followed by industry with 25.3 per cent (26.6% in 2014) and agriculture with 20.3 per cent (21.5% in 2014).

Table 3.6: GDP Growth Rates by Sector

Sector	2011	2012	2013	2014	2015*
Agriculture	0.8	2.3	5.7	4.6	2.4
Industry	41.6	11.0	6.6	0.9	1.2
Services	9.4	12.1	10.0	5.6	5.7
Real GDP Growth (%)	14.0	9.3	7.3	4.0	3.9

*Provisional Source: GSS

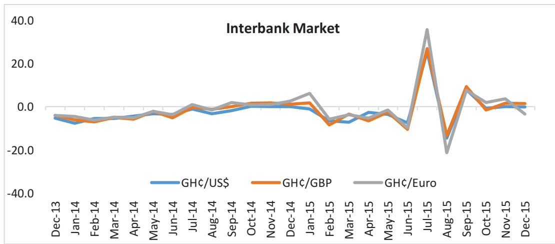
3.7 Exchange Rate Developments

The cedi generally depreciated against the major international currencies in both the interbank and forex bureau markets during the review year. The domestic currency weakened during the first half of the year due to seasonal demand pressures and reduced inflows on account of falling commodity prices. In the second half of the year the cedi was relatively stable as a result of enhanced monetary policy implementation, improved inflows from development partners, Eurobond proceeds and cocoa pre-export finance facility.

In the interbank market, the cedi depreciated by 16.1 per cent against the US dollar in 2015 compared with 31.2 per cent depreciation recorded in 2014. It also depreciated by 11.5 per cent against the Pound sterling and 6.2 per cent against the Euro.

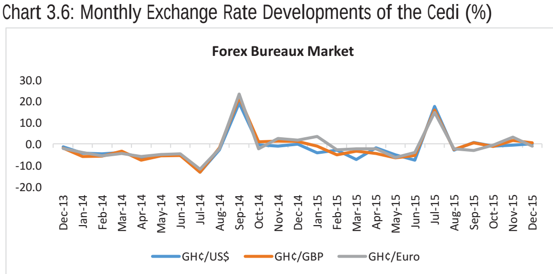
Developments in the forex bureaux market were similar to those in the interbank market as the cedi traded weak during the first half of the year but stabilised in the second half.

Chart 3.5: Monthly Exchange Rate Developments of the Cedi (%)



Note: - = depreciation; + = appreciation

Chart 3.6: Monthly Exchange Rate Developments of the Cedi (%)



3.8 Fiscal Developments

Government budgetary operations for 2015 resulted in an overall deficit of 6.7 per cent of GDP (GH¢9,438.2 million) against a target of 7.0 per cent of GDP. The domestic primary balance was a surplus of 4.0 per cent of GDP. The deficit was financed from both domestic and foreign sources.

Table 3.7: Selected Fiscal Indicators

	2013	2014	2015
Taxes on Income and Property	6,301.7	8,486.6	8,706.5
per cent of GDP	6.6	7.5	6.5
Taxes on Goods and Services	4,833.0	6,434.3	9,935.6
per cent of GDP	5.1	5.7	7.5
Taxes on International Trade	3,173.0	4,308.9	5,507.6
per cent of GDP	3.3	3.8	4.1
Tax Revenue including Oil	14,307.7	19,229.8	24,149.7
per cent of GDP	15.1	17.1	18.1
Tax Revenue excluding Oil	13,550.3	17,879.1	23,721.1
per cent of GDP	15.1	16.7	19.3
NonTax Revenue	4,265.4	4,483.4	4,919.9
per cent of GDP	4.5	4.0	3.7
Domestic Revenue including Oil	18,732.1	23,931.3	29,359.0
per cent of GDP	19.7	21.3	22.0
Domestic Revenue including Oil	17,974.8	22,580.7	28,930.4
per cent of GDP	20.1	21.1	23.5
Grants	739.4	814.1	1,729.3
per cent of GDP	0.8	0.7	1.3
Total Revenue and Grants	19,471.6	24,745.5	31,088.3
per cent of GDP	20.5	22.0	22.2
Compensation of Employees	9,479.1	10,466.8	12,111.2
per cent of GDP	10.1	9.3	9.1
Goods and Services	1,449.1	1,776.6	1,388.2
per cent of GDP	1.5	1.6	1.0
Interest Payments	4,397.0	7,080.9	9,075.3
per cent of GDP	4.6	6.3	6.8
Subsidies	1,158.1	473.7	25.0
per cent of GDP	1.2	0.4	0.0
Non-Financial Assets (Capital Expenditure)	5,742.0	6,095.7	5,884.9
per cent of GDP	6.1	5.4	4.4
Total Expenditure & Net Lending	28,413.8	31,962.2	37,344.6
per cent of GDP	29.9	28.4	26.7
Overall Budget Balance	-10,405.4	-11,550.6	-9,438.2
per cent of GDP	-11.0	-10.3	-6.7
Net Domestic Financing	7,057.9	6,142.7	3,660.3
per cent of GDP	7.6	5.5	2.6
Domestic Expenditure	20,350.7	20,304.2	23,793.4
per cent of GDP	21.4	18.0	17.8
Domestic Primary Balance	-1,618.6	3,627.2	5,565.6
per cent of GDP	-1.7	3.2	4.0
Stock of Domestic Debt	26,665.8	34,620.9	38,828.1
per cent of GDP	28.1	30.7	29.1
Nominal GDP (Including Oil)	93,461.0	112,610.6	139,936.0

Source: Bank of Ghana and Ministry of Finance

The net domestic financing at the end of the year was 2.6 per cent of GDP (GH¢3,660.3 million), compared with the target of 3.6 per cent of GDP (GH¢5,064.4 million) while the net foreign inflow was 4.2% of GDP (GH¢5,877.9 million).

Government receipts (including grants) amounted to GH¢31,088.3 million (22.2% of GDP), slightly higher than the target of GH¢30,526.2 million (21.8% of GDP). The major components were Tax revenue of GH¢24,149.7 million (79.1% of total revenue), Non-Tax revenue of GH¢4,919.9 million (15.3%) and Grants, of GH¢1,729.3 million (5.6%).

Government payments for the year amounted to GH¢37,344.6 million (26.7 % of GDP) which was 0.4 per cent below the budgeted amount of GH¢37,974.9 million (27.1% of GDP). Recurrent expenditure was GH¢31,459.7 million, made up of GH¢9,075.3 million interest expenditure and non-interest expenditure of GH¢28,269.2 million. Compensation of employees amounted to GH¢12,111.2 million representing 38.5 per cent of recurrent expenditures (41.3% of domestic revenue).

Capital expenditures were GH¢5,884.9 million (4.2% of GDP), compared with a target of GH¢6,401.5 (4.6% of GDP).

Composition of Domestic Debt

The stock of domestic debt at the end of December 2015 stood at GH¢38,828.1 million (29.1% of GDP), showing an increase of GH¢4,207.2 million over the end 2014 stock. The growth in the debt stock for the year was the net result of increase of GH¢4,558.0 million in the short-term securities and a decrease of GH¢350.8 million in medium-term securities.

The growth in the short-term debt stock resulted from increases in the 91-day and 182-day Treasury bills of GH¢1,378.5 million and GH¢3,656.2 million respectively. This was however, moderated by a decrease in the 1-Year Treasury note of GH¢476.7 million. Medium-term securities decreased by GH¢350.8 million on account of disinvestments of GH¢659.9 million, GH¢208.2 million, and GH¢202.5 million in 2-year fixed Treasury note, 3-year SSNIT bond and the 3-year Floating Treasury note respectively. The 5-year Treasury bond however, increased by GH¢718.4 million.

Table 3.8: Composition of Domestic Debt (GH¢'Million)

	2012	2013	2014	2015
A. SHORT-TERM				
91-Day Treasury Bill	3,573.9	4,620.4	7,939.4	9,317.9
182-Day Treasury Bill	1,134.4	2,028.7	4,493.4	8,149.6
1-Year Treasury Note	1,026.6	2,157.3	1,253.3	776.6
SUB-TOTAL (A)	5,734.9	8,806.4	13,686.1	18,244.1
B. MEDIUM-TERM				
2-Year Fixed Treasury Note	1,715.5	3,643.5	2,746.2	2,086.3
3-Year Fixed Treasury Note	4,963.7	4,817.2	5,061.4	5,062.8
3-Year Stock(SBG)	29.9	29.9	0.0	0.0
3-Year Stock(SSNIT)	370.1	529.4	1,281.8	1,073.6
3-Year Floating Treasury Note (SADA-UBA)	202.5	202.5	202.5	0.0
5-Year GOG Bond	1,667.9	2,317.9	2,790.2	3,508.6
5-year Golden Jubilee Bond	41.1	0.0	0.0	0.0
7-Year GOG Bond	0.0	201.7	201.7	201.7
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0
TOR Bonds	682.0	682.0	682.0	682.0
NPRA Stocks	0.0	72.6	0.0	0.0
SUB-TOTAL (B)	9,752.7	12,576.8	13,045.9	12,695.1
C. LONG-TERM				
Long Term Government Stocks	2,377.2	4,811.0	7,417.4	7,417.4
Telekom Malaysia Stocks	109.5	109.5	109.5	109.5
Revaluation Stock	455.7	361.1	361.1	361.1
Others Government Stocks	1.0	1.0	1.0	1.0
SUB-TOTAL (C)	2,943.3	5,282.5	7,888.9	7,888.9
TOTAL(A+B+C)	18,431.0	26,665.8	34,620.9	38,828.1

Source: Bank of Ghana and Ministry of Finance

Holdings of Domestic Debt

Bank of Ghana's holding of domestic debt as at the end of 2015 stood at GH¢8,851.2 million, representing 22.8 per cent of the total. The Deposit Money Banks (DMBs) held GH¢10,429.1 million (26.9%), compared with 27.3 per cent for 2014. SSNIT holdings decreased to GH¢1,502.6 million (3.9%) from GH¢1,563.6 million (4.5%) in 2014. The Insurance Companies held GH¢80.9 million (0.2%), while Non-Residents held GH¢6,717.4 million (17.3%). 'Other holders' held GH¢11,246.8 million (29.0%).

Table 3.9: Holdings of Domestic Debt (GH¢'Million)

	2012	2013	2014	2015
A. Banking Sector	8,961.6	13,967.5	18,745.5	19,280.4
Bank of Ghana	3,769.7	6,280.2	9,293.5	8,851.2
Deposit Money Banks	5,191.8	7,687.3	9,452.0	10,429.1
B. Non-bank Sector	4,530.0	6,941.5	9,900.7	12,830.3
SSNIT	668.5	707.5	1,563.6	1,502.6
Insurance Companies	46.2	48.5	63.3	80.9
NPRA	0.0	72.6	0.0	0.0
Others Holders	3,815.4	6,112.9	8,273.8	11,246.8
Rural Banks	424.6	456.0	494.1	567.5
Firms & Institutions	2,037.4	3,592.9	5,093.3	6,602.3
Individuals	1,353.4	2,064.0	2,686.4	4,077.1
C. Foreign Sector(Non-Residents)	4,939.4	5,756.7	5,974.7	6,717.4
TOTAL(A+B+C)	18,431.0	26,665.8	34,620.9	38,828.1

Source: Bank of Ghana and Ministry of Finance

3.9 External Sector Developments

The overall balance of payments worsened during the review year to a deficit of US$105.8 million compared with a deficit of US$85.2 million in 2014. The outturn in 2015 was largely due to deterioration in the trade account reflecting a decline in the prices of major export commodities.

Current Account

The current account balance improved to a deficit of US$2,808.3 million (7.5% of GDP) from a deficit of US$3,694.5 million (9.5% of GDP) in 2014. This development was the net result of significant improvement in services, investment income and current transfers accounts and worsening of the trade balance.

Trade Balance

The year under review saw reductions in both import and export trade compared to levels in 2014. Merchandise imports declined as a result of the fall in oil prices. Exports also underperformed as a result of the slump in commodity prices on the international market, especially oil and gold. Consequently the trade balance for 2015 recorded a higher deficit of US$3,928.9 million compared with a deficit of US$1,383.4 million in 2014.

Merchandise Exports

The value of merchandise exports for the year was US$10,356.7 million, indicating a decrease of 21.6 per cent compared to the outturn in 2014. Falling commodity prices on the international market adversely affected earnings from the major exports, notably oil and gold. Marginal increases were recorded in the exports of cocoa beans and timber while a marginal decrease was registered in other exports.

Merchandise Imports

The total value of merchandise imports for 2015 was estimated at US$13,465.1 million, showing a decline of 7.8 per cent compared with 2014. The marginal decline in imports was attributable to the drop in oil imports.

Non-Oil Imports

The total non-oil merchandise imports was estimated at US$11,418.3 million showing a 4.7 per cent rise over the level in 2014. The upturn was on account of increases in imports under all the broad economic classifications except consumption goods.

Services, Income and Current Transfers

The Services, Income and Tranfers Account recorded a surplus of US$1,120.6 million, compared with a deficit of US$2,311.1 million recorded in 2014. The Services and Income accounts recorded a significant decline of 65.8 per cent in outflows. The Current Transfer account also recorded improvement in net inflows from US$2,008.5 million to US$2,597.7 million.

Capital and Financial Account

The Capital and Financial account recorded a net inflow of US$2,731.5 million, representing a decrease of 27.2 per cent over the outturn for 2014. The Capital Account recorded an inflow of US$279.4 million in 2015.

Transactions in the Financial Account recorded a net inflow of US$2,452.1 million showing a decrease of US$1,300.7 million compared with 2014. The main sources of inflows namely foreign direct investment, portfolio investment and official capital registered lower net inflows compared to 2014.

Table 3.10: Developments in Balance of Payments (in US$ Million)

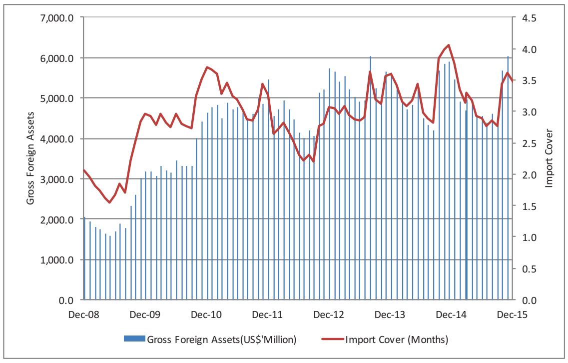
Description	2012	2013	2014	2015*
A. Current Account	**-4,910.6**	**-5,704.0**	**-3,694.5**	**-2,808.3**
Merchandise Trade Balance	**-4,210.8**	**-3,848.3**	**-1,383.4**	**-3,928.9**
Exports (f.o.b)	***13,552.4***	***13,751.9***	***13,216.8***	***10,356.7***
Cocoa Beans & Products	2,828.6	2,267.3	2,612.9	2,763.9
Gold	5,643.3	4,965.7	4,388.1	3,212.6
Timber & Timber Products	131.0	165.8	185.1	202.1
Crude Oil	2,976.1	3,885.1	3,725.0	1,931.3
Other Exports	1,973.4	2,468.1	2,305.8	2,246.8
Imports (f.o.b)	***-17,763.2***	***-17,600.2***	***-14,600.2***	***-13,465.1***
Non-Oil	-14,432.6	-14,049.8	-10,906.3	-11,418.3
Oil	-3,330.6	-3,550.5	-3,694.0	-2,046.7
Net Exports of Goods under Merchanting				-820.5
B. Balance on Services, Income and Transfers	**-699.8**	**-1,855.7**	**-2,311.1**	**1,120.6**
Services (net)	***-975.2***	***-2,443.8***	***-2,602.1***	***-345.2***
Credit	3,259.7	2,454.0	2,044.8	6,098.9
Debit	-4,234.9	-4,897.8	-4,646.9	-6,444.1
Income (net)	***-2,130.0***	***-1,351.4***	***-1,717.4***	***-1,131.9***
Credit	55.3	284.5	110.8	394.4
Debit	-2,185.2	-1,635.9	-1,828.2	-1,526.3
Transfers (net)	***2,405.3***	***1,939.4***	***2,008.5***	***2,597.7***
Private (net)	2,147.5	1,859.2	1,998.9	2,375.3
Official (net)	***257.8***	80.3	9.6	222.4
C. Financial and Capital Account	**3,651.3**	**5,68.2**	**3,752.8**	**2,731.5**
Capital Transfers	283.4	349.3	0.0	279.4
Direct Investments	3,293.4	3,226.3	3,357.0	2,970.9
Other Investments	74.4	1,792.6	395.8	-518.8
D. Net Errors and Omissions	**48.5**	**-830.1**	**-143.6**	**-29.0**
Overall Balance	**-1,210.9**	**-1,165.9**	**-85.2**	**-105.8**
E. Reserves and Related Items	**1,210.9**	**1,165.9**	**85.2**	**105.8**
Changes in International Reserves	1,210.9	1,165.9	85.2	105.8
IMF Position (net)	0.0	0.0	0.0	0.0
Holdings of SDR	0.0	0.0	0.0	0.0
Foreign Exchange Position (net)	1,210.9	1,165.9	85.2	105.8
Exceptional Financing	0.0	0.0	0.0	0.0

*Provisional Figures

International Reserves

The stock of net international reserves at the end of 2015 was US$3,093.7 million, indicating a drawdown of US$105.8 million for the year. Gross foreign assets increased to US$5,884.7 million at the end of 2015 from US$5,461.0 million at the end of 2014. This was sufficient to provide 3.5 months of import cover compared with 3.8 months at the end of 2014.

Chart 3.7: Gross Foreign Assets and Import Cover



3.10 External Debt

Ghana's external debt stock as at end-2015 was estimated at US$15,781.9 million, showing an increase of 8.5 per cent over the end-2014 level. Debt sustainability indicators showed that Ghana's external debt was sustainable at the end of 2015. External debt-to-GDP ratio stood as 40.5 per cent, which is within the policy threshold of 50.0 per cent of GDP.

In terms of composition, debt from multilateral sources had the dominant share of 32.5 per cent. This was followed by debt from international capital markets (23.2%), commercial creditors (18.1%), export credits (7.4%) bilateral creditors (7.0%) and other concessional (11.8%).

Table 3.11: Selected External Debt Indicators (US$'Million)

	2012	2013	2014	2015	Policy Threshold
External Debt (US$ million)	9,153.6	11,901.9	13,871.8	15,781.9	
External Debt Stock/GDP (%)	21.7	27	33.4	43.3	50
External Debt Service/Exports of Goods and Services	3.2	2.2	5.2	11.6	25
External Debt Service/Domestic Revenue	7.4	6.8	10.9		22
External Debt Service/GDP	1.4	0.8	2	3.4	

CHAPTER 4: DEVELOPMENT IN BANKS AND NON-BANK FINANCIAL INSTITUTIONS

4.1 Overview

The banking sector, continued to be safe, sound and stable during the review year although profitability declined marginally due to increasing non-performing assets. One DMB, four (4) NBFIs and seventy-four (74) MFIs were licensed to operate. HFC Bank Ghana Limited became a foreign-controlled bank following the acquisition of majority shares by the Republic Bank of Trinidad and Tobago.

4.2 Banks and Non-Bank Financial Institutions

Structure

At the end of the year, 29 DMBs, 62 NBFIs, 139 RCBs and 546 MFIs as well as three (3) credit reference bureaux were in operation. The DMBs comprised 12 Ghanaian-controlled and 17 foreign-controlled banks. The DMBs operated 1,173 branches and 912 ATMs distributed across the ten (10) regions of the country with a total staff strength of 19,846 compared with 19,849 in 2014.

