BANK OF GHANA

# ANNUAL REPORT 2016

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# ANNUAL REPORT 2016

Prepared and Edited
By
The Editorial Committee
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## MANDATE OF THE BANK

1 TO MAINTAIN STABILITY IN THE GENERAL LEVEL OF PRICES

2 TO ENSURE EFFICIENT OPERATIONS OF THE BANKING AND CREDIT SYSTEMS

3 TO SUPPORT GENERAL ECONOMIC GROWTH

# FOREWORD

The Ghanaian economy was confronted with difficult global and domestic conditions that posed challenges for the macro environment in the year under review. With tight monetary policy stance, however, inflationary pressures were contained and the foreign exchange market experienced relative stability.

Global growth was subdued as recovery in the advanced economies remained weak, economic activity in China slowed down, and some emerging markets and developing countries contracted on account of lower commodity prices and tighter external financing conditions. The United Kingdom's vote to leave the European Union also added to policy uncertainties, further dampening the global economic recovery process.

In addition to the global challenges, domestic factors such as petroleum production bottlenecks, weak private sector credit growth as well as negative business and consumer sentiments surrounding Ghana's general elections in December also affected growth. Overall, provisional estimates show that real GDP grew by 3.5 per cent against a target of 4.1 per cent for the year.

Headline inflation fell to 15.4 per cent after ending 2015 at 17.7 per cent and was within the inner band of the Monetary Policy Consultative Clause (MPCC) on inflation established under the Extended Credit Facility (ECF) arrangement with the IMF for end-December. The slowdown in inflation was supported by the tight monetary policy stance as well as the relative stability that had been achieved in the foreign exchange market for most part of 2016. Alongside the decline in headline inflation, core inflation, which excludes energy and utility prices, also declined from 18.6 per cent in 2015 to 14.6 per cent in December 2016 – an indication of easing inflationary pressures.

The Bank's inflation outlook for 2017 depends largely on developments in the global economy, international commodity prices, the domestic food situation and government efforts at unwinding the higher than budgeted fiscal deficit outturn for 2016. Tight monetary policy alongside fiscal consolidation is still needed to dampen inflation pressures and exchange rate volatility.

For the most part, the Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MPR) at 26 per cent, largely viewing the risks to inflation and growth as balanced. As the monetary policy stance remained tight and the exchange rate gained stability, inflation gradually began to ease and the balance of risk shifted away from inflation and more towards growth. With a subdued outlook on growth and the downside risks outweighing risks to inflation, the MPC at its November meeting reduced the MPR by 50 basis points, from 26 per cent to 25.5 per cent.

Despite the challenging economic environment in 2016, the banking system remained generally stable. Total assets of the industry increased, with the average capital adequacy ratio and net worth of the banks improving. Profitability, however, continued to decline as a result of high interest costs, high non-performing loans and high operating costs.

To deal with emerging risks and improve governance, the Bank introduced two new Acts: the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and the Ghana Deposit Protection Act, 2016 (Act 931). The Bank further issued a number of guidelines and directives to enhance safety and soundness of the financial institutions and the overall stability of the financial system.

The Bank also commenced the process of reviewing the Electronic Money Issuers and Agents' Guidelines and the Payment Systems Act, 2003 (Act 662) with the aim to consolidate them into one legislation, called Payment Systems and Services Bill. In line with the National Payment Systems Oversight Framework (2013), the Bank established the Payments Systems Council (PSC) to drive developments in the payment systems.

To improve access to financial services, the Bank approved a number of innovative products. In line with the E-money Issuers Guidelines (2015), the Bank approved the modalities for the payment of interest accrued on the float accounts to electronic money holders. The Bank also initiated a process to migrate all payment cards from magnetic stripe technology to Europay, Mastercard and Visa (EMV) technology, to enhance electronic card payment system security. Additionally, in 2016, Ghana Interbank Payment and Settlement Systems (GhIPSS) introduced an e-zwich international remittance platform.

In the year under review, the Bank restructured and repositioned a number of departments and started a process that would lead to the introduction of the Balanced Scorecard Methodology in its strategic planning and performance measurement.

A Vulnerability Assessment and Penetration Testing process and a Cybersecurity project were commenced, and an Anti-Money Laundering/ Combating Financing of Terrorism (AML/CFT) Policy was approved to preserve the integrity of Ghana's financial system.

The Bank made significant strides in driving inflation down and keeping the exchange rate relatively stable. None of these could have been achieved without the tireless efforts of the Board of Directors, members of the Monetary Policy Committee, Management and Staff. I am extremely grateful to all for the dedication and support.

Thank you.

Dr. Abdul-Nashiru Issahaku

# BOARD OF DIRECTORS


Dr. Abdul-Nashiru Issahaku
Governor


Mr. Millison K. Narh
First Deputy Governor


Dr. Johnson P. Asiama
Second Deputy Governor


Prof. Kwabena A. Anaman
Economist/Lecturer


Dr. Augustine Fritz Gockel
Economist


Dr. Kwame Ampofo Kusi
Treasury Analyst and Consultant


Hon. Cassiel Ato Forson
Chartered Accountant


Dr. Sr. Eugenia Amporfu
Economist


Dr. Kwadwo O. Agyeman
Legal Practitioner and Consultant


Mr. Godfrey M. Mwindaare
Investment Banker


Mrs. Emma Akua Bulley
Legal Practitioner


Mrs. Caroline Otoo
Secretary to the Board

# MANAGEMENT OF THE BANK

## TOP MANAGEMENT

Dr. Abdul-Nashiru Issahaku
Governor (Chairman)

Mr. Millison Narh
First Deputy Governor

Dr. Johnson P. Asiama
Second Deputy Governor

Mr. Franklin N. Belnye
Advisor

Mr. Yao A. Abalo
Advisor

Ms. Catherine Ashiley
Advisor

Mrs. Caroline Otoo
The Secretary

## HEADS OF DEPARTMENT

Mr. Stephen Amegashie
Governors

Mr. Felix Adu
Internal Audit

Mrs. Caroline Otoo
Secretary's

Mr. Yaw Afrifa-Mensah
Security

Mrs. Evelyn Kwatia
Financial Markets

Mrs. Peggy Osei-Tutu Dzodzomenyo
Banking

Mr. Edward Musey
Currency Management

Mr. Charles Brew-Hammond
Procurement & Transport

Mr. Madoc T. A. Quaye
Information, Documentation and Publications Services

Mr. Peter Ntsiful
Human Resource

Mr. Benjamin Addo
Estates & Projects

Mr. John Fummey
Information and Communication Technology

Ms. Gloria Quartey
Risk Management

Dr. Settor Amediku
Payment Systems

Mr. Raymond Amanfu
Banking Supervision

Mr. Joseph Amoa-Awuah
Other Financial Institutions Supervision

Dr. (Mrs) Esther Kitcher
Medical

Mr. Francis Blankson
Financial Stability

Mr. Anthony Ajavon
Legal

Mr. Stephen Sapati
Finance

Dr. Benjamin Amoah
Research

Mrs. Grace Akrofi
Statistics

Mr. Bernard Otabil
Communications

Mrs. Aku Orleans-Lindsay
Collateral Registry

## REGIONAL MANAGERS

Mr. Michael Kwesi Anyamesem
Kumasi, Ashanti Region

Mr. Victor Kodjo Atta Akakpo
Hohoe, Volta Region

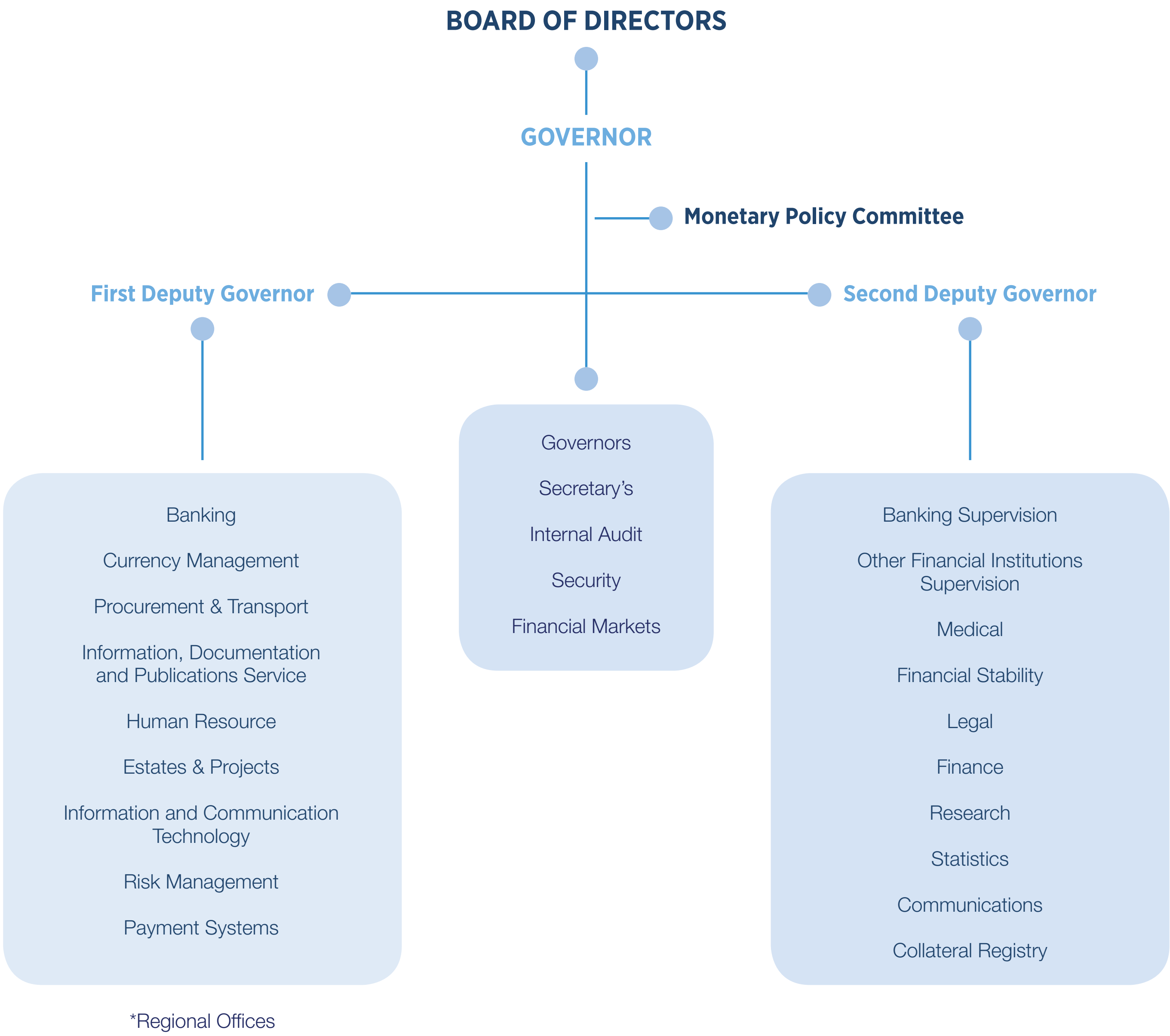
Mr. Kofi Okwaben Assan
Takoradi, Western Region

Ms. Felicia Manoba Bilijo
Tamale, Northern Region

Mr. John Gyamfi
Sunyani, Brong-Ahafo Region

Mr. Kwesi Arthur Donkor
Sefwi-Boako Currency Office
Western Region

# ORGANISATIONAL STRUCTURE




* All under Banking Department

# 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) as amended (Act 918) is the Board of Directors composed 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 four years and are eligible for re-appointment for another term only.

### 1.1.1 Membership of the Board

| | |
|---|---|
| Dr. Abdul-Nashiru Issahaku | Governor/Chairman |
| Mr. Millison Narh | First Deputy Governor |
| Dr. Johnson Pandit Asiama | Second Deputy Governor |
| Prof. Kwabena Asomanin Anaman | Non-Executive Director |
| Dr. Augustine Fritz Gockel | Non-Executive Director |
| Mrs. Emma Akua Bulley | Non-Executive Director |
| Dr. Kwadwo Owusu Agyeman | Non-Executive Director |
| Mr. Godfrey Morgin Mwindaare | Non-Executive Director |
| Dr. Kwame Ampofo Kusi | Non-Executive Director |
| Dr. Sr. Eugenia Amporfu | Non-Executive Director |
| Hon. Cassiel Ato Forson | Non-Executive Director |

### 1.1.2 Mandate

The Board is responsible for formulating policies necessary for the achievement of the bank's objectives.

### 1.1.3 Board Committees, Mandate and Membership

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

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

#### *Audit Committee*

The Committee has oversight responsibility for the establishment of the appropriate accounting procedures and controls for the Bank. It supervises and ensures compliance with statutory requirements, examines audit reports and makes appropriate recommendations for the consideration of the Board.

#### *Membership*

| | |
|---|---|
| Dr. Kwame Ampofo Kusi | Chairman |
| Mrs. Emma Akua Bulley | Member |
| Mr. Godfrey Morgin Mwindaare | Member |
| Mr. Millison Narh | Member |
| Dr. Johnson Pandit Asiama | Member |

#### *Human Resource, Corporate Governance and Legal Committee*

The Committee makes recommendations to the Board on policy matters relating to governance, human resource and legal issues including regulations, supervision, processes and operations to ensure compliance with statutory requirements and international standards.

#### *Membership*

| | |
|---|---|
| Dr. Kwadwo Owusu Agyeman | Chairman |
| Mrs. Emma Akua Bulley | Member |
| Prof. Kwabena Asomanin Anaman | Member |
| Mr. Millison Narh | Member |

#### *Economy and Research Committee*

The Committee is responsible for assessing and making policy recommendations on economic, banking and financial issues. It collaborates with departments of the Bank on research activities to enhance the quality of information available to the Board.

#### *Membership*

| | |
|---|---|
| Dr. Augustine Fritz Gockel | Chairman |
| Prof. Kwabena Asomanin Anaman | Member |
| Dr. Sr. Eugenia Amporfu | Member |
| Dr. Kwadwo Owusu Agyeman | Member |
| Dr. Johnson Pandit Asiama | Member |
| Hon. Cassiel Ato Forson | Member |

#### *Strategic Planning and Budget Committee*

The Committee provides policy direction on the formulation of strategy in the fulfillment of the Bank's mandate. It also has oversight responsibility for the Bank's budget.

#### *Membership*

| | |
|---|---|
| Mr. Godfrey Morgin Mwindaare | Chairman |
| Dr. Kwame Ampofo Kusi | Member |
| Dr. Augustine Fritz Gockel | Member |
| Dr. Sr. Eugenia Amporfu | Member |
| Dr. Johnson Pandit Asiama | Member |

## 1.2 The Monetary Policy Committee

### 1.2.1 Mandate

The Monetary Policy Committee (MPC) derives its mandate from Section 27 of the Bank of Ghana Act, 2002 (Act 612) as amended. The MPC is responsible for the formulation of the monetary policy of the Bank.

### 1.2.2 Membership

The Act stipulates a seven-member MPC comprising the Governor, the two Deputy Governors, the head of the department responsible for economic research, the head of the department responsible for financial markets and two other persons appointed by the Board, who are not employees of the Bank and with knowledge and experience relevant to the functions of MPC.

Members as at end-2016 were:

| | |
|---|---|
| Dr. Abdul-Nashiru Issahaku | Governor/Chairman |
| Mr. Millison Narh | First Deputy Governor |
| Dr. Johnson Pandit Asiama | Second Deputy Governor |
| Dr. Benjamin Amoah | Head, Research Dept. |
| Mrs. Evelyn Kwatia | Head, Financial Markets Dept.* |
| Dr. John Kwakye | External Member |
| Prof. Joshua Yindenaba Abor | External Member |

* Formerly Treasury Department

## MEMBERS OF THE COMMITTEE


Dr. Abdul-Nashiru Issahaku


Mr. Millison K. Narh


Dr. Johnson P. Asiama


Dr. Benjamin Amoah


Mrs. Evelyn Kwatia


Dr. John Kwakye


Prof. Joshua Y. Abor

# CHAPTER 2: DEVELOPMENTS IN THE GLOBAL ECONOMY

## 2.1 Overview

The global economy was broadly challenged, characterised by volatile commodity price movements, weak global demand, amid normalisation of monetary policy in the United States. The United Kingdom's vote to leave the European Union (or Brexit) in June increased volatility temporarily in financial markets. These factors heightened policy uncertainties and dampened global economic recovery.

## 2.2 World Output Growth

Growth outturn in advanced economies was low, while there was recession in some large emerging and developing economies on the back of tight external financial conditions and downturn in commodity prices. World output growth moderated to 3.1 per cent in 2016, from 3.2 per cent in 2015. Advanced and emerging & developing economies grew by 1.7 per cent and 4.1 per cent, respectively.

### 2.2.1 United States

After experiencing weak growth in the first half of 2016, economic activity in the United States improved slightly in the second half. In the third quarter, real GDP grew by 3.5 per cent, driven mainly by consumer spending, net exports, government spending, investment and inventories. However, the slowdown in business spending dampened the growth momentum. For the year as a whole, the United States economy recorded a modest growth of 1.6 per cent in 2016 compared with 2.6 per cent in 2015.

### 2.2.2 Europe

The Eurozone economy grew by 0.3 per cent in the third quarter of 2016, on the back of consumer and public spending. On an annual basis, real GDP growth in the Eurozone was 1.7 per cent in 2016, from 2.0 per cent in 2015. Also, the German economy grew by 1.8 per cent in 2016, from 1.5 per cent in 2015. Similarly, Italy registered a real GDP growth of 0.9 per cent from 0.7 per cent. However, growth declined marginally to 1.2 per cent from 1.3 per cent in France; while it remained unchanged at 3.2 per cent in Spain.

The United Kingdom showed signs of resilience despite projections of economic slowdown after Brexit. In the third quarter of 2016, real GDP increased by 0.6 per cent on account of increased exports and manufacturing, while household spending and business investments declined. On an annual basis, real GDP growth in the United Kingdom slowed to 1.8 per cent in 2016 compared with 2.2 per cent in 2015.

### 2.2.3 Emerging Markets and Developing Economies

Growth in emerging markets and developing economies was diverse. Growth in China was aided by continued policy stimulus, while some Latin American countries went into recession. In Russia, economic activity contracted by 0.2 per cent in 2016, showing a marginal improvement from the 3.7 per cent contraction in 2015. Similarly, the Brazilian economy remained in recession, contracting by 3.6 per cent and 3.8 per cent in 2016 and 2015, respectively. Growth in China slowed to 6.7 per cent in 2016 from 6.9 per cent in 2015. In view of these developments, growth in emerging and developing economies remained unchanged at 4.1 per cent in 2016.

### 2.2.4 Sub-Saharan Africa

Economic performance in Sub-Saharan Africa was adversely impacted by the fall in commodity prices and tight external financial conditions. Consequently, growth slowed in most resource-rich countries but increased in less resource-dependent countries. Overall, growth in Sub-Saharan Africa was estimated at 1.4 per cent in 2016, slower than the 3.4 per cent growth in 2015. The outturn partly reflected weak performance in Africa's two largest economies – Nigeria and South Africa.

The Nigerian economy contracted by 1.5 per cent in 2016, compared with 2.7 per cent growth in 2015, due to lower oil prices and production volumes, and tight foreign-exchange conditions. In South Africa, growth slowed to 0.3 per cent in 2016, from 1.3 per cent in 2015 as manufacturing shrank despite some improvement in mining, general government services and real estate activities.

## 2.3 Global Consumer Prices

In advanced economies, headline inflation edged up to 0.7 per cent in 2016, from 0.3 per cent in 2015, mostly reflecting the rising food prices and energy costs, especially in the last quarter of 2016. Inflation in emerging markets and developing economies moderated to 4.4 per cent in 2016, from 4.7 per cent in 2015, largely on the back of the slowdown in commodity prices.

Headline inflation in the United States increased to 2.1 per cent in December 2016 from 0.8 per cent in December 2015. This represented the highest inflation rate since June 2014, underscored by increasing costs of housing and energy. In the United Kingdom, consumer price inflation accelerated to 1.6 per cent in 2016 from 0.2 per cent in 2015, driven mainly by rising costs of transport, housing and utilities coupled with a weak pound sterling. Consumer price inflation in the Eurozone increased to 1.1 per cent in December 2016 from 0.2 per cent in 2015, mainly boosted by rising prices of fuels, especially in the last quarter of 2016. Inflation in Japan also increased marginally to 0.3 per cent in 2016, from 0.2 per cent in 2015, mainly due to rising fresh food prices.

In South Africa, annual inflation went up to 6.8 per cent in December 2016 from 5.2 per cent in December 2015, on account of higher costs of food and non-alcoholic beverages, housing and utilities, and transport. Inflation in Nigeria accelerated to 18.5 per cent in December 2016, from 9.6 per cent in December 2015. The general rise in prices was due to the pass-through effects of the depreciation of the naira on food, housing and utilities and transport.

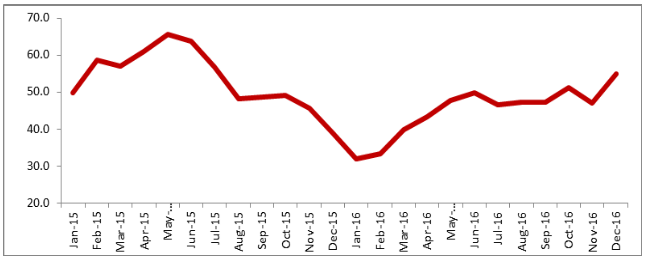
## 2.4 Commodity Markets

Developments in international commodity prices were mixed in 2016. The observed trends in prices were influenced by a myriad of factors including heightened policy uncertainties surrounding Brexit and the US presidential election, weak global demand, US Federal rate hikes, a strong US dollar and moderate growth in emerging market economies.

### 2.4.1 Crude Oil

Crude oil prices increased steadily in the first half of the year, from US$31.9 per barrel in January 2016, one of the lowest prices in recent years. However, it became volatile between July and November amid uncertainties surrounding the post-Brexit vote and the US presidential election. The price subsequently picked up in December to end 2016 at US$54.9 per barrel, indicating a year-on-year growth of 41.1 per cent. The rebound in crude oil prices in December was supported by the agreement among major producers to scale back production levels.

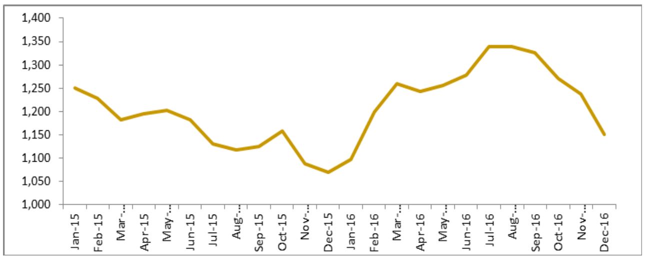
*Chart 2.1: International Crude Oil Prices (US$/bbl), Jan 2015 – Dec 2016*




### 2.4.2 Gold

Gold prices strongly rebounded in the first eight months of 2016, reversing the downward trend in 2015. The pickup was as a result of weak global growth during the first half of 2016, especially in the advanced economies, alongside uncertainties surrounding Brexit and the US presidential election. However, gold prices declined steadily in the fourth quarter of 2016 as the US dollar strengthened and US Federal interest rate hikes commenced. The average gold price increased by 7.7 per cent to US$1,151.2 per fine ounce from US$1,069.4 per fine ounce recorded at the end of 2015.

*Chart 2.2: International Gold Prices (US$/fine ounce), Jan 2015 – Dec 2016*




### 2.4.3 Cocoa

Cocoa prices declined in January and February 2016 but the trend quickly reversed between March and April amid concerns about prolonged dry weather conditions and projected supply deficit for the 2015/16 crop season. Cocoa prices subsequently remained bearish for the rest of the year, averaging US$2,268.4 per tonne compared with US$3,301.0 per tonne in 2015. The downturn in prices in the second half of the year was influenced by market expectations of a production surplus for the 2016/17 crop season on the back of improved weather conditions in West Africa.

*Chart 2.3: Developments in International Cocoa Prices (US$/tonne), Jan 2015 – Dec 2016*

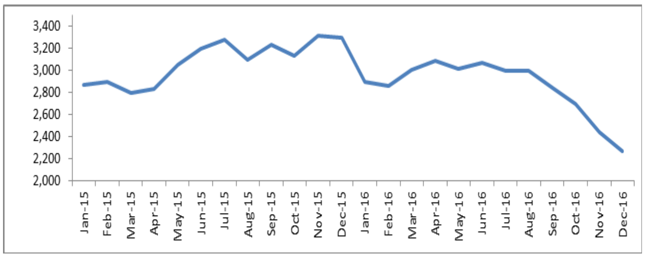


*Table 2.1: World Economic Indicators*

| | Year-on-Year (%) | | | |
|---|---|---|---|---|
| | Actual | | | Projections |
| | 2015 | 2016 | 2017 | 2018 |
| **World Output** | **3.2** | **3.1** | **3.5** | **3.6** |
| **Advanced Economies** | **2.1** | **1.7** | **2.0** | **2.0** |
| United States | 2.6 | 1.6 | 2.3 | 2.5 |
| Euro Area | 2.0 | 1.7 | 1.7 | 1.6 |
| Germany | 1.5 | 1.8 | 1.5 | 1.5 |
| France | 1.3 | 1.2 | 1.4 | 1.6 |
| Italy | 0.7 | 0.9 | 0.7 | 0.8 |
| Spain | 3.2 | 3.2 | 2.6 | 2.1 |
| Japan | 1.2 | 1.0 | 0.6 | 0.6 |
| United Kingdom | 2.2 | 1.8 | 2.0 | 1.5 |
| **Emerging Market and Developing Economies** | **4.1** | **4.1** | **4.5** | **4.8** |
| Russia | **-3.7** | **-0.2** | **1.4** | **1.2** |
| China | 6.9 | 6.7 | 6.6 | 6.2 |
| India | 7.6 | 6.8 | 7.2 | 7.7 |
| Brazil | -3.8 | -3.6 | 0.2 | 1.7 |
| **Sub-Saharan Africa** | **3.4** | **1.4** | **2.6** | **3.5** |
| South Africa | 1.3 | 0.3 | 0.8 | 1.6 |
| Nigeria | 2.7 | -1.5 | 0.8 | 1.9 |
| **World Trade Volume (goods & services)** | 2.7 | 2.2 | 3.8 | 3.9 |
| Advanced Economies | 4.0 | 2.4 | 4.0 | 4.0 |
| Emerging Market and Developing Economies | 0.3 | 1.9 | 4.5 | 4.3 |
| **Commodity Prices (US Dollars)** | | | | |
| Oil | -47.2 | -15.7 | 28.9 | -0.3 |
| Non-Oil | -17.4 | -1.9 | 8.5 | -1.3 |
| **Consumer Prices** | | | | |
| Advanced Economies | 0.3 | 0.8 | 2.0 | 1.9 |
| Emerging Markets and Developing Economies | 4.7 | 4.4 | 4.7 | 4.4 |

*Source: IMF World Economic Update, April 2017*

# CHAPTER 3: DEVELOPMENTS IN THE GHANAIAN ECONOMY

## 3.1 Overview

The Ghanaian economic environment was broadly challenging for policy management in 2016. In the first half, upward adjustments in ex-pump prices of petroleum products, transport costs and utility tariffs heightened inflation pressures. However, in the second half inflation pressures eased as the pass-through effects of higher ex-pump and utility prices waned and monetary policy remained tight to steer inflation towards the medium-term target band of 8±2 per cent.

Unfavourable business and consumer sentiments prevailed, as the 2016 general elections approached. Also, fiscal slippages resulting from rising interest costs, low oil revenues, weak global demand, volatile commodity prices and tight external financing conditions posed challenges to the economy. Additionally, the lingering power sector crisis adversely affected domestic growth conditions.

Growth in broad money supply declined mainly on account of reduced growth in Net Domestic Assets. Total credit growth of Deposit Money Banks (DMBs) also declined, reflecting

*Table 3.1: Selaected Economic Indicators*

| Indicators | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| | *(Annual percentage change; unless otherwise indicated)* | | | | |
| **National Income and Prices** | | | | | |
| Agriculture | 2.3 | 5.2 | 4.6 | 2.5 | 3.6 |
| Industry | 11.0 | 66.0 | 0.8 | 1.0 | -1.2 |
| Services | 12.1 | 10.3 | 5.6 | 5.2 | 5.9 |
| **Real GDP (incl. Oil)** | **9.3** | **7.3** | **4.2** | **3.9** | **3.5*** |
| **Real GDP (excl. Oil)** | **8.6** | **6.7** | **4.1** | **4.1** | **4.6*** |
| **Nominal GDP (GH¢' M)** | **75,315.0** | **94,939.0** | **113,343.0** | **138,747.8** | **167,315.5** |
| **Consumer price index (end of period)** | | | | | |
| Overall | 8.8 | 13.5 | 17.0 | 17.7 | 15.4 |
| Food | 3.9 | 7.2 | 6.8 | 8.0 | 9.7 |
| Non-food | 11.6 | 18.1 | 23.9 | 23.3 | 18.2 |
| **Exchange rate (end of period)** | | | | | |
| GH¢/USD | 1.8800 | 2.2000 | 3.2001 | 3.7944 | 4.2002 |
| GH¢/GBP | 3.0574 | 3.6715 | 4.9791 | 5.6265 | 5.1965 |
| GH¢/Euro | 2.4769 | 3.0982 | 3.8959 | 4.1514 | 4.4367 |
| **Money and credit** | | | | | |
| Reserve Money | 36.0 | 15.1 | 30.2 | 24.2 | 29.6 |
| Broad Money Supply (M2) | 22.9 | 18.2 | 33 | 26.6 | 24.6 |
| Broad Money Supply (M2+) | 24.3 | 19.1 | 36.8 | 26.1 | 22 |
| Credit to the private sector | 34.1 | 28.6 | 42.1 | 24.7 | 14.4 |
| Real Credit to the private sector | 23.2 | 13.3 | 21.9 | 5.9 | -0.8 |
| **Interest Rates (%)** | | | | | |
| Monetary Policy rate | 15.0 | 16.0 | 21.0 | 26.0 | 25.5 |
| Interbank rate | 17.5 | 16.3 | 23.9 | 25.3 | 25.3 |
| 91-Day treasury bill rate | 23.1 | 18.8 | 25.8 | 23.1 | 16.4 |
| 182-Day treasury bill rate | 23.0 | 18.8 | 26.4 | 24.4 | 17.6 |
| 1-year treasury note rate | 22.9 | 17.0 | 22.5 | 22.75 | 21.5 |
| 2-year treasury note rate | 23.0 | 16.5 | 23.0 | 23.3 | 22.5 |
| Average lending rate | 25.7 | 25.6 | 29.0 | 27.5 | 31.2 |
| 3-month average Deposit rate | 12.5 | 12.5 | 13.9 | 13.0 | 13.0 |
| lending - deposit rate spread | 13.2 | 13.1 | 15.1 | 14.5 | 18.2 |
| **External Sector (Cummulative)** | | | | | |
| Exports of Goods and Services (US$' m) | 13,552.3 | 13,751.9 | 13,217.0 | 10,321.0 | 11,061.0 |
| Imports of Goods and Services (US$' m) | 17,763.2 | 17,600.3 | 14,600.0 | 13,465.0 | 12,750.0 |
| Trade balance (US$' m) | -4,211.0 | -3,848.0 | -1,383.0 | -3,144.0 | -1,689.2 |
| Current account balance (US$' m) | -5,168 | -5,784 | -3,704 | -2,845 | -2,814.0 |
| per cent of GDP | -12.5 | -11.9 | -9.2 | -7.5 | -6.3 |
| Overall Balance of Payments (US$' m) | -669.2 | -874.2 | -86.1 | -16.7 | 247.4 |
| **Commodity Prices (International)** | | | | | |
| Cocoa ($/tonne) | 2,365 | 2,779 | 2,914 | 3,301 | 2,268.4 |
| Gold ($/ounce) | 1,679 | 1,223 | 1,199 | 1,069 | 1,151.2 |
| Crude Oil ($/barrel) | 109.2 | 110.6 | 64.8 | 38.9 | 54.9 |
| **Gross Foreign Assets (US$ m)** | 5,442 | 5,632.2 | 5,461.0 | 5,885.0 | 6,161.6 |
| months of import cover | 2.9 | 3.6 | 3.8 | 3.5 | 3.5 |
| **Gross international reserves (US$ m)** | 5,348 | 5,550 | 4,350 | 4403 | 4862 |
| months of import cover | 2.9 | 3.0 | 2.5 | 2.6 | 2.8 |
| **Net international reserves (US$ m)** | 3,684.8 | 3,286.0 | 3,199.0 | 3,094.0 | 3,431.0 |
| **External Debt (US$' m)** | 9,153.6 | 11,461.2 | 12,968.2 | 15,781.9 | 16,461.0 |
| **Government Budget (% of GDP)** | | | | | |
| Domestic Revenue | 21.2 | 19.7 | 21.3 | 21.0 | 19.3 |
| Grants | 1.6 | 0.8 | 0.7 | 1.9 | 0.7 |
| Total Expenditure | 28.6 | 29.9 | 28.4 | 27.6 | 30.3 |
| Overall Balance (Including Divestiture) | -11.5 | -11.0 | -10.3 | -6.3 | -7.8 |
| Domestic Primary Balance | -1.6 | -1.7 | 3.2 | 4.2 | -2.6 |

** Provisional estimates*

moderation in the growth of credit to the private sector. Interest rates on the auction market trended downwards, leading to a realignment of the yield curve.

In the external sector, the balance of payments recorded a surplus, the first in five years, mainly on account of improved current account position that resulted from increased export receipts and a decline in the import bill. The Ghana cedi remained relatively stable against the major currencies during the year under review due to the tight monetary policy stance and improved foreign exchange inflows.

## 3.2 Monetary Policy

### 3.2.1 Monetary Policy Committee Meetings

The Monetary Policy Committee (MPC) held six meetings in 2016. The Monetary Policy Rate (MPR) was maintained at 26.0 per cent at the January, March, May, July and September meetings but was reduced by 50 basis points to 25.5 per cent in November. The tight monetary policy stance was influenced by several factors including upward adjustments in ex-pump prices of petroleum products, utility tariffs and transport fares, and their second round effects on domestic prices.

*Table 3.2: Monetary Policy Decisions in 2016*

| MPC Date | Policy Decision | MPR (%) |
|---|---|---|
| 22 – 25 January | Remained unchanged | 26.0 |
| 13 – 16 March | Remained unchanged | 26.0 |
| 13 – 15 May | Remained unchanged | 26.0 |
| 15 – 18 July | Remained unchanged | 26.0 |
| 16 – 19 September | Remained unchanged | 26.0 |
| 18 – 21 November | Policy rate reduced by 50 bps | 25.5 |

### 3.2.2 Summary of MPC Deliberations

#### *January Meeting*

At its first meeting, the Committee observed slower pace of growth compared with the previous year. However, in the medium term, growth conditions were expected to recover, supported by a sustained improvement in the energy situation, anticipated increased production of oil and gas and a general improvement in the macroeconomic environment. These notwithstanding, there were risks to the growth outlook, which included continuing tightness in the monetary and fiscal policy stance, weak consumer confidence, falling commodity prices and a slack in global growth.

In assessing the inflation outlook, the Committee observed that inflation showed some deceleration in 2015 on account of tight monetary and fiscal policies, alongside relative stability in the cedi. However, it noted with concern the rising core[1] inflation, reflecting underlying inflation pressures. In the Committee's view, the upside risks to inflation included possible second round effects of the unanticipated petroleum price adjustment and deteriorating external financing conditions. The downside risks to inflation included the tight policy stance, alongside stability in the exchange rate and improvements in the energy situation.

The Committee concluded that risks to growth and inflation were balanced and therefore maintained the MPR at 26.0 per cent.

[1] *Core inflation refers to CPI inflation excluding energy and utility prices*

#### *March Meeting*

The MPC noted that inflation expectations were still high, observing that headline inflation increased significantly in January 2016, driven largely by the impact of the hikes in utility tariffs and the imposition of levies on petroleum products. However, in February, headline inflation declined marginally on the back of lower non-food inflation, supported by stability in the exchange rate. The MPC observed that core inflation declined slightly relative to December 2015, reflecting some easing of underlying inflation pressures. The upside risks to the inflation outlook included possible second round effects of the upward adjustment of transport fares.

The Committee also noted that general economic growth conditions were subdued due to tight policy stance, declining private sector credit extension and lingering energy crisis. However, the Committee observed positive business and consumer sentiments. On the external sector, slower global demand, volatilities in the commodity and financial markets amid tight financial conditions posed risks to both inflation and growth.

The MPC maintained the rate at 26.0 per cent.

#### *May Meeting*

The Committee observed that headline inflation rose sharply to 19.2 per cent in March on the back of lagged effect of the upward adjustment in transport fares. However, in April, headline inflation declined to 18.7 per cent, driven largely by a slowdown in non-food inflation, which was supported by exchange rate stability. Core inflation picked up in March but returned to the declining path in April. The Committee also noted that consumer, business and financial sector inflation expectations declined in April, underpinned by the stability in the foreign exchange market and improved energy supply. It also observed that the upside risks to inflation included the possible upward adjustment in utility tariffs, petroleum product prices and their potential second round effects.

The MPC noted moderate pickup in economic activity, alongside positive business and consumer sentiments, supported by relative stability in the cedi and significant improvement in power supply. The growth outlook remained positive, but was dependent on sustained improvement in power supply, continued exchange rate stability and additional oil and gas production. The downside risks, however, included tight external financing conditions and continued tightness in the fiscal stance.

The Committee, therefore, maintained the MPR at 26.0 per cent.

#### *July Meeting*

It was noted that headline inflation rose again in May, driven by the pass-through effects of upward adjustment in ex-pump prices of petroleum products. However, it declined in June, underpinned by a slowdown in non-food inflation, tight monetary policy stance and exchange rate stability. Core inflation stabilised in June, indicating subdued underlying pressures. In contrast, inflation expectations picked up marginally due to recurring power supply challenges. In assessing the outlook, the Committee noted that the expected disinflation process remained largely dependent on sustained tight monetary and fiscal stance, continued stability in the foreign exchange market and slowdown in food inflation. The upside risks to inflation included possible upward adjustment in petroleum product prices, transport fares, utility tariffs and the potential second round effects.

On growth, the Bank's real Composite Index of Economic Activity (CIEA) signaled a modest pickup in economic activity in the second quarter of 2016, albeit slower than it was in the same period of 2015. The Committee noted that growth prospects for the second half of 2016 would largely depend on stability in the foreign exchange market and realisation of additional oil and gas production from the Tweneboa, Enyenra and Ntomme (TEN) oil fields. Additionally, risks to the outlook included tight financing conditions, post-Brexit uncertainties, electricity supply shortfalls and continued fiscal tightness. The Committee considered the risks to inflation and growth to be balanced.

The Committee maintained the MPR at 26.0 per cent.

## *September Meeting*

The Committee noted that headline inflation continued to decline, but still remained high relative to the medium-term target of 8 per cent with a tolerance band of ±2 per cent. The Committee further observed that core inflation, however, continued to trend downwards, while inflation expectations eased on the back of continued stability of the Ghana cedi. The expected disinflation process was still dependent on the continued monetary and fiscal policy tightness, coupled with sustained stability in the foreign exchange market. The upside risks to the inflation outlook were the unanticipated shocks, especially with regards to the upward adjustments in petroleum and utility prices and their second round effects.

CIEA for July indicated some pickup in economic activity compared with the corresponding period in 2015. Growth conditions were expected to improve over the medium-term, supported by the sustained improvement in the power sector and increased oil and gas production. Headwinds to growth were identified as tight fiscal consolidation, declining private sector credit, delayed recovery in international commodity prices and subdued global growth.

The Committee therefore maintained the MPR at 26.0 per cent.

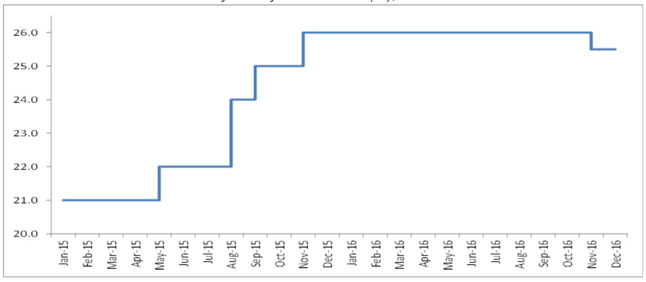
## *November Meeting*

The Committee observed that headline inflation edged up slightly in September but declined sharply in October due to a slowdown in non-food inflation. Core inflation continued to decline, reflecting easing inflation pressures. The Committee noted that upside risks to inflation were diminishing, supported by continued decline in the underlying inflation pressures, sustained stability in the foreign exchange market and low aggregate demand conditions.

Domestic growth conditions continued to deteriorate, underpinned by weak global demand, falling commodity prices, disruptions in oil and gas production and weak private sector credit expansion due to tight credit stance. These conditions were expected to persist in the outlook.

Against this background, the Committee was of the view that the balance of risks was tilted towards growth than inflation and therefore reduced the policy rate by 50 basis points to 25.5 per cent.

*Chart 3.1: Monetary Policy Rate Trend (%), Jan 2015 – Dec 2016*




## 3.3 Developments in Money, Credit and Interest Rates

### 3.3.1 Money Supply

Broad money supply, including foreign currency deposits (M2+), stood at GH¢59,692.1 million at the end of December 2016, indicating year-on-year growth of 22.0 per cent, compared with 26.1 per cent in 2015. Net Foreign Assets (NFA) growth was 29.8 per cent in December 2016 compared with 28.1 per cent in December 2015.

The decline in the growth of M2+ was mainly driven by Net Domestic Assets (NDA), which recorded year-on-year growth of 19.5 per cent as against 25.5 per cent in December 2015. The decomposition of NDA showed that net claims on government increased by 43.3 per cent, compared with contraction of 10.5 per cent in 2015. Net claims on the public sector also grew by 65.9 per cent as against contraction of 15.2 per cent in 2015. However, growth in claims on the private sector slowed to 8.0 per cent from 30.4 per cent the previous year.