Assets and Liabilities

Total assets of the industry (DMBs, RCBs, NBFIs and MFIs) grew by 23.3 per cent to GH¢74,381.1 million at the end of 2015. The twenty nine (29) DMBs accounted for 85.1 per cent of the industry's assets compared with 85.2 per cent in 2014. The growth in the industry's assets reflected mainly in Loans & Advances and Investments which increased respectively by 21.4 per cent and 22.4 per cent compared with increases of 40.0 per cent and 69.2 per cent in 2014. The expansion in total assets was funded from increases in deposits (27.6%) Shareholders' Funds (22.5%) and Borrowings (12.1%). Deposits which remained the most significant source of funding increased slightly from a share of 63.0 per cent of total assets in 2014 to 64.5 per cent in 2015.

The ratio of total earning assets (Loans & Advances and Investments) to total assets was 65.9 per cent compared to 66.7 per cent in 2014.

Table 4.1: Assets and Liabilities of Banks and NBFIs

	2014					2015						
	DMBs	RCBs	NBFIs	MFIs	TOTAL	DMBs	RCBs	NBFIs	MFIs	TOTAL	CHANGE	% CHANGE
	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	GH¢M	
TOTAL ASSETS	**51,445.0**	**2,099.5**	**5,844.3**	**958.8**	**60,347.6**	**63,303.7**	**2,551.5**	**7,277.0**	**1,248.9**	**74,381.1**	**14,033.5**	**23.3**
Cash and Bank Balances	14,017.5	313.5	633.2	173.8	15,138.0	16,776.3	346.5	761.4	274.4	18,158.6	3,020.6	20.0
Investments	11,875.3	649.7	1,335.8	59.2	13,920.0	14,289.7	913.9	1,719.5	120.6	17,043.8	3,123.8	22.4
Loans & Advances	22,212.7	777.5	2,875.9	481.1	26,347.2	27,094.7	871.6	3,455.4	551.7	31,973.5	5,626.3	21.4
Other Assets and PPE	3,339.5	358.8	999.4	244.7	4,942.4	5,142.9	419.4	1,340.7	302.2	7,205.2	2,262.9	45.8
LIABILITIES AND SHAREHOLDERS' FUND	**51,445.0**	**2,099.5**	**5,844.3**	**958.8**	**60,347.6**	**63,303.7**	**2,551.5**	**7,277.0**	**1,248.9**	**74,381.1**	**14,033.5**	**23.3**
Liabilities	44,074.5	1,817.3	4,904.0	751.0	51,546.8	54,150.2	2,215.7	6,249.5	984.9	63,600.3	12,053.5	23.4
Deposits	32,413.8	1,604.5	3,053.8	520.6	37,592.7	41,258.8	1,993.4	3,979.2	719.5	47,950.9	10,358.3	27.6
Borrowings and other Liabilities	11,660.7	212.8	1,850.2	230.4	13,954.1	12,891.4	222.3	2,270.2	265.4	15,649.3	1,695.2	12.1
Shareholders' Funds	7,370.5	282.2	940.2	207.8	8,800.7	9,153.4	335.8	1,027.6	264.0	10,780.8	1,980.0	22.5
Paid-Up Capital	2,652.9	73.5	669.3	215.4	3,611.1	3,201.2	102.4	840.9	285.7	4,430.3	819.2	22.7
Reserves	4,717.6	208.7	271.0	(7.6)	5,189.7	5,952.2	233.4	186.7	(21.7)	6,350.5	1,160.8	22.4

Deposit Money Banks (DMBs)

The total assets of DMBs amounted to GH¢63,303.7 million, an increase of 23.1 per cent over the previous year. The growth reflected mainly in loans & advances, investment and cash & bank balances. The growth was mainly funded by deposits.

Profitability

The profitability of the DMBs dipped in the review year as shown by the key profitability indicators. The reduction resulted from high interest costs, high non-performing loans (NPL) which led to high provision for bad debts and high operating costs as a result of the energy supply shortfalls.

Table 4.2 Profitability Indicators (%)

Indicators	2012	2013	2014	2015
Return on Equity	25.8	30.9	33.1	22.2
Return on Assets	4.8	6.2	6.6	4.6
Return on Earning Assets	6.5	8.1	8.7	6.2
Net Interest Spread (NIS)	10.3	11.5	12.6	12.5
Cost to Income Ratio	53.8	48.2	48.4	53.2
Net Interest Margin (NIM)	10.9	12.6	13.4	13.8

Solvency

In the review year, the DMBs remained solvent and generally complied with the minimum Capital Adequacy Ratio (CAR) of 10.0 per cent. The DMBs' CAR as at end-2015 was 17.8 per cent compared with 17.9 per cent in 2014. The networth of DMBs increased by 22.5 per cent to GH¢10,780.8 million as at end-2015, mainly on account of growth in reserves and paid-up capital by 22.4 per cent and 22.7 per cent respectively.

Non-performing loans (NPL) ratios of DMBs deteriorated in 2015. The NPL ratio (including the loss category) increased to 14.7 per cent at end 2015 from 11.0 per in 2014, mainly on account of the general slowdown in economic activity and challenges posed by the worsening energy crisis. Adjusting for the fully provisioned loan loss, the NPL ratio stood at 6.8 per cent in 2015, compared with 5.3 per cent in 2014.

Table 4.3 Banking System Indicators (%)

	2012	2013	2014	2015
CAR	19.1	18.5	17.9	17.8
NPL(including loss category)	13.2	12	11.0	14.7
NPL (Adjusting for fully provisioned loan loss)	6.8	4.6	5.4	6.8

Liquidity

DMBs were generally liquid in 2015 but relatively tight compared with 2014. With the exception of a few, DMBs complied with the Cash Reserve Ratio (CRR) requirement, with actual CRR of 10.38 per cent compared with the mandatory minimum requirement of 10 per cent.

DMBs continued to invest significant portions of their deposits in money market instruments for liquidity management purposes. During the year, 65.1 per cent of the total deposits mobilised were invested in short-term instruments compared with 62.5 per cent in 2014.

Table 4.4 Selected Liquidity Indicators of DMBs (%)

Indicators	2012	2013	2014	2015
Liquid Assets to Total Assets	34.8	37.6	39.4	41.8
Liquid Assets to Total Deposits	50.1	58.3	62.5	64.1
Liquid Assets to Short-Term Borrowings	592.0	328.0	315.8	371.7
Current Loans Ratio	83.3	84.0	83.9	78.9
Past Due Loans Ratio	16.7	16.0	16.1	21.1

Non-Bank Financial Institutions

The assets of NBFIs (excluding MFIs) constituted 9.8 per cent of total assets of the industry, an increase of 0.1 percentage point over the 2014 position. Total assets of NBFIs increased by 24.5 per cent to GH¢7,277.0 million in 2015. The increase reflected mainly in loans and advances (20.2%) and Investments (28.7%). The growth in total assets was funded by deposits, borrowings and shareholders' funds which increased by 30.3 per cent, 22.7 per cent and 9.3 per cent respectively.

Rural and Community Banks

Total assets of RCBs represented 3.4 per cent of total assets of the industry, almost the same as in 2014. The assets grew by 21.5 per cent to GH¢2551.48 million. The growth in assets reflected in Loans and Advances (12.1%), Investment (40.7%) and other assets, plant property & equipment (16.9%). The assets of RCBs were funded by deposits and shareholders' funds which increased by 24.2 per cent and 19.0 per cent respectively.

Microfinance Institutions

The total assets of MFIs constituted 1.7 per cent of total assets of the industry in 2015 compared with 1.6 per cent in 2014. The assets of MFIs increased by 30.3 per cent to GH¢1,248.93 million in 2015. The main components of total assets of the MFIs were loans & advances which increased by 14.7 per cent to GH¢551.73 million and cash & bank balances which also grew by 103.8 per cent to GH¢274.36 million. The growth in assets was funded mainly by deposits which increased by 38.2 per cent to GH¢719.50 million and shareholders' funds which also grew by 27.0 per cent to GH¢264.01 million.

Credit Referencing

The usage of credit bureaux services among the banks and NBFIs saw a significant increase in 2015. The year recorded a total of 2,008,170 searches compared with 948,360 searches in 2014.

4.3 Stability of the Financial System

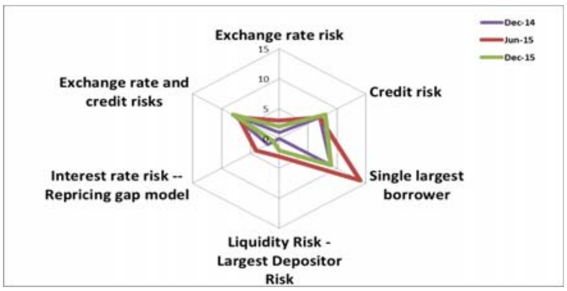
Domestic macroeconomic instability and global macro-financial developments such as falling commodity prices, economic slowdown and tightened financial conditions posed threats to the stability of Ghana's financial system in 2015. However, the banking sector's capacity to withstand these shocks generally improved.

Macro-Financial Stress Tests

The Bank conducted two macro-financial stress tests on the banking sector in June and December 2015 to assess the resilience of the banking system to systemic and tail risks. The exercise stressed commercial banks' balance sheets and profit and loss accounts to extreme but plausible shocks covering credit, liquidity, market concentration and contagion risks to the system.

The outcome of the tests indicated that the sector remained broadly robust with increasing capacity to withstand shocks in December 2015 compared with June.

Chart 4.1: Systemic Risk Assessment Map[1]



The result indicated that:

- Loans remained the key source of credit in the Ghanaian banking system.
- The provisioning approach (loan migration analysis) to credit risk revealed a less resilient banking industry to credit shock.
- Concentration risk relating to single largest borrower was moderate.
- Exchange rate risk remained tamed in the banking sector on account of exisitng regulation on net open position requirements.
- Interest rate volatilities had relatively muted impact on the banking system as a whole.
- The industry was resilient to liquidity stress testing emanating from withdrawal of the largest depositors' funds.
- The industry's offshore placement was largely well diversified.

Banks' Counterparty Relationships

The structure of the banking sector showed a financial system that is vulnerable to shocks from the international financial system; the sector is dominated by foreign-owned banks which exposes it to shocks from their parents and affiliates.

Table 4.5 : Market Shares of Foreign Banks

BANKS	Dec-13 Number	Dec-13 Market Share (%)	Dec-14 Number	Dec-14 Market Share (%)	Dec-15 Number	Dec-15 Market Share (%)
Foreign	14	58.2	14	53.9	17	54.6
Europe	3	18.1	3	15.7	3	25.8
Britain	2	14.7	2	12.5	2	20.3
France	1	3.4	1	3.3	1	5.5
Pan Africa	10	39.7	10	37.8	12	68.9
Others	1	0.4	1	0.4	2	5.3
Domestic	12	41.8	13	46.1	12	45.4
State Owned	3	18.5	4	19	3	33.3
Private	9	23.3	9	27.2	9	66.7
Total	26	100.0	27	100.0	29	100.0

Banks' offshore balances recorded an 11.0 per cent growth in 2015 compared with 73.9 per cent increase in 2014 indicating declining exposure to external counterparties.

Similarly, offshore placements saw year-on-year growth of 19.1 per cent from 56.4 per cent in 2014, reflecting decreased offshore activities by banks.

However, short-term funding of DMBs grew more than their long-term external funding, a phenomenon that was not desirable for the stability of the financial system. Long-term external borrowing decreased from 175.9 per cent in 2014 to 27.4 per cent in 2015.

Consumer Protection

With rapid technological and financial market development growth, fused with the relatively low level of illiteracy in Ghana, the Bank continued to ensure efficient and effective consumer protection and redress mechanisms. In 2015, consumer protection activities carried out included:

- Reception of complaints, petitions and grievances from customers.
- The conduct of investigations into financial fraud and defalcation.
- Undertaking financial literacy programmes, interventions and inclusion.
- Ensuring the operation of credit bureaux and licensed financial institutions complied with the provisions of the Credit Report Act, 2007 (Act 726).

[1]The Risk Assessment Map depicts the resilience of the banking system to shocks. It's constructed such that a move away from the origin signifies deterioration in the ability to withstand shocks.

Table 4.6: Consumer Protection

Type of Report	2014 Number	2014 Share of Total (%)	2015 Number	2015 Share of Total (%)	% Increase
Consumer Complaints Reporting	281	30.4	605	34.1	115.3
Fraud and Defalcation Reporting	195	21.1	396	22.3	103.1
Enforcement and Surveillance	447	48.4	772	43.5	72.7
TOTAL	923	100	1,773	100	92.1

Financial Integrity

In collaboration with the IMF, the Bank commenced the development of a Risk Rating Matrix Framework for the Savings and Loans sector in Ghana.

Activities carried out during the year under review included:

- The upgrade of the existing Anti-Money Laundering/ Combating the Financing of Terrorism (AML/ CFT) offsite and onsite manual to be in line with the revised Financial Action Task Force (FATF) Forty (40) recommendations of February 2012.
- The enhancement of awareness of key AML/ CLT concepts and emerging money laundering typologies among Anti-Money Laundering Reporting Officers (AMLRO's) of banks and Non-Bank Financial Institutions (NBFIs).
- Addressing of issues impacting the implementation of the AML/ CFT regime in Ghana.

4.4 Developments in the Payment and Settlement Systems

In 2015, the major developments in the payment and settlement systems in Ghana were the launching of E-Money and Agent Guidelines, Product/Service Development and improvements in Non-Cash Payment Streams.

Launching of E-Money and Agent Guidelines

As part of the Bank's strategy of creating a congenial regulatory environment for safe electronic retail payments and funds transfer, two guidelines were launched, namely: Guidelines for E- Money Issuers in Ghana and the Agents Guidelines in July 2015.

The E-Money Issuers Guidelines were aimed at promoting financial inclusion and ensuring that electronic money is provided by regulated financial institutions and duly licensed non-bank entities only.

The Agent Guidelines were issued to regulate the use of agents as a channel for delivery of financial services and specify safeguards and controls to mitigate the associated risks and also ensure consumer protection.

Following the issuance of the guidelines, new institutions emerged and new products and services were delivered through collaboration between financial and non-financial institutions. An example of this collaboration was the opportunity for e-money holders to withdraw money from ATMs of selected financial institutions without using a payment card.

Product/Service Development

GhIPSS Instant Pay (GIP) and Gh-Link™ eCommerce.

In August, GhIPSS launched two services, namely, the gh-linkTM Internet Payment Gateway and GhIPSS Instant Payment Services, to serve as an infrastructure for fast, reliable and efficient online payments. The Instant Pay service provides real time account-based interbank funds transfer while the gh-link eCommerce gateway enables merchants and service providers to accept payments online.

Ecobank Capital Advisors TBILL4ALL

Ecobank Capital Advisors (ECA), a wholly-owned subsidiary company of Ecobank Ghana Limited, in collaboration with MTN got approval from Bank of Ghana to sell Treasury bills on the MTN mobile money platform with the view to facilitating mobilisation of funds from the informal sector.

The platform serves as a channel to transmit customers' Treasury bill requests from their phones to the TBill4All database application system. It also enables transfers between customers' mobile money wallets and ECA mobile money wallets for Treasury bill purchases and rediscounts. Instruments that are available on the mobile money platform are 91-day Treasury bills and 182-day Treasury bills.

The service allows customers to remotely register, apply, purchase, rediscount and redeem Treasury bills.

Trends in Non-Cash Payment Streams

Ghana Interbank Settlement (GIS) System

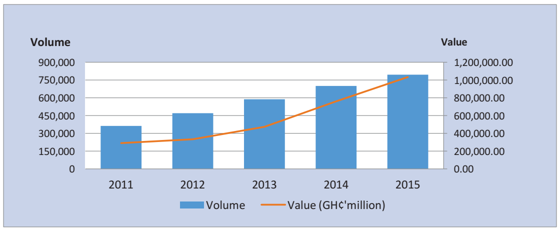
The GIS system which is Ghana's real time gross settlement system, continued to provide the platform for making high value and time-critical payments for banks and their customers.

The volume of GIS transactions increased by 13.5 per cent to 794,282 in 2015 while the value rose by 36.2 per cent to GH¢1,032,544.0 million. The average value per transaction was GH¢1.3 million in 2015.

Table 4.7: GIS Transactions

	2011	2012	2013	2014	2015	Change 2015 (%)
Volume	360,954	467,642	586,200	699,956	794,282	13.5
Value (GH¢'million)	289,818.2	331,320.9	470,375.1	758,312.2	1,032,544.0	36.2
Average Value per Transaction (GH¢)	802,922.8	708,492.6	802,414.0	1,083,371.2	1,299,971.6	20.0

Chart 4.2: GIS Transactions



Cheque Codeline Clearing (CCC)

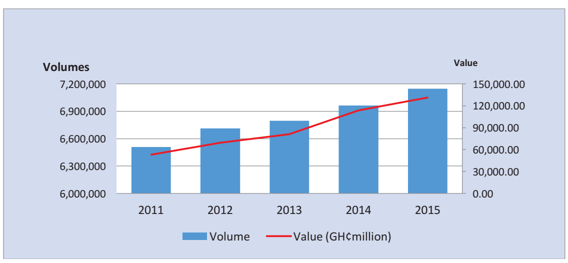
Cheque Codeline Clearing is an electronic system for clearing cheques using the cheque image and codeline data.

The volume and value of interbank cheques cleared through the CCC system in 2015 went up by 2.6 per cent to 7,146,259 and 15.4 per cent to GH¢131,189.7 million respectively. Consequently the average value increased by 12.4 per cent to GH¢18,357.81 compared with 36.8 per cent in 2014.

TABLE 4.8: Cheque Codeline Clearing

	2011	2012	2013	2014	2015	Change 2015 (%)
Volume	6,509,594	6,710,475	6,796,712	6,962,297	7,146,259	2.6
Value (GH¢million)	53,160.9	69,222.1	81,144.3	113,698.4	131,189.7	15.4
Average Value per Transaction (GH¢)	8,166.6	10,315.5	11,938.8	16,330.6	18,357.8	12.4

Chart 4.3: Cheque Codeline Clearing



Ghana Automated Clearing House (GACH)

GACH is an electronic payment system which receives, processes and clears payments in the form of Direct Credit and Direct Debit on behalf of banks.

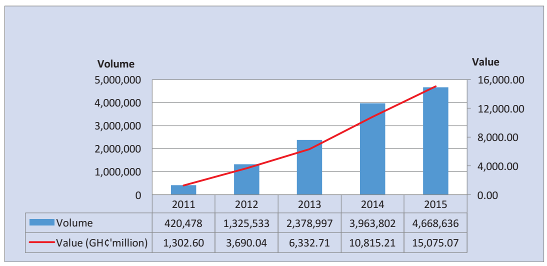
Direct Credit

The volume of transactions cleared through the direct credit system rose by 17.8 per cent to 4,668,636 in 2015. The total value of direct credit transfers was GH¢15,075.1 million compared with GH¢10.8 billion for 2014. The average value increased by 18.3 per cent to GH¢3,229.0; with payment of SSNIT pensions by Bank of Ghana on behalf of Government being the major contributor to this growth.

TABLE 4.9: ACH Direct Credit Transactions

	2011	2012	2013	2014	2015	Change 2015 (%)
Volume	420,478	1,325,533	2,378,997	3,963,802	4,668,636	17.8
Value (GH¢'million)	1,302.6	3,690.0	6,332.7	10,815.2	15,075.1	39.4
Average Value per Transaction (GH¢)	3,097.9	2,783.8	2,661.9	2,728.5	3,229.1	18.3

Chart 4.4: ACH Direct Credit Transactions



Direct Debit

The total volume of direct debit transactions rose by 102.6 per cent to 692,615 in 2015 while the total value increased by 125.3 per cent to GH¢70.9 million. The average value was GH¢102.4 in 2015 compared with GH¢92.1 in 2014.

Table 4.10: ACH Direct Debit Transactions

	2013	2014	2015	Change 2015 (%)
Volume	172,908	341,875	692,615	102.6
Value (GH¢'million)	22.8	31.5	70.9	125.3
Average Value per Transaction (GH¢)	131.9	92.1	102.4	11.2

Chart 4.5: ACH Direct Debit Transactions

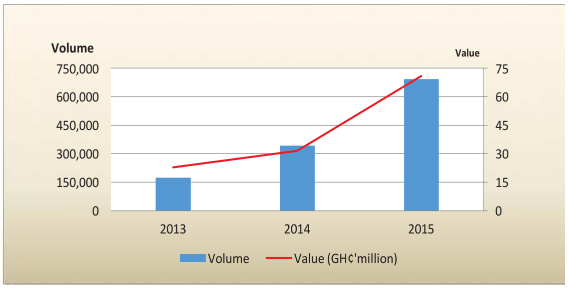
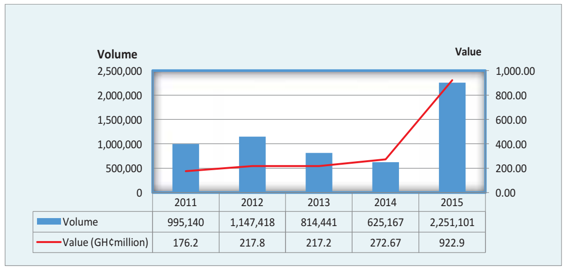


Chart 4.6: e-Zwich Volume and Value of Transactions



e-Zwich Transactions

e-zwich is an interoperable biometric smart card payment system which links financial institutions in Ghana and offers a suite of electronic payment and banking services accessible from Point of Sales (POS) terminals and ATMs.

The number of e-zwich card holders increased by 26.3 per cent to 1,369,369 in 2015 while the volume of transactions shot up by 260.1 per cent to GH¢2,251,101. Total value of transactions also grew by 238.5 per cent to GH¢922.9 million compared with 25.4 per cent growth in 2014.

The significant increase in e-zwich transactions was attributed to Government decision to use the system to pay caterers of the National School Feeding Programme, beneficiaries of the Livelihood Empowerment Against Poverty (LEAP) and personnel of the National Service Scheme.

Table 4.11: Selected Indicators of e-zwich Usage

Indicators	2011	2012	2013	2014	2015	Change 2015 (%)
Total Number of Cards Issued	676,779	792,966	903,724	1,084,121	1,369,369	26.3
Cards with Value (% of total)	40.2	43.4	43	38.7	44.8	15.7
Value on Cards (GH¢)	6,170,553	8,120,680	8,141,135	8,764,310	29,016,267	231.1
Average Value Per Card (GH¢)	22.7	23.6	21	20.9	47.3	126.5
Volume of Transactions	995,140	1,147,418	814,441	625,167	2,251,101	260.1
Value of Transactions (GH¢million)	176.2	217.8	217.2	272.7	922.9	238.5

GhIPSS gh-link™

The gh-link™ is Ghana's national switch which facilitates ATMs and POS interoperability. At the end of 2015, a total of thirty-three (33) member institutions were connected to the gh-link™ made up of twenty-seven (27) banks, five (5) savings and loans companies and one (1) switch operator. The total number of gh-link™ transactions recorded in 2015 was 1,899,645 with a value of GH¢305.1 million compared with 1,346,963 with a value of GH¢183.3 million in 2014.

Table 4.12: gh-Link™ Transactions

	2012	2013	2014	2015	Change 2015 (%)
Volume	10,295	549,456	1,346,963	1,899,645	41.0
Value (GH¢'million)	1.1	67.5	183.3	305.1	66.5
Average Value per Transaction (GH¢)	106.9	122.9	136.1	160.6	18.0

Chart 4.7: gh-link™ Transactions

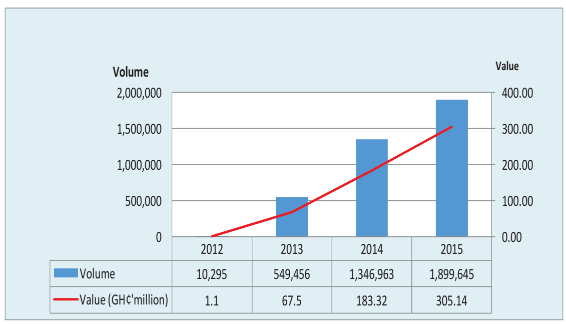


Table 4.13: Mobile Money Service

Indicators	2012	2013	2014	2015	Change 2015 (%)
Total number of mobile phone subscribers	25,618,427	28,026,482	30,360,771	35,008,387	15.3
Registered mobile money customers	3,778,374	4,393,721	7,167,542	13,120,367	83.1
Active mobile money customers[1]	345,434	991,780	2,526,588	4,868,569	92.7
Registered Agents	8,660	17,492	26,889	79,747	196.6
Active Agents[2]	5,900	10,404	20,722	56,270	171.6
Total volume of mobile money transactions	18,042,241	40,853,559	113,179,738	266,246,537	135.2
Total value of mobile money transactions (GH¢'Million)	594.1	2,652.5	12,123.9	35,444.4	192.4
Balance on Float (GH¢'Million)	19.6	62.8	223.3	547.9	145.4

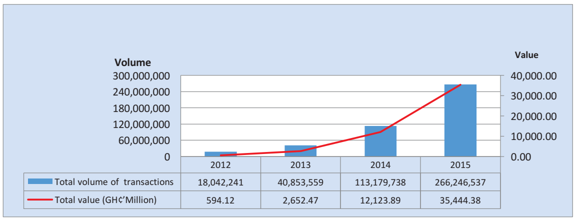
Source: National Communications Authority (NCA),
[1]The number of customers who transacted at least once in the 90 days prior to reporting
[2]The number of agents who transacted at least once in the 30 days prior to reporting

Mobile Money Services

The Electronic-money and Agents Guidelines launched in July 2015 replaced the Branchless Banking Guidelines 2008 and transformed the mobile money landscape in Ghana. In 2015, four mobile network operators offered mobile money services.

The number of registered mobile money customers rose by 83.1 per cent to 13,120,367 in 2015. The number of active mobile money customers also increased by 92.7 per cent to 4,868,569. The number of active agents of the four mobile network operators in the review year stood at 56,270. The value of mobile money transactions grew by 192.4 per cent to GH¢35.4 billion in 2015. The total float balance at the end of 2015 was GH¢547.9 million, indicating a growth 145.4 per cent over the end 2014 float.

Chart 4.8: Mobile Money Transactions



CHAPTER 5: INTERNAL DEVELOPMENTS

5.1 Overview

In the review year, the Bank continued to focus on human resource development, improvement in information security, and the upgrade of physical infrastructure to enhance its operations. The Bank adopted ISO31000:2009 standard as its enterprise risk management framework and embarked on a major recruitment exercise to boost its regulatory and supervisory capacity. On infrastructure, an ultramodern cash centre was inaugurated while work progressed steadily on other projects. During the year, the Bank introduced new guidelines and regulations to guide the operations of the payments system.

5.2 Collateral Registry

Patronage of the Registry improved in 2015 with a total of 25,216 charges (secured loans) being registered, compared with 23,662 charges recorded in 2014. Non-bank financial institutions[2] dominated registration in terms of volume of charges, registering 16,962. This was followed by universal banks with 5,701, microfinance companies with 1,197 and rural and community banks with 1,139. The rest were money lenders 141, companies 27, investment firms 26, foreign-based banks 19 and financial NGOs 4.

Breakdown of the borrowers whose collaterals were registered indicated that, 18,034 were individuals, 4,751 SMEs and 2,110 large scale enterprises. The remaining borrowers were 305 associations/unions and 16 government institutions.

The value of charges registered at the Registry amounted to GH¢150.4 billion. Out of this, an amount of GH¢ 128.9 billion (representing 85.8%) was granted to large scale enterprises while GH¢17.1 billion (representing 11.4%) was received by government institutions. SMEs and individuals received GH¢3.1 billion (2.1%) and GH¢1.06 billion (0.7%) respectively. The remaining GH¢0.2 billion (0.12%) was received by associations and unions.

The volume of renewals increased in 2015 to 4,090 from 3,726 in 2014, representing an increase of 9.76 per cent. A total of 7,849 searches were conducted in 2015, compared with 6,819 in 2014. Out of this figure, 7,764 were conducted by registered clients while 85 were done by unregistered members of the public.

5.3 Health

During the year, work progressed steadily on the construction of an ultramodern 60-bed capacity hospital. The Medical Department undertook a vigorous health education programme on diabetes in all the departments of the Bank. It carried out health inspections at the Bank's premises and also organised capacity building workshops for the Health Promotion Champions of the Bank. A number of health walks and outdoor activities were also undertaken.

5.4 Human Resource Activities

The total staff strength of the Bank at the end of 2015 was 1,643, up from 1,618. The categorisation of staff by grade and gender was as follows:

Table 5.1: Staff Position

	Male	Female	Total	% of Total
Management Staff	144	51	195	11.9
o/w Heads of Department	14	8	22	
Middle Level Staff	500	392	892	54.3
Junior Staff	439	117	556	33.8
Total	**1,083**	**560**	**1,643**	

During the year 95 new staff were recruited. A total of 70 members of staff exited the service of the Bank made up of 52 retirements, 5 resignations, 2 end of contracts, 4 terminations, and 7 deaths.

A total of 63 transfers including 35 inter-regional transfers were also made.

5.5 Training

The Bank's training programme was aimed at:

- Providing job related knowledge and skills to members of staff in both core and non-core functional areas of the Bank
- Bringing about improvement in attitude of staff towards work
- Preparing members of staff for higher responsibilities in the Bank

Local Programmes

In 2015, the Bank executed a total of 90 training programmes, attended by 1,664 staff members. These comprised 31 in-house programmes and 59 other local programmes. A total of 1,208 members of staff participated in the in-house programmes while 456 benefitted from programmes at other local venues.

[2]These comprise Finance Houses, savings and loans companies, leasing companies, finance and leasing companies and mortgage finance companies.

Foreign Programmes

A total of 495 members of staff participated in training programmes held in over 50 countries.

Table 5.2: Training Programmes

Programmes	Number of Participants
Foreign Courses	495
Local Courses	1,664
In-house	1,208
Others	456

5.6 Currency Management

In December 2015, the Bank inaugurated its newly-constructed ultra-modern cash centre at the General Service Complex in Accra.

The cash centre together with a new Enterprise Cash Management software (ECM), comes with the following:

- Multiple loading bays,
- Additional storage capacity for banknotes,
- Increased banknote processing and destruction capacities,
- Secured barcoded sealed trays to facilitate traceability of cash
- Pre-advertisement of cash activity to ensure good scheduling of cash transactions between the DMBs and the Bank of Ghana.

In effect, the new cash centre and the deployment of the ECM would improve the turnaround time in respect of currency transactions with the DMBs and enhance the quality of service delivery to stakeholders.

The cash centre also hosts the Bank's disaster recovery site.

5.7 Risk Management

The Bank is committed to ensuring that effective risk management remains central to all its activities and is a core management competency. The aim is to ensure that risk management is embedded in its processes and culture to facilitate the achievement of its mandate.

A revised enterprise risk management policy was issued in June 2015 to enhance the Bank's enterprise risk management approach and sharpen its effectiveness.

Enterprise Risk Management

In the review year, the Bank's risk governance activities covered enterprise risk management, business continuity, information security management and strategic planning.

The Bank formally adopted ISO 31000:2009 as its ERM standard. Consequently it expanded the coverage of its risk profile to ensure consistency with the standard. This reflected in risk and controls described in departmental risk registers and operational manuals.

Emerging risks in some major capital projects of the Bank, the domestic currency exchange rate volatility, the local power crisis and exposure to SIC, an insurer, were identified, assessed and evaluated for timely controls.

Business Continuity

During the year, a new emergency operations centre and a state-of-the-art backup data centre were completed to further strengthen the capability of the Bank to ensure continuity of operations during disruptive or disaster situations.

Business continuity plans were also updated and tested in the Bank's offices in Accra, Tamale, Takoradi, Hohoe and Sefwi-Boako, including a special focus on time-critical front-office operations in banking and currency management.

Strategic Planning and Implementation

The Bank conducted a review of its 7-year Strategic Plan (2011-2017) during the year. It also initiated plans to adopt the Balanced Scorecard approach to strategic planning and monitoring, re-model the existing strategic plan and draw a new one based on the balanced scorecard in 2017.

Information Security Management

The Bank implemented the following to augment its information security management:

- The Radware Perimeter Defense Solution to enhance protection of its systems from external intrusion
- The Portnox Network Access Control solution to augment its internal systems security.
- Hosted external ISO recertification audit in March.
- Hosted ISO 27001:2013 surveillance audit in September to complete successful transition from ISO 27001:2005 to ISO 27001:2013

5.8 Regional Branch Activities

Work on the construction of an ultramodern office complex for Sunyani was completed in 2015. A workshop was organised for MMDA's in September in the Volta Region to educate them on measures being introduced at the Bank to forestall cheque cloning and other fraudulent activities.

CHAPTER 6: EXTERNAL RELATIONS

6.1 Overview

External co-operation between the Bank of Ghana, regional and international financial institutions was strengthened in 2015, despite the global economic challenges. The Bank held meetings with multilateral institutions including the IMF, the World Bank and the African Development Bank. The Bank was also involved in efforts aimed at economic and financial integration at both the Africa and ECOWAS levels.

6.2 The 2015 Spring and Annual Meetings of the IMF and World Bank

The 2015 Spring Meetings were held in Washington D.C. from April 17-19, while the Annual Meetings were held in Lima, Peru from October 9-11, 2015.

The International Monetary and Financial Committee (IMFC)

The IMFC noted at the meetings the continued but modest and uneven growth in the global economy, amidst increased uncertainty and financial market volatility, signalling weakened medium-term growth prospects. However, recovery in advanced countries was expected to pick up modestly, supported by lower commodity prices, continued accommodative monetary policies and improved financial stability. The underlying productivity growth looked weak, with inflation remaining generally below central banks' objectives.

In the light of the above, the IMFC urged members to take further measures to lift actual and potential growth, preserve fiscal sustainability, reduce unemployment, manage financial stability risks, support trade and refrain from all forms of protectionism and competitive devaluations. It stressed the need to identify new sources of growth, address supply bottlenecks, infrastructure gaps, and ageing population, and promote inclusive environmentally sustainable growth.

Development Committee

The Development Committee noted the weakness in global growth and the downside risks despite continued moderate recovery in high-income countries. On developing countries, the prospects of tighter financing conditions, slowing trade and renewed weakness in commodity prices continued to weigh on confidence. The Committee called on the World Bank Group (WBG) and the IMF to monitor risks and vulnerabilities closely, to enhance their assistance to countries to support growth and build resilience. It also called for targeted support, in collaboration with the UN and other partners, in addressing the challenges of countries and regions affected by refugee and migrant crises as well as those in turmoil, fragile and conflict states.

Furthermore, the Committee urged the WBG and the IMF to scale up their support to developing countries to improve domestic resource mobilisation, public financial management and curb illicit finance.

IMF Missions to Ghana

There were two key IMF missions to Ghana during the year, led by Mr. Joel Toujas-Bernaté. The first mission in June 2015, undertook the first review of Ghana's Extended Credit Facility (ECF) programme with the IMF; while the second mission, in October, held discussions on the second review of the same programme.

The first mission noted Ghana's efforts at meeting all the performance criteria, except for the ceiling on central bank financing to the government which was technically missed by a small margin. It also welcomed the commitment reiterated by the authorities to the ambitious fiscal consolidation and structural reforms programme, in particular in addressing payroll irregularities, enhancing public finance management and transparency and liberalising the oil distribution sector. The team however observed that more needed to be done to further enhance tax administration and eliminate tax exemptions to improve the revenue performance over the medium-term.

Furthermore the team welcomed the significant steps taken by Bank of Ghana to improve the effectiveness of its monetary policy framework and in moving the policy rate towards the interbank market rates. The mission also welcomed the resolve of the central bank to take additional measures as needed to bring inflation down towards its medium-term target, which would also contribute to stabilising the cedi.

The second mission found implementation of the programme satisfactory with all end-August 2015 performance criteria met, despite the difficult global environment. It welcomed the steps taken by the government in addressing payroll irregularities and advancing public financial management reform.

Finally, the team agreed that further fiscal adjustment along with tight monetary policy should help restore macroeconomic stability, while the recent build-up of foreign exchange reserves should also contribute to reducing the volatility of the cedi.

African Consultative Group (African Caucus)

The African Consultative Group Meeting held alongside the Spring Meetings, was co-chaired by Mr. Armando Manuel, Chairman of the African Caucus and Ms. Christine Lagarde, Managing Director of the IMF.

The meeting discussed short to medium-term prospects for Africa and highlighted the policy challenges as well as the continued opportunities to exploit. The Group noted that economic outlook remained promising. While declining oil prices were beneficial for the continent's oil importing countries, they posed significant challenges for Africa's oil exporting economies thereby requiring prompt fiscal adjustment as well as exchange rate flexibility.

Countries were urged to continue with their efforts to preserve macroeconomic stability and build resilience. The Group expressed the hope that there would be concerted efforts to restore peace and stability in countries that had been affected by political instability or conflict.

6.3 Association of African Central Banks (AACB)

The Assembly of Governors of the Association of African Central Banks (AACB) held its 38th Ordinary Meeting in August in Malabo, Equatorial Guinea. The meeting was preceded by a symposium on the theme: "Independence of Central Banks: Myth or Reality".

The Assembly discussed two presentations on "African Institute for Remittances (AIR)" and "Afreximbank's Central Bank Deposit Programme (CENDEP)". The Governors took note of the request by the African Union Commission (AUC) for central bank support and collaboration with the African Institute for Remittances (AIR). They also took note of the offer by the AIR for the Association to be a permanent member of its Governing Board and Consultative Forum.

The Assembly also:

- Adopted the Study Report and the Joint AUC-AACB Strategy for the creation of the African Central Bank (ACB) and reiterated that sub-regions should be the building blocks of the continental monetary integration to speed up the process of monetary integration at the sub-regional levels.
- Took note of the difficulties of member countries in meeting the AMCP's primary criteria due to the negative impact of the global economic conditions. They directed that an Expert Group drawn from central banks of the AACB Bureau be set up for refining the macroeconomic convergence criteria in terms of definition, measurement and its harmonisation at the sub-regional and continental levels within a period of one year.
- Supported the recommendations of the Bureau for an additional seat on the IMF Board and requested the AACB Chairperson to advocate this position at the African Caucus Meeting in August 2015 in Angola and at other fora such as the Annual Meetings of the IMF and the Africa/US Forum.
- Elected Mr. Luca Abaga Nchama, Governor of the Banque des Etats de l'Afrique Centrale (BEAC), and Mr. Godwin Emefiele, Governor of the Central Bank of Nigeria as Chairman and Vice-Chairman respectively of AACB for fiscal year 2015-2016.

6.4 African Development Bank (AfDB)

The AfDB held its Annual Meeting and the 41st meeting of the African Development Fund (ADF) in May in Abidjan, Côte d'Ivoire. The meeting elected Mr. Akinwumi Adesina of Nigeria to succeed Mr. Donald Kaberuka whose second term as President of the Bank would end on August 31, 2015.

The meeting was on the theme "Africa and the New Global Landscape," and included a series of high-level seminars and side events on the continent's economic, social and political situations, and how the Bank could leverage resources to improve living condition on the continent.