The slower growth in total liquidity in 2016 reflected in all components, with the exception of demand deposits. Foreign currency deposits declined to 14.2 per cent from 24.5 per cent on the back of slower depreciation of the Ghana cedi; currency outside banks also declined to 14.2 per cent in 2016, relative to 23.3 per cent growth in 2015; savings and time deposits fell from 34.8 per cent to 25.5 per cent; demand deposits, however, increased by 27.3 per cent in 2016 compard to 20.8 per cent in 2015.

Broad money supply excluding foreign currency deposits (M2) grew by 24.6 per cent in 2016, marginally lower than 26.6 per cent growth in 2015. Reserve money registered an annual growth of 29.6 per cent at the end of 2016, compared with 24.2 per cent in 2015. Growth in NDA of the Bank of Ghana was strong mainly on account of net claims on government and the private sector, while growth in NFA recorded a marginal decline.

*Table 3.3: Monetary Indicators (GH¢' million)*

| | Levels | | | Variations (year-on-year) | | | |
|---|---|---|---|---|---|---|---|
| | | | | As at end-Dec 2015 | | As at end-Dec 2016 | |
| **Indicator** | **Dec-14** | **Dec-15** | **Dec-16** | **abs** | **per cent** | **abs** | **per cent** |
| Reserve Money | 11784.6 | 14,636.3 | 18,968.0 | 2,851.6 | 24.2 | 4,331.7 | 29.6 |
| Narrow Money (M1) | 17257.6 | 21,018.3 | 26,076.4 | 3,760.7 | 21.8 | 5,058.1 | 24.1 |
| Broad Money (M2) | 27530.2 | 34,860.9 | 43,452.5 | 7,330.7 | 26.6 | 8,591.6 | 24.6 |
| **Broad Money (M2+)** | **36,843.2** | **46,455.3** | **56,692.1** | **9,612.1** | **26.1** | **10,236.9** | **22.0** |
| Currency with the Public | 6,896.3 | 8,503.7 | 10,139.8 | 1,607.4 | 23.3 | 1,636.1 | 14.2 |
| Demand Deposits | 10,361.3 | 12,510.7 | 15,936.6 | 2,153.2 | 20.8 | 3,422.0 | 27.3 |
| Savings & Time Deposits | 10,272.6 | 13,842.6 | 17,376.1 | 3,570.1 | 34.8 | 3,533.5 | 25.5 |
| Foreign Currency Deposits | 9,313.0 | 11,594.4 | 13,239.6 | 2,281.4 | 24.5 | 1,645.3 | 14.2 |
| | | | | | | | |
| **Net Foreign Assets (NFA)** | **8,991.3** | **11,151.0** | **14,946.6** | **2,523.4** | **28.1** | **3,431.9** | **29.8** |
| BOG | 8,677.8 | 10,318.0 | 11,880.1 | 1,640.2 | 18.9 | 1,562.1 | 15.1 |
| DMBs | 313.5 | 1,196.7 | 3,066.5 | 883.2 | 281.7 | 1,869.8 | 156.2 |
| **Net Domestic Assets** | **27,851.9** | **34,940.6** | **41,745.5** | **7,088.7** | **25.5** | **6,805.0** | **19.5** |
| **Claims on Government (net)** | **14,344.7** | **12,845.2** | **18,411.2** | **(1,49925)** | **(10.5)** | **5,565.9** | **43.3** |
| BOG | 6,887.7 | 6,418.7 | 8,862.4 | (469.0) | (6.8) | 2,443.7 | 38.1 |
| DMBs | 7,457.0 | 6,426.5 | 9,548.8 | (1,030.5) | (13.8) | 3,12.3 | 48.6 |
| **Claims on Public Sector** | **5,059.5** | **4,291.7** | **7,120.5** | **(767.8)** | **(15.2)** | **2,828.8** | **65.9** |
| BOG | 2,077.7 | 2,057.0 | 1,834.1 | (20.7) | (1.0) | (222.9) | (10.8) |
| DMBs | 2,981.8 | 2,234.7 | 5,286.4 | (747.1) | (25.1) | 3,051.7 | 13.6 |
| **Claims on Private Sector** | **21,649.6** | **28,220.4** | **30,487.4** | **6,570.8** | **30.4** | **2,267.0** | **8.0** |
| BOG | 606.9 | 408.3 | 503.9 | (198.6) | (32.7) | 95.6 | 23.4 |
| DMBs | 21,042.7 | 27,812.1 | 29,983.5 | 6,769.4 | 32.2 | 2,171.4 | 7.8 |
| **Other Items (Net) (OIN)** | **-13,201.9** | **-10,416.8** | **-14,273.5** | **2,785.1** | **(21.1)** | **(3,856.7)** | **37.0** |

## 3.3.2 Deposit Money Banks Credit

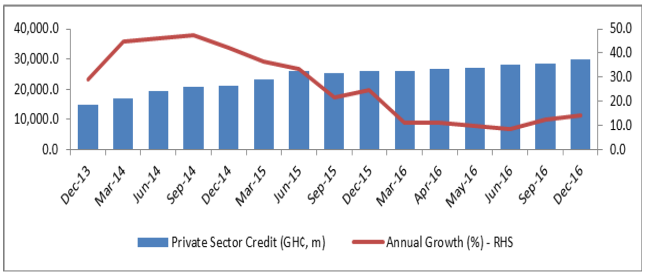
Deposit Money Banks' (DMBs) total credit increased to GH¢35,409.0 million, representing 17.6 per cent year-on-year growth in 2016, compared with 24.9 per cent in 2015. This was in response to continued monetary policy tightness during the year. Similarly, annual growth in private sector credit moderated to 14.4 per cent in 2016, from 24.5 per cent in 2015. In real terms, private sector credit contracted by 0.8 per cent in 2016, as against annual growth of 5.8 per cent in 2015.

The distribution of the credit flow remained broad-based but tilted towards three main sectors namely, Commerce & Finance (19.8%), Services (15.8%) and Electricity, Gas & Water (9.7%). By type of holder, indigenous enterprises accounted for the dominant share of 61.2 per cent of the total outstanding credit, followed by the household and foreign enterprises sectors with 13.4 and 9.0 per cent, respectively.

*Table 3.4: DMBs Credit: Sectoral Distribution*

| | | | | Year-On-Year Variation (%) | | |
|---|---|---|---|---|---|---|
| | **Dec-14** | **Dec-15** | **Dec-16** | **Dec-14** | **Dec-15** | **Dec-16** |
| Public Sector | 3,059.2 | 3,896.0 | 5,425.5 | 38.7 | 27.4 | 39.3 |
| Private Sector | 21,042.7 | 26,203.1 | 29,983.5 | 42.6 | 24.5 | 14.4 |
| Agric, For. & Fish | 890.1 | 1,020.7 | 1,130.6 | 66.1 | 14.7 | 10.8 |
| Export Trade | 226.8 | 145.0 | 162.3 | 73.7 | (36.1) | 11.9 |
| Manufacturing | 1,963.9 | 2,363.8 | 2,576.0 | 33.9 | 20.4 | 9.0 |
| Trans., Stor., & Comm. | 1,255.0 | 1,170.1 | 1,262.2 | 86.2 | (6.8) | 7.9 |
| Mining & Quarrying | 655.1 | 570.9 | 694.8 | 46.2 | (12.9) | 21.7 |
| Import Trade | 1,831.6 | 2,140.9 | 2,048.4 | 20.4 | 16.9 | (4.3) |
| Construction | 2,205.1 | 2,759.9 | 3,133.6 | 49.0 | 25.2 | 13.5 |
| Commerce & Finance | 3,070.7 | 4,309.0 | 7,013.4 | 26.7 | 40.3 | 62.8 |
| Elect., Gas & Water | 2,039.9 | 3,307.5 | 3,445.6 | 70.4 | 62.1 | 4.2 |
| Services | 4,719.6 | 5,866.5 | 5,591.1 | 26.5 | 24.3 | (4.7) |
| Miscellaneous | 2,184.7 | 2,548.9 | 2,925.5 | 90.0 | 16.7 | 14.8 |
| Total Outstanding Credit | 24,101.9 | 30,099.1 | 35,409.0 | 42.1 | 24.9 | 17.6 |

*Chart 3.2: DMB Credit to the Private Sector, 2013 Q4 – 2016 Q4*

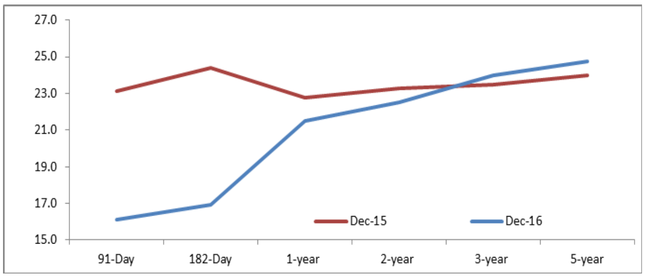



## 3.3.3 Interest Rates

Interest rates on the auction market broadly trended downwards, leading to a realignment of the yield curve by end-December 2016. The benchmark 91-day Treasury-bill rate declined to 16.8 per cent in 2016, from 22.5 per cent in 2015. Also, the 182-day Treasury-bill rate declined to 18.5 per cent in 2016 from 24.4 per cent in 2015. The 1-year note and the 2-year fixed note fell to 21.5 and 22.5 per cent in 2016, from 22.8 and 23.3 per cent, respectively, in 2015. However, the rates on 3-year and 5-year securities increased to 24.0 and 24.8 per cent, respectively, compared with 23.5, and 24.0 per cent in 2015. The 7-year bond and a new 10-year bond (issued in November 2016) remained unchanged at 18.0 and 19.0 per cent, respectively, in December 2016.

DMBs rates followed the general declining trend in interest rates, albeit with a lag. The average 3-month time deposit rate was unchanged at 13.0 per cent, with the savings rate declining by 3 basis points to 6.1 per cent in 2016. The average lending rate moved up to 31.2 per cent in December 2016 from 27.5 per cent in December 2015.

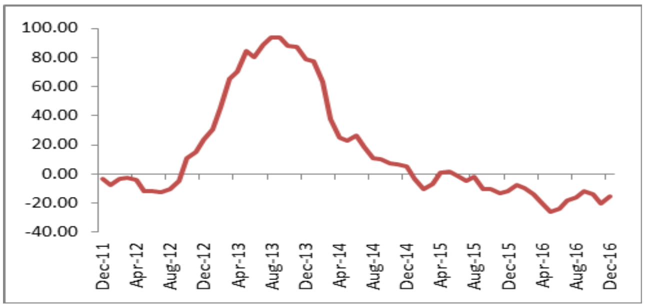
Chart 3.3: Yield Curve (%)




## 3.4 Stock Market Developments

Stock market activities remained bearish in the review year. This was mainly as a result of investor preference for high yielding money market instruments. Market trading was therefore subdued and the Ghana Stock Exchange Composite Index (GSE-CI) remained in negative territory in the face of declining equity prices. At the end of 2016, the GSE-CI lost 15.3 per cent to close at 1,689.09 points, compared with a loss of 11.7 per cent in 2015. Total market capitalization declined to GH¢52,691.0 million in 2016, from GH¢57,116.8 million in 2015, down by 7.7 per cent, mainly due to decline in equity prices.

Chart 3.4: GSE Composite Index (Year-on-Year, %)




## 3.5 Price Developments

Consumer price inflation increased from 17.7 per cent in December 2015 to 19.0 per cent in January 2016. It peaked at a 7-year high of 19.2 per cent in March before gradually trending down to 15.4 per cent in December. The sharp increase in inflation, especially in the first half of the year, resulted from the pass-through effects of upward adjustment in petroleum product prices, utility tariffs and transport fares.

However, the gradual decline in inflation during the second half of the year was attributed to lower non-food inflation. As a result of exchange rate stability and favourable base effects, non-food inflation declined to 18.2 per cent in December 2016 from 23.3 per cent in December 2015. In contrast, food inflation rose to 9.7 per cent in December 2016 from 8.0 per cent in December 2015, driven largely by higher prices in domestic food components.

Core inflation declined to 14.6 per cent in December 2016 from 18.6 per cent in December 2015, indicating easing of underlying inflation pressures. Consumer inflation expectation index declined to 79.6 in December 2016 from 87.8 in December 2015, while financial sector expectations of the rate of inflation declined to 14.8 per cent at end-2016 from 18.0 per cent a year earlier.

Chart 3.5: Headline Inflation: Components (Year-on-Year, %), Jan 2014 – Dec 2016

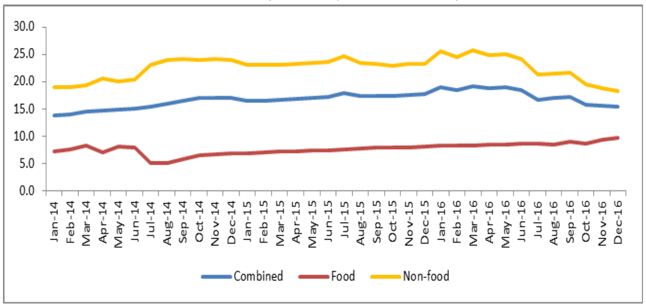
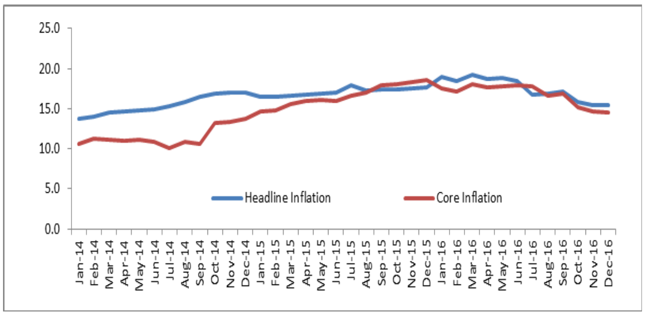



Chart 3.6: Core and Headline Inflation (Year-on-Year, %), Jan 2014 – Dec 2016




## 3.6 Real Sector Performance

Real GDP estimates show that the economy recorded a slower growth of 3.5 per cent on account of persistent energy crisis, rising cost of utilities, and declining international commodity prices coupled with oil production bottlenecks. The real GDP growth in 2016 was driven by Services (5.7%) and Agriculture (3.0%). Industry, however, contracted by 1.4 per cent. In terms of contribution to GDP, the Services sector dominated with 56.6 per cent (54.6% in 2015), followed by Industry with 24.3 per cent (25.3% in 2015), and Agriculture, 19.1 per cent (20.3% in 2015).

Table 3.5: GDP Growth Rates by Sector

| Sector | 2012 | 2013 | 2014 | 2015* | 2016** |
|---|---|---|---|---|---|
| Agriculture | 2.3 | 5.7 | 4.6 | 2.8 | 3.0 |
| Industry | 11.0 | 6.6 | 0.8 | -0.3 | -1.4 |
| Services | 12.1 | 10.0 | 5.6 | 6.3 | 5.7 |
| **Real GDP Growth (%)** | 9.3 | 7.3 | 4.0 | 3.8 | 3.5 |

* Revised figures for 2015 from Ghana Statistical Services;
** provisional figures

## 3.7 Fiscal Developments

### 3.7.1 Budgetary Outturn

The main objective of fiscal policy in 2016 was to further consolidate by enhancing revenues and rationalising expenditures. However, the sharp downturn in commodity prices and tight external financing conditions in the year impacted adversely on government finances and the overall deficit (cash, including discrepancy) turned out at 7.8 per cent of GDP, larger than the programmed target of 5.0 per cent of GDP.

Total government revenue and grants increased to GH¢33,678.2 million (20.0% of GDP) in 2016 compared with GH¢32,040.4 million (22.9% of GDP) in 2015. Government receipts fell below expectations due to lower tax revenues, oil revenues and grants. Tax revenue collections, including oil, summed up to GH¢25,728.7 million (15.2% of GDP) and was 10.8 per cent lower than targeted, due to the slower growth.

Total government expenditures increased to GH¢51,125.0 million (30.3% of GDP) in 2016 from the GH¢38,589.9 million (27.6% of GDP) in 2015. Recurrent expenditures continued to exert pressure on government finances, totalling GH¢43,447.0 million in 2016, compared to GH¢31,456.4 million, a year earlier. Of the recurrent expenditures, interest payments amounted to GH¢10,770.4 million (or 24.8%), while non-interest expenditures was GH¢32,676.5 million. Compensation of employees amounted to GH¢14,164.8 million, representing 32.6 per cent of recurrent expenditures and 43.5 per cent of domestic revenue.

These developments resulted in an overall deficit of GH¢17,446.9 million (10.3% of GDP) on commitment basis, compared with a programmed target of GH¢6,094.7 million (3.7% of GDP) for 2016. On cash basis, overall deficit (including discrepancy) was GH¢13,144.9 million (7.8% of GDP) compared with GH¢8,407.7 million (5.0% of GDP) programmed for the year. The deficit was financed mostly from domestic sources, amounting to GH¢10,184.7 million (77.5%), while foreign financing accounted for 22.5 per cent.

### 3.7.2 Composition of Domestic Debt

The stock of domestic debt at end-December 2016 stood at GH¢52,915.4 million (31.4% of GDP), compared with GH¢38,828.1 million (27.7% of GDP) at the end of 2015. The rise in the stock of domestic debt emanated from increases in short-, medium- and long-term securities by GH¢1,861.1 million, GH¢7,656.2million and GH¢4,570.0 million, respectively.

Disaggregation of the short-term component of the domestic debt stock indicated that the 91-day Treasury-bills rose by GH¢1,159.7 million and the 1-year Treasury note was up by GH¢1,738.7 million, while the outstanding 180-day bills reduced by GH¢1,037.2 million to GH¢7,112.4 million. For the medium-term intruments the 2-year and 3-year Fixed Treasury Notes increased by GH¢2,140.7 million and GH¢1,595.8 million respectively, while the 5-year bond also increased by GH¢2,971.4 million to GH¢7,787.3 million.

### 3.7.3 Holdings of Domestic Debt

Bank of Ghana's holdings stood at GH¢13,056.2 million (24.7% of total domestic debt) in 2016 compared with GH¢8,851.2 million (22.8%) in 2015. Deposit Money Banks (DMBs) held GH¢14,778.2 million (27.9%) compared to GH¢10,429.1 million (26.9%) at the end of December 2015. Social Security and National Insurance Trust's (SSNIT) holdings was GH¢1,463.4 million (2.8%), Insurance companies held GH¢179.0 million

*Table 3.6: Selected Fiscal Indicators, 2013 – 2016*

| | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| Taxes on income and property | 6,301.7 | 8,486.6 | 8,706.5 | 9,106.9 |
| per cent of GDP | 6.6 | 7.5 | 6.2 | 5.4 |
| Taxes on goods and services | 4,833.0 | 6,434.3 | 9,926.8 | 12,231.3 |
| per cent of GDP | 5.1 | 5.7 | 7.1 | 7.2 |
| Taxes on international trade | 3,173.0 | 4,308.9 | 5,507.6 | 4,390.4 |
| per cent of GDP | 3.3 | 3.8 | 3.9 | 2.6 |
| Tax revenue including oil | 14,307.7 | 19,229.8 | 24,140.9 | 25,728.7 |
| per cent of GDP | 15.1 | 17.1 | 17.3 | 15.2 |
| Tax revenue excluding oil (using oil revenue) | 13,550.3 | 17,879.1 | 24,096.1 | 25,686.6 |
| per cent of GDP | 15.1 | 16.7 | 17.2 | 15.2 |
| Nontax revenue | 4,265.4 | 4,483.4 | 4,921.4 | 4,882.4 |
| per cent of GDP | 4.5 | 4.0 | 3.5 | 2.9 |
| Domestic revenue including oil | 18,732.1 | 23,931.3 | 29,351.7 | 32,537.4 |
| per cent of GDP | 19.7 | 21.3 | 21.0 | 19.3 |
| Domestic revenue excluding oil | 17,974.8 | 22,580.7 | 27,920.6 | 31,826.4 |
| per cent of GDP | 20.1 | 21.1 | 21.1 | 19.2 |
| Grants | 739.4 | 814.1 | 2,688.8 | 1,140.7 |
| per cent of GDP | 0.8 | 0.7 | 1.9 | 0.7 |
| Total revenue and grants | 19,471.1 | 24,745.5 | 32,040.4 | 33,678.2 |
| per cent of GDP | 20.5 | 22.0 | 22.9 | 20.0 |
| Compensation of Employees | 9,479.1 | 10,466.8 | 12,111.2 | 14,164.8 |
| per cent of GDP | 10.1 | 9.3 | 8.7 | 8.4 |
| Goods and services | 1,449.1 | 1,776.6 | 1,388.2 | 3,220.8 |
| per cent of GDP | 1.5 | 1.6 | 1.0 | 1.9 |
| Interest payments | 4,397.0 | 7,080.9 | 9,075.3 | 10,770.4 |
| per cent of GDP | 4.6 | 6.3 | 6.5 | 6.4 |
| Subsidies | 1,158.1 | 473.7 | 25.0 | 0.0 |
| per cent of GDP | 1.2 | 0.4 | 0.0 | 0.0 |
| Non-Financial Assets (Capital Expenditure) | 5,742.0 | 6,095.7 | 7,133.6 | 7,678.1 |
| per cent of GDP | 6.1 | 5.4 | 5.1 | 4.5 |
| Total expenditure & net lending | 28,413.8 | 31,962.2 | 38,589.9 | 51,125.0 |
| per cent of GDP | 29.9 | 28.4 | 27.6 | 30.3 |
| Overall Budget Balance | -10,405.4 | -11,550.6 | -8,760.3 | -13,144.9 |
| per cent of GDP | -1.0 | -10.3 | -6.3 | -7.8 |
| Net Domestic Financing | 7,057.9 | 6,142.7 | 2,982.4 | 11,264.5 |
| per cent of GDP | 7.6 | 5.5 | 2.1 | 6.7 |
| Domestic Expenditure | 20,350.7 | 20,304.2 | 23,387.4 | 28,102.8 |
| per cent of GDP | 21.4 | 18.0 | 16.7 | 16.7 |
| Domestic Primary Balance | -1,618.6 | 3,627.2 | 5,565.6 | 4,434.6 |
| per cent of GDP | -1.7 | 3.2 | 4.2 | 2.6 |
| Stock of Domestic Debt | 26,665.8 | 34,620.9 | 38,828.1 | 52,915.4 |
| per cent of GDP | 28.1 | 30.7 | 27.7 | 31.4 |
| Nominal GDP (Including Oil)* | 93,461.0 | 112,610.6 | 139,936.0 | 168,752.7 |
| Nominal GDP (Excluding Oil) | 89,545.0 | 106,902.0 | 132,538.0 | 165,978.6 |

** Nomial GDP (Including Oil) used by the Ministry of Finance to compute the ratios.*

*Table 3.7: Composition of Domestic Debt (GH¢' Million), 2012 - 2016*

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **A. SHORT-TERM** | | | | | |
| 91-Day Treasury Bill | 3,573.9 | 4,620.4 | 7,939.4 | 9,317.9 | 10,477.6 |
| 182-Day Treasury Bill | 1,134.4 | 2,028.7 | 4,493.4 | 8,149.6 | 7,112.4 |
| 1-Year Treasury Note | 1,026.6 | 2,157.3 | 1,253.3 | 776.6 | 2,515.3 |
| Short term Advance | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **SUB-TOTAL (A)** | 5,734.9 | 8,806.4 | 13,686.1 | 18,244.1 | 20,105.2 |
| **B. MEDIUM TERM** | | | | | |
| 2-Year Fixed Treasury Note | 1,715.5 | 3,643.5 | 2,746.2 | 2,086.3 | 4,227.0 |
| 2-Year USD Domestic Bond | 0.0 | 0.0 | 0.0 | 0.0 | 395.9 |
| 3-Year Fixed Treasury Note | 4,963.7 | 4,817.2 | 5,061.4 | 5,062.8 | 6,658.6 |
| 3-Year Stock(SBG) | 29.9 | 29.9 | 0.0 | 0.0 | 0.0 |
| 3-Year Stock(SSNIT) | 370.1 | 529.4 | 1,281.8 | 1,073.6 | 1,137.0 |
| 3-Year Floating Treasury Note (SADA-UBA) | 202.5 | 202.5 | 202.5 | 0.0 | 0.0 |
| 5-Year GOG Bond | 1,667.9 | 2,317.9 | 2,790.2 | 3,508.6 | 6,480.0 |
| 5-year Golden Jubilee Bond | 41.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| 7-Year GOG Bond | 0.0 | 201.7 | 201.7 | 201.7 | 201.7 |
| 10-Year GOG Bond | 0.0 | 0.0 | 0.0 | 0.0 | 599.0 |
| GOG Petroleum Finance Bond | 80.0 | 80.0 | 80.0 | 80.0 | 80.0 |
| TOR Bonds | 682.0 | 682.0 | 682.0 | 80 | 572.0 |
| NPRA Stocks | 0.0 | 72.6 | 0.0 | 0.0 | 0.0 |
| **SUB-TOTAL (B)** | 9,752.7 | 12,576.8 | 13,045.9 | 12,695.1 | 20,351.3 |
| **C. LONG-TERM** | | | | | |
| Long Term Government Stocks | 2,377.2 | 4,811.0 | 7,417.4 | 7,417.4 | 11,987.4 |
| Telekom Malaysia Stocks | 109.5 | 109.5 | 109.5 | 109.5 | 109.5 |
| Revaluation Stock | 455.7 | 361.1 | 361.1 | 361.1 | 361.1 |
| Others Government Stocks | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| **SUB-TOTAL (C)** | 2,943.3 | 5,282.5 | 7,888.9 | 7,888.9 | 12,458.9 |
| **TOTAL(A+B+C)** | 18,431.0 | 26,665.8 | 34,620.9 | 38,828.1 | 52,915.4 |

*Table 3.8: Holdings of Domestic Debt (GH¢' Million), 2012 - 2016*

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **A. Banking sector** | 8,961.6 | 13,967.5 | 18,745.5 | 19,280.4 | 27,834.4 |
| Bank of Ghana | 3,769.7 | 6,280.2 | 9,293.5 | 8,851.2 | 13,056.2 |
| Deposit Money Banks | 5,191.8 | 7,687.3 | 9,452.0 | 10,429.1 | 14,778.2 |
| **B. Nonbank sector** | 4,530.0 | 6,941.5 | 9,900.7 | 12,830.3 | 13,486.6 |
| SSNIT | 668.5 | 707.5 | 1,563.6 | 1,502.6 | 1,463.4 |
| Insurance Companies | 46.2 | 48.5 | 63.3 | 80.9 | 179.0 |
| NPRA | 0.0 | 72.6 | 0.0 | 0.0 | 0.0 |
| Others Holders | 3,815.4 | 6,112.9 | 8,273.8 | 11,246.8 | 11,844.1 |
| Rural Banks | 424.6 | 456.0 | 494.1 | 567.5 | 633.3 |
| Firms & Institutions | 2,037.4 | 3,592.9 | 5,093.3 | 6,602.3 | 7,864.1 |
| Individuals | 1,353.4 | 2,064.0 | 2,686.4 | 4,077.1 | 3,346.8 |
| **C. Foreign sector (Non-Residents)** | 4,939.4 | 5,756.7 | 5,974.7 | 6,717.4 | 11,594.4 |
| **TOTAL (A+B+C)** | 18,431.0 | 26,665.8 | 34,620.9 | 38,828.1 | 52,915.4 |

(0.3%), and 'Other' holders comprising individuals, firms and institutions held GH¢11,844.1 million (22.4%). Non-resident holders accounted for GH¢11,594.4 million (21.9%).

## 3.8 External Sector Developments

A gradual rebound in international commodity prices resulted in significant improvement in export earnings in 2016. This, coupled with a lower import bill, improved the trade deficit to US$1,773.3 million, from a deficit of US$3,143.9 million in 2015. However, the Current Account position marginally deteriorated, and the Capital and Financial Accounts also deteriorated. These developments led to an overall balance of payments surplus of US$247.4 million (0.6% of GDP), compared with a deficit of US$15.9 million (0.04% of GDP) in 2015.

### 3.8.1 The Current Account

The current account deficit was US$2,832.1 million (6.6% of GDP) in 2016, compared with a deficit of US$2,823.6 million (7.5% of GDP) in 2015. Even though there was a significant improvement in the trade balance, the invisibles account worsened with higher net outflows from the services and income accounts and lower net inflows to the transfers account.

#### *Trade Balance*

The provisional trade balance for the year recorded a deficit of US$1,773.3 million (4.2% of GDP), indicating an improvement of US$1,370.5 million, compared to a deficit of US$3,143.9 million (8.3% of GDP) in 2015. This was a reflection of developments in both merchandise exports and imports.

#### *Merchandise Exports*

The value of merchandise exports was provisionally estimated at US$11,136.9 million (26.1% of GDP), representing an increase of 7.9 per cent, compared to the 2015 outturn of US$10,321.2 million.

### Gold

Gold exports during the review period amounted to US$4,919.5 million compared to US$3,212.6 million recorded in 2015. The rise in gold receipts was on account of both price and volume increases. The average realised price increased by 10.0 per cent to settle at US$1,280.0 per fine ounce, while the volume exported also increased by 39.2 per cent to 3,843,446 fine ounces.

### Crude Oil

The value of crude oil exported was estimated at US$1,345.2 million for the review period compared to US$1,931.3 million exported in 2015. Volume exported decreased by 19.9 per cent to 29,769,048 barrels in 2016. The average realised price of oil also decreased by 13.0 per cent to US$45.2 per barrel.

### Cocoa Beans and Products

Earnings from cocoa beans and products exported totalled US$2,572.2 million, compared to US$2,720.8 million in 2015. Earnings from cocoa beans amounted to US$1,923.3 million, a decrease of 2.4 per cent below the level recorded in 2015. Export volume of cocoa beans fell by 6.0 per cent to 614,772 tonnes, while prices recovered by 4.2 per cent to settle at US$2,887.5 per tonne. Earnings from the export of cocoa products decreased by 13.5 per cent to US$648.9 million, on account of a 19.4 per cent decrease in volume. Prices, however, increased by 7.4 per cent.

### Timber

Export of timber products increased from US$209.0 million in 2015 to a provisional estimate of US$254.3 million, reflecting a 21.8 per cent increase. The average realised price increased from US$568.7 per cubic meter to US$644.0 per cubic meter. The volume exported also increased from 367,059 cubic meters to 394,829 cubic meters.

### Others

The value of "Other" exports, which is made up of non-traditional exports and other minerals (bauxite, diamond and manganese), was estimated at US$2,046.1 million, which was 9.0 per cent lower than the 2015 outturn.

### Merchandise Imports

Total value of imports for 2016 amounted to US$12,910.2 million, (30.3% of GDP), down by 4.1 per cent or US$554.9 million. The decline in imports was due to decreases in the importation of both oil and non-oil goods.

### Oil Imports

The value of oil imports (including gas) fell by 10.8 per cent to US$1,825.0 million in 2016. Imports of finished oil products in 2016 fell by 22.2 per cent, from US$1,685.1 million to US$1,310.2 million due to decline in prices.

### Non - Oil Imports

The total non-oil merchandised imports (including electricity) for 2016 was provisionally estimated at US$11,085.2 million, compared to the 2015 outturn of US$11,418.3 million. The 2.9 per cent decline resulted from decreases in imports of Consumption and Intermediate goods. Imports of Capital and Other goods, however, increased marginally.

### Services, Income and Current Transfers

The Services, Income and Transfers Account recorded a deficit of US$1,058.7 million, compared to a surplus of US$320.2 million recorded in 2015. There were increases in net outflows (payments) in the services and income accounts, while the current transfers account recorded lower net inflows. The services accounts registered net outflows (payments) of US$1,293.3 million in 2016, compared to net outflows of US$1,166.6 million in 2015. The investment income account recorded a net outflow of US$1,222.1 million in 2016, against US$1,110.9 million in 2015. In the current transfers account, net private remittance inflows fell by 39.8 per cent to US$1,431.0 million, whilst net official grant inflows also fell from US$222.4 million to US$25.6 million in 2016.

## 3.8.2 Capital and Financial Account

The capital and financial account recorded a net inflow of US$2,767.8 million, representing a decrease of 11.4 per cent over the outturn for 2015.

### Capital Account

The capital account received an inflow of US$274.3 million in 2016, compared to an inflow of US$473.9 million in 2015.

### Financial Account

Transactions in the financial account recorded a net inflow of US$2,493.5 million, compared to an inflow of US$2,649.4 million in 2015. Foreign Direct Investments increased by 16.8 per cent to US$3,470.7 million. Net portfolio inflows, however, reduced by 38.5 per cent to US$553.7 million and net outflows of other investments increased by 25.3 per cent to US$1,530.9 million.

## 3.8.3 International Reserves

The country's gross international reserves increased by US$277.1 million to US$6,161.8 million, from a stock position of US$5,884.7 million at the end of December 2015. This was sufficient to provide 3.5 months of imports cover, compared with 3.8 months of imports cover at end-December 2015.

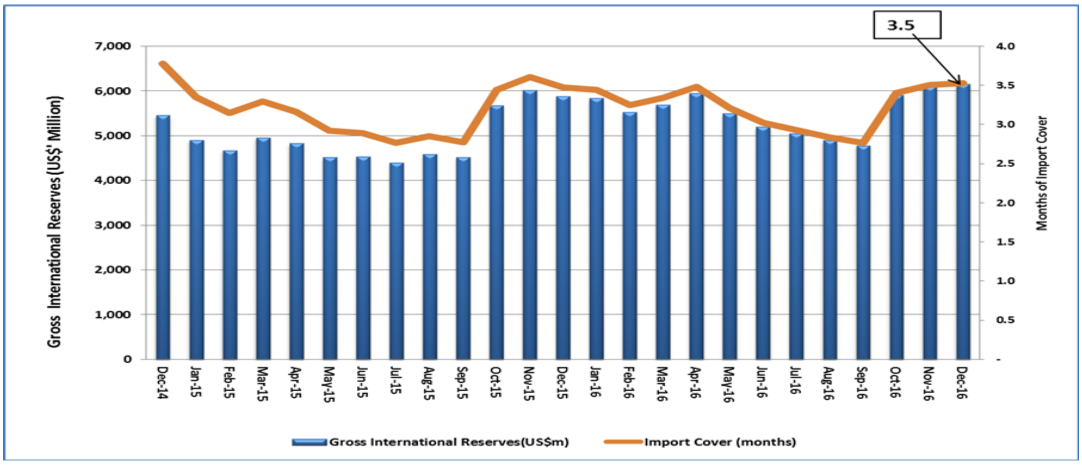
The stock of Net International Reserves (NIR) at the end of December 2016, was estimated at US$3,431.0 million, indicating a build-up of US$247.4 million from a stock position of US$3,183.6 million at the end of December 2015.

*Table 3.9: Developments in Balance of Payments (US$'Million), 2012 – 2016*

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| | | | *Amount in millions of USD* | | |
| **Current account** | **-4,910.6** | **-5,704.1** | **-3,694.5** | **-2,823.6** | **-2,832.0** |
| Trade balance | -4,210.8 | -3,848.3 | -1,383.3 | -3,143.9 | -1,773.3 |
| Exports, (f.o.b.) | 13,552.3 | 13,751.9 | 13,216.8 | 10,321.2 | 11,136.9 |
| of which; | | | | | |
| Cocoa & products | 2,828.6 | 2,267.3 | 2,612.9 | 2,720.8 | 2,572.2 |
| Gold | 5,643.3 | 4,965.7 | 4,388.1 | 3,212.6 | 4,919.5 |
| Crude oil | 2,976.1 | 3,885.1 | 3,725.0 | 1,931.3 | 1,345.2 |
| Timber and Timber products | 131.0 | 165.8 | 185.1 | 209.0 | 254.3 |
| Bauxite | 24.6 | 32.6 | 36.3 | 41.0 | 38.7 |
| Manganese | 92.4 | 133.7 | 82.9 | 66.0 | 100.2 |
| Diamonds | 10.5 | 5.8 | 9.1 | 4.0 | 2.1 |
| Other Exports | 1,846.1 | 2,295.7 | 2,177.4 | 2,137.0 | 1,905.1 |
| Imports (f.o.b.) | -17,763.2 | -17,600.3 | -14,600.1 | -13,465.1 | -12,910.2 |
| Non-oil | -14,432.6 | -14,049.8 | -10,906.1 | -11,418.3 | -11,085.2 |
| Oil & Gas | -3,330.6 | -3,550.4 | -3,694.0 | -2,046.7 | -1,825.0 |
| Services (net) | -975.2 | -2,443.8 | -2,602.2 | -1,166.6 | -1,293.3 |
| Inflows | 3,259.7 | 2,454.0 | 2,044.8 | 6,142.2 | 6,333.0 |
| Outflows | -4,234.9 | -4,897.8 | -4,647.0 | -7,308.8 | -7,626.3 |
| Investment income (net) | -2,130.0 | -1,351.4 | -1,717.4 | -1,110.9 | -1,222.1 |
| Inflows | 55.3 | 284.5 | 110.8 | 394.4 | 238.0 |
| Outflows | -2,185.2 | -1,635.9 | -1,828.2 | -1,505.3 | -1,460.0 |
| of which; interest on public debt | -357.4 | -416.5 | -487.2 | -713.0 | -1,001.4 |
| Transfers (net) | 2,405.3 | 1,939.4 | 2,008.5 | 2,597.7 | 1,456.6 |
| Official transfer (net) | 257.8 | 80.3 | 9.6 | 222.4 | 25.6 |
| Private transfer (net) | 2,147.5 | 1,859.2 | 1,998.9 | 2,375.3 | 1,431.0 |
| **Capital & Financial Account** | **3,651.3** | **5,368.2** | **3,752.8** | **3,123.2** | **2,767.8** |
| Capital account (net) | 283.4 | 349.3 | 0.0 | 473.9 | 274.3 |
| Financial account (net) | 3,367.9 | 5,018.9 | 3,752.8 | 2,649.4 | 2,493.5 |
| Foreign direct investments (net) | 3,293.4 | 3,226.3 | 3,357.0 | 2,970.9 | 3,470.7 |
| Portfolio investments (net) | 1,121.8 | 658.9 | 835.9 | 900.0 | 553.7 |
| Other investments (net) | -1,047.4 | 1,133.7 | -440.1 | -1,221.5 | -1,530.9 |
| Medium & long term (net) | 647.6 | 338.0 | -285.4 | -757.0 | -1,531.7 |
| Official capital (net) | 957.7 | 1,068.1 | 795.6 | 697.9 | -31.1 |
| Government oil investments (net) | -24.0 | -380.9 | -145.3 | 37.6 | -28.9 |
| Loans (net) | 981.7 | 1,448.9 | 940.9 | 660.3 | -2.2 |
| Disbursements | 1,341.7 | 1,765.4 | 1,377.3 | 1,390.6 | 1,175.3 |
| Amortization | -360.0 | -316.4 | -436.4 | -730.3 | -1,177.5 |
| Private capital (net) | -310.0 | -730.1 | -1,081.0 | -1,454.9 | -1,500.6 |
| Short-term capital (net) | -1,695.0 | 795.7 | -154.7 | -464.6 | 0.8 |
| Non-monetary (net) | -957.5 | 68.7 | 38.4 | -258.5 | 271.7 |
| Monetary (net) | -737.5 | 727.0 | -193.1 | -206.0 | -270.9 |
| **Net errors & omissions** | **805.2** | **-363.3** | **-144.4** | **-315.5** | **311.7** |
| **Overall balance** | **-454.2** | **-699.2** | **-86.1** | **-15.9** | **247.4** |
| **Financing** | **454.2** | **699.2** | **86.1** | **15.9** | **-247.4** |
| **Memorandum items (% of GDP):** | | | | | |
| Current account | -11.8 | -11.7 | -9.5 | -7.5 | -6.6 |
| Trade balance | -10.2 | -7.9 | -3.6 | -8.3 | -4.2 |
| Exports of goods & services | 40.6 | 33.3 | 39.4 | 43.7 | 41.0 |
| Imports of goods & services | -53.1 | -46.2 | -49.6 | -55.1 | -48.1 |
| Official transfers | 0.6 | 0.2 | 0.0 | 0.6 | 0.1 |
| Capital & financial account | 8.8 | 11.0 | 9.7 | 8.3 | 6.5 |
| FDI | 7.9 | 6.6 | 8.7 | 7.9 | 8.1 |
| Overall balance | -1.1 | -1.4 | -0.2 | 0.0 | 0.6 |

*Source: Bank of Ghana*

*Chart 3.8: Gross International Reserves and Import Cover, Dec 2014 – Dec 2016*

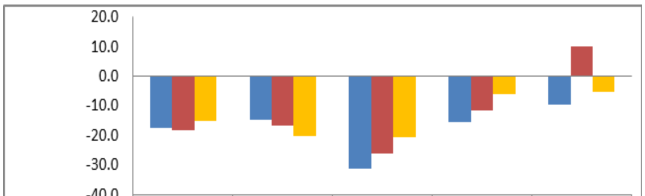



## 3.9 Foreign Exchange Market Developments

The Ghana cedi remained relatively stable against the major currencies in 2016, on account of tight monetary policy stance and improved foreign exchange inflows. On the inter-bank market, the Ghana cedi depreciated by 9.6 per cent and 5.2 per cent against the US dollar and the euro respectively, but appreciated by 10.0 per cent against the pound sterling. This compares with depreciation rates of 15.7 per cent, 11.5 per cent and 6.2 per cent against the US dollar, the pound sterling and the euro respectively in 2015.

In the Forex bureaux market, the Ghana cedi cumulatively depreciated by 9.5 per cent and 5.4 per cent against the US dollar and the euro respectively, but appreciated by 10.0 per cent against the pound sterling. Compared to 2015, the cedi weakened by 16.1 per cent, 12.6 per cent and 5.1 per cent against the US dollar, the pound sterling and the euro respectively.

*Chart 3.9: Interbank Exchange Rates (Year-on-Year growth, %)*




| | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| GH₵/US$ | -17.5 | -14.5 | -31.3 | -15.7 | -9.6 |
| GH₵/GBP | -18.4 | -16.7 | -26.3 | -11.5 | 10.0 |
| GH₵/EURO | -14.9 | -20.1 | -20.5 | -6.2 | -5.2 |

## 3.10 External Debt

Ghana's external debt stock as at end-2016 was estimated at US$16,461.0 million, showing an increase of 4.3 per cent over the end-2015 level. Debt sustainability indicators showed that external debt-to-GDP ratio stood at 40.8 per cent, which is within the policy threshold of 50.0 per cent of GDP.