- The meeting also congratulated the Bank Group for successfully returning its operations to the statutory headquarters in Abidjan, Côte d'Ivoire after 11 years at the Temporary Relocation Agency in Tunis, Tunisia; and thanked the Côte d'Ivoire and Tunisian Governments for the support they provided towards the successful implementation of the Roadmap for the Bank's return to its headquarters.
- Welcomed the good financial results of the Bank Group despite the challenging African and global environment and;
- Applauded the Bank Group for its leadership and quick response to the Ebola hemorrhagic fever epidemic in parts of West Africa, in particular the rapid mobilisation of emergency funding to support treatment and containment.

6.5 African Export-Import Bank (AFREXIMBANK)

The African Export-Import Bank (Afreximbank) held its 22nd AGM of the shareholders of the Bank in June in Lusaka, Zambia. Shareholders were informed that the Board of Directors, under its President and Chairman, Dr. Benedict Oramah, had approved a financing programme to provide more than US$3.5 billion to its member countries to enable them adjust to current economic and terrorism-induced shocks.

FINANCIAL STATEMENTS 2015

CHAPTER 7: FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Dr. Henry A. K. 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
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
Mr. Cassiel Ato Forson	Non-Executive Director
Dr. Augustine Fritz Gockel	Non-Executive Director

REGISTERED OFFICE

1 Thorpe Road
P. O. Box GP 2674
Accra, Ghana.

AUDITORS

PricewaterhouseCoopers
No. 12 Airport City
UNA Home, 3rd Floor
PMB CT 42, Cantonments
Accra, Ghana

SECRETARY

Mrs. Caroline Otoo
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 for the year ended 31 December 2015.

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 2015 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 period, which give a true and fair view of the state of affairs of the Bank and the Group as at the end of the accounting period.

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

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

Accordingly, the financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002 (Act 612) and the Financial Administration Act, 2003 (Act 654) of Ghana.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank which enable the Bank to ensure that the financial statements comply with relevant legislations and accounting standards. The directors are also responsible for safeguarding the assets of the Bank and taking reasonable steps for the prevention and detection of fraud and other irregularities.

BOARD OF DIRECTORS

There was no change in the membership of the Board of Directors as reconstituted in August 2014.

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, 2003 (Act 654) and International Financial Reporting Standards (IFRS).

CHANGES IN ACCOUNTING POLICY

There was no change in accounting policies of the Bank.

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% of the shares of Ghana Interbank Payment and Settlement Systems Limited, a company incorporated in Ghana which operates the national payments system.

The Bank also owns 70% of the shares of 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¢500 million (2014: GH¢600 million) subsequent to the reporting date. The dividend declared will be used to reduce government indebtedness in the books of the Bank. These are in accordance with Sections 6 and 7 of the Bank of Ghana Act, 2002 (Act 612).

GOING CONCERN

The directors have assessed the ability of the Bank to continue as a going concern. The directors therefore have a reasonable expectation that the Bank 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 financial statements of the Bank and the Group.

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements of the Bank and the Group were approved by the Board of Directors on 24th March 2016 and were signed on their behalf by:

Chairman (Governor)
24th March, 2016

Director
24th March, 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE HONOURABLE MINISTER OF FINANCE

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Bank of Ghana (the Bank) and its subsidiaries (together, the Group) as set out on pages 37 to 98. These financial statements comprise the consolidated statement of financial position at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the statement of financial position of the Bank standing alone as at 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility For The Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank and the Group as at 31 December 2015 and of the financial performance and cash flows of the Bank and the Group 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).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2016/028)
Chartered Accountants
Signed by: Michael Asiedu-Antwi (ICAG/P/1138)
Accra, Ghana
24 March 2016

BANK OF GHANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
STATEMENT OF PROFIT OR LOSS

			The Bank		The Group
		2015	2014	2015	2014
	NOTE	GH¢'000	GH¢'000	GH¢'000	GH¢'000
OPERATING INCOME					
Interest and similar income	5(i)	1,826,747	1,759,057	1,914,312	1,803,145
Exchange differences	5(ii)	241,437	430,775	265,332	449,517
Fee and commission income	5(iv)	65,658	78,390	101,326	104,085
Other operating income	5(v)	19,611	10,797	54,035	88,511
Dividend income	5(vi)	24,168	14,949	2,169	-
Total Operating Income		2,177,621	2,293,968	2,337,174	2,445,258
OPERATING EXPENSES					
Interest expense and similar charges	5(iii)	(521,661)	(890,307)	(527,259)	(901,818)
Other operating expenses	6	(435,199)	(315,368)	(514,600)	(369,626)
Premises and equipment expenses	7	(49,340)	(51,091)	(54,591)	(56,108)
Currency issue expenses	8	(122,010)	(68,985)	(122,010)	(68,985)
Impairment loss recognised	9(a)	(29,374)	(68,864)	(28,459)	(63,739)
Total Operating Expense		(1,157,584)	(1,394,615)	(1,246,919)	(1,460,276)
Profit before Taxation		1,020,037	899,353	1,090,255	984,982
Taxation	10(b)	-	-	(17,915)	(21,071)
Operating Profit for the Year		1,020,037	899,353	1,072,340	963,911
Surplus attributed to:					
Equity shareholders of the Bank	30	1,020,037	899,353	1,036,289	925,063
Non-controlling interest	32	-	-	36,051	38,848
		1,020,037	899,353	1,072,340	963,911

The notes on pages 43-98 form an integral part of these financial statements.

BANK OF GHANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
STATEMENT OF OTHER COMPREHENSIVE INCOME

	The Bank 2015 GH¢'000	The Bank 2014 GH¢'000	The Group 2015 GH¢'000	The Group 2014 GH¢'000
Operating Profit for the Year	1,020,037	899,353	1,072,340	963,911
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	-	-	1,079	158,639
Tax effect	-	-	-	-
	-	-	1,079	158,639
Gains/(loss) on available for sale financial assets	-	-	(11,447)	(7,484)
Tax effect	-	-	2,318	1,609
	-	-	(9,129)	(5,875)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	(8,050)	152,764
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains (losses) on defined benefit plans	-	-	-	-
Tax effect	-	-	-	-
	-	-	-	-
Total comprehensive income for the year, net of tax	1,020,037	899,353	1,064,290	1,116,675
Attributable to:				
Equity holders of the parent	1,020,037	899,353	1,032,184	1,002,973
Non-controlling interest	-	-	32,106	113,702
	1,020,037	899,353	1,064,290	1,116,675

The notes on pages 43 to 98 form an integral part of these financial statements.

BANK OF GHANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
STATEMENT OF FINANCIAL POSITION

		The Bank		The Group	
		2015	2014	2015	2014
	NOTE	GH¢'000	GH¢'000	GH¢'000	GH¢'000
ASSETS					
Cash and amounts due from banks	11	6,557,327	3,124,595	9,129,394	2,701,705
Gold	12	1,133,069	1,076,257	1,133,069	1,076,257
Balances with International Monetary Fund	13	2,858,231	2,740,937	2,858,231	2,740,937
Securities	14	21,223,727	20,210,481	20,869,394	20,534,898
Loans and advances	15	6,865,667	9,860,436	7,774,814	12,752,713
Derivatives	16	289,996	-	289,996	-
Other assets	17	733,812	465,100	755,611	482,360
Investments	18	200,861	179,686	81,818	51,685
Property, plant and equipment	19	373,841	358,340	394,778	382,187
Intangible assets	20	10,700	3,125	14,788	3,125
Deferred tax assets		-	-	422	-
Total Assets		40,247,231	38,018,957	43,302,315	40,725,867
LIABILITIES					
Deposits	21	12,390,169	15,482,435	14,720,385	17,591,218
Derivative financial liability	16	-	141,842	-	141,842
Short term liabilities	22	4,293,094	2,560,080	4,293,094	2,560,080
Liabilities under money market operations	23	2,686,694	2,684,153	2,686,694	2,684,153
Allocations of special drawing rights	24a	1,862,446	1,640,641	1,862,446	1,640,641
Liabilities to International Monetary Fund	24b	4,795,957	3,928,395	4,795,957	3,928,395
Taxation		-	-	5,371	8,052
Other liabilities	25	869,542	443,456	966,369	504,946
Currency in circulation	27	9,526,383	7,735,046	9,526,383	7,735,046
Total Liabilities		36,424,285	34,616,048	38,856,699	36,794,373
SHAREHOLDERS FUNDS					
Stated capital	28	10,000	10,000	10,000	10,000
Asset revaluation reserve	29	115,522	115,522	115,522	115,522
Statutory reserves	30	28,760	28,760	28,760	28,760
Other reserves	31	3,668,664	3,248,627	3,820,557	3,403,016
Retained earnings		-	-	116,238	67,156
Total Equity Attributable to Equity Holders of the Bank		3,822,946	3,402,909	4,091,077	3,624,454
Non-Controlling Interest		-	-	354,539	307,040
Total Equity		3,822,946	3,402,909	4,445,616	3,931,494
TOTAL LIABILITIES AND EQUITY		40,247,231	38,018,957	43,302,315	40,725,867

The financial statements on pages 37 to 98 were approved by the Board of Directors on 24th March 2016 and signed on its behalf by:

Chairman (Governor)______________________ Director______________________

The notes on pages 43 to 98 form an integral part of these financial statements.

BANK OF GHANA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
STATEMENT OF CHANGES IN EQUITY

The Bank

Year ended 31 December 2015	Stated Capital (note 27) GH¢'000	Asset Revaluation Reserves (note 28) GH¢'000	Statutory Reserves (note 29) GH¢'000	Other Reserves (note 30) GH¢'000	Retained Earnings GH¢'000	Total GH¢'000
At 1 January 2015	10,000	115,522	28,760	3,248,627	-	3,402,909
Profit for the Year	-	-	-	-	1,020,037	1,020,037
Total comprehensive income	-	-	-	-	1,020,037	1,020,037
Dividend	-	-	-	(600,000)	-	(600,000)
Movements in gold and other foreign assets	-	-	-	7,063	(7,063)	-
Transfer from Revaluation Account	-	-	-	34,081	(34,081)	-
Transfer to Other Reserve	-	-	-	978,893	(978,893)	-
At 31 December 2015	**10,000**	**115,522**	**28,760**	**3,668,664**	**-**	**3,822,946**
Year ended 31 December 2014						
At 1 January 2014	10,000	115,522	28,760	2,430,257	-	2,584,539
Profit for the Year	-	-	-	-	899,353	899,353
Total comprehensive income	-	-	-	-	899,353	899,353
Securitised prior year revaluation deficit on gold	-	-	-	324,017	-	324,017
Utilisation of Research Fund	-	-	-	(5,000)	-	(5,000)
Dividend	-	-	-	(400,000)	-	(400,000)
Movements in gold and other foreign assets	-	-	-	(6,348)	6,348	-
Transfer from Revaluation Account	-	-	-	(599,603)	599,603	-
Transfer to Other Reserve	-	-	-	1,505,304	(1,505,304)	-
At 31 December 2014	**10,000**	**115,522**	**28,760**	**3,248,627**	**-**	**3,402,909**

The notes on pages 43 to 98 form an integral part of these financial statements.

BANK OF GHANA FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
STATEMENT OF CHANGES IN EQUITY

The Group

Year ended 31 December 2015	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 (AFS) Reserve GH¢'000	Retained Earnings GH¢'000	Total GH¢'000	Non-controlling Interest GH¢'000	Total GH¢'000
At 1 January 2015	10,000	115,522	28,760	3,248,715	156,506	(2,205)	67,156	3,624,454	307,040	3,931,494
Profit for the year	-	-	-	-	-	-	1,036,289	1,036,289	36,051	1,072,340
Other comprehensive income	-	-	-	-	1,079	(4,656)	-	(3,577)	(4,473)	(8,050)
Total comprehensive income	-	-	-	-	1,079	(4,656)	1,036,289	1,032,712	31,578	1,064,290
Gains on translation of foreign operation	-	-	-			1,081	32,830	33,911	37,057	70,768
Dividend paid by group	-	-	-	(600,000)	-	-	-	(600,000)	(21,136)	(621,136)
Net revaluation surplus/(deficit)	-	-	-	34,081	-	-	(34,081)	-	-	-
Transfer to statutory reserves	-	-	-	978,893	-	-	(978,893)	-	-	-
Price & Exchange movement in gold, and other foreign assets	-	-	-	7,063	-	-	(7,063)	-	-	-
At 31 December 2015	10,000	115,522	28,760	3,668,752	157,585	(5,780)	116,238	4,091,077	354,539	4,445,616

The notes on pages 43 to 98 form an integral part of these financial statements.

The GROUP

Year ended 31 December 2014	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 (AFS) Reserve GH¢'000	Retained Earnings GH¢'000	Total GH¢'000	Non-controlling Interest GH¢'000	Total GH¢'000
Balance at 1Jan 2014	10,000	115,522	28,760	2,430,345	76,883	711	46,457	2,708,678	208,289	2,916,967
Profit for the year	-	-	-	-	-	-	925,063	925,063	38,848	963,911
Other comprehensive income	-	-	-	-	79,623	(2,916)	-	76,707	75,007	151,714
Total comprehensive income	-	-	-	-	79,623	(2,916)	925,063	1,001,770	113,855	1,115,625
Securitised prior year revaluation deficit on gold	-	-	-	324,017	-	-	-	324,017	-	324,017
Gains on translation of foreign operation			-	-	-		(5,011)	(5,011)	-	(5,011)
Dividend paid by group	-	-	-	(400,000)	-	-	-	(400,000)	(16,155)	(416,155)
Utilisation of research fund	-	-	-	(5,000)	-	-	-	(5,000)	-	(5,000)
Sale of interest to NCI	-	-	-	-	-	-	-	-	1,051	1,051
Net revaluation surplus/(deficit)	-	-	-	(599,603)	-	-	599,603	-	-	-
Transfer to statutory reserves	-	-	-	1,505,304	-	-	(1,505,304)	-	-	-
Price & Exchange movement in gold, and other foreign assets	-	-	-	(6,348)	-	-	6,348	-	-	-
At 31 December 2014	10,000	115,522	28,760	3,248,715	156,506	(2,205)	67,156	3,624,454	307,040	3,931,494

The notes on pages 43 to 98 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		The Bank		The Group	
	Note	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Cash flows from operating activities	37	1,446,000	514,165	4,470,965	808,811
Cash flows from investing activities					
Proceeds from sale of interest in subsidiary		-	713	-	713
Proceeds from disposal of property, plant and equipment		23	2,806	91	3,008
Purchase of intangible assets	20	(10,538)	(2,943)	(15,217)	(2,943)
Purchase of property, plant and equipment	19	(45,741)	(98,796)	(49,937)	(102,374)
Net cash used in investing activities		(56,256)	(98,220)	(65,063)	(101,596)
Cash flows from financing activities					
Dividend paid		(600,000)	(400,000)	(600,000)	(400,000)
Drawdown in IMF liabilities		867,562	1,195,143	867,562	1,195,143
Drawdown in Short term liabilities	24	3,495,465	2,358,740	3,495,465	2,358,740
Principal payment of short term liabilities	24	(2,276,303)	(1,920,060)	(2,276,303)	(1,920,060)
Dividend paid to non-controlling interest		-	-	(21,136)	(16,155)
Net cash from financing activities		1,486,724	1,233,823	1,465,588	1,217,668
Net change in cash and cash equivalents		2,876,468	1,649,768	5,871,490	1,924,883
At 1 January 2015		3,124,595	1,164,818	2,701,705	451,254
Net foreign exchange difference		556,264	310,009	556,199	325,568
At 31 December 2015	11	6,557,327	3,124,595	9,129,394	2,701,705

The notes on pages 43 to 98 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

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 Bank's registered office is 1 Thorpe Road, Accra, Ghana. 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:

- Formulates and implements monetary policy;
- Promotes stabilisation of the currency by monetary measures, and institutes measures favourable to the balance of payments, state of public finance and general national economic development;
- Undertakes prudential supervision of the banking sector and ensures smooth operation of the financial sector;
- Promotes, regulates and supervises the payments system;Issues and redeems currency notes and coins;
- Ensures effective maintenance and management of Ghana's external financial relations;
- Licenses, regulates, promotes and supervises non-bank financial intermediaries;
- Acts as banker and financial advisor to the Government;
- Promotes and maintains relations with international banking and financial institutions and performs all other functions incidental or conducive to the functions under the Bank of Ghana Act or any other enactment.

The financial statements for the year ended 31 December 2015 comprise the separate financial statements of the Bank together with that of 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, 2003 (Act 654) and International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB).

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 continues to adopt the going concern basis of accounting in preparing the annual separate and consolidated financial statements.

b. 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 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.

c. Changes in Accounting Policies and Disclosures

c. (i) New and Amended Standards and Interpretations

The Group considered for application, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. However, these standards and amendments as detailed below, do not significantly impact the annual financial statements of the Bank and the Group.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

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

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) effective for annual periods after 1 July 2014

The amendments clarify the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. Under the previous version of IAS 19, most entities deducted the contributions from the cost of the benefits earned in the year the contributions were paid. However, the treatment under the 2011 revised standard was not so clear. It could be quite complex to apply, as it requires an estimation of the future contributions receivable and an allocation over future service periods.

To provide relief, changes were made to IAS 19. These allow contributions that are linked to service, but that do not vary with the length of employee service (eg. a fixed % of salary), to be deducted from the cost of benefits earned in the period that the service is provided. Therefore many entities will be able to (but not be required) continue accounting for employee contributions using their existing accounting policy. The Group has considered the amendments in the valuation of its defined benefit obligations as at 31 December 2015.

Amendments to IFRS 'Fair value measurement', effective for annual periods after 1 July 2014

The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. Entities are required to apply this amendment prospectively from the beginning of the first annual period in which IFRS 13 is applied.

This amendment was already a common valuation practice prior to IFRS 13 and is thus not therefore expected to have a significant effect on existing valuation practices.

c. (ii) Improvements to International Financial Reporting Standards

Annual improvements to 2010-2012, 2011-2013 and 2012-2014 Cycles

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Group.

c. (iii) Standards Issued but not yet Effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing this consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from Contracts with Customers'

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is yet to assess IFRS 15's full impact.

IFRS 16, 'Leases'

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, that is the customer (lessee) and the supplier (lessor). IFRS 16 is effective from 1st January, 2019 and the group can choose to apply IFRS 16 before that date but only if it also applies IFRS 15 "Revenue from Contracts with Customers". IFRS 16 replaces the previous leases standard, IAS 17 "Leases" and related interpretations. The Group is yet to assess IFRS 16's full impact.

Amendments to IAS 27, 'Equity method in separate financial statements'

Entities are to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective from 1 January 2016.

Amendments to IFRS 10, and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'

These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are effective from 1 January 2016.

Amendments to IAS 16,'Property, plant and equipment' and IAS 38 'Intangible assets'

This amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome if either:

- The intangible asset is expressed as a measure of revenue (ie. where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

The amendments are effective from 1 January 2016.

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 Presentation of Financial Statements are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including materiality, disaggregation and subtotals, notes and other comprehensive income arising from investments accounted for under the equity method. According to the transitional provisions, the disclosures in IAS 8 regarding the adoption of new standards/accounting policies are not required for these amendments. The amendments are effective from 1 January 2016.

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 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 Discounted Cash Flow (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 33.

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 countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Group assesses the probability for any litigation with respect to taxes as remote, no contingent liability has been recognised. Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. 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 including the assumptions used are disclosed in note 26.

Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the statement of profit or loss. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. 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 financial statements.

e. Basis of Consolidation

(i) Subsidiaries

The financial statements of the Group comprise the financial statements of the Bank and its subsidiaries as at 31 December 2015. 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's 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.

Subsidiaries in the stand-alone financial statements of the Bank are accounted for at cost less impairment.