In terms of composition, debt from multilateral sources was 13.8 per cent of GDP. This was followed by debt from international capital markets (9.8%), commercial creditors (6.9%), export credits (3.3%), bilateral creditors (2.8%), and other concessional (4.3%).

*Table 3.10: Selected External Debt Indicators, 2012 – 2016*

| **Indicator** | **2012** | **2013** | **2014** | **2015** | **2016** | **Policy Threshold** |
|---|---|---|---|---|---|---|
| External Debt (US$ million) | 8,835.6 | 11,461.7 | 12,968.2 | 15,242.0 | 16,461.0 | |
| External Debt Stock/ GDP (%) | 21.7 | 27.0 | 33.4 | 43.3 | 40.8 | 50 |
| External Debt Service/ Export of Goods & Services (%) | 3.2 | 2.2 | 5.2 | 11.6 | 11.9 | 25 |
| External Debt Service/ Domestic Revenue (%) | 7.4 | 6.8 | 10.9 | 15.5 | 16.1 | 22 |
| External Debt Service/ GDP (%) | 1.4 | 0.8 | 2.0 | 3.4 | 3.3 | |

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

## 4.1 Overview

The banking sector remained generally stable, solvent and liquid notwithstanding the relatively high level of Non Performing Loans (NPLs) in 2016. The net NPLs rose to 8.4 per cent in December 2016 from 6.8 per cent in December 2015 but the Gross Non performing loans were much higher at 17.3 per cent of total loans.

During the year under review, the Bank collaborated with regional bodies, such as College of Supervisors of the West African Monetary Zone (CSWAMZ), in promoting financial stability within the sub-region. The collaboration focused on core objectives of harmonising supervisory practices, deepening supervisory cooperation and promoting financial stability, among others.

The Bank introduced two new Acts namely: the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) and Ghana Deposit Protection Act, 2016 (Act 931). The Acts would ensure an appropriate and robust legal framework to deal with emerging risks and vulnerabilities in the financial system; nurture innovation and financial inclusion; help resolve challenges of failing financial institutions proactively. To complement the Acts, the Bank issued a number of guidelines and directives to enhance the safety and soundness of institutions as well as stability of the financial system.

## 4.2 Banks and Non-Bank Financial Institutions

### 4.2.1 Structure

During the year, a total of four (4) banks and forty seven (47) Specialized Deposit-Taking Institutions (SDIs) (made up of seven (7) NBFIs, one (1) RCB, twenty (20) MFIs and nineteen (19) Forex Bureaux) were granted licences to carry on deposit-taking business and allied financial services in the country. Four banks, Sovereign Bank Ltd., Premium Bank Ltd., Omni Bank Ltd. and Heritage Bank Ltd., were licensed during the year, bringing the number of DMBs to thirty-three (33) from twenty nine (29) in 2015. Consequently, the number of Ghanaian controlled DMBs increased from twelve (12) to sixteen (16), while the foreign-controlled banks stood at seventeen (17). There were 64 NBFIs, 141 RCBs, 564 MFIs, 420 forex bureaux and 3 credit reference bureaux in operation during the review year.

The DMBs operated 1,341 branches in the ten (10) regions of the country and employed 19,977 persons compared with 19,846 in 2015. The deployment of ATMs increased by 111.4 per cent to 1,928 in 2016 and POS terminals went-up by 34.3 per cent to 6,501 in 2016.

### 4.2.2 Assets and Liabilities

The aggregate assets of the industry improved by 29.8 per cent to GH¢96,529.3 million at end-2016. The growth was underpinned by 16.0 per cent (GH¢37,091.3 million) and 57.0 per cent (GH¢26,752.3 million) increases in Loans & Advances and Investments, respectively, compared with growth of 21.4 per cent and 22.4 per cent in 2015. DMBs accounted for 85.6 per cent of the total industry assets compared with 85.1 per cent in 2015.

The ratio of total earning assets (Loans & Advances and Investments) to total assets was 66.1 per cent compared to 65.9 per cent in 2015. The growth in total assets was funded mainly from Deposits, Shareholders' Funds and Borrowings, which increased by 28.3 per cent, 18.6 per cent and 42.0 per cent to GH¢61,517.4 million, GH¢12,786.0 million and GH¢22,225.9 million, respectively in 2016.

*Table 4.1: Assets and Liabilities of Banks and NBFIs*

| | 2015 | | | | | 2016 | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | DMBs GH¢M | NBFIs GH¢M | RCBs GH¢M | MFIs GH¢M | TOTAL GH¢M | DMBs GH¢M | NBFIs GH¢M | RCBs GH¢M | MFIs GH¢M | TOTAL GH¢M | CHANGE GH¢M | % CHANGE |
| TOTAL ASSETS | 63,303.67 | 7,277.03 | 2,551.48 | 1,248.93 | 74,381.10 | 82,644.00 | 9,560.54 | 3,052.76 | 1,272.01 | 96,529.30 | 22,148.20 | 29.78 |
| Cash and Bank Balances | 16,776.31 | 761.43 | 346.52 | 274.36 | 18,158.61 | 22,316.18 | 1,094.09 | 413.59 | 294.63 | 24,118.49 | 5,959.88 | 32.82 |
| Investments | 14,289.70 | 1,719.51 | 913.96 | 120.63 | 17,043.80 | 22,903.80 | 2,650.49 | 1,150.05 | 47.98 | 26,752.31 | 9,708.51 | 56.96 |
| Loans & Advances | 27,094.72 | 3,455.39 | 871.63 | 551.73 | 31,973.47 | 31,229.18 | 4,337.25 | 988.94 | 535.94 | 37,091.31 | 5,117.84 | 16.01 |
| Other Assets and PPE | 5,142.94 | 1,340.71 | 419.37 | 302.20 | 7,205.22 | 6,194.84 | 1,478.71 | 500.17 | 393.46 | 8,567.18 | 1,361.96 | 18.90 |
| LIABILITIES AND SHAREHOLDERS' FUND | 63,303.67 | 7,277.03 | 2,551.48 | 1,248.93 | 74,381.10 | 82,644.00 | 9,560.54 | 3,052.76 | 1,272.01 | 96,529.30 | 22,148.20 | 29.78 |
| Liabilities | 54,150.24 | 6,249.45 | 2,215.70 | 984.92 | 63,600.32 | 71,660.01 | 8,434.13 | 2,646.82 | 1,002.37 | 83,743.33 | 20,143.01 | 31.67 |
| Deposits | 41,258.84 | 3,979.22 | 1,993.42 | 719.50 | 47,950.97 | 52,690.15 | 5,758.54 | 2,381.76 | 686.98 | 61,517.43 | 13,566.46 | 28.29 |
| Borrowings and other Liabilities | 12,891.41 | 2,270.24 | 222.28 | 265.42 | 15,649.34 | 18,969.85 | 2,675.60 | 265.06 | 315.39 | 22,225.90 | 6,576.56 | 42.02 |
| Shareholders' Funds | 9,153.42 | 1,027.57 | 335.78 | 264.01 | 10,780.78 | 10,983.99 | 1,126.40 | 405.94 | 269.64 | 12,785.97 | 2,005.19 | 18.60 |
| Paid-Up Capital | 3,201.21 | 840.92 | 102.38 | 285.74 | 4,430.26 | 3,995.70 | 997.83 | 126.46 | 327.98 | 5,447.96 | 1,017.70 | 22.97 |
| Reserves | 5,952.21 | 186.65 | 233.40 | -21.74 | 6,350.52 | 6,988.29 | 128.57 | 279.48 | -58.34 | 7,338.01 | 987.49 | 15.55 |

### 4.2.3 Deposit Money Banks (DMBs)

#### *Profitability*

Profitability continued to decline in 2016 as highlighted by key financial indicators. The reduction in profitability emanated from high interest costs, high non-performing loans which led to high provisioning for bad debt and high operating cost as a result of the energy supply short fall.

*Table 4.2: Profitability Indicators, 2012 - 2016*

| Indicators (%) | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| Return on Equity | 19.7 | 25.8 | 32.3 | 21.4 | 17.3 |
| Return on Assets | 3.9 | 4.9 | 6.4 | 4.5 | 3.8 |
| Return on Earning Assets | 5.3 | 6.5 | 8.6 | 6.1 | 5.1 |
| Net Interest Spread (NIS) | 9.7 | 10.3 | 12.9 | 12.5 | 11.4 |
| Cost to Income Ratio | 59.8 | 53.8 | 49.2 | 53.2 | 57.4 |
| Net Interest Margin (NIM) | 10 | 10.9 | 13.6 | 13.8 | 13.0 |

#### *Solvency*

The DMBs average CAR as at end-2016 was 18.0 per cent, compared with 17.8 per cent in 2015. DMBs net-worth in 2016 increased by 20.0 per cent to GH¢10,984.0 million from GH¢9,153.4 million in 2015. This increase could be attributed to the licensing of the four (4) new banks.

Total impaired assets increased by 38.9 per cent to GH¢6,173.4 million at end-December 2016 from GH¢4,417.14 million in December 2015, translating into NPL ratio of 17.3 per cent and 14.7 per cent, respectively. The deterioration in the quality of banks' assets was attributable to general economic challenges, high funding cost, and increasing cost of production due to high utility tariffs. Also, the Bank undertook an Asset Quality Review during the year which revealed a high exposure to the energy sector.

#### *Liquidity*

The DMBs remained liquid, evidenced by the operational liquidity measures. Liquid assets to total deposits improved from 74.3 per cent at end-December 2015 to 84.8 per cent at end-December 2016). Liquid assets to volatile funds increased to 144.0 per cent from 125.2 per cent in 2015.

### 4.2.4 Non-Bank Financial Institutions

The NBFIs sector ended the year with a total asset value of GH¢9,560.5 million, up by 31.4 per cent from a position of GH¢7,277.0 million in 2015. The growth was underpinned by 54.1 per cent and 25.5 per cent increase in investments and loans & advances respectively.

The major source of funding was Deposits which stood at GH¢5,758.5 million at end-2016, accounting for 60.2 per cent of total assets. Deposits grew by 44.7 per cent, year-on-year, in December 2016, relative to the 30.3 per cent recorded in 2015. The high deposit growth could be attributable to the aggressive deposit mobilization effort and the high interest rates offered particularly by the S&L category. Borrowings grew by 17.9 per cent in 2016, funding 28.0 per cent of total assets.

### 4.2.5 Rural and Community Banks

The balance sheet of RCBs grew by 19.7 per cent to GH¢3,052.8 million. The growth in assets was driven by Loans and Advances (13.5%), Investments (25.8%) and Other Assets and PPE (19.3%). The assets of RCBs were funded by Deposits and Shareholders' Funds which increased by 19.5 per cent and 20. 9 per cent, respectively. Total assets of RCBs represented 3.2 per cent of total assets of the industry, compared with the previous position of 3.4 per cent.

### 4.2.6 Microfinance Institutions

As at end-December 2016, there were five hundred and sixty-four (564) MFIs, made up of seventy-one (71) money lending companies, eleven (11) Financial NGOs and four hundred and eighty-two (482) microfinance companies. The sector recorded a marginal growth of 1.9 per cent in total assets to GH¢1,272.0 million in 2016 compared with growth of 30.3 per cent in 2015. Loans & Advances and Investments had negative growth rates of 2.9 per cent and 60.2 per cent respectively, indicating sharp declines from their previous positions of 14.7 per cent and 103.8 per cent in 2015. Cash and Bank Balances grew by 7.4 per cent to GH¢294.6 million.

On the funding side of total assets, Deposits stood at GH¢ 687.0 million, recording a negative growth rate of 4.5 per cent in 2016 as against a positive growth rate of 38.2 per cent in 2015. Borrowings, however. increased by 18.8 per cent to GH¢315.4 million, compared to 15.2 per cent in 2015. The MFIs controlled 1.3 per cent of industry's total assets in 2016 compared with 1.7 per cent in 2015, which indicated a further reduction. However, in 2016, to give greater supervisory attention to the existing licensed institutions, Bank of Ghana suspended the granting of new licence.

### 4.2.7 Collateral Registry

A total of 255 institutions registered charges compared to 163 institutions recorded in 2015, representing an increase of 56.4 per cent. The 255 institutions comprised 63 Rural Banks, 59 Microfinance Companies, 45 Non-Bank Financial Institutions (NBFIs), and 29 Universal Banks. The rest were 17 Money Lending Institutions, 14 Foreign-based Banks, 13 Investment Firms, 12 Trade Creditors, 2 Financial NGOs and 1 Insurance Firm. Total registrations for the year amounted to 43,504, compared with 25,216 for 2015.

*Table 4.5: Registrations, Collaterals and Searches*

| Indicators (%) | 2014 | 2015 | 2016 |
|---|---|---|---|
| Registrations | 23,662 | 25,216 | 43,504 |
| Collaterals | 57,012 | 59,680 | 129,782 |
| Searches | 6,820 | 7,849 | 16,064 |

A total of 129,782 collaterals were registered in 2016, compared with 59,680 registered in 2015, representing an increase of 117.5 per cent. The 2016 figure comprised 30,350 Inventory/ Receivables, 8,042 Motor Vehicles and 30,243 Household Assets. The remaining were 9,504 Investment Property, 7,217 Real Property, 35,439 Machinery and Equipment, 3,427 Business Assets and 5,477 Others[2].

A total of 16,064 searches were conducted by 135 institutions to

[2] Others include: agreements such as tenancy agreements, tripartite agreements, performance bonds

ascertain the level of encumbrance on assets, an improvement of 104.7 per cent over the number of searches conducted in 2015.

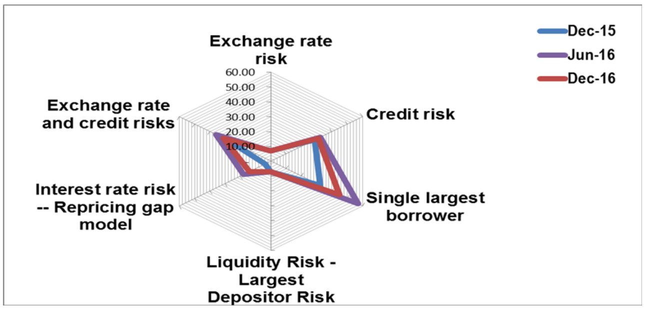
## 4.3 Financial System Stability

Domestic macroeconomic challenges and global macrofinancial developments such as volatile commodity price movements and weak global demand posed threats to the stability of the financial system.

### 4.3.1 Banking Sector Stress Testing

A stress testing exercise aimed at assessing the resilience of the banks was conducted in 2016. The exercise, in June and December, stressed commercial banks' balance sheets and profit and loss accounts to extreme but plausible shocks covering credit, interest rate, liquidity, single largest borrower and exchange rate risks to the banking sector.

*Chart 4.1: Risk Assessment Map[3]*




The outcome showed that the banking industry was highly susceptible to loan concentration risk, emanating from single largest borrowers, and credit risk in general. However, exchange rate risk was relatively tamed in the industry due to existing regulation. Also, liquidity risk, emanating from single largest depositors, was well-contained in the banking sector.

Overall, institutions adopted various strategies to mitigate the increasing vulnerabilities. These included building of capital buffers, implementing cost reduction measures and diverting investment into less risky assets such as Treasury Bills and Government bonds.

### 4.3.2 Banks' Counterparty Relationship

The industry's major offshore counterparties include the Standard Bank, Citibank, Ecobank Transnational Incorporated, Standard Chartered Bank and Barclays Bank Plc. Among these institutions, Citibank and Standard Chartered Bank were the most widely used. The table below shows the industry's top five correspondent banks.

*Table 4.6: Industry's top 5 Correspondent Banks*

| Correspondent Bank | Number of respondent banks | Banking Industry Exposure (GH¢ m) | Head Office |
|---|---|---|---|
| Standard Bank | 2 | 1,121.26 | South Africa |
| Citibank | 12 | 1,016.32 | USA |
| Ecobank | 1 | 875.30 | Togo |
| Standard Chartered Bank | 10 | 491.75 | UK |
| Barclays Bank Plc | 2 | 465.78 | UK |

The term structure of loans reduced as the share of short-term borrowing increased from 75.0 per cent at the end of 2015 to 77.0 per cent at the end of 2016. Long-term borrowing declined as the industry sourced for more domestic funding options.

The share of foreign borrowing also declined as the industry sourced for more domestic funding options. The portion of industry's foreign borrowing to total borrowing declined from 41.6 per cent in December 2015 to 30 per cent in December 2016. The decline in banks foreign borrowing represents a reduction in the sectors' exposure to foreign exchange risk.

### 4.3.3 Consumer Protection

The Bank continued to implement efficient and effective consumer protection mechanisms as part of efforts to promote financial inclusion. Activities during the period covered receipt and redress of consumer petition and grievances, monitoring fraud trends and related developments in the industry, training for industry stakeholders, as well as overseeing credit reference bureaux.

*Table 4.7: Consumer Protection*

| Type of Report | 2015 | | 2016 | | |
|---|---|---|---|---|---|
| | Number | Share of Total (%) | Number | Share of Total (%) | % Increase |
| Consumer Complaints Reporting | 605 | 34.1 | 1,517 | 53.2 | 150.7 |
| Fraud and Defalcation Reporting | 396 | 22.3 | 865 | 30.3 | 118.4 |
| Enforcement and Surveillance | 772 | 43.5 | 471* | 16.5 | -39.0 |
| TOTAL | 1,773 | 100 | 2,853 | 100 | 60.9 |

### 4.3.4 Financial Integrity

In April 2016, the Bank of Ghana in collaboration with the Financial Intelligence Centre (FIC) and the Ministry of Finance launched the National Risk Assessment on Money Laundering and Terrorist Financing Report.

Also, the Bank developed a Risk Assessment Framework for savings and loans companies with technical assistance from the International Monetary Fund (IMF) to enable it implement a risk-based methodology in its supervisory activities.

As a member state of ECOWAS Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA), Ghana in 2016 subjected itself to a mutual assessment process. The Bank played a key role in the process, notably:

- conducting on-site examination of selected universal banks, microfinance and NBFIs;
- organising sensitisation workshop for all accountable institutions; and
- organising training for savings and loans companies on IMF-recommended new reporting guidelines for required returns (Data Capture and Self Risk Assessment).

## 4.4 Developments in the Payment and Settlement Systems

The major areas of development in the Payment and Settlement Systems included:

- Strengthening Regulation;
- Improving Governance;

[3] *The Risk Assessment Map is derived from the result of the stress testing and constructed such that movements away from the origin pointed to increased vulnerability*

- Improvement in Data Collection;
- Strengthening Collaboration;
- Product Development and Innovation; and
- Growth in Non-Cash Payment Streams.

### 4.4.1 Strengthening Regulation

The Electronic Money Issuers and Agents' Guidelines and the Payment Systems Act, 2003 (Act 662), were reviewed with the view to consolidating them into one legislation called Payment Systems and Services Bill, after broad stakeholder consultations.

### 4.4.2 Improving Governance

In line with the National Payment Systems Oversight Framework (2013), the Bank established the Payments Systems Council (PSC) to drive developments in the payment systems. The Council is to serve as an advisory body to the Bank and also support the attainment of sound and efficient payment, clearing and settlement systems.

The 10-member Council is composed of stakeholders of the payment industry, which consist of Ministry of Finance, Ghana Revenue Authority, Controller and Accountant General's Department, Securities and Exchange Commission, Ghana Chamber of Telecommunications, Ghana Association of Bankers, National Insurance Commission, National Communications Authority and the National Pensions Regulatory Authority. Chaired by the Governor with the first Deputy Governor as alternate chair, the Council is assisted by four thematic working groups, in the areas of Standards, Automation and Technology, Operations, Pricing and Legal.

It is the responsibility of the Council to recommend policies that will reduce risk in the financial and payment systems, promote competition and efficiency in payment systems and facilitate cooperation between all market participants and regulators in the payment systems.

### 4.4.3 Improvement in Data Collection

The Bank, in July 2016, launched a web-based data collection portal to collect payment streams data from the banks and other payment service providers in line with section 3(1) of the Payment Systems Act, 2003 (Act 662). The portal facilitates seamless submission and analysis of payment systems data.

### 4.4.4 Strengthening Collaboration

In September 2016, the Bank signed a Memorandum of Understanding (MOU) with the National Communications Authority (NCA) to foster cooperation between the two institutions in the digital finance space. The MOU sets forth a statement of intent for the NCA to assist the Bank in specialised areas to ensure compliance with the financial laws, regulations, directives and guidelines of the Bank.

### 4.4.5 Product Development and Innovation

Digital channel platforms provided the opportunity for banks and other financial sector players to introduce innovative products thereby promoting access to financial services. Leveraging on the improved use of mobile phones in Ghana, the following were some of the product improvements in 2016:

#### *Mobile Money Interest Payment*

In line with the E-money Issuers Guidelines (2015), the Bank approved the modalities for the payment of interest accrued on the float accounts to electronic money holders by the four electronic money issuers (MTN, TIGO, AIRTEL and VODAFONE).

The total interest paid to holders of electronic money wallets in 2016 was GH¢24.8 million. The successful distribution of interest in 2016 was the first time that electronic money (mobile money) holders had formally received interest on their float since the introduction of mobile money services in Ghana.

#### *E-Zwich[4] International Remittance Platform*

In 2016, Ghana Interbank Payment and Settlement Systems (GhIPSS) introduced an E-zwich international remittance platform to enable individuals and businesses to send remittances from Europe, UK and North America directly onto their E-zwich cards. This medium of receiving remittances from abroad is one of the initiatives by GhIPSS to improve financial inclusion and promote a cash-lite economy.

#### *Inward Remittance Services using Mobile Phone*

Millicom Ghana Limited (Tigo), in collaboration with United Bank for Africa (UBA), obtained an approval from the Bank to introduce an innovative international inward remittance service that allows Tigo Cash customers to pick up Western Union (WU) transfers directly from their mobile wallets.

#### *Micro Savings and Loans*

Approval was given to Pan-African Savings and Loans Company and AFB Financial Services, a finance house, to provide microcredit and savings under the Electronic Money Issuers Guidelines (2015). This service links customers' accounts to their mobile wallets.

#### *Introduction of EMV Technology*

The Bank initiated a process to migrate all payment cards from magnetic stripe technology to Europay, Mastercard and Visa (EMV) technology, to enhance electronic card payment system security.

### 4.4.6 Growth in Non Cash Payment Streams

#### *Ghana Interbank Settlement System*

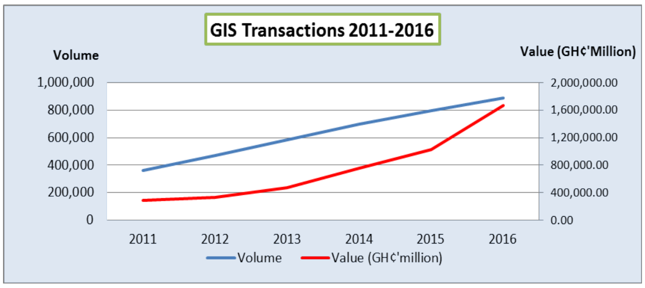
The Ghana Inter-bank Settlement (GIS) system, which is Ghana's Real Time Gross Settlement (RTGS) system, continued to provide the platform for making high value payments for banks and their customers.

The total volume of GIS transactions of 889,709 in 2016, showed an increase of 12.0 per cent over the 2015 position of 794,282. Total value of transactions also went up by GH¢637,825.5 million (61.8%) to GH¢1,670,369.5 million in 2016, compared

[4] *E-zwich is an interoperable biometric smart card payment system which offers a suite of electronic payment and banking services accessible from a Point of Sales (POS) terminals or ATM. These services include payments at merchants' point of sale, withdrawal of cash, deposit onto the card and transfer of funds. The e-zwich system also facilitates the distribution of payments such as loans, salaries, wages and pensions*

to GH¢1,032,544.0 million in 2015. The average value per transaction was GH¢1.9 million in 2016, compared with GH¢1.3 million in 2015.

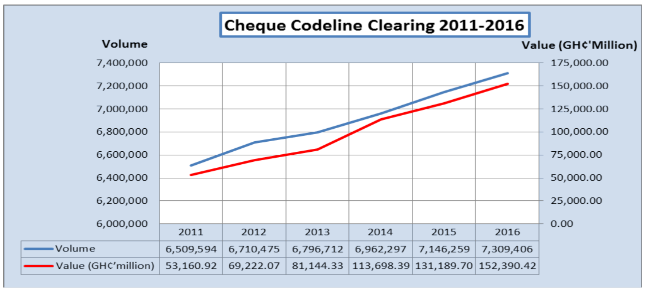
*Chart 4.2: Ghana Interbank Settlement Transactions (RTGS)*




## Cheque Codeline Clearing

The total volume and value of interbank cheques cleared during the year under review went up by 2.3 per cent to 7,309,406 and 16.2 per cent to GH¢152,390.4 million respectively. The average value per cheque also increased by 13.6 per cent to GH¢20,848.5 compared to GH¢18,357.8 in 2015.

*Chart 4.3: Cheque Codeline Clearing*

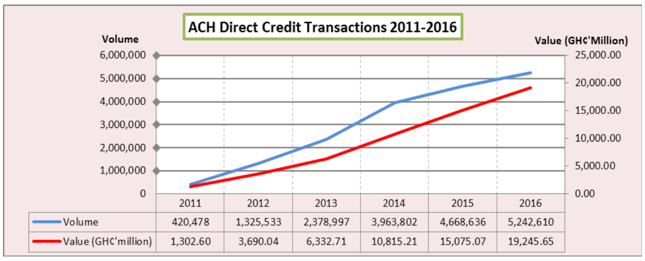



## Ghana Automated Clearing House

### (a) Direct Credit

In 2016, total volume of transactions cleared through the direct credit system was 5,242,610, indicating an increase of 12.3 per cent over that of 2015. Total value of direct credit transfers was GH¢19,245.7 million, compared to GH¢15,075.1 million for 2015. Payment of SSNIT pensions by Bank of Ghana on behalf of Government continued to be the major contributor to the growth in the direct credit transactions.

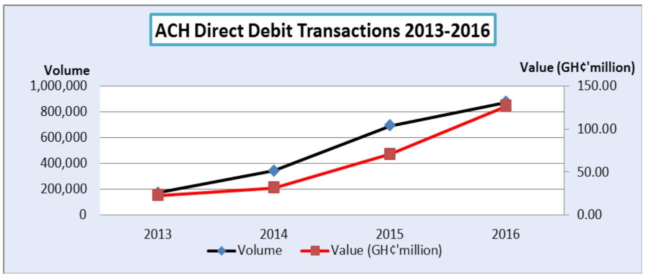
*Chart 4.4: ACH Direct Credit Transactions*




### (b) Direct Debit

Total volume of direct debit transactions was 874,846 in 2016, valued at GH¢127.0 million compared to 692,615 valued at GH¢70.9 million in 2015. The average value per transaction in 2016 was GH¢145.2 million compared to GH¢102.4 million in 2015.

*Chart 4.5: Direct Debit Transactions*




## E-Zwich Transactions

The number of E-zwich card holders of 1,878,044 in 2016 was an increase of 37.2 per cent over the 2015 position. Total volume of E-zwich transactions increased by 138.3 per cent to 5,365,085 in 2016. Similarly, total value of transactions in 2016 grew by 156.0 per cent to GH¢2,362.97 million.

The significant increase in E-zwich transactions may be attributed to Government's use of the system to pay caterers of national school feeding programme, beneficiaries of the Livelihood Empowerment Against Poverty (LEAP), personnel of the Youth Employment Agency (YEA), beneficiaries of the Students Loans Trust Fund and personnel of the National Service Scheme as means of ensuring efficiency in payments and improve public expenditure management.

*Table 4.8: Ghana Interbank Settlement Transactions (RTGS), 2011 – 2016*

| Indicators | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|---|---|
| Volume | 360,954 | 467,642 | 586,200 | 699,956 | 794,282 | 889,709 | 95,427 | 12.01 |
| Value (GH¢'million) | 289,818.20 | 331,320.90 | 470,375.10 | 758,312.16 | 1,032,544.00 | 1,670,369.46 | 637,825.5 | 61.77 |
| Average value per transaction (GH¢) | 802,922.81 | 708,492.61 | 802,414.02 | 1,083,371.18 | 1,299,971.55 | 1,877,433.48 | 577,461.93 | 44.42 |

*Table 4.9: Cheque Codeline Clearing, 2011 – 2016*

| Indicators | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|---|---|
| Volume | 6,509,594 | 6,710,475 | 6,796,712 | 6,962,297 | 7,146,259 | 7,309,406 | 163,147 | 2.28 |
| Value (GH¢'million) | 53,160.92 | 69,222.07 | 81,144.33 | 113,698.39 | 131,189.70 | 152,390.42 | 21,200.72 | 16.16 |
| Average value per transaction (GH¢) | 8,166.55 | 10,315.52 | 11,938.76 | 16,330.59 | 18,357.81 | 20,848.54 | 2,490.73 | 13.57 |

*Table 4.10: ACH Direct Credit Transactions, 2011 – 2016*

| Indicators | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|---|---|
| Volume | 420,478 | 1,325,533 | 2,378,997 | 3,963,802 | 4,668,636 | 5,242,610 | 573,974 | 12.29 |
| Value (GH¢'million) | 1,302.60 | 3,690.04 | 6,332.71 | 10,815.21 | 15,075.07 | 19,245.65 | 4,170.58 | 27.67 |
| Average value per transaction (GH¢) | 3,097.90 | 2,783.82 | 2,661.92 | 2,728.49 | 3,229.01 | 3,671.01 | 442.00 | 13.69 |

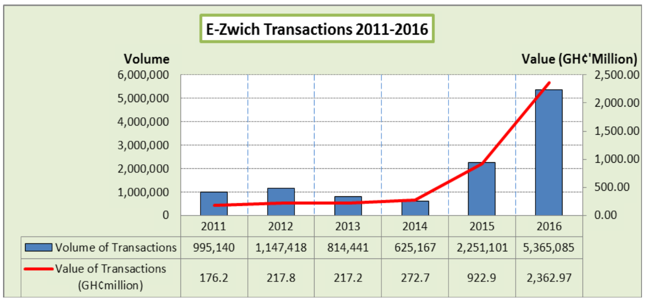
*Table 4.11: Direct Debit Transactions, 2013 – 2016*

| Indicators | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|
| Volume | 172,908 | 341,875 | 692,615 | 874,846 | 182,231 | 26.31 |
| Value (GH¢'million) | 22.81 | 31.48 | 70.91 | 127.01 | 56.10 | 79.11 |
| Average value per transaction (GH¢) | 131.92 | 92.08 | 102.38 | 145.18 | 42.80 | 41.80 |

*Table 4.12: E-zwich Transactions, 2011 – 2016*

| Indicators | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|---|---|
| Total Number of Cards Issued | 676,779 | 792,966 | 903,724 | 1,084,121 | 1,369,369 | 1,878,044 | 508,675 | 37.15 |
| Cards with Value (% of total) | 40.2 | 43.4 | 43 | 38.72 | 44.8 | 48.5 | 3.70 | 8.26 |
| Value on Cards (GH¢'million) | 6.17 | 8.12 | 8.14 | 8.76 | 29.02 | 53.57 | 24.55 | 84.60 |
| Average Value Per Card (GH¢) | 22.7 | 23.6 | 21 | 20.9 | 47.3 | 58.79 | 11.49 | 24.29 |
| Volume of Transactions | 995,140 | 1,147,418 | 814,441 | 625,167 | 2,251,101 | 5,365,085 | 3,113,984 | 138.33 |
| Value of Transactions (GH¢million) | 176.2 | 217.8 | 217.2 | 272.7 | 922.9 | 2,362.97 | 1,440.07 | 156.04 |

*Chart 4.6: E-zwich Transactions*

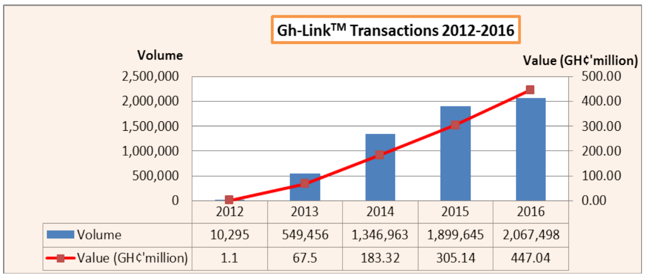



## National Switch

The total volume of gh-linkTM transactions recorded in 2016 was 2,067,498 with a value of GH¢447.0 million, compared to 1,899,645 and a value of GH¢305.1 million in 2015. The increase in the number of financial institutions and ATMs on the gh-linkTM platform accounted for the growth in transactions.

A total of thirty-six (36) member institutions were connected to the gh-linkTM as at the end of 2016. The composition of the institutions connected to the switch was twenty-six (26) banks and ten (10) non-bank financial institutions

*Chart 4.7: Gh-Link™ Transactions*




## Mobile Money Services

The number of registered mobile money customers as at end 2016 was 19,735,098, showing growth of 50.4 per cent over the 2015 position. Similarly, the number of active mobile money customers increased by 70.8 per cent, to 8,313,283 in 2016. The active registered agents of the four mobile money operators (MMOs) in 2016 stood at 107,415, representing a growth of 90. 9 per cent over the previous year's position. Total value of mobile money transactions of GH¢78,508.90 million in 2016 represented 121.5 per cent growth over the 2015 position.

The total float balance of GH¢1,257.4 million as at December 2016 reflected a growth of 129.5 per cent over the 2015 float balance of GH¢548 million. Four (4) Mobile Network Operators (MTN, TIGO, AIRTEL and VODAFONE) offered mobile money services in 2016.

*Chart 4.8: Mobile Money Transactions*

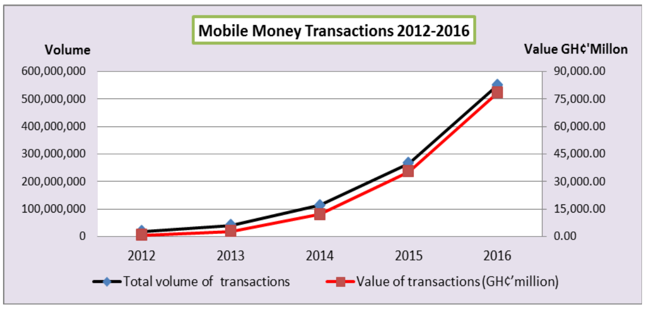



*Chart 4.9: Mobile Money Float Balance*

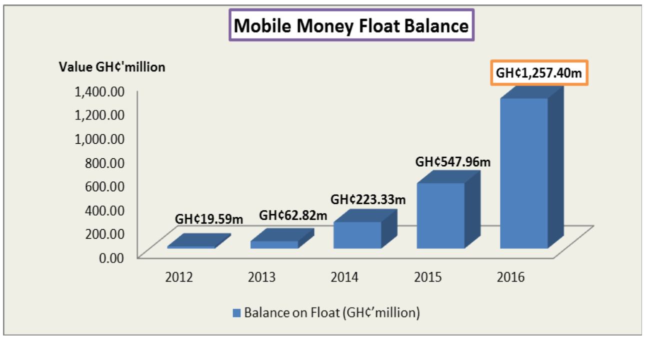


*Table 4.13: Gh-Link™ Transactions, 2012 - 2016*

| Indicators | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|---|
| Volume | 10,295 | 549,456 | 1,346,963 | 1,899,645 | 2,067,498 | 167,853 | 8.84 |
| Value (GH¢'million) | 1.1 | 67.5 | 183.32 | 305.14 | 447.04 | 141.90 | 46.50 |
| Average value per transaction (GH¢) | 106.85 | 122.85 | 136.10 | 160.63 | 216.22 | 55.59 | 34.61 |

*Table 4.14: Mobile Money Service, 2012 - 2016*

| Indicators | 2012 | 2013 | 2014 | 2015 | 2016 | Change 2016 (%) |
|---|---|---|---|---|---|---|
| Total number of mobile voice subscription (Cumulative)[1] | 25,618,427 | 28,026,482 | 30,360,771 | 35,008,387 | 37,369,666* | 6.74 |
| Registered mobile money customers (Cumulative) | 3,778,374 | 4,393,721 | 7,167,542 | 13,120,367 | 19,735,098 | 50.42 |
| Active mobile money customers[2] | 345,434 | 991,780 | 2,526,588 | 4,868,569 | 8,313,283 | 70.75 |
| Registered Agents (Cumulative) | 8,660 | 17,492 | 26,889 | 79,747 | 136,769 | 71.50 |
| Active Agents[3] | 5,900 | 10,404 | 20,722 | 56,270 | 107,415 | 90.89 |
| Total volume of transactions | 18,042,241 | 40,853,559 | 113,179,738 | 266,246,537 | 550,218,427 | 106.66 |
| Total value of transactions (GH¢'million) | 594.12 | 2,652.47 | 12,123.89 | 35,444.38 | 78,508.90 | 121.50 |
| Balance on Float (GH¢'million) | 19.59 | 62.82 | 223.33 | 547.96 | 1,257.40 | 129.47 |

**Total Mobile Voice Subscription figure is as at October, 2016 (NCA)*
*[1] Source: National Communications Authority (NCA)*
*[2] The number of customers who transacted at least once in the 90 days prior to reporting*
*[3] The number of agents who transacted at least once in the 30 days prior to reporting*

# CHAPTER 5: INTERNAL DEVELOPMENTS

## 5.1 Overview

In the review year, steps were taken to sustain human resource capacity development, improve management of staff health, enhance currency management, upgrade Information and Communication Technology (ICT) (infrastructure and software), strengthen information security and its physical infrastructure.

## 5.2 Health

An employee wellness programme was launched in the year under review. The comprehensive programme aims at promoting the physical, social and mental wellbeing of employees and boosting staff morale for greater productivity.

## 5.3 Creation and Reorganisation of Departments

Reorganisation and creation of new departments took place during the year under review:

- Payment Systems Department was set up;
- Communications Department was created;
- Collateral Registry was accorded a departmental status and
- Treasury Department and Economics Department were renamed Financial Markets Department and Research Department, respectively.

Payment Systems Department is to exercise oversight responsibility over the National Payment and Settlement Systems of Ghana.

Communications Department was created to advise and formulate strategies in respect of the Bank's monetary policy communication and economic development communication.

## 5.4 Human Resource Activities

The total staff strength of the Bank at the end of 2016 was 1,911. The categorisation of staff by grade and gender was as follows:

*Table 5.1: Staff Position*

| | Male | Female | Total | % of Total |
|---|---|---|---|---|
| Management Staff | 155 | 59 | 214 | 11.2 |
| Middle Level Staff | 625 | 478 | 1,103 | 57.7 |
| Junior Staff | 481 | 113 | 594 | 31.1 |
| **Total** | **1,261** | **650** | **1,911** | **100** |

## 5.5 Training

In 2016, the Bank implemented a total of 77 (Seventy Seven) Local Programmes. One thousand three hundred and forty seven (1,347) members of staff participated in In-House programmes and four hundred and forty (440) who took part in In-Country programmes. In addition, two hundred and seventy (270) participated in overseas training programmes.

## 5.6 Currency Management

The Currency Management Department relocated from the Head Office to the ultra-modern Cash Centre at the Bank's General Services Complex, Accra. Following that, the Bank successfully conducted a full testing of the specification and functionality of its new Enterprise Cash Management (ECM) software to ascertain its conformance with the design specifications.

## 5.7 Risk Management

The Bank strengthened its enterprise risk management processes.

### 5.7.1 Strategic Planning and Implementation

The Bank adopted the Balanced Scorecard Methodology to replace its 7-Year Strategic Plan, which would end in December, 2017.

### 5.7.2 ISO Surveillance Audit

The Bank passed a third (3rd) certification cycle of an external surveillance audit, under ISO 27001:2013.

### 5.7.3 Vulnerability Assessment and Penetration Testing

The Bank commenced procedures to conduct Vulnerability Assessment and Penetration Testing (VAPT) of its Information Systems and Security.

### 5.7.4 Cybersecurity Project

In line with the requirements of the ISO 27001:2013 and ISO 27032 standards, a Cybersecurity project was commenced.

### 5.7.5 Enterprise Risk Management

As part of the ISO 31000:2009 Standard for Enterprise Risk Management (ERM), the Bank targeted, identified and assessed key emerging risks and also conducted reputational risk assessments for its subsidiaries.

### 5.7.6 Anti-Money Laundering/Combating Financing of Terrorism Policy

As part of its mandate to monitor compliance with AML/CFT Legislations, Regulations and Guidelines, the Bank approved an AML / CFT Policy. The policy was published and relevant training conducted for staff and key stakeholders.

## 5.8 ICT

The Bank completed the following technology-based services:

- Business Intelligence and Data Warehouse System
- Ghana Interbank Settlement (GIS) upgrade to ensure 24/7 availability of the current system to the commercial banks

- SWIFT upgrade to a two-factor authentication

Work on the development of a credit reporting system that would ensure conformance to the credit reporting data rules and format of the Bank of Ghana commenced in 2016.

## 5.9 Estate and Projects Management

The Bank undertook the following major infrastructural projects in 2016:

- New Sunyani Office - The new Sunyani Office was Commissioned in June, 2016;
- 60-Bed Hospital, Cantonments, Accra – Work on the project continued on schedule. With the exception of the Annex Block, it is earmarked for completion in 2017; and
- Refurbishment of Banking Hall -The project commenced in June, 2016.

# CHAPTER 6: EXTERNAL RELATIONS

## 6.1 Overview

The Bank continued to strengthen external relations with the sub-regional, regional, and international financial institutions. The Bank participated in meetings and facilitated missions with multilateral institutions such as the IMF, the World Bank, AFREXIMBANK and the African Development Bank to discuss issues of mutual interest. In Africa, the Bank was involved in efforts by the regional and sub-regional monetary institutions aimed at financial and economic integration.

## 6.2 The 2016 Spring and Annual Meetings of the IMF and World Bank

The 2016 Spring Meetings (April 16-17) and the Annual Meetings (October 7-9) were both held in Washington D.C. to examine global developments and find ways of addressing challenges to global growth. The Bank participated in the International Monetary and Financial Committee and Development Committee meetings.