(ii) 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.

(iiii) Changes in Ownership Interests in Subsidiaries without change of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Disposal of Subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

f. 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.

g. 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 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. 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 using the effective interest method.

h. 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 fee 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.

i. Other Operating Income

Other operating income includes gains or losses arising on fair value changes in trading assets and liabilities and penalty charges to commercial banks and other financial institutions for not complying with various sections of the Banking Act, 2004 (Act 673) as amended by the Banking (Amendment) Act, 2007 (Act 738).

j. 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 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 which are recognised in Revaluation reserve (Other reserve) to satisfy the requirement of 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¢	Closing Rate GH¢
US Dollar	3.7161	3.7950
GBP	5.6736	5.6164
EURO	4.1249	4.1320

k. 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 2(j) above.

l. 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.

m. Financial Assets and Liabilities

(i) Classification of Financial Assets and Liabilities

The Group classifies its financial assets into the following categories that reflect the nature of information and take into account the characteristics of those financial instruments: 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.

The classification made can be seen in the table as follows:

Category (as defined by IAS 39)		Class (as determined by the Group)
Financial assets	Loans and receivables	Loans and advances to Government and other governmental institutions and commercial banks Cash and balances with banks Investments Balances with IMF Other assets
	Available-for-sale	Short-term securities
	Fair value through profit or loss	Derivative assets
	Held-to-maturity	Government securities, Money market instruments, Short-term securities Investments
Financial liabilities	Amortised cost	Government and other short term deposits Due to other banks and financial institutions Short-term liabilities Money market instruments Liabilities to IMF Other liabilities
	Fair value through profit or loss	Derivative liabilities
Off-balance sheet financial Instruments	Letters of credit	
	Guarantees and performance bonds	

(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).

(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 or loans and receivables.

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 effective interest rate (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.

(iv) Financial Assets and Liabilities held at Fair Value through Profit or Loss

This category has two sub-categories: (i) financial assets and liabilities held for trading and (ii) financial assets designated at fair value through profit or loss. 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 groups' 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 at fair value. 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 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 34.

(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 Effective Interest Rate (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

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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.

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 asset'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'.

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'.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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.

(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

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.

n. 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 and investments arising from price changes as well as related foreign exchange gains and losses are recognised in profit or loss and subsequently transferred to other reserves in the statement of changes in equity. The 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 other reserves in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612).

o. 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 m (v) and m (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.

p. 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 classified as held to maturity and are stated in the statement of financial position 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. These securities are classified as held to maturity and are stated in the statement of financial position at amortised cost.

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q. 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 revalued amount 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 or 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, labour, and any other costs directly attributable to bringing the asset to a working condition for its intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment ("PPE") have different useful lives, they are accounted for as separate items (major components) of PPE.

(ii) Subsequent Costs

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

(iii) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each 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 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. Where assets carrying amount is increased as a result of revaluation, the increase is credited to other reserves.

Conversely, where the carrying amount is decreased as a result of revaluation, the decrease is recognised in profit or loss.

r. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use by the Group. These include computer software & licences.

The Group recognises an intangible asset if:

- It is probable that future economic benefits that are attributable to the asset will flow to the Group.
- The cost of the asset to the Group can be measured reliably.

The Group's intangible assets are carried at cost less any subsequent accumulated amortisation and subsequent accumulated impairment losses. Cost incurred to upgrade a software is capitalised.

Amortisation

Intangible assets with a finite useful life is amortised on a straight-line basis over the estimated useful lives of the intangible asset currently estimated to be 3 – 5 years.

s. Deposits

Deposits are made up of balances due to Government of Ghana, commercial banks and other financial institutions' deposit accounts and are classified as financial liabilities carried at amortised cost. Interest bearing deposits are stated at amortised cost. Non-interest bearing deposits are carried at cost.

t. Capital and Distributions

Stated Capital

Stated capital represents non-distributable capital of the Bank.

Distributions

The net profit of the Bank in each financial year is applied as provided in the Bank of Ghana act 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.

u. 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.

A defined contribution plan is a retirement benefit plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(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 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 other operating 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.

v. 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.

w. 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.

x. 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.

y. 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 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.

z. Financial Guarantees and Performance Bonds

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.

Guarantees and performance bonds are given as security to support the performance of Government of Ghana (GoG) to third parties. The Bank will only be required to meet these obligations in the event of default by GoG. The guarantees and performance bonds are generally short -term commitments to third parties which are not directly dependent on GoG's credit worthiness.

z.a. Currency in Circulation

The Bank recognises liability in respect of currencies circulating in the public domain. Consequently, currencies issued by the Bank but which are not in circulation (i.e. held by the Central Bank and its Branches/Agencies) are excluded from the liability position at year end.

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¢ 340.9 million not provided for in the financial statements as at 31 December 2015 (2014: GH¢107.201 million). Capital expenditure commitments include capital expenditure contracts that have been awarded but have not yet been executed. The major projects ongoing include the construction of the Sunyani Office Complex, Hospital project and the Guest house.

(b) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢ 3.88 billion (2014: GH¢2.97 billion). The contingent liabilities above relate to a number of outstanding cases. The disclosure of the individual cases in the financial statements is not practicable. No provision in relation to these claims has been recognised in the consolidated financial statements as legal advice indicates that it is not probable that a significant liability will arise. The cases are mainly brought against the Bank in relation to the performance of its functions as a Central Bank, for contracts entered into by the Bank and dissatisfied employees alleging wrongful dismissal.

(c) Documentary Credits

Contingent liabilities in respect of letters of credits for the Group amounted to GH¢209.3million (2014: GH¢168.245million)

(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 as at 31 December 2015 was GH¢2.23 billion (2014: GH¢1.96 billion).

(e) Securities and Pledges

The Bank has pledged GH¢4,760 million (2014: GH¢707.25 million) as security for its short-term borrowings. The pledge is against the value of foreign securities.

4. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets were in the following ranges:

	2015	2014
Assets		
Securities – Government	10 - 26.40%	10 - 26.41%
External Securities	0.15 - 2.80%	0.06 - 2.76%
Loans and Advances	6.00 - 26.00%	6.00 - 21.00%
Liabilities		
Deposits	0%	0%
Liabilities under Money Market Operations	11.74 – 26.82%	11.74 - 27.73%

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

5 i. INTEREST AND SIMILAR INCOME

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest on overnight lending, government securities, medium/long-term notes and bonds	1,073,185	1,133,587	1,073,185	1,133,587
Interest on foreign accounts and foreign investments	106,020	83,979	106,020	83,979
Total interest on held to maturity instruments	1,179,205	1,217,566	1,179,205	1,217,566
Interest on loans and advances-Loans and receivables	555,888	279,615	643,453	323,703
Total interest Income	1,735,093	1,497,181	1,822,658	1,541,269
Discount on treasury bill	91,654	261,876	91,654	261,876
	1,826,747	1,759,057	1,914,312	1,803,145

5 ii. EXCHANGE DIFFERENCES

Transactional exchange differences	261,921	169,685	285,816	188,427
Exchange rate equalisation	(61,628)	860,693	(61,628)	860,693
Exchange difference on Gold, SDR and foreign securities	41,144	(599,603)	41,144	(599,603)
	241,437	430,775	265,332	449,517

Exchange differences comprise realised gains and losses made by the Bank on foreign exchange denominated transactions. 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	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
IMF & SDR allocations	409	491	409	491
Foreign loans and credits	110,113	45,052	110,113	45,052
Interest on money market instruments	286,105	782,749	260,006	782,749
Repo expense and other commissions paid	125,034	62,015	156,731	73,526
	521,661	890,307	527,259	901,818

All interest expense recognised was on financial instruments measured at amortised cost.

5(iv) FEE AND COMMISSION INCOME

Fee and commission income represents income from central banking activities performed by the Bank to commercial banks and other financial institutions

5 v. OTHER OPERATING INCOME

Other operating income includes gains or losses arising on fair value changes in trading assets and liabilities and penalties charged on commercial banks and other financial institutions.

5 vi. DIVIDEND INCOME

Dividend income is received from the subsidiaries and other investee entities of the Group when declared and paid.

6. OTHER OPERATING EXPENSES

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Personnel costs	258,963	205,960	306,768	236,226
Foreign and domestic travel	30,037	17,360	30,068	17,538
Motor vehicle maintenance/running	17,868	14,950	18,110	15,112
Communication expenses	11,996	10,245	12,138	11,789
Banking college and monetary institutes expenses	4,491	4,348	4,491	4,348
Computer related expenses	7,517	4,050	14,729	4,137
Banking supervision expenses	6,390	1,707	6,390	1,707
Auditor's remuneration	347	300	816	733
Directors' remuneration	4,337	2,112	4,950	9,451
External Fund Manager Charges	33,069	27,737	33,069	27,737
International Bodies Subscriptions	15,219	3,200	15,219	3,200
Expense on foreign currency importation	771	562	771	562
Amortisation of intangible assets	2,963	824	2,963	824
Depreciation – motor vehicles	7,483	5,185	7,483	5,834
Other administrative expenses	33,748	16,828	56,635	30,428
	435,199	315,368	514,600	369,626
The number of persons in employment at the end of the year was as follows:				
Directors	12	12	20	20
Staff	1,630	1,622	1,682	1,674
	1,642	1,634	1,702	1,694

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

7. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Rent and Rates	2,011	1,959	2,011	1,961
Electricity, Water and Conservancy	7,354	5,264	7,354	5,274
Repairs and Renewals	10,370	18,126	10,370	18,159
Insurance – Premises and Equipment	274	196	274	247
Depreciation – Premises & Equipment	22,577	22,034	27,828	26,162
Generator Running Expenses	531	278	531	279
General Premises and Equipment Expenses	6,223	3,234	6,223	4,026
	49,340	51,091	54,591	56,108

8. CURRENCY ISSUE EXPENSES

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Agency Fees	1,400	1,278	1,400	1,278
Notes Printing	116,093	66,759	116,093	66,759
Other Currency Expenses	4,517	948	4,517	948
	122,010	68,985	122,010	68,985

9 a. IMPAIRMENT LOSSES

	The Bank 2015	The Bank 2014	The Group 2015	The Group 2014
Balance at 1 January	168,514	99,650	171,051	107,312
Impairment loss recognised	29,745	68,864	28,830	68,864
Recovery of impairment losses	(371)	-	(371)	(5,125)
Exchange Difference	-	-	6	-
Balance at 31 December (9b)	197,888	168,514	199,516	171,051

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

9 b. RECONCILIATION OF CHANGES IN IMPAIRMENT

The Bank

Year ended 31 December 2015	Loans and Advances (note 15) GH¢'000	Other Assets (note 17) GH¢'000	Development loans and Advances (note 18) GH¢'000	Total 2015 GH¢'000
At 1 January 2015	166,936	1,107	471	168,514
Impairment losses recognised	29,745	-	-	29,745
Recovery of impairment losses	-	-	(371)	(371)
At 31 December 2015	196,681	1,107	100	197,888

The Group

Year ended 31 December 2015				
At 1 January 2015	169,473	1,107	471	171,051
Impairment losses recognised	28,830	-	-	28,830
Recovery of impairment losses	-	-	(371)	(371)
Exchange Difference	6	-	-	6
At 31 December 2015	198,309	1,107	100	199,516

The Bank

Year ended 31 December 2014	Loans and Advances (note 15) GH¢'000	Other Assets (note 17) GH¢'000	Development loans and Advances (note 18) GH¢'000	Total 2014 GH¢'000
At 1 January 2014	98,072	1,107	471	99,650
Impairment losses recognised	68,864	-	-	68,864
At 31 December 2014	166,936	1,107	471	168,514

The Group

Year ended 31 December 2014				
At 1 January 2014	105,734	1,107	471	107,312
Impairment losses recognised	68,864	-	-	68,864
Recovery of impairment losses	(5,125)	-	-	(5,125)
At 31 December 2014	169.473	1.107	471	171.051

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

10. TAXATION

The Bank is exempt from payment of income taxes. Consequently, no provisions have been made in respect of income and deferred taxes in the Bank's separate financial statements. However, the subsidiaries - Ghana International Bank Limited, Ghana Interbank Payment and Settlement Systems Limited and the Central Securities Depository are taxable entities as such the financial statements of the Group reflect the appropriate level of tax payable by the subsidiaries.

	2015 GH¢'000	2014 GH¢'000
(a) Income tax charge		
Current income tax		
Current year	17,567	20,854
Prior year adjustment	104	(7)
Total current tax charge	17,671	20,847
Deferred tax charge		
Current year	273	241
Effect on change in tax rate	18	(17)
Prior year adjustment	(47)	-
Total deferred tax charge	244	224
Total charge	17,915	21,071
(b) The charge for the year can be reconciled to the profit or loss as follows:		
Profit on ordinary activities before tax	1,090,255	984,982
Tax at 20.25% (2014: 23.25 %)	220,777	229,008
Depreciation of non-qualifying assets	105	76
Expenses disallowed for other tax purposes	16	11
Effect of change in tax rate	18	(16)
Prior year adjustment	58	(7)
Results of the Bank not subject to tax	(203,059)	(208,001)
	17,915	21,071

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

11. CASH AND AMOUNTS DUE FROM BANKS

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Correspondent Bank Balances	6,308,751	3,017,654	8,880,818	2,594,764
Notes and Coins Holdings	248,576	106,941	248,576	106,941
	6,557,327	3,124,595	9,129,394	2,701,705
Cash and Bank Balances were held in the following Currencies: (Ghana cedi equivalent)				
US Dollar	6,233,636	2,937,305	8,678,737	2,539,762
Pound Sterling	156,910	34,879	218,457	30,158
Euro	94,898	90,328	132,121	78,103
Others	71,883	62,083	100,079	53,682
Total	6,557,327	3,124,595	9,129,394	2,701,705

12. GOLD

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Bank of England Gold set aside	445,454	423,252	445,454	423,252
Federal Reserve Bank NY Gold	311,315	295,798	311,315	295,798
UBS Gold Investment	335,079	318,040	335,079	318,040
Gold-local holdings	41,221	39,167	41,221	39,167
	1,133,069	1,076,257	1,133,069	1,076,257

Gold balances consists of 280,872.44 fine ounces of gold at the market price of USD1,062.60 per ounce (2014: 280,872.44 fine ounces at USD1, 197.33 per ounce).

13. BALANCES WITH INTERNATIONAL MONETARY FUND (IMF)

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Holdings	916,147	1,030,142	916,147	1,030,142
Quota	1,942,084	1,710,795	1,942,084	1,710,795
	2,858,231	2,740,937	2,858,231	2,740,937

Membership in the Fund is quota based and is determined upon admission and periodically increased under general quota reviews. The IMF quota account reflects initial and subsequent quota payments.

The Holdings account represents the Special Drawing Right holdings with the IMF. Balances with IMF is current.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

14. SECURITIES

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Long-term Government securities	8,962,127	7,887,892	8,962,127	7,887,892
Money market instruments	1,169,827	2,012,930	1,169,827	2,012,930
Short-term securities	11,091,773	10,309,659	10,358,121	10,309,659
Others	-	-	379,319	324,417
	21,223,727	20,210,481	20,869,394	20,534,898
Current	11,300,390	12,322,589	11,300,390	12,379,496
Non-current	9,923,337	7,887,892	9,569,004	8,155,402
SECURITIES BY CURRENCY				
(Ghana cedi equivalent)				
Cedi	10,035,004	9,900,822	9,301,353	9,900,822
US Dollar	10,838,152	9,837,930	10,838,152	9,837,930
Pound Sterling	132,578	442,009	511,896	766,426
Others	217,993	29,720	217,993	29,720
Total	21,223,727	20,210,481	20,869,394	20,534,898

(i) Long-Term Government Securities

These are 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

Short term securities include fixed deposits held with correspondent banks and investments held with overseas fund managers.

(iii) Other Securities

Other securities comprise securities that the group has designated as available-for-sale. These include certificate of deposits and Government of Ghana and other securities.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

15. LOANS AND ADVANCES

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government of Ghana	3,145,312	7,615,894	3,145,312	7,615,894
Financial Institutions	1,673,782	242,709	1,843,696	2,545,730
Other quasi-governmental institutions	2,243,254	2,168,769	2,984,115	2,760,562
Gross Amount	7,062,348	10,027,372	7,973,123	12,922,186
Less: Impairment Losses (9b)	(196,681)	(166,936)	(198,309)	(169,473)
Carrying amount	6,865,667	9,860,436	7,774,814	12,752,713
Current	4,628,926	7,709,257	5,053,173	9,864,584
Non-Current	2,236,741	2,151,179	2,721,641	2,888,129

Included in loans and advances to financial institutions are Repos receivable at year end which are lending by the Central Bank to commercial banks in its capacity as the lender of last resort.

LOANS AND ADVANCES BY CURRENCY (Ghana Cedi Equivalent)	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cedi	6,864,898	9,860,249	6,863,691	9,860,249
US Dollar	189,750	160,283	389,850	490,795
Pound Sterling	7,700	6,840	719,582	2,571,142
Total	7,062,348	10,027,372	7,973,123	12,922,186

16. DERIVATIVES

Foreign currency swap	289,996	(141,842)	289,996	(141,842)

The foreign currency swap balance arose from an underlying receivable of GH¢2.02 billion (2014: GH¢3.49 billion) from some commercial banks and GH¢1.78 billion payable to these commercial banks (2014: GH¢3.40 billion). The balance also includes the fair value of the embedded derivative of GH¢50.56 million (2014: GH¢231.69 million) relating to the forward rates associated with the contracts. Derivatives are current.

17. OTHER ASSETS

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Items in course of Collection	220,161	154,885	220,161	154,885
Other Receivables	514,758	311,322	536,557	328,582
	734,919	466,207	756,718	483,467
Less: Impairment Losses (note 9b)	(1,107)	(1,107)	(1,107)	(1,107)
	733,812	465,100	755,611	482,360
Current	580,024	308,606	601,823	325,866
Non-Current	153,788	156,494	153,788	156,494

Included in other receivables are imprest and sundry receivables.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

18. INVESTMENTS

		The Bank		The Group	
		2015	2014	2015	2014
		GH¢'000	GH¢'000	GH¢'000	GH¢'000
Investment in subsidiaries	18a.	149,524	149,524	-	-
Other investments	18b.	51,437	30,633	81,918	52,156
		200,961	180,157	81,918	52,156
Impairment Losses		(100)	(471)	(100)	(471)
		200,861	179,686	81,818	51,685

18 a. Subsidiaries

The investment in subsidiaries is made up of:

- GH¢70,164,525 (2014:GH¢70,164,525) representing 51% equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom;
- GH¢76,909,229 (2014: GH¢76,909,229) representing 100% holdings in Ghana Interbank Payment and Settlement System (GhIPSS), a company incorporated in Ghana; and
- GH¢2,450,000 (2014: GH¢2,450,000) representing 70% in Central Securities Depository, a company incorporated in Ghana.

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

	Holding		Nature of Business
	2015	2014	
	%	%	
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 Limited	70	70	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.

18 b. Other Investments

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Equity investment in Afrexim	21,437	633	21,437	633
Debt instruments	30,000	30,000	30,000	30,000
Held-to-maturity investments	-	-	30,481	21,523
	51,437	30,633	81,918	52,156

Equity investment in African Export-Import Bank (AFREXIM)

AFREXIM, incorporated in 1993 in Nigeria, was set up for the purpose of financing, promoting and expanding intra-African and extra-African trade. As at 31 December 2015, the Bank paid a total of GH¢21.34 million (2014: GH¢0.53 million) as equity in Afrexim. The proportion of the Bank's equity interest to the total holding in Afrexim is 1.56%.