### 6.2.1 The International Monetary and Financial Committee

The International Monetary and Financial Committee (IMFC) observed a sluggish and uneven recovery of the global economy in 2016 but expected growth to pick up slightly in 2017 on the back of improved performance of emerging market economies. The Committee observed that the global outlook was subdued against the backdrop of modest global demand growth - a slowdown in global trade, investment and productivity - while the effects of lower commodity prices on exporting countries and medium-term financial risks persisted. The global outlook was further observed to be threatened by inward-looking policies, including protectionism and stalled reforms.

To achieve sustainable and balanced growth, countries were encouraged to support monetary policy with growth-friendly fiscal policy. The Committee also committed to designing and implementing policies aimed at safeguarding financial stability and ensuring that opportunity existed for all to benefit from globalization and technological change.

### 6.2.2 Development Committee

The joint World Bank-IMF Development Committee noted that global economic growth remained sluggish in 2016, reflecting soft demand, decreased foreign direct investment to developing countries, declined exports, and wider geopolitical and economic uncertainties.

The Committee, therefore, called on the World Bank Group to continue to support policies essential for sustainable growth, poverty reduction and economic transformation for shared benefits, while urging both the World Bank and the IMF to work jointly with countries to enhance synergy among monetary, fiscal and structural reform policies to stimulate growth, create jobs, and strengthen the gains from cooperation for all. Countries were further urged to make significant progress in closing the gender gap in key sectors of their respective economies.

The Committee agreed that turning the discussions into a reality would require countries to have deeper engagement and collaboration with international financial institutions and global partners, seek additional private funds, increase their ability to harness technological change and increase their capacity to raise domestic resources.

## 6.3 IMF Missions to Ghana

In April and August 2016, two key Missions from the IMF – led by Joël Toujas-Bernaté – visited Ghana to discuss the third review of Ghana's program with the IMF. The main focus of the deliberations was the implementation of the program, the medium-term outlook, and policies to restore debt sustainability as well as promote high growth and job creation, while protecting the poor.

The first mission noted the satisfactory implementation of the program with most of the performance criteria being met as at end-December 2015 with the exception of small deviations in the wage bill and net domestic assets of Bank of Ghana. The required fiscal adjustment was on track, with the overall cash deficit improving to 6.7 per cent of GDP in 2015, and the primary balance narrowing to almost zero. The Team also noted the progress made in implementing fiscal structural reforms and welcomed the adoption of several new tax laws, efforts to strengthen payroll controls and reforms to public financial management, including the Treasury Single Account. The second Mission also found implementation of the IMF-supported program satisfactory.

## 6.4 African Consultative Group Meeting

The African Consultative Group meeting, co-chaired by Mr. Abdoulaye Bio-Tchané - Chairman of the African Caucus - and Ms. Christine Lagarde - Managing Director of the IMF - centred on Africa's economic prospects, highlighting both the near-term policy challenges and continued opportunities facing the continent. It was noted that increased challenges in the external economic environment such as the sharp drop in commodity prices and tighter financial conditions, had limited projected growth in Africa to about 3.0 per cent in 2016.

At the end of the meeting, a number of agreements were reached. These included the need to:

- pursue fiscal adjustment programmes to safeguard macroeconomic stability and rebuild policy buffers across the region, especially in oil-exporting countries;
- consolidate efforts aimed at protecting priority expenditures, such as social expenditures and well-prioritized and efficient infrastructure spending, with the view to ensuring that longer term development goals remain achievable;

- allow, where feasible, the exchange rate to adjust as needed to absorb shocks and improve competitiveness, with central banks' interventions limited to mitigating disorderly market movements; and
- reinvigorate the economic diversification agenda.

Ms. Lagarde assured that the IMF will remain closely engaged with its African members, noting that the Fund's support would depend on countries' needs and may take several forms including policy advice, technical assistance and capacity development, and where appropriate, financial support.

## 6.5 Association of African Central Banks

The Association of African Central Banks (AACB) continued to galvanise member central banks to earnestly pursue monetary and economic integration programmes.

In August 2016, the Association held its 39th Ordinary Meeting of the Assembly of Governors in Abuja, Nigeria, which was attended by member central banks and representatives of the African Union Commission.

Discussions during the meeting revealed that the unwinding of unconventional monetary policy measures adopted during the financial crisis by the US Federal Reserve and central banks of developed countries could have negative as well as positive impacts on African countries due to the interconnectedness of their economies. The negative consequences included the likelihood of depreciation of the exchange rate and decline in capital flows, while the positive consequences included the opportunity it could provide for African countries to develop appropriate measures to strengthen their resilience to exogenous shocks. The Assembly of Governors, therefore, stressed the need for African countries to diversify their economies and improve exports, while limiting imports.

The state of implementation of the African Monetary Cooperation Programme (AMCP) was examined and it was noted that the inability of African states to sustainably meet some of the criteria for macroeconomic convergence stemmed from the negative impact that the challenges in the international economic environment, such as the fall in prices of raw materials and commodities, were having on the African economies. The Association, thus, called on countries to strengthen their efforts at implementing structural reforms, improve the business environment and promote intra-regional trade, in order to strengthen their resilience to such shocks.

Implementation of the work programme of the Community of African Banking Supervisors (CABS) was also reviewed, and it was noted that progress had been made in setting up an intranet platform to facilitate the exchange of information between banking supervisors across Africa. The Assembly elected Mr. Godwin I. Emefiele, Governor of the Central Bank of Nigeria, as President of AACB for the period 2016-2017, and Dr. Abdul-Nashiru Issahaku, Governor of the Bank of Ghana, as Chairman of the Bureau of the West African sub-region.

## 6.6 African Development Bank

The African Development Bank (AfDB) continued to lend support to African Governments and businesses in 2016. It held its 51st Annual Meetings, and the 42nd Meetings of the Board of Governors of the African Development Fund (ADF) in Lusaka, Zambia, with focus on the growth trajectory of the Bank and the African continent.

The AfDB's High-5 agenda dominated discussions at the Meetings. The five strategic results to be achieved by 2025 included lighting up and powering Africa; feeding Africa; industrialising Africa; integrating Africa; and improving the quality of life of the people of Africa. Under the High-5s, the main topics for discussion included:

- "African Leaders for Nutrition", which aimed at championing and increasing investment in nutrition across the continent;
- "The Road to Agricultural Transformation in Africa", which focused on productivity and investment in hard and soft infrastructure;
- "Jobs for African Youth", which underscored the need to invest in skills development to facilitate job creation; and
- "Africa's Energy: What's the New Deal?", which presented a vehicle through which the AfDB will invest in delivering electricity for all Africans, by 2025.

The Jobs for Youth in Africa Strategy was approved by the Board for the period 2016-2025.

## 6.7 African Export-Import Bank

The African Export-Import Bank (AFREXIMBANK) held its annual meetings from July 18 – 24, 2016, in Seychelles, under the theme: "Africa's New Economy: Intra-African Trade and the Blue Economy as Catalysts for Economic Transformation". There were three sub-themes which included:

- Intra-African Trade and Structural Transformation of African Economies;
- The Blue Economy and Structural Transformation of African Economies; and
- The Challenges of Africa's Industrialization in a Globalizing World.

At the end of the first quarter meeting held in Johannesburg, the Board of Directors of AFREXIMBANK approved the Intra-African Trade Strategy, which was expected to increase trade by at least 50 per cent in the following five years from the current US$170 billion to US$250 billion. The Strategy was also expected to drive value addition in Africa and help reduce the continent's dependence on commodities. These outcomes would help strengthen the capacity of African economies to withstand economic shocks.

Realising that virtually all processing of cocoa beans takes place outside Africa, despite Africa being the largest producer of the product, AFREXIMBANK launched the Africa Cocoa Initiative to help improve revenue retention from the cocoa sector.

## 6.8 West African Monetary Zone Meetings

The West African Monetary Zone (WAMZ) held its statutory meetings in the year. The mid-year meeting was held in Conakry, Republic of Guinea in August, 2016, while the end-of-year meeting was held in February, 2017, in Freetown, Sierra Leone.

The Governors noted the slow real GDP growth for the zone, estimated at 0.6 per cent in 2016, from 2.8 per cent in 2015, reflecting decline in global commodity prices. The zonal average inflation remained high and was attributed mainly to the pass-through effects of the depreciation of the currencies of most member countries. Performance on the Convergence criteria scale showed that only Liberia satisfied all four primary criteria. Guinea and Nigeria satisfied three each, Ghana satisfied two, while The Gambia and Sierra Leone satisfied one each.

Other meetings held by the WAMZ included the 8th Trade Ministers' Forum in Monrovia, Republic of Liberia, on November 4, 2016, meetings of the College of Supervisors of WAMZ (CSWAMZ), West African Monetary Agency (WAMA) and West African Institute for Financial and Economic Management (WAIFEM).

# FINANCIAL STATEMENTS

# CHAPTER 7: FINANCIAL STATEMENTS

## GENERAL INFORMATION

### BOARD OF DIRECTORS

| | | | | |
|---|---|---|---|---|
| Dr. Henry A. Kofi Wampah | - | Governor (Chairman) | - | (Resigned 31st March, 2016) |
| Dr. Abdul-Nashiru Issahaku | - | Governor (Chairman) | - | (Resigned 31st March, 2017) |
| Dr. Ernest Kwamina Yedu Addison | - | Governor | - | (Appointed Chairman 1 April, 2017) |
| Mr. Millison Narh | - | 1st Deputy Governor | | |
| Dr. Johnson Pandit Asiama | - | 2nd Deputy Governor | - | (Appointed 5th April, 2016) |
| Prof. Kwabena Asomanin Anaman | - | Non-Executive Director | | |
| Dr. Augustine Fritz Gockel | - | Non-Executive Director | | |
| Hon. Cassiel Ato Forson | - | Non-Executive Director | | |
| Dr. Kwadwo Owusu Agyeman | - | Non-Executive Director | - | (Appointed 24th August, 2016) |
| Mr. Godfrey Morgin Mwindaare | - | Non-Executive Director | - | (Appointed 24th August, 2016) |
| Dr. Kwame Ampofo Kusi | - | Non-Executive Director | - | (Appointed 24th August, 2016) |
| Dr. Sr. Eugenia Amporfu | - | Non-Executive Director | - | (Appointed 24th August, 2016) |
| Dr. Sydney Laryea | - | Non-Executive Director | - | (Retired 23rd August, 2016) |
| Mrs. Diana Amewu Ayettey | - | Non-Executive Director | - | (Retired 23rd August, 2016) |
| Mr. Kwaku Bram Larbi | - | Non-Executive Director | - | (Retired 23rd August, 2016) |
| Dr. David Obu Andah | - | Non-Executive Director | - | (Retired 23rd August, 2016) |
| Mr. Sam Appah | - | Non-Executive Director | - | (Retired 23rd August, 2016) |
| Mr. Alexander Yamoah Kyei | - | Non-Executive Director | - | (Retired 23rd August, 2016) |

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

### INDEPENDENT AUDITOR
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 2016.

## 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 2016 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)(as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918) 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 were changes in the membership of the Board of Directors as reconstituted in August 2016. Six (6) members of the Board retired and six (6) new members were appointed. Dr. Abdul-Nashiru Issahaku assumed the Chairmanship of the Board effective 1st April 2016 upon the resignation of Dr. Henry Wampah on 31st March 2016.

## COMPLIANCE WITH RELEVANT LEGISLATION AND ACCOUNTING FRAMEWORK

The financial statements, including comparative year information, are prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Bank of Ghana Act, 2002 (Act 612) (as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918) and the Financial Administration Act, 2003 (Act 654).

## 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:

- providing a central depository for keeping records of beneficiary owners of financial instrument including government securities and in electric form;
- undertaking clearing and settlement by book entry of financial instruments including government securities and equity; and
- operating and managing central securities depository clearing and settlements services.

## DIVIDEND

The directors have declared a dividend of GH¢ 250 million (2015: GH¢500 million) subsequent to the reporting date. The dividend declared will be used to reduce government indebtedness in the books of the Bank. This is in accordance with Sections 6 and 7 of the Bank of Ghana Act, 2002 (Act 612) (as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918).

## 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 27th April 2017 and were signed on their behalf by:

Chairman (Governor)

Director

# INDEPENDENT AUDITOR'S REPORT TO THE HONOURABLE MINISTER OF FINANCE

## *REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*

### Our opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Bank of Ghana (the "Central Bank") and its subsidiaries (together the "Group") as at 31 December 2016, and of the financial performance and the cash flows of the Central Bank standing alone 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) (As amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918) and the Financial Administration Act, 2003, (Act 654).

### What we have audited

We have audited the financial statements of Bank of Ghana (the "Central Bank") and its subsidiaries (together the "Group") for the year ended 31 December 2016.

The financial statements on pages 33 to 90 comprise:
the separate and consolidated statements of financial position as at 31 December 2016;
the separate and consolidated statements of profit or loss for the year then ended;
the separate and consolidated statements of other comprehensive income for the year then ended
the separate and consolidated statements of changes in equity for the year ended;
the separate and consolidated statements of cash flows for the year then ended; and
the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

### Independence

We are independent of the Central Bank and its subsidiaries in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

### Other information

The directors are responsible for the other information. The other information comprises the Governance Report including the Report of the Directors, Developments in the Global Economy Report, Developments in Ghanaian Economy Report, Developments in the Banks and Non-Bank Financial Institutions Report, Internal Developments Report and the External Relations Reports but does not include the separate and consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Governance Report, Developments in the Global Economy Report, Developments in Ghanaian Economy Report, Developments in the Banks and Non-Bank Financial Institutions Report, Internal Developments Report and the External Relations Reports, which are expected to be made available to us after that date.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Governance Report, Developments in the Global Economy Report, Developments in Ghanaian Economy Report, Developments in the Banks and Non-Bank Financial Institutions Report, Internal Developments Report and the External Relations Reports, and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements
The directors are responsible for the preparation of separate and consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002, (Act 612) (As amended by the Bank of Ghana (Amendment) Act 2016, (Act 918) 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.
In preparing the separate and consolidated financial statements, the directors are responsible for assessing the Bank and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

concern basis of accounting unless the directors either intend to liquidate the Bank and/or the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion;

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Asiedu-Antwi (ICAG/P/1138).

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2017/028)
Chartered Accountants
Accra, Ghana

5th May 2017

## STATEMENT OF PROFIT OR LOSS

| | | The Bank | | The Group | |
|---|---|---|---|---|---|
| | NOTE | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| **OPERATING INCOME** | | | | | |
| Interest and similar income | 5(i) | **2,411,429** | 1,826,747 | **2,486,187** | 1,914,312 |
| Exchange differences | 5(ii) | **818,340** | 241,437 | **838,039** | 265,332 |
| Fee and commission income | 5(iv) | **79,762** | 65,658 | **113,257** | 101,326 |
| Other operating income | 5(v) | **211,732** | 19,611 | **271,089** | 54,035 |
| Dividend income | 5(vi) | **23,263** | 24,168 | **6,387** | 2,169 |
| **Total operating income** | | **3,544,526** | 2,177,621 | **3,714,959** | 2,337,174 |
| **OPERATING EXPENSES** | | | | | |
| Interest expense and similar charges | 5(iii) | **(1,565,672)** | (521,661) | **(1,572,884)** | (527,259) |
| Other operating expenses | 6 | **(630,232)** | (435,199) | **(709,793)** | (514,600) |
| Premises and equipment expenses | 7 | **(74,184)** | (49,340) | **(81,527)** | (54,591) |
| Currency issue expenses | 8 | **(160,951)** | (122,010) | **(160,951)** | (122,010) |
| Impairment loss recognised | 9(a) | **(404,005)** | (29,374) | **(404,005)** | (28,459) |
| **Total operating expense** | | **(2,835,044)** | (1,157,584) | **(2,929,160)** | (1,246,919) |
| **Profit before taxation** | | **709,482** | 1,020,037 | **785,799** | 1,090,255 |
| Taxation | 10(b) | **-** | - | **(18,714)** | (17,915) |
| **Operating profit for the year** | | **709,482** | 1,020,037 | **767,085** | 1,072,340 |
| **Surplus attributed to:** | | | | | |
| Equity shareholders of the bank | | **709,482** | 1,020,037 | **734,774** | 1,036,289 |
| Non-controlling interest | 32 | **-** | - | **32,311** | 36,051 |
| | | **709,482** | 1,020,037 | **767,085** | 1,072,340 |

*The notes on pages 44 to 90 form an integral part of these financial statements.*

## STATEMENT OF OTHER COMPREHENSIVE INCOME

| | The Bank 2016 GH¢'000 | The Bank 2015 GH¢'000 | The Group 2016 GH¢'000 | The Group 2015 GH¢'000 |
|---|---|---|---|---|
| **Operating profit for the year** | **709,482** | 1,020,037 | **767,085** | 1,072,340 |
| **Other comprehensive income to be reclassified to profit or loss in subsequent periods:** | | | | |
| Foreign currency translation reserve | - | - | **(44,854)** | 1,079 |
| Tax effect | - | - | - | - |
| | - | - | **(44,854)** | 1,079 |
| Gains/(loss) on available for sale financial assets | | - | **9,709** | (11,447) |
| Tax effect | - | - | **(2,069)** | 2,318 |
| | - | - | **7,640** | (9,129) |
| **Net other comprehensive income to be reclassified to profit or loss in subsequent periods** | - | - | **(37,214)** | (8,050) |
| **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** | **709,482** | 1,020,037 | **729,871** | 1,064,290 |
| **Attributable to:** | | | | |
| **Equity holders of the parent** | 709,482 | 1,020,037 | **715,795** | 1,032,184 |
| **Non-controlling interest** | - | - | **14,076** | 32,106 |
| | **709,482** | 1,020,037 | **729,871** | **1,064,290** |

*The notes on pages 44 to 90 form an integral part of these financial statements.*

## STATEMENT OF FINANCIAL POSITION

| | | The Bank | | The Group | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | **NOTE** | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| **ASSETS** | | | | | |
| Cash and balances with correspondent banks | 11 | 3,652,353 | 6,557,327 | 6,812,680 | 9,129,394 |
| Gold | 12 | 1,367,484 | 1,133,069 | 1,367,484 | 1,133,069 |
| Balances with International Monetary Fund | 13 | 4,887,825 | 2,858,231 | 4,887,825 | 2,858,231 |
| Securities | 14 | 30,366,030 | 21,223,727 | 29,747,521 | 20,869,394 |
| Loans and advances | 15 | 7,563,941 | 6,865,667 | 8,341,571 | 7,774,814 |
| Derivatives | 16 | - | 289,996 | - | 289,996 |
| Other assets | 17 | 1,176,529 | 733,812 | 1,199,123 | 755,611 |
| Investments | 18 | 170,917 | 200,861 | 65,947 | 81,818 |
| Property, plant and equipment | 19 | 538,919 | 373,841 | 556,673 | 394,778 |
| Intangible assets | 20 | 11,563 | 10,700 | 21,602 | 14,788 |
| Deferred tax assets | | - | - | - | 422 |
| **Total Assets** | | **49,735,561** | 40,247,231 | **53,000,426** | 43,302,315 |
| **LIABILITIES** | | | | | |
| Deposits | 21 | 11,875,105 | 12,390,169 | 14,393,622 | 14,720,385 |
| Derivative financial liability | 16 | 89,526 | - | 89,526 | - |
| Short term liabilities | 22 | 2,940,140 | 4,293,094 | 2,940,140 | 4,293,094 |
| Liabilities under money market operations | 23 | 8,918,269 | 2,686,694 | 8,918,269 | 2,686,694 |
| Allocations of special drawing rights | 24a | 1,998,119 | 1,862,446 | 1,998,119 | 1,862,446 |
| Liabilities to International Monetary Fund | 24b | 7,383,891 | 4,795,957 | 7,383,891 | 4,795,957 |
| Taxation | | - | - | 10,095 | 5,371 |
| Other liabilities | 25 | 1,130,500 | 869,542 | 1,250,770 | 966,369 |
| Currency in circulation | 27 | 11,367,583 | 9,526,383 | 11,367,583 | 9,526,383 |
| **Total Liabilities** | | **45,703,133** | 36,424,285 | **48,352,015** | 38,856,699 |
| **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 | 3,878,146 | 3,668,664 | 3,991,914 | 3,820,557 |
| Retained earnings | | - | - | 154,818 | 116,238 |
| **Total Equity Attributable to Equity Holders of the Bank** | | 4,032,428 | 3,822,946 | 4,301,014 | 4,091,077 |
| Non-Controlling Interest | 32 | - | - | 347,397 | 354,539 |
| **Total Equity** | | 4,032,428 | 3,822,946 | 4,648,411 | 4,445,616 |
| **TOTAL LIABILITIES AND EQUITY** | | **49,735,561** | 40,247,231 | **53,000,426** | 43,302,315 |

The financial statements on pages 33 to 90 were approved by the Board of Directors on 27th April 2017 and signed on its behalf by:

Chairman (Governor) ______________________  Director ______________________

*The notes on pages 44 to 90 form an integral part of these financial statements.*