The debt instrument is held with a financial institution. The support was provided as part of the central bank's financial stability function. There are plans to have this investment taken over by the Government. The held to maturity investments are held by the subsidiary in the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

19. PROPERTY, PLANT AND EQUIPMENT

The Bank						
Cost	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
At 1 January 2015	163,628	25,122	5,903	91,133	148,742	434,528
Additions	8,885	18,650	1,365	10,320	6,521	45,741
Transfers	48,183	-	2,887	7,697	(58,767)	-
Disposals	-	(279)	(30)	(55)	-	(364)
At 31 December 2015	**220,696**	**43,493**	**10,125**	**109,095**	**96,496**	**479,905**
Accumulated Depreciation & Impairment Losses						
At 1 January 2015	23,564	16,413	3,725	32,486	-	76,188
Charge for the year	7,350	7,483	1,697	13,530	-	30,060
Disposals	-	(123)	(30)	(31)	-	(184)
At 31 December 2015	**30,914**	**23,773**	**5,392**	**45,985**	**-**	**106,064**
Net Book Amount						
At 31 December 2015	**189,782**	**19,720**	**4,733**	**63,110**	**96,496**	**373,841**

The Group						
Cost	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
At 1 January 2015	170,091	27,450	7,579	132,297	154,842	492,259
Additions	8,890	19,261	1,473	13,110	7,203	49,937
Transfers	48,183	-	2,887	7,697	(58,767)	-
Disposals	-	(736)	(30)	(412)	-	(1,178)
Translation Adjustment	536	82	244	1,597	-	2,459
At 31 December 2015	**227,700**	**46,057**	**12,153**	**154,289**	**103,278**	**543,477**
Accumulated Depreciation & Impairment Losses						
At 1 January 2015	25,965	18,428	5,498	60,181	-	110,072
Charge for the Year	7,918	7,717	1,799	17,919	-	35,353
Released on Disposal	-	(524)	(30)	(388)	-	(942)
Translation Adjustment	278	51	238	3,649	-	4,216
At 31 Decembe2015	**34,161**	**25,672**	**7,505**	**81,361**	**-**	**148,699**
Net Book Amount						
At 31 December 2015	**193,539**	**20,385**	**4,648**	**72,928**	**103,278**	**394,778**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Bank

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Cost						
At 1 January 2014	155,726	24,911	4,652	65,476	85,517	336,282
Additions	7,952	657	1,269	25,693	63,225	98,796
Disposals	(50)	(446)	(18)	(36)	-	(550)
At 31 December 2014	163,628	25,122	5,903	91,133	148,742	434,528
Accumulated depreciation & impairment losses						
At 1 January 2014	14,860	11,539	2,666	21,081	-	50,146
Charge for the year	8,704	5,185	1,077	11,425	-	26,391
Disposals	-	(311)	(18)	(20)	-	(349)
At 31 December 2014	23,564	16,413	3,725	32,486	-	76,188
Net book amount						
At 31 December 2014	140,064	8,709	2,178	58,647	148,742	358,340

The Group

	Land and Buildings GH¢'000	Motor Vehicles GH¢'000	Furniture and Fittings GH¢'000	Plant and Equipment GH¢'000	Work in Progress GH¢'000	Total GH¢'000
Cost						
At 1 January 2014	162,189	25,768	6,288	100,249	90,432	384,926
Additions	7,952	1,540	1,309	27,163	64,410	102,374
Disposals	(50)	(446)	(18)	(36)	-	(550)
Translation Adjustment	-	588	-	4,921	-	5,509
At 31 December 2014	170,091	27,450	7,579	132,297	154,842	492,259
Accumulated depreciation and impairment losses						
At 1 January 2014	17,182	13,310	4,363	44,391	-	79,246
Charge for the Year	8,783	5,348	1,152	12,246	-	27,529
Released on Disposal	-	(311)	(17)	(20)	-	(348)
Translation Adjustment	-	81	-	3,564	-	3,645
At 31 December 2014	25,965	18,428	5,498	60,181	-	110,072
New Book Amount						
At 31 December 2014	144,126	9,022	2,081	72,116	154,842	382,187

Depreciation of property, plant and equipment is recognised in profit or loss as part of other operating and premises and equipment expenses depending on the use of the item.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

20. INTANGIBLE ASSETS

	The Bank		The Group	
	2015	2014	2015	2014
Cost	GH¢'000	GH¢'000	GH¢'000	GH¢'000
At 1 January	9,520	6,577	9,520	6,577
Additions	10,538	2,943	15,217	2,943
At 31 December	20,058	9,520	24,737	9,520
Accumulated amortisation & impairment losses				
At 1 January	6,395	5,571	6,395	5,571
Charge for the year	2,963	824	3,554	824
At 31 December	9,358	6,395	9,949	6,395
Net Book Amount At 31 December	10,700	3,125	14,788	3,125

Intangible assets refers to computer software.

21. DEPOSITS

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Government of Ghana	6,525,943	10,044,610	6,525,943	10,044,610
Financial Institutions/Banks	5,321,650	4,420,396	7,651,866	6,529,179
Other deposits	542,576	1,017,429	542,576	1,017,429
Deposits are current	12,390,169	15,482,435	14,720,385	17,591,218
DEPOSITS BY VARIOUS CURRENCIES (Ghana cedi equivalent)				
Cedi	7,981,842	8,181,018	9,486,400	9,295,312
US Dollar	4,048,731	6,984,259	4,807,040	7,935,549
Pound Sterling	158,024	111,708	187,621	126,923
Euro	191,162	195,251	226,966	221,845
Others	10,410	10,199	12,358	11,589
Total	12,390,169	15,482,435	14,720,385	17,591,218

22. SHORT-TERM LIABILITIES

Short-term facilities	4,293,094	2,560,080	4,293,094	2,560,080

These short-term liabilities represent bridging facilities with three months maturity period with a roll over option and with fixed rates of interest. These are denominated in US dollars and are current.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

22. SHORT-TERM LIABILITIES (CONTINUED)

The movement in short-term liabilities is as follows:

	The Bank		The Group	
	2015	2014	**2015**	2014
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
1 January	**2,560,080**	1,316,040	**2,560,080**	1,316,040
Drawdown	**3,495,465**	2,358,740	**3,495,465**	2,358,740
Payment	**(2,276,303)**	(1,920,060)	**(2,276,303)**	(1,920,060)
Revaluation loss	**513,852**	805,360	**513,852**	805,360
31 December	**4,293,094**	2,560,080	**4,293,094**	2,560,080

23. LIABILITIES UNDER MONEY MARKET OPERATIONS

Bank of Ghana Instruments	**2,686,694**	2,684,153	**2,686,694**	2,684,153

These are securities (bills including Repos carrying a fixed rate of interest) issued by the Bank for monetary policy purposes and are shown as a liability of the Bank. These instruments include 91 day and 182 day instruments and are current.

24 a. ALLOCATION OF SPECIAL DRAWING RIGHTS

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). The allocation of SDR represent Ghana's share of SDRs distributed by decision of the IMF based on the country's IMF quota.

	The Bank		The Group	
	2015	2014	**2015**	2014
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Allocations of Special Drawing Rights	**1,862,446**	1,640,641	**1,862,446**	1,640,641

Allocations of SDRs are non-current.

24 b. LIABILITIES TO INTERNATIONAL MONETARY FUND

	The Bank		The Group	
	2015	2014	**2015**	2014
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
(i) IMF Currency Holdings				
Operational Account	**44,820**	49,654	**44,820**	49,654
IMF Securities	**1,896,590**	1,660,820	**1,896,590**	1,660,820
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	**2,854,547**	2,217,921	**2,854,547**	2,217,921
	4,795,957	3,928,395	**4,795,957**	3,928,395
Current	**1,941,410**	49,654	**1,941,410**	49,654
Non-Current	**2,854,547**	3,878,741	**2,854,547**	3,878,741

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

25. OTHER LIABILITIES

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Accruals and accounts payable	337,355	144,487	337,355	144,487
Defined pension fund liability (note 26)	997	997	997	997
Other payables	531,190	297,972	628,017	359,462
	869,542	443,456	966,369	504,946
Current	591,418	287,442	688,245	348,932
Non-current	278,124	156,014	278,124	156,014

26. EMPLOYEE BENEFIT OBLIGATION

The Bank operates a funded defined benefit plan for its employees. 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 unrealised 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	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Defined benefit obligation	(1,122,169)	(992,922)	(1,122,169)	(992,922)
Plan assets	1,227,694	991,925	1,227,694	991,925
Total Recognised Benefit (liability) Asset	105,525	(997)	105,525	(997)

Where the defined benefit obligation exceeds the plan assets, the excess liability is recognised as part of other liabilities. For the year 2015, the plan assets exceed the defined benefit obligation and the excess assets have not been recognised since no future economic benefits is available to the Bank in the form of a reduction in future contributions or a cash refund. There are no legal or contractual requirement for the employer to make any additional minimum funding to the plan other than those actuarially determined.

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Plan Assets				
Balance at 1 January	991,925	765,072	991,925	765,072
Contributions by employer during the year	235,769	226,853	235,769	226,853
Fund assets in investments	1,227,694	991,925	1,227,694	991,925
Fair value of Plan Assets	1,252,248	1,001,844	1,252,248	1,001,844
Fund Liability				
Balance at 1 January	992,922	827,435	992,922	827,435
Pension payments	(36,426)	(23,478)	(36,426)	(23,478)
Interest expense	6,974	179,404	6,974	179,404
Actuarial gain /(loss)	63,806	-	63,806	-
Accrual for service	94,893	9,561	94,893	9,561
Value of fund obligation at 31 December	1,122,169	992,922	1,122,169	992,922

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

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 in 2015. The present value of the defined benefit obligation and the related service cost are measured using the projected unit credit method.

	2015	2014
Actuarial Assumptions		
Discount rate at 31 December	20%	18.5%
Salary increment rate	22%	20%
Mortality Rate	SSNIT 75% Mortality	SSNIT 75% Mortality

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

Assumption Variables	Management Best Estimates	i+1%	i-1%	s+1%	s-1%	µ Increased by 10%	µ Decreased by 10%
Discount Rate (i)	20.0%	21.0%	19.0%	20.0%	20.0%	20.0%	20.0%
Salary Rate (s)	22.0%	22.0%	22.0%	23.0%	21.0%	22.0%	22.0%
Mortality Rate (µ)	SSNIT 75% Mortality	SSNIT 75% Mortality	SSNIT 75% Mortality	SSNIT 75% Mortality	SSNIT 75% Mortality	SSNIT 85% Mortality	SSNIT 65% Mortality
Actuarial Liability	1,163,116,461	939,874,632	1,373,331,765	1,366,138,364	941,166,393	1,007,076,225	1,281,549,754
Change in Actuarial Liability	-	(16.24%)	22.38%	21.74%	(16.13%)	(10.26%)	14.20%

27 a. CURRENCY IN CIRCULATION

	The Bank		The Group	
	2015	2014	2015	2014
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Notes and Coins Issued	16,341,870	21,991,242	16,341,870	21,991,242
Less: Cash Account & Agencies	(6,815,487)	(14,256,196)	(6,815,487)	(14,256,196)
	9,526,383	7,735,046	9,526,383	7,735,046

27 b. CURRENCY IN CIRCULATION BY DENOMINATION

	The Bank		The Group	
DENOMINATION	2015	2014	2015	2014
Notes in Circulation	GH¢'000	GH¢'000	GH¢'000	GH¢'000
GH¢50	2,691,178	2,201,016	2,691,178	2,201,016
GH¢20	3,590,251	2,778,207	3,590,251	2,778,207
GH¢10	1,960,687	1,581,970	1,960,687	1,581,970
GH¢5	821,899	772,728	821,899	772,728
GH¢2	129,681	94,702	129,681	94,702
GH¢1	165,559	160,110	165,559	160,110
Total Notes in Circulation	9,359,255	7,588,733	9,359,255	7,588,733
Coins in Circulation				
GH¢1	26,091	24,093	26,091	24,093
50GP	39,862	35,504	39,862	35,504
20GP	42,768	36,490	42,768	36,490
10GP	25,987	22,708	25,987	22,708
5GP	9,076	8,712	9,076	8,712
1GP	959	922	959	922
Total Coins in Circulation	144,743	128,429	144,743	128,429
New currency in circulation	9,503,998	7,717,162	9,503,998	7,717,162
Old currency in circulation	22,385	17,884	22,385	17,884
Total Currency in Circulation	9,526,383	7,735,046	9,526,383	7,735,046

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

28. STATED CAPITAL

	Number of Shares		Proceeds	
	2015	2014	2015	2014
	'000	'000	GH¢'000	GH¢'000
Authorised Number of Shares	700,000	700,000		
Issued and paid				
For Cash Consideration	100	100	10	10
Consideration other than for 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.

29. ASSET REVALUATION RESERVE

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

30. STATUTORY RESERVE

The Statutory Reserve represents portions of surplus that have been set aside over the years in accordance with section 6 of the Bank of Ghana Act, 2002 (Act 612). Transfers to the statutory reserve are made in reference to conditions in relation to the stated capital. These conditions have since been met hence no transfer has been made.

31. OTHER RESERVES

The Bank 2015	Price & Exchange Movement GH¢'000	Transfer from Surplus GH¢'000	Transfer to Other Reserves GH¢'000	GH¢'000
At 1 January	595,389	4,157,926	(1,504,688)	3,248,627
Dividend	-	-	(600,000)	(600,000)
Profit for the year	-	1,020,037	-	1,020,037
Revaluation surplus/(deficit)	-	(34,081)	34,081	-
Decrease/(increase) in the year	7,063	(7,063)	-	-
At 31 December	**602,452**	**5,136,819**	**(2,070,607)**	**3,668,664**
The Bank 2014				
Balance at 1 January	601,737	2,652,622	(824,102)	2,430,257
Securitised prior year revaluation deficit on gold	-		324,017	324,017
Dividend	-	-	(400,000)	(400,000)
Utilisation of research fund	-	-	(5,000)	(5,000)
Profit for the year	-	899,353	-	899,353
Revaluation surplus/(deficit)	-	599,603	(599,603)	-
(Decrease)/increase in the year	(6,348)	6,348	-	-
At 31 December	595,389	4,157,926	(1,504,688)	3,248,627

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

31. OTHER RESERVES (CONTINUED)

The Group 2015

Year ended 31 December 2015	Price & Exchange Movement GH¢'000	Foreign Currency Translation Reserve GH¢'000	Available for Sale Reserves GH¢'000	Transfer From Surplus GH¢'000	Total GH¢'000
At 1 January	595,391	156,506	(2,205)	2,653,324	3,403,016
Dividend	-	-	-	(600,000)	(600,000)
Revaluation surplus/(deficit)	-	-	-	34,081	34,081
Increase/(decrease) in the year	7,063	1,079	(3,575)	978,893	983,460
At 31 December	**602,454**	**157,585**	**(5,780)**	**3,066,298**	**3,820,557**
The Bank 2014					
Balance at 1 January	601,739	76,883	711	1,828,606	2,507,939
Dividend	-	-	-	(400,000)	(400,000)
Securitised prior year revaluation deficit on gold	-	-	-	324,016	324,016
Net revaluation deficit	-	-	-	(599,603)	(599,603)
Utilisation of research fund	-	-	-	(5,000)	(5,000)
(Decrease)/Increase in the year	(6,348)	79,623	(2,916)	1,505,305	1,575,664
At 31 December	595,391	156,506	(2,205)	2,653,324	3,403,016

- The price and exchange component of other reserves is used to account for price movement in the gold reserves held by the Bank
- The foreign currency translation component of other reserves is used to account for the translation of the results of Ghana International Bank Plc which is a foreign operation.
- The available-for-sale component of other reserves is used to account for fair value movement in available-for-sale investments held by Ghana International Bank Plc.
- The transfer from surplus component of other reserves is used to account for the allocation requirements under the Bank of Ghana Act.

32. NON-CONTROLLING INTEREST

	The Group 2015 GH¢'000	The Group 2014 GH¢'000
At 1 January	**307,040**	208,289
Profit for the year	**36,051**	38,848
Other comprehensive income	**(4,473)**	75,007
Gains on translation of foreign operation	**37,057**	-
Sale of interest to non-controlling interest	-	1,051
Dividend paid by the Group	**(21,136)**	(16,155)
At 31 December	**354,539**	307,040

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Material Partly-Owned Subsidiary

Ghana International Bank Plc is the only subsidiary which has non-controlling interest which is material to the Group. Financial information relating to this subsidiary is provided below:

Proportion of equity interest held by non-controlling interests:

Name	Country of incorporation and operation	2015	2014
Ghana International Bank Plc	United Kingdom	49%	49%

The summarised financial information of Ghana International Bank Plc (the material partly owned subsidiary) is provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Comprehensive Income	2015 GH¢'000	2014 GH¢'000
Operating income	143,386	133,517
Profit for the year	69,581	76,634
Other comprehensive income	(8,050)	(7,263)
Total comprehensive income	61,531	69,371
Attributable to non-controlling interest	30,150	33,992
Dividends paid to non-controlling interest	21,136	16,155

Summarised Statement of Financial Position as at:	2015 GH¢'000	2014 GH¢'000
Total assets	3,870,196	3,541,089
Total Liabilities	3,155,567	2,892,277
Total equity	714,629	621,811
Attributable to:		
Equity holders of parent	364,461	317,124
Non-controlling interest	350,168	304,688

Summarised Cash Flow Information for Year Ending	2015 GH¢'000	2014 GH¢'000
Cash flows from operating activities	286,471	166,252
Cash flows from investing activities	(2,305)	(1,115)
Cash flows from financing activities	(45,181)	86,103
Forex on cash and cash equivalents	65	329
Net Increase in Cash and Cash Equivalents	239,050	251,569

33. FINANCIAL INSTRUMENTS

Financial assets 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 assets have been combined for presentation on the face of the statement of financial position. Financial liabilities are held either at fair value through profit or loss or at amortised cost.

The Bank's classification of its principal financial assets and liabilities is summarised overleaf:

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Assets

The Bank	Note	Held to Maturity GH¢'000	Designated at Fair Value through Profit or Loss GH¢'000	Available for Sale GH¢'000	Loans & receivables GH¢'000	Total Carrying Amount GH¢'000	Fair Value GH¢'000
Cash and balances with correspondent banks	11	-	-	-	6,557,327	6,557,327	6,557,327
Balances with IMF	13	-	-	-	2,858,231	2,858,231	2,858,231
Government securities	14	8,962,127	-	-	-	8,962,127	8,875,344
Money market instruments	14	1,169,827	-	-	-	1,169,827	1,149,123
Short-term securities	14	11,091,773	-	-	-	11,091,773	10,986,400
Loans and Advances	15	-	-	-	6,865,667	6,865,667	6,810,055
Derivatives	16	-	289,996	-	-	289,996	289,996
Other assets	17	-	-	-	220,161	220,161	220,161
Investments	18	-	-	51,337	-	51,337	51,337
At 31 December 2015		**21,223,727**	**289,996**	**51,337**	**16,501,386**	**38,066,446**	**37,797,974**
Cash and balances with correspondent banks	11	-	-	-	3,124,595	3,124,595	3,124,595
Balances with IMF	13	-	-	-	2,740,937	2,740,937	2,740,937
Government securities	14	7,887,892	-	-	-	7,887,892	7,765,347
Money market instruments	14	2,012,930	-	-	-	2,012,930	1,986,763
Short-term securities	14	10,309,659	-	-	-	10,309,659	10,223,865
Loans and Advances	15	-	-	-	9,860,436	9,860,436	9,756,326
Other assets	17	-	-	-	154,885	154,885	154,885
investments	18	-	-	30,162	3-	30,162	30,162

Assets

The Group	Note	Held to Maturity GH¢000	Designated at Fair Value through Profit or Loss GH¢000	Available for Sale GH¢000	Loans & Receivables GH¢000	Total Carrying GH¢000	Fair Value GH¢000
Cash and balances with correspondent banks	11	-	-	-	9,129,394	9,129,394	9,129,394
Balances with IMF	13	-	-	-	2,858,231	2,858,231	2,858,231
Government securities	14	8,962,127	-	-	-	8,962,127	8,875,344
Money market instruments	14	1,169,827	-	-	-	1,169,827	1,149,123
Short-term securities	14	10,358,121	-	379,319	-	10,737,440	10,635,433
Loans and advances	15	-	-	-	7,774,814	7,774,814	7,711838
Derivatives assets	16	-	289,996	-		289,996	289,996
Other assets	17	-	-	-	220,161	220,161	220,161
Investments	18	30,481	-	51,237	-	81,818	81,818
At 31 December 2015		**20,520,556**	**289,996**	**430,556**	**19,982,900**	**41,223,808**	**40,951,338**
Cash and balances with correspondent banks	11	-	-	-	2,701,705	2,701,705	2,701,705
Balances with IMF	13	-	-	-	2,740,937	2,740,937	2,740,937
Government securities	14	7,887,892	-	-	-	7,887,892	7,765,347
Money market instruments	14	2,012,930	-	-	-	2,012,930	1,986,763
Short-term securities	14	10,309,659	-	324,417	-	10,634,076	10,523,342
Loans and advances	15	-	-	-	12,752,713	12,752,713	12,657,987
Other assets	17	-	-	-	154,885	154,885	154,885
Investments	18	21,523	-	30,162	--	51,685	51,685
At 31 December 2014		20,232,004	-	324,417	18,350,240	38,936,823	38,858,651

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Liabilities

The Bank	Notes	Designated at Fair Value through Profit or Loss GH¢000	Financial Liabilities at Amortised Cost GH¢000	Total GH¢000
Government Deposits	21	-	6,525,943	6,525,943
Due to Banks and Financial Institutions	21	-	5,321,650	5,321,650
Other Short-Term Deposits	21	-	542,576	542,576
Short-Term Liabilities	22	-	4,293,094	4,293,094
Money Market Instruments	23	-	2,686,694	2,686,694
Liabilities to IMF	24	-	4,795,957	4,795,957
Other Liabilities	25	-	337,355	337,355
At 31 December 2015		-	**24,503,269**	**24,503,269**
Government Deposits	21	-	10,044,610	10,044,610
Due to Banks and Financial Institutions	21	-	4,420,396	4,420,396
Other Short-Term Deposits	21	-	1,017,429	1,017,429
Derivative liabilities	16	141,842	-	141,842
Short-term liabilities	22	-	2,560,080	2,560,080
Money Market Instruments	23	-	2,684,153	2,684,153
Liabilities to IMF	24	-	3,928,395	3,928,395
Other Liabilities	25	-	144,487	144,487
At 31 December 2014		141,842	**24,799,550**	**24,941,392**

The carrying amounts of the financial liabilities approximate their fair value.

The Group	Notes	Designated at Fair Value through Profit or Loss GH¢000	Financial Liabilities at Amortised Cost GH¢000	Total GH¢000
Government Deposits	21	-	6,525,943	6,525,943
Due to Banks and Financial Institutions	21	-	7,651,866	7,651,866
Other Short-Term Deposits	21	-	542,576	542,576
Derivative liabilities	16	-	-	-
Short-Term liabilities	22		4,293,094	4,293,094
Money Market Instruments	23	-	2,686,694	2,686,694
Liabilities to IMF	24	-	4,795,957	4,795,957
Other Liabilities	25	-	386,891	386,891
At 31 December 2015		-	**26,883,021**	**26,883,021**

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Liabilities

The Group	Notes	Designated at Fair Value through Profit or Loss	Financial Liabilities at Amortised Cost	Total
		GH¢000	GH¢000	GH¢000
Government Deposits	21	-	10,044,610	10,044,610
Due to Banks and Financial Institutions	21	-	6,529,179	6,529,179
Other Short-Term Deposits	21	-	1,017,429	1,017,429
Derivative liabilities	16	141,842	-	141,842
Short term liabilities	22	-	2,560,080	2,560,080
Money Market Instruments	23	-	2,684,153	2,684,153
Liabilities to IMF	24	-	3,928,395	3,928,395
Other liabilities	25	-	192,345	192,345
At 31 December 2014		**141,842**	**26,956,191**	**27,098,033**

The carrying amounts of the financial liabilities approximate their fair value.

34. 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 2015 and 31 December 2014, 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 2015 and 31 December 2014 was classified as follows:

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The Bank

	Fair Value Measurement Using					
	Quoted Prices in Active Market (Level 1) The Bank		Significant Observable Inputs (Level 2) The Bank		Significant Unobservable Inputs (Level 3) The Bank	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Assets measured at fair value:						
Gold	1,133,069	1,076,257	-	-	-	-
Derivative financial Asset	-	-	289,996	-	-	-
Liabilities measured at fair value:						
Derivative financial liability	-	-	-	141,842	-	-

The Group

	Level 1 The Group		Level 2 The Group		Level 3 The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Assets measured at fair value:						
Gold	1,133,069	1,076,257	-	-	-	-
Available for sale securities	-	-	430,556	354,579	-	-
Derivative financial asset	-	-	289,996	-	-	-
Liabilities at fair value:						
Derivative financial liability	-	-	-	141,842	-	-

There have been no transfers between Level 1 and Level 2 during the period.

Fair values are based upon market prices where there is a market or on the effects on fair values of fixed rate assets, liabilities in changes in interest rates and credit risk. Forward exchange rates and Gold prices are obtained and used from Bloomberg / Reuters in valuing the derivatives and Gold.

The fair values of other financial instruments not measured at fair value are disclosed in Note 33. These financial instruments would have been classified at level 3 in the fair value hierarchy.

35. RELATED PARTY TRANSACTIONS

Transactions with Government of Ghana (GoG)

In the normal course of its operations, the Bank enters into transactions with related parties. Related parties include the Government, various Government Departments and Agencies. Unless stated otherwise, all transactions with related parties take place at arm's length.

Transactions entered into include:
- banking services;
- foreign exchange transactions;
- purchases and disposals of government securities

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Loans and advances to GoG as well as securities issued to GoG 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 amount overdrawn by GoG 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 GOG. The balances on loans and security transactions with GoG have been disclosed in notes 14, 15 and 21 respectively.

Key Management Personnel Compensation

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	2015 GH¢'000	2014 GH¢'000
Short-Term Employee Benefits	2,886	1,307	9,659	7,847
Termination Benefit	1,260	548	3,808	548
Post-Employment Benefits	567	247	853	457
	4,713	2,102	14,320	8,852

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	
		2015 GH¢'000	2014 GH¢'000
Ghana International Bank	51	-	722,071
Ghana Interbank Payments and Settlement Systems	100	70	69
Central Securities Depository	70	2,322	(544)

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

36. RISK MANAGEMENT

The Bank is involved in policy-oriented activities. Therefore, elements of the Bank's risk management framework might differ from the risk management frameworks for most other financial institutions. The main financial risks to which the Bank is exposed include credit risk, liquidity risk, market risk, interest rate risk, currency risk on both foreign and local currency assets. In the management of foreign reserves, minimising liquidity risk is a major consideration in order to maintain an effective foreign exchange intervention capability. The nature of the Bank's operations creates exposure to a broad range of enterprise risks, including operational and reputational risks.

The Bank seeks to ensure that strong and effective risk management and control systems are in place for identifying, assessing, monitoring, and managing risk exposures. Specialist staff members conduct the Bank's local currency, foreign currency reserves management, and foreign exchange-dealing operations in accordance with a clearly defined risk management framework, including delegated authorities and limits set by Management.

The overall risk management framework is designed to promote the sound and prudent management of the Bank's risks.

The majority of the Bank's financial risks arise from the Foreign Reserves Management and Domestic Market Operations units of the Bank's Treasury Department. Within this department, a separate risk management team is responsible for maintaining the Bank's financial risk management framework and operating independent risk reporting systems that monitor and report compliance with various risk limits and policies. The Risk Management Department is responsible for an enterprise-wide risk management system and reports on enterprise-wide risk management and related issues to the Board. A risk-based framework, which evaluates key business risks and internal controls, is used to determine the extent and frequency of internal audits conducted. All Bank departments are subject to periodic internal audit review. The Heads of Risk Management and Internal Audit Departments have direct and independent access to the Audit Committee of the Board of Directors, comprising three of the Bank's non-executive directors. Summary information on the outcomes of internal audits is reported to the Audit Committee.

The Bank is subject to an annual external audit. Auditing arrangements are overseen by the Audit Committee of the Board of Directors, which meets regularly to monitor the financial reporting, risk and audit functions within the Bank. The committee reviews the internal audit function and has direct access to the external auditor. The Audit Committee reports to the Board of Directors on its activities. The Board of Directors monitors the Bank's management of risk as part of its role of keeping the Bank's performance and use of resources under constant review. Following a review this year, the Bank continues to self-insure all property, plant and equipment, including the Bank's buildings.

Credit Risk

Both the Bank and the Group are subject to credit risk through lending and investing activities and in cases where they act as intermediaries on behalf of customers or other third parties or when they issue guarantees. Credit risk associated with trading and investing activities is managed through the Group's credit risk management process.

Concentrations of credit risk (whether on or off the statements of financial position) that arise from financial instruments exist 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. The nature of the Group's main operation as a Central Bank makes its loan portfolio not lend itself to normal aging analysis.

Credit Risk Measurement

Loans and Advances

In measuring credit risk related to loans and advances to Government of Ghana, other governmental institutions and commercial banks at a counterparty level, the Central Bank considers the 'probability of default' by the Government of Ghana or counterparty on its contractual obligations. Exposure at default is based on the amount the Central Bank expects to be owed at the time of default.

Cash and Amounts Due from Banks

For banks and financial institutions, only reputable financial institutions are accepted based on the Bank's internal policy. The Treasury Department manages the credit risk exposure, by assessing the counterparties' performances.

Securities

Securities are held with the Government of Ghana and other reputable financial institutions. The Treasury Department manages the credit risk exposure by assessing the counterparties' performance.

Risk Limit Control and Mitigation Policy

The Central Bank manages limits and controls the concentration of credit risk wherever identified. Exposure to credit risk is managed through regular analysis of the ability of the borrowers to meet interest and capital repayment obligations. The Central Bank employs policies and practices to mitigate credit risk. The most traditional of these is the taking of security for advances. Bank of Ghana implements guidelines on the acceptability of specific classes of collateral or other credit risk mitigation. The principal collateral for loans and advances to staff includes provident funds and property deeds for staff loans. Collateral on all loan and advances to the Government of Ghana and commercial banks is their deposit accounts held at the Bank when contracts are signed.

Impairment and Provisioning Policy

Impairment provisions are recognised for financial reporting purposes only for potential losses that have been incurred at the reporting date based on objective evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Exposure to Credit Risks

The maximum exposure to credit risks at the reporting date was:

The Bank	Grouping	2015 GH¢ '000	% of Financial Assets	2014 GH¢ '000	% of Financial Assets
Assets					
Cash and amounts due from banks	I	6,557,327	17%	3,124,595	9%
Balances with IMF	I	2,858,231	8%	1,076,257	3%
Securities	I	21,223,727	56%	20,210,481	58%
Other assets (excluding other receivables, note 17)	I	220,161	1%	154,885	1%
Loans and advances	II	6,865,667	18%	9,860,436	29%
		37,725,113	100%	34,426,654	100%
Off balance sheet					
Documentary credit, guarantees and performance bonds	I	2,439,000		2,128,245	

Category	2015 GH¢ '000	2014 GH¢ '000
Group I	33,298,446	26,694,463
Group II	6,865,667	9,860,436
Total	40,164,113	36,554,899

The Bank	Grouping	2015 GH¢ '000	% of Financial Assets	2014 GH¢ '000	% of Financial Assets
Assets					
Cash and amounts due from banks	I	9,129,394	22%	2,701,705	7%
Balances with IMF	I	2,858,231	7%	2,740,937	7%
Securities	I	20,869,394	51%	20,534,898	53%
Other assets (excluding other receivables, note 17)	I	220,161	1%	154,885	1%
Loans and advances	II	7,774,814	19%	12,752,714	32%
		40,851,994	100%	38,885,139	100%
Off balance sheet					
Documentary credit, guarantees and performance bonds	I	2,950,604		2,686,360	

Category	2015 GH¢ '000	2014 GH¢ '000
Group I	36,027,784	28,818,785
Group II	7,774,814	12,752,714
Total	43,802,598	41,571,499

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Group I

These are customers with no defaults in the past. Counterparties in this group include government, other central banks, commercial banks, employees (staff loans) and other assets.

Group II

These are existing customers (more than 6 months) with some defaults in the past. This group is mainly composed of loans to the other institutions. Refer to Note 9.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 2014 without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the Statement of Financial Position.

As shown above, 91% as at 31 December 2015 (2014:96%) of the total maximum exposure arises from amounts due from central banks and commercial banks, loans and advances and securities.

Management is confident in its ability to continue and minimise the losses arising from its exposure to credit risk resulting from loans and advances and amounts due from the central banks and commercial banks.

Aside the credit risk grouping indicated above, the Bank also assesses the quality of the credit risk exposures using the no risk, medium and high risk classifications. The no risk class refers to none or very minimal credit risk exposure, medium risk class refers to some element of credit risk present and high risk class refers to a significant credit risk exposure. All balances exposed to credit risk disclosed above belong to the no risk class except loans and advances which are in the medium risk class. There is no balance in the high risk class.

Loans and advances, amounts due from banks and other assets

The table below shows the gross (undiscounted) balances of the Group's loans and advances with central banks, commercial banks and other assets analysed by type and performance less impairment:

The Bank	31 December 2015				
		Balances with IMF GH¢ '000	Securities GH¢ '000	Loans and Advances GH¢ '000	Other Assets GH¢ '000
Neither past due nor impaired	6,557,327	2,858,231	21,223,727	6,865,667	220,161
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	196,681	-
Gross	6,557,327	2,858,231	21,223,727	7,062,348	220,161
Less: Allowance for impairment	-	-	-	(196,681)	-
Carrying Value	6,557,327	2,858,231	21,223,727	6,865,667	220,161

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

The Bank 31 December 2014	Cash and Amounts due from Banks GH¢ '000	Balances with IMF GH¢ '000	Securities GH¢ '000	Loans and Advances GH¢ '000	Other Assets GH¢ '000
Neither past due nor impaired	3,124,595	1,076,257	20,210,481	9,860,436	154,885
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	166,936	-
Gross	3,124,595	1,076,257	20,210,481	10,027,372	154,885
Less: Allowance for impairment	-	-	-	(166,936)	-
Carrying Value	3,124,595	1,076,257	20,210,481	9,860,436	154,885

All impairment disclosed in note 9 relates to the loans and receivable class of the financial instruments. There are no impairments on financial instruments classified as held-to-maturity and available-for-sale.

The Group 31 December 2015	Cash and Amounts due from Banks GH¢ '000	Balances with IMF GH¢ '000	Securities GH¢ '000	Loans and Advances GH¢ '000	Other Assets GH¢ '000
Neither past due nor impaired	9,129,394	2,858,231	20,869,394	7,774,814	220,161
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	198,309	-
Gross	9,129,394	2,858,231	20,869,394	7,973,123	220,161
Less: Allowance for impairment	-	-	-	(198,309)	-
Carrying Value	9,129,394	2,858,231	20,869,394	7,774,814	220,161

The Group 31 December 2014	Cash and Amounts due from Banks GH¢ '000	Balances with IMF GH¢ '000	Securities GH¢ '000	Loans and Advances GH¢ '000	Other Assets GH¢ '000
Neither past due nor impaired	2,701,705	2,740,937	20,534,898	12,752,713	154,885
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	169,473	-
Gross	2,701,705	2,740,937	20,534,898	12,922,186	154,885
Less: Allowance for impairment	-	-	-	(169,473)	-
Carrying Value	2,701,705	2,740,937	20,534,898	12,752,713	154,885

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

All impairment disclosed in note 9 relates to the other quasi-governmental institutions class of financial instruments. There are no impairments on financial instruments categorised as held-to-maturity and available-for-sale.

(a) Neither Past Due nor Impaired

Loan and advances neither past due nor impaired are loan and advances to Government of Ghana and Commercial Banks with no default in the past. The table below details the nature of counterparties by industry.

The Bank	2015	2014
At 31 December	**GH¢ '000**	**GH¢ '000**
Cash and amounts due from banks	6,557,327	3,124,595
Balances with IMF	2,858,231	1,076,257
Securities	21,223,727	20,210,481
Other assets (excluding other receivables, note 17)	220,161	154,885
Loans and advances	6,865,667	9,860,436
Total	37,725,113	34,426,654

The Group	2015	2014
At 31 December	**GH¢ '000**	**GH¢ '000**
Cash and amounts due from banks	9,129,394	2,701,705
Balances with IMF	2,858,231	2,740,937
Securities	20,869,394	20,534,898
Other assets (excluding other receivables, note 17)	220,161	154,885
Loans and advances	7,774,814	12,752,714
Total	40,851,994	38,885,139

(b) Individually Impaired

The individually impaired loans and advances before taking into consideration the cash flows from collateral held has been disclosed in the table below:

The Bank	31 December 2015				31 December 2014			
	Cash and Amounts due from Banks	Balances with IMF and Securities	Loans and Advances	Other Assets	Cash and Amounts due from Banks	Balances with IMF and securities	Loans and Advances	Other Assets
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢000
Individually impaired	-	-	196,681	-	-	-	166,936	-
Fair value of collateral	-	-	7,323,210	-	-	-	10,044,610	-

The Group	31 December 2015				31 December 2014			
	Cash and Amounts due from Banks	Balances with IMF and Securities	Loans and Advances	Other Assets	Cash and Amounts due from Banks	Balances with IMF and securities	Loans and Advances	Other Assets
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢'000
Individually impaired	-	-	198,309	-	-	-	169,473	-
Fair value of collateral	-	-	7,323,210	-	-	-	10,044,610	-

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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 Group 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:

Liquidity Risk Management Process

The liquidity management processes, as carried out within the Finance Department and monitored by executive management and the Treasury Section include:

- Preparing cash-based budgets and periodic variance reports to ensure management of future cash flows in order to meet payment demands when they come due;
- Managing the concentration and profile of debt maturities;
- Monitoring the Statement of financial position, liquidity ratios against internal requirements; and
- Managing the concentration and profile of asset maturities.

Monitoring and reporting take the form of cash flow measurement and projection for the next day, week and months respectively, as these are key periods for liquidity management. The basis for the projection is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Financial Liabilities and Assets held for Managing Liquidity Risk

The table below presents the Central Bank's financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are contractual undiscounted cash outflows, whereas the Central Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

The Bank	Up to 1 month	Between 1-3 months	Between 3 months &1 year	Between 1 year & 5 years	>5years	Total
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000
ASSETS						
Cash and Amounts due from Banks	6,557,327	-	-	-	-	6,557,327
Gold	41,221	756,769	335,079	-	-	1,133,069
Balances with IMF	916,147	1,942,084	-	-	-	2,858,231
Securities	746,328	1,303,198	9,250,864	781,020	10,937,027	23,018,437
Loans and Advances	3,089,412	379,514	1,160,000	138,365	3,196,883	7,964,174
Derivative Assets	-	289,996	-	-	-	289,996
Other assets	220,161	-	-	-	-	220,161
Investments	-	-	-	-	51,437	51,437
At 31 December 2015	**11,570,596**	**4,671,561**	**10,745,943**	**919,385**	**14,185,347**	**42,092,832**
LIABILITIES						
Deposits	12,390,169	-	-	-	-	12,390,169
Allocations of SDR	-	-	-	1,862,446	-	1,862,446
Liabilities to IMF	44,820	-	1,896,590	2,854,547	-	4,795,957
Derivative financial liability	-	-	-	-	-	-
Short-term liabilities	-	4,636,542	-	-	-	4,636,542
Liabilities under Money Market Operations	542,730	2,681,303	-	-	-	3,224,033
Currency in circulation	-	-	-	-	9,526,383	9,526,383
Other liabilities	-	-	337,355	-	-	337,355
At 31 December 2015	**12,977,719**	**7,317,845**	**2,233,945**	**4,716,993**	**9,526,383**	**36,772,885**
Maturity Surplus/(shortfall)	**(1,407,123)**	**(2,646,284)**	**8,511,998**	**(3,797,608)**	**4,658,964**	**5,319,947**

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The Bank	Up to 1 month	Between 1-3 months	Between 3 months &1 year	Between 1 year & 5 years	>5years	Total
	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000	GH¢ '000
Assets						
Cash and Amounts due from Banks	3,124,595	-	-	-	-	3,124,595
Gold	27,053	719,050	330,154	-	-	1,076,257
Balances with IMF	1,030,142	1,710,795	-	-	-	2,740,937
Securities	10,391,866	844,667	159	9,573,547	6,960,077	27,770,316
Loans and Advances	6,116,446	-	1,592,811	61,521	3,901,889	11,672,667
Other assets	154,885	-	-	-	-	154,885
Investments	-	-	-	-	31,104	31,104
At 31 December 2014	**20,844,987**	**3,274,512**	**1,923,124**	**9,635,068**	**10,893,070**	**46,570,761**
LIABILITIES						
Allocations of SDR	-	-	-	1,640,641	-	1,640,641
Deposits	15,482,435	-	-	-	-	15,482,435
Liabilities to IMF	49,654	-	-	3,059,951	4,086,376	7,195,981
Derivative financial liability	-	-	141,842	-	-	141,842
Short-term liabilities	-	-	2,764,886	-	-	2,764,886
Liabilities under Money Market Operations	1,169,194	1,056,857	984,484	16,363	-	3,226,898
Currency in circulation	-	-	-	-	7,735,046	7,735,046
Other liabilities	-	-	144,487	-	-	144,487
At 31 December 2014	**16,701,283**	**1,056,857**	**4,035,699**	**4,716,955**	**11,821,422**	**38,332,216**
Maturity Surplus/(shortfall)	**4,143,704**	**2,217,655**	**(2,112,575)**	**4,918,113**	**928,352**	**8,238,545**

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The Group	Up to 1 month GH ¢ '000	Between 1 month& 3 months GH ¢ '000	Between 3 months& 1 year GH ¢ '000	Between 1 year& 5 years GH ¢ '000	>5years GH ¢ '000	Total GH¢ '000
ASSETS						
Cash and Amounts due from Banks	9,129,394	-	-	-	-	9,129,394
Gold	41,221	756,769	335,079	-	-	1,133,069
Balances with IMF	916,147	1,942,084	-	-	-	2,858,231
Securities	746,328	1,303,198	9,250,864	781,020	10,577,468	22,658,878
Loans and Advances	3,158,179	406,950	1,488,044	581,357	3,384,254	9,018,784
Derivative assets	-	289,996	-	-	-	289,996
Other assets	220,161	-	-	-	-	220,161
Investments	-	30,481	-	-	51,437	81,918
At 31 December 2015	14,211,430	4,729,478	11,073,987	1,362,377	14,013,159	45,390,431
LIABILITIES						
Deposits	14,720,385	-	-	-	-	14,720,385
Allocations of Special Drawing Rights	-	-	-	1,862,446	-	1,862,446
Liabilities to IMF	44,820	-	1,896,590	2,854,547	-	4,795,957
Derivative financial liability	-	-	-	-	-	-
Short term liabilities	-	4,636,542	-	-	-	4,636,542
Liabilities under Money Market Operations	542,730	2,681,303	-	-	-	3,224,033
Currency in Circulation	-	-	-	-	9,526,383	9,526,383
Other liabilities	-	-	386,891	-	-	386,891
At 31 December 2015	15,307,935	7,317,845	2,283,481	4,716,993	9,526,383	39,152,637
Maturity Surplus/(shortfall)	**(1,096,505)**	**(2,588,367)**	**8,790,506**	**(3,354,616)**	**4,486,776**	**6,237,794**

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The Group	Up to 1 month	Between 1 month& 3 months	Between 3 months& 1 year	Between 1 year& 5 years	>5years	Total
	GH ¢ '000	GH ¢ '000	GH ¢ '000	GH ¢ '000	GH ¢ '000	GH¢ '000
ASSETS						
Cash and Amounts due from Banks	2,701,705	-	-	-	-	2,701,705
Gold	27,053	719,050	330,154	-	-	1,076,257
Balances with IMF	1,030,142	1,710,795	-	-	-	2,740,937
Securities	10,391,866	918,486	14,127	5,344,637	3,865,782	20,534,898
Loans and Advances	7,534,519	369,567	1,960,497	730,880	2,157,249	12,752,712
Other assets	154,885	-	-	-	-	154,885
Investments	-	21,523	-	-	31,104	52,627
At 31 December 2014	**21,840,170**	**3,739,421**	**2,304,778**	**6,075,517**	**6,054,135**	**40,014,021**
LIABILITIES						
Deposits	16,202,306	447,840	941,022	49	-	17,591,217
Allocations of Special Drawing Rights	-	-	-	1,640,641	-	1,640,641
Liabilities to IMF	49,654	-	-	1,660,819	2,217,922	3,928,395
Derivative financial liability	-	-	141,842	-	-	141,842
Short-term liabilities	-	-	3,072,096	-	-	3,072,096
Liabilities under Money Market Operations	974,329	880,714	1,043,842	-	-	2,898,885
Currency in Circulation	-	-	-	-	7,735,046	7,735,046
Other liabilities	-	-	192,345	-	-	192,345
At 31 December 2014	**17,226,289**	**1,328,554**	**5,391,147**	**3,301,509**	**9,952,968**	**37,200,467**
Maturity Surplus/(shortfall)	**4,613,881**	**2,410,867**	**(3,086,369)**	**2,774,008**	**(3,898,833)**	**2,813,554**

Assets held for Managing Liquidity Risk

The Bank manages its liquidity risks through appropriate structuring of its investment portfolios to ensure that the maturity profiles of assets adequately match those commitments. This is monitored and managed on a daily basis. In addition, the Group's investment portfolio comprises mainly highly liquid investment instruments. Maturity shortfalls are managed by putting in place short-term borrowing arrangements before they are due. The Bank can also call on the Government to make funds available to manage the shortfalls.

The Bank's Assets held for Managing Liquidity Risk Comprise:

- Cash and balances with central banks and other operating banks;
- Loans and advances to operating banks, non-bank financial institutions and Government of Ghana;
- Investment securities;
- Amount due from IMF; and
- Other assets.

Market Risk

Market risk is the risk that changes in market prices such as interest rates, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on assets.

Market risk arises from open positions in interest rates and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

The Central Bank's primary exposure to market risk lies with its deposits held overseas which are exposed to changes in interest and exchange rates.

Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

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 2014.

Effects in Cedis	100bp Increase GH¢'000	100bp Decrease GH¢'000
The Bank 2015		
Average for the Period	119,515	(119,515)
Maximum for the Period	134,460	(134,460)
Minimum for the Period	109,363	(109,363)
The Bank 2014		
Average for the Period	97,419	(97,419)
Maximum for the Period	108,714	(108,714)
Minimum for the Period	84,252	(84,252)

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 Central Bank has capacity to manage these risks by monitoring interest rates daily and ensuring within the limits of its policy function that its financial liabilities match the maturing profile of its financial assets.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

The Bank	3 months or Less GH¢'000	Between 3 & 12 months GH¢'000	Over 1 year GH¢'000	Non-Interest Bearing GH¢'000	TOTAL GH¢'000
ASSETS					
Cash and Amounts due from Banks	6,308,751	-	-	248,576	6,557,327
Balances with IMF	-	1,942,084	-	916,147	2,858,231
Securities	2,049,526	9,250,864	9,923,337	-	21,223,727
Loans and Advances	3,468,926	1,160,000	2,236,741	-	6,865,667
Derivative Assets	-	289,996	-	-	289,996
Other assets	220,161	-	-	-	220,161
At 31 December 2015	**12,047,364**	**12,642,944**	**12,160,078**	**1,164,723**	**38,015,109**
LIABILITIES					
Deposits	-	-	-	12,390,169	12,390,169
Short-term liabilities	-	4,293,094	-	-	4,293,094
Liabilities to IMF	-	1,896,590	-	2,899,367	4,795,957
Liabilities under Money Market Operations	-	2,686,694	-	-	2,686,694
Currency in circulation	-	-	-	9,526,383	9,526,383
Other liabilities	-	337,355	-	-	337,355
At 31 December 2015	-	**9,213,733**	-	**24,815,919**	**34,029,652**
Total interest rate re-pricing gap	**12,047,364**	**3,429,211**	**12,160,078**	**(23,651,196)**	**3,985,457**
ASSETS					
Cash and Amounts due from Banks	3,017,654	-	-	106,941	3,124,595
Balances with IMF	-	2,740,937	-	-	2,740,937
Securities	2,012,930	10,309,659	7,887,892	-	20,210,481
Loans and Advances	7,615,894	242,709	2,001,833	-	9,860,436
Other assets	154,885	-	-	-	154,885
At 31 December 2014	**12,801,363**	**13,293,305**	**9,889,725**	**106,941**	**36,091,334**
LIABILITIES					
Liabilities to IMF	-	3,928,395	-	-	3,928,395
Liabilities under Money Market Operations	1,855,043	829,110	-	-	2,684,153
Derivative liability	-	141,842	-	-	141,842
Other liabilities	-	144,487	-	-	144,487
At 31 December 2014	**1,855,043**	**5,043,834**	-	-	**6,898,877**
Total interest rate re-pricing gap	**10,946,320**	**8,249,471**	**9,889,725**	**106,941**	**29,192,457**

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

The Group	3 months or Less GH¢'000	Between 3 & 12 months GH¢'000	Over 1 year GH¢'000	Non-Interest Bearing GH¢'000	TOTAL GH¢'000
ASSETS					
Cash and Amounts due from Banks	8,880,818	-	-	248,576	9,129,394
Balances with IMF	-	1,942,084	-	916,147	2,858,231
Securities	2,049,526	9,250,864	9,569,004	-	20,869,394
Loans and Advances	3,565,129	1,488,044	2,721,641	-	7,774,814
Derivative assets	-	289,996	-	-	289,996
Other assets	220,161	-	-	-	220,161
At 31 December 2015	**14,715,634**	**12,970,988**	**12,290,645**	**1,164,723**	**41,141,990**
LIABILITIES					
Deposits	2,330,216	-	-	12,390,169	14,720,385
Short-term liabilities	-	4,293,094	-	-	4,293,094
Liabilities under Money Market Operations	-	2,686,694	-	-	2,686,694
Liabilities to IMF	-	-	-	4,795,957	4,795,957
Currency in circulation	-	-	-	9,526,383	9,526,383
Other liabilities	-	386,891	-	-	386,891
At 31 December 2015	**2,330,216**	**7,366,679**	**-**	**26,712,509**	**36,409,404**
Total interest rate re-pricing gap	**12,385,418**	**5,604,309**	**12,290,645**	**(25,547,786)**	**4,732,586**
ASSETS					
Cash and Amounts due from Banks	2,056,505	178,167	360,091	106,941	2,701,704
Balances with IMF	-	2,740,937	-	-	2,740,937
Securities	2,248,156	10,131,339	8,155,402	-	20,534,897
Loans and Advances	7,904,086	1,960,497	2,888,130	-	12,752,713
Other assets	154,885	-	-	-	154,885
At 31 December 2014	**12,363,632**	**15,010,940**	**11,403,623**	**106,941**	**38,885,136**
LIABILITIES					
Deposits	719,871	1,388,862	49	15,482,435	17,591,217
Liabilities to IMF	-	3,928,395	-	-	3,928,395
Liabilities under Money Market Operations	1,855,043	829,110	-	-	2,684,153
Derivative liability	-	141,842	-	-	141,842
Other liabilities	-	192,345	-	-	192,345
At 31 December 2014	**2,574,914**	**6,480,554**	**49**	**15,482,435**	**24,537,952**
Total interest rate re-pricing gap	**9,788,718**	**8,530,386**	**11,403,574**	**(15,375,494)**	**14,347,184**

Foreign Currency Risk

Foreign exchange risk arises from:

- maintenance of a portion of foreign currency reserves for liquidity management purposes;
- currency intervention to meet monetary policy objectives; and
- active management undertaken in trading portfolios.

The US dollar is the base currency for the entire foreign reserves portfolio. However investments of the foreign reserves in other approved currencies is permissible.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

Foreign exchange risk is managed as follows:

- Positions in securities not denominated in the base currency (i.e. USD) should be hedged to the extent reasonably practicable into the base currency. Foreign currency exposures other than the United States dollar are all managed from the United States dollar perspective.
- A portfolio may also hold foreign exchange forward contracts in non-permissible currencies whose bonds are in a portfolio's benchmark only to the extent that it can be fully hedged to the base currency. A maximum allowance of +/- 0.25% of market value is permitted for fully hedged exposure to allow for market drift.
- The internally-managed portfolio has determined currency limits that take into consideration the Bank's expected foreign exchange liquidity needs. Since the majority of foreign exchange liabilities are in U.S. dollars it carries the most weight in this currency distribution.

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

The Bank owns a foreign subsidiary and therefore it is also exposed to foreign currency translation risk. 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 2(j). The translation risk resulting from the consolidation of the foreign subsidiary are accounted for in the foreign currency translation reserves in equity.

As at 31st December, the foreign currency exposures are as follows:

Currency Exposure Analysis

	The Bank		The Group	
	2015 GH¢'000	2014 GH¢'000	**2015 GH¢'000**	2014 GH¢'000
ASSETS				
USD	16,516,363	14,351,134	19,033,518	16,683,052
GBP	297,189	556,056	718,370	719,374
EUR	94,950	90,328	292,287	310,783
SDR	2,858,231	2,740,937	2,858,231	2,740,937
OTHER	289,876	96,803	290,746	97,965
GHS	20,190,622	20,183,699	20,109,163	20,173,756
TOTAL	**40,247,231**	**38,018,957**	**43,302,315**	**40,725,867**
LIABILITIES & EQUITY				
USD	11,679,618	11,811,658	14,195,175	14,150,274
GBP	202,200	116,376	599,552	272,726
EUR	152,705	233,068	349,928	453,837
SDR	3,803,856	3,351,115	3,803,856	3,351,116
OTHER	87,813	10,205	90,875	16,324
GHS	24,321,039	22,496,535	24,262,929	22,481,590
TOTAL	**40,247,231**	**38,018,957**	**43,302,315**	**40,725,867**
NET POSITION				
USD	4,836,745	2,539,476	4,838,343	2,532,778
GBP	94,989	439,680	118,818	446,648
EUR	(57,755)	(142,740)	(57,641)	(143,054)
SDR	(945,625)	(610,178)	(945,625)	(610,179)
OTHER	202,063	86,598	199,871	81,641
GHS	(4,130,417)	(2,312,836)	(4,153,766)	(2,307,834)
TOTAL	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

The following significant exchange rates applied during the year:

Currency	Average Rate		Closing Rate	
	2015	2014	2015	2014
	GH¢	GH¢	GH¢	GH¢
US Dollar	3.7161	2.8975	3.7950	3.2001
GBP	5.6736	4.7628	5.6164	4.9893
EURO	4.1249	3.8139	4.1320	3.8813
SDR	5.2007	4.5517	5.2631	4.6363

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 2014.

	Profit or (Loss)/Equity	
	2015	2014
	GH¢'000	GH¢'000
US Dollar	(483,675)	(175,562)
GBP	(9,499)	(36,997)
EURO	5,776	9,817
SDR	94,562	61,017

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 Bank considers its stated capital and other reserves as its capital. The Central Bank's objective in managing capital and reserves is to ensure the Central Bank's ability to continue to perform its function as set by the Bank of Ghana Act, 2002, (Act 612).

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, 2002, (Act 612).

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.

Ghana International Bank, the material subsidiary's banking operations are directly supervised by its local regulators. For this subsidiary, the directors regard share capital and reserves as its capital for capital management purposes and its principal objectives in managing capital are to ensure it is sufficient to participate in lines of business and to meet capital adequacy requirements of the Prudential Regulatory Authority in the United Kingdom. Regulatory capital adequacy requirements were met during the year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

37. NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(a) The Bank

Reconciliation of operating profit to net cash flow from Operating activities

	2015 GH¢'000	2014 GH¢'000
Profit before tax	1,020,037	899,353
Adjustments for:		
Depreciation of property, plant and equipment	30,060	26,391
Amortisation of intangible assets	2,963	824
Impairment on loans and advances	29,374	68,864
Loss/(profit) on disposal of property and equipment	157	(2,605)
Revaluation loss on foreign denominated borrowings	513,852	805,360
Effect of exchange rate fluctuations on cash held	(556,264)	(310,009)
Payment to research fund	-	(5,000)
Change in loans and advances	2,965,395	(4,326,495)
Change in securities	(1,013,246)	(5,215,643)
Change in prices of gold	(56,812)	(8,926)
Change in derivative instruments	(431,838)	(139,182)
Change in other assets	(268,712)	556,379
Change in IMF receivable	(117,294)	(690,189)
Change in investments	(21,175)	337
Change in deposit	(3,092,266)	8,139,969
Change in liabilities under Money Market Operations	2,541	(1,240,066)
Change in allocations of Special Drawing Rights	221,805	445,344
Change in other liabilities	426,086	(28,180)
Change in currency in circulation	1,791,337	1,537,639
Net cash generated from operating activities	**1,446,000**	514,165

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2015

(b) The Group

Reconciliation of operating profit to net cash flow from operating activities

	2015 GH¢'000	2014 GH¢'000
Profit before tax	1,090,255	984,982
Adjustments for:		
Depreciation of property, plant and equipment	35,353	27,529
Amortisation of intangible assets	3,554	824
Impairment on loans and advances	28,459	63,739
Loss/(profit) on disposal of property and equipment	145	(2,806)
Revaluation loss on foreign denominated borrowings	513,852	805,360
Translation difference	73,804	72,748
Effect of exchange rate fluctuations on cash held	(556,199)	(325,568)
Payment to research	-	(5,000)
Change in loans and advances	4,949,440	(5,191,022)
Change in securities	(343,625)	(5,101,678)
Change in prices of gold	(56,812)	(8,926)
Change in derivative instruments	(431,838)	(139,182)
Change in other assets	(273,251)	556,153
Change in IMF receivable	(117,294)	(690,189)
Change in investments	(30,133)	(14,217)
Change in deposit	(2,870,833)	9,055,336
Change in liabilities under Money Market Operations	2,541	(1,236,741)
Change in allocations of Special Drawing Rights	221,805	445,344
Change in other liabilities	461,423	(6,359)
Change in currency in circulation	1,791,337	1,537,639
Sale of interest to non-controlling interest	-	1,051
Tax paid	(21,018)	(20,206)
Net cash generated from operating activities	4,470,965	808,811

38. Events after Reporting Date

The directors have declared a dividend of GH¢500,000,000 (2014: GH¢600,000,000) 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).

39. Comparative Information

The comparative information have been reclassified, where applicable, to conform to the current year's presentation.

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