## STATEMENT OF CASH FLOWS

| | NOTE | The Bank 2016 GH¢'000 | The Bank 2015 GH¢'000 | The Group 2016 GH¢'000 | The Group 2015 GH¢'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | 37 | **(3,775,266)** | 1,446,000 | **(3,160,278)** | 4,470,965 |
| **Cash flows from investing activities** | | | | | |
| Proceeds from sale of debt investment | 18b | 30,000 | - | 30,000 | - |
| Proceeds from disposal of property, plant and equipment | 19 | 658 | 23 | 691 | 91 |
| Purchase of intangible assets | 20 | (2,461) | (10,538) | (9,535) | (15,217) |
| Purchase of property, plant and equipment | 19 | (204,509) | (45,741) | (207,983) | (49,937) |
| **Net cash used in investing activities** | | **(176,312)** | (56,256) | **(186,827)** | (65,063) |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | | (500,000) | (600,000) | (500,000) | (600,000) |
| Drawdown in IMF liabilities | 24b | 2,587,934 | 867,562 | 2,587,934 | 867,562 |
| Drawdown in Short term liabilities | 22 | 2,687,090 | 3,495,465 | 2,687,090 | 3,495,465 |
| Principal payment of short term liabilities | 22 | (4,389,265) | (2,276,303) | (4,389,265) | (2,276,303) |
| Dividend paid to non-controlling interest | 32 | - | - | (16,214) | (21,136) |
| **Net cash generated from financing activities** | | **385,759** | 1,486,724 | **369,545** | 1,465,588 |
| **Net change in cash and cash equivalents** | | **(3,565,819)** | 2,876,468 | **(2,977,560)** | 5,871,490 |
| Cash and cash equivalents at 1 January | | **6,557,327** | 3,124,595 | **9,129,394** | 2,701,705 |
| Net foreign exchange difference | | 660,845 | 556,264 | 660,846 | 556,199 |
| **Cash and cash equivalents at 31 December** | 11 | **3,652,353** | 6,557,327 | **6,812,680** | 9,129,394 |

*The notes on pages 44 to 90 form an integral part of these financial statements.*

## STATEMENT OF CHANGES IN EQUITY

**The Bank**

| **Year ended 31 December 2016** | **Stated Capital (note 28) GH¢'000** | **Asset Revaluation Reserves (note 29) GH¢'000** | **Statutory Reserves (note 30) GH¢'000** | **Other Reserves (note 31) GH¢'000** | **Retained Earnings GH¢'000** | **Total GH¢'000** |
|---|---|---|---|---|---|---|
| **At 1 January 2016** | 10,000 | 115,522 | 28,760 | 3,668,664 | - | 3,822,946 |
| Profit for the Year | - | - | - | - | 709,482 | 709,482 |
| Total comprehensive income | - | - | - | - | 709,482 | 709,482 |
| Dividend | | | | (500,000) | - | (500,000) |
| Movements in gold and other foreign assets | | | | 228,338 | (228,338) | - |
| Transfer to Revaluation Account | | | | 399,806 | (399,806) | - |
| Transfer to Other Reserve | - | - | - | 81,338 | (81,338) | - |
| | | | | | | - |
| **At 31 December 2016** | **10,000** | **115,522** | **28,760** | **3,878,146** | **-** | **4,032,428** |
| **Year ended 31 December 2015** | | | | | | |
| 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 to 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 |

**The Group**

| **Year ended 31 December 2016** | **Stated Capital (note 28)** GH¢'000 | **Asset Revaluation reserve (note 29)** GH¢'000 | **Statutory Reserve (note 30)** GH¢'000 | **Other Reserve (note 31)** GH¢'000 | **Foreign Currency Translation Reserve (note 31)** 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 2016** | 10,000 | 115,522 | 28,760 | 3,668,752 | 157,585 | (5,780) | 116,238 | 4,091,077 | 354,539 | 4,445,616 |
| Profit for the year | - | - | - | - | - | - | 734,774 | 734,774 | 32,311 | 767,085 |
| Other comprehensive income | - | - | - | - | (44,854) | 3,896 | - | (40,958) | 3,744 | (37,214) |
| Total comprehensive income | - | - | - | - | (44,854) | 3,896 | 734,774 | 693,816 | 36,055 | 729,871 |
| Gains on translation of foreign operation | - | - | - | - | - | 2,833 | 13,288 | 16,121 | (26,983) | (10,862) |
| Dividend paid by group | - | - | - | (500,000) | - | - | - | (500,000) | (16,214) | (516,214) |
| Net revaluation surplus/(deficit) | - | - | - | 399,806 | - | - | (399,806) | - | - | - |
| Transfer to Other Reserve | - | - | - | 81,338 | - | - | (81,338) | - | - | - |
| Price & Exchange movement in gold, and other foreign assets | - | - | - | 228,338 | - | - | (228,338) | - | - | - |
| **At 31 December 2016** | **10,000** | **115,522** | **28,760** | **3,878,234** | **112,731** | **949** | **154,818** | **4,301,014** | **347,397** | **4,648,411** |

*The notes on pages 44 to 90 form an integral part of these financial statements.*

## The Group

| Year ended 31 December 2015 | Stated Capital (note 28) | Asset Revaluation reserve (note 29) | Statutory Reserve (note 30) | Other Reserve (note 31) | Foreign Currency Translation Reserve (note 31) | Available for sale (AFS) Reserve | Retained Earnings | Total | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **At 1 January 2016** | 10,000 | 115,522 | 28,760 | 3,248,715 | 156,506 | (2,205) | 67,156 | 3,624,454 | 307,040 | 3,931,694 |
| 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) | - | - | - | (600,00) | (21,136) | (621,136) |
| Net revaluation surplus/(deficit) | - | - | - | 34,081 | - | - | (34,081) | - | - | - |
| Transfer to Other Reserve | - | - | - | 978,893 | - | - | (978,893) | - | - | - |
| Price & Exchange movement in gold, and other foreign assets | - | - | - | 7,063 | - | - | (7063) | - | - | - |
| **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 44 to 90 form an integral part of these financial statements.*

## 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) (as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918). 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 2016 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 International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and in the manner required by the Bank of Ghana Act 2002 (Act 612) (as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918) and the Financial Administration Act, 2003 (Act 654).

### 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 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

### (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 2016. However, these standards and amendments as detailed below, do not significantly impact these annual financial statements.

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

### 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.

### 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 recognized 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.

### 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 (i.e. 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.

### 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.

#### (ii) Standards issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing this financial statements. None of these is expected to have a significant effect on the financial statements, 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 2015. 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 2018 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.

### 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 judgementis 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 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns
- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

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

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

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.

#### (iii) 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

Fee 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 are recognised as the related services are performed.

### 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 recognized in Revaluation reserve (0ther reserve) to satisfy the requirement of section 7 of the Bank of Ghana Act, 2002 (Act 612) as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918).

#### (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 | 3.9093 | 4.2002 |
| GBP | 5.2939 | 5.1965 |
| EURO | 4.3265 | 4.4367 |

### 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<br>Cash and balances with banks<br>Investments<br>Balances with IMF<br>Other assets |
| | Available-for-sale | Short term securities |
| | Fair value through profit or loss | Derivative assets |
| | Held-to-maturity | Government securities,<br>Money market instruments,<br>Short term securities<br>Investments |
| **Financial liabilities** | Amortised cost | Government and other short term deposits<br>Due to other banks and financial institutions<br>Short term liabilities<br>Money market instruments<br>Liabilities to IMF<br>Other liabilities |
| | Fair value through profit or loss | Derivative liabilities |
| **Off-balance sheet financial Instruments** | Letters of credit<br>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 derecognized as well as impaired.

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value with the resultant fair value changes recognised in profit or loss. Loans and receivables, held-to-maturity instruments and other liabilities are subsequently carried at amortised cost using the effective interest method. 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 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 recognized 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 34 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.

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

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

### (ii) Subsequent costs

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

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 recognized 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¢445.8 million not provided for in the financial statements as at 31 December 2016 (2015: GH¢¢ 340.9 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 Hospital, the Data Center and the Guest houses.

### b. Pending legal claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢ 77.4 million (2015: GH¢ 3.88 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¢ 260.2 million (2015: GH¢209.3million)

### 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 2016 was GH¢ 3.3 billion (2015: GH¢2.23 billion)

### e. Securities and pledges

The Bank has pledged GH¢5.3 billion (2015: GH¢4.76 billion) 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:

| | 2016 | 2015 |
|---|---|---|
| **Assets** | | |
| Securities – Government | 10 - 24.75% | 10 - 26.40% |
| External securities | 0.04 - 3.13% | 0.15 - 2.80% |
| Loans and Advances | 6.00 - 26.00% | 6.00 - 26.00% |
| **Liabilities** | | |
| Deposits | 0% | 0% |
| Liabilities under Money Market Operations | 11.74 - 26.82% | 11.74 – 26.82% |

## 5(i) INTEREST AND SIMILAR INCOME

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Interest on overnight lending, government securities, medium/long-term notes and bonds | **1,667,975** | 1,073,185 | **1,667,975** | 1,073,185 |
| Interest on foreign accounts and foreign investments | **99,197** | 106,020 | **102,545** | 106,020 |
| **Total interest on held to maturity instruments** | **1,767,172** | 1,179,205 | **1,770,520** | 1,179,205 |
| Interest on loans and advances-Loans and receivables | **629,923** | 555,888 | **701,333** | 643,453 |
| Total interest Income | **2,397,095** | 1,735,093 | **2,471,853** | 1,822,658 |
| Discount on treasury bill | **14,334** | 91,654 | **14,334** | 91,654 |
| | **2,411,429** | 1,826,747 | **2,486,187** | 1,914,312 |

## 5(ii) EXCHANGE DIFFERENCES

| | | | | |
|---|---|---|---|---|
| Transactional exchange differences | **113,509** | 261,921 | **133,208** | 285,816 |
| Exchange rate equalisation | **76,688** | (61,628) | **76,688** | (61,628) |
| Exchange difference on Gold, SDR and foreign securities | **628,143** | 41,144 | **628,143** | 41,144 |
| | **818,340** | 241,437 | **838,039** | 265,332 |

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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| IMF & SDR allocations | **506** | 409 | **506** | 409 |
| Foreign loans and credits | **77,968** | 110,113 | **77,968** | 110,113 |
| Interest on money market instruments | **1,239,764** | 286,105 | **1,243,621** | 260,006 |
| Repo expense and other commissions paid | **247,434** | 125,034 | **250,789** | 156,731 |
| | **1,565,672** | 521,661 | **1,572,884** | 527,259 |

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 charges 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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Personnel costs | **398,225** | 258,963 | **440,323** | 306,768 |
| Foreign and domestic travel | **39,577** | 30,037 | **39,577** | 30,068 |
| Motor vehicle maintenance/running | **26,337** | 17,868 | **26,554** | 18,110 |
| Communication expenses | **12,441** | 11,996 | **16,225** | 12,138 |
| Banking college and monetary institutes expenses | **5,130** | 4,491 | **5,130** | 4,491 |
| Computer related expenses | **15,978** | 7,517 | **23,512** | 14,729 |
| Banking supervision expenses | **6,029** | 6,390 | **6,029** | 6,390 |
| Auditor's remuneration | **361** | 347 | **851** | 816 |
| Directors' remuneration | **5,075** | 4,337 | **11,204** | 4,950 |
| External Fund Manager Charges | **14,294** | 33,069 | **14,294** | 33,069 |
| International Bodies Subscriptions | **6,223** | 15,219 | **6,223** | 15,219 |
| Expense on foreign currency importation | **872** | 771 | **872** | 771 |
| Amortisation of intangible assets | **3,611** | 2,963 | **4,734** | 3,554 |
| Depreciation – motor vehicles | **9,644** | 7,483 | **10,425** | 7,717 |
| Other administrative expenses | **86,435** | 33,748 | **103,840** | 55,810 |
| | **630,232** | 435,199 | **709,793** | 514,600 |

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

| | | | | |
|---|---|---|---|---|
| Directors | **11** | 12 | **23** | 20 |
| Staff | **1910** | 1,630 | **1967** | 1,682 |
| | **1,921** | 1,642 | **1,990** | 1,702 |

## 7. PREMISES AND EQUIPMENT EXPENSES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Rent and Rates | **2,453** | 2,011 | **2,453** | 2,011 |
| Electricity, Water and Conservancy | **14,979** | 7,354 | **14,979** | 7,354 |
| Repairs and Renewals | **23,369** | 10,370 | **23,369** | 10,370 |
| Insurance – Premises and Equipment | **372** | 274 | **372** | 274 |
| Depreciation – Premises & Equipment | **24,877** | 22,577 | **29,979** | 27,636 |
| Generator Running Expenses | **347** | 531 | **347** | 531 |
| General Premises and Equipment Expenses | **7,787** | 6,223 | **10,028** | 6,415 |
| | **74,184** | 49,340 | **81,527** | 54,591 |

## 8. CURRENCY ISSUE EXPENSES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Agency Fees | **1,676** | 1,400 | **1,676** | 1,400 |
| Notes Printing | **158,638** | 116,093 | **158,638** | 116,093 |
| Other Currency Expenses | **637** | 4,517 | **637** | 4,517 |
| | **160,951** | 122,010 | **160,951** | 122,010 |

## 9(a) IMPAIRMENT LOSSES

| | The Bank 2016 | The Bank 2015 | The Group 2016 | The Group 2015 |
|---|---|---|---|---|
| Balance at 1 January | **197,888** | 168,514 | **199,516** | 171,051 |
| Impairment losses recognised | **404,005** | 29,745 | **404,005** | 28,830 |
| Loan write off | **(7,888)** | - | **(9,516)** | - |
| Recovery of impairment losses | **(190,000)** | (371) | **(190,000)** | (371) |
| Exchange Difference | **-** | - | **-** | 6 |
| Balance at 31 December (9b) | **404,005** | 197,888 | **404,005** | 199,516 |

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.

## 9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT

**The Bank**

| Year ended 31 December 2016 | Loans and Advances (note 15) GH¢'000 | Other assets (note 17) GH¢'000 | Development loans and advances (note 18) GH¢'000 | Total 2016 GH¢'000 |
|---|---|---|---|---|
| At 1 January 2016 | 196,681 | 1,107 | 100 | 197,888 |
| Impairment losses recognised | - | 404,005 | - | 404,005 |
| Loan write off | (6,681) | (1,107) | (100) | (7,888) |
| Recovery of impairment losses | (190,000) | - | - | (190,000) |
| **At 31 December 2016** | - | **404,005** | - | **404,005** |

**The Group**

| Year ended 31 December 2016 | | | | |
|---|---|---|---|---|
| At 1 January 2016 | 198,309 | 1,107 | 100 | 199,516 |
| Impairment losses recognised | - | 404,005 | - | 404,005 |
| Loan write off | (8,309) | (1,107) | (100) | (9,516) |
| Recovery of impairment losses | (190,000) | - | - | (190,000) |
| **At 31 December 2016** | - | **404,005** | - | **404,005** |

## 9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT (CONTINUED)

**The Bank**

| Year ended 31 December 2016 | Loans and Advances (note 15) GH¢'000 | Other assets (note 17) GH¢'000 | Development loans and advances (note 18) GH¢'000 | Total 2016 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 |

## 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.

| (a) Income tax charge | **2016 GH¢'000** | 2015 GH¢'000 |
|---|---|---|
| Current income tax | | |
| Current year | **18,641** | 17,567 |
| Prior year adjustment | **(1)** | 104 |
| Total current tax charge | **18,640** | 17,671 |
| Deferred tax charge | | |
| Current year | **51** | 273 |
| Effect on change in tax rate | **33** | 18 |
| Prior year adjustment | **(10)** | (47) |
| Total deferred tax charge | **74** | 244 |
| Total charge | **18,714** | 17,915 |
| (b) The charge for the year can be reconciled to the profit or loss as follows: | | |
| Profit on ordinary activities before tax | **1,189,804** | 1,090,255 |
| Tax at 20% (2015: 20.25 %) | **237,961** | 220,777 |
| Depreciation of non-qualifying assets | **106** | 105 |
| Expenses disallowed for other tax purposes | **13** | 16 |
| Effect of change in tax rate | **33** | 18 |
| Prior year adjustment | **(12)** | 58 |
| Results of the Bank not subject to tax | **(219,387)** | (203,059) |
| | **18,714** | 17,915 |

## 11. CASH AND BALANCES WITH CORRESPONDENT BANKS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Correspondent Bank Balances | **3,395,138** | 6,308,751 | **6,555,465** | 8,880,818 |
| Notes and Coins Holdings | **257,215** | 248,576 | **257,215** | 248,576 |
| | **3,652,353** | 6,557,327 | **6,812,680** | 9,129,394 |
| Cash and Bank Balances were held in the following Currencies: (Ghana cedi equivalent) | | | | |
| US Dollar | **3,342,944** | 6,233,636 | **6,235,546** | 8,678,737 |
| Pound Sterling | **113,259** | 156,910 | **211,260** | 218,457 |
| Euro | **128,678** | 94,898 | **240,021** | 132,121 |
| Others | **67,472** | 71,883 | **125,853** | 100,079 |
| Total | **3,652,353** | 6,557,327 | **6,812,680** | 9,129,394 |

## 12. GOLD

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Bank of England Gold set aside | **537,632** | 445,454 | **537,632** | 445,454 |
| Federal Reserve Bank NY Gold | **375,735** | 311,315 | **375,735** | 311,315 |
| UBS Gold Investment | **404,366** | 335,079 | **404,366** | 335,079 |
| Gold-local holdings | **49,751** | 41,221 | **49,751** | 41,221 |
| | **1,367,484** | 1,133,069 | **1,367,484** | 1,133,069 |

Gold balances consists of 280,872.44 fine ounces of gold at the market price of USD1,158.76 per ounce (2015: 280,872.44 fine ounces at USD1,062.60 per ounce).

## 13. BALANCES WITH INTERNATIONAL MONETARY FUND (IMF)

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Holdings | **720,708** | 916,147 | **720,708** | 916,147 |
| Quota | **4,167,117** | 1,942,084 | **4,167,117** | 1,942,084 |
| | **4,887,825** | 2,858,231 | **4,887,825** | 2,858,231 |

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 are current.

## 14. SECURITIES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Long-term Government securities | **12,476,825** | 8,962,127 | **12,476,825** | 8,962,127 |
| Money market instruments | **639,716** | 1,169,827 | **639,716** | 1,169,827 |
| Short-term securities | **17,249,489** | 11,091,773 | **16,345,821** | 10,358,121 |
| Others | **-** | - | **285,159** | 379,319 |
| | **30,366,030** | 21,223,727 | **29,747,521** | 20,869,394 |
| Current | **17,447,252** | 11,300,390 | 16,743,169 | 11,300,390 |
| Non-current | **12,918,778** | 9,923,337 | **13,004,352** | 9,569,004 |

**SECURITIES BY CURRENCY**

| (Ghana cedi equivalent) | | | | |
|---|---|---|---|---|
| Cedi | **12,760,157** | 10,035,004 | 11,856,489 | 9,301,353 |
| US Dollar | **17,243,102** | 10,838,152 | **17,243,102** | 10,838,152 |
| Pound Sterling | **164,033** | 132,578 | **449,192** | 511,896 |
| Others | **198,738** | 217,993 | **198,738** | 217,993 |
| Total | **30,366,030** | 21,223,727 | **29,747,521** | 20,869,394 |

### (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 other securities.

## 15. LOANS AND ADVANCES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Government of Ghana | **-** | 3,145,312 | **-** | 3,145,312 |
| Financial institutions | **5,226,018** | 1,673,782 | **5,796,422** | 1,843,696 |
| Other quasi-governmental institutions | **2,337,923** | 2,243,254 | **2,545,149** | 2,984,115 |
| Gross Amount | **7,563,941** | 7,062,348 | **8,341,571** | 7,973,123 |
| **Less:** Impairment Losses (9b) | **-** | (196,681) | **-** | (198,309) |
| **Carrying amount** | **7,563,941** | 6,865,667 | **8,341,571** | 7,774,814 |
| Current | **5,250,074** | 4,628,926 | **5,631,561** | 5,053,173 |
| Non-current | **2,313,867** | 2,236,741 | **2,710,010** | 2,721,641 |

**LOANS AND ADVANCES BY CURRENCY**
**(Ghana cedi equivalent)**

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Cedi | **7,563,941** | 6,864,898 | **7,564,121** | 6,863,691 |
| US Dollar | **-** | 189,750 | **520,583** | 389,850 |
| Pound Sterling | **-** | 7,700 | **256,867** | 719,582 |
| Total | **7,563,941** | 7,062,348 | **8,341,571** | 7,973,123 |

## 16. DERIVATIVES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Foreign currency swap | (89,526) | 289,996 | (89,526) | 289,996 |

The foreign currency swap balance arose from an underlying receivable of GH¢3.1 billion (2015: GH¢2 billion) from certain commercial banks and GH¢2.9 billion payable to those commercial banks (2015: GH¢1.78 billion). The balance also includes the fair value of the embedded derivative of GH¢267.6 million (2015: GH¢50.56 million) relating to the forward rates associated with the contracts. Derivatives are current.

## 17. OTHER ASSETS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Items in course of Collection | **11,600** | 220,161 | **11,600** | 220,161 |
| Other receivables | **1,568,934** | 514,758 | **1,591,528** | 536,557 |
| | **1,580,534** | 734,919 | **1,603,128** | 756,718 |
| Less: Impairment Losses (note 9(b)) | **(404,005)** | (1,107) | **(404,005)** | (1,107) |
| | **1,176,529** | 733,812 | **1,199,123** | 755,611 |
| Current | **895,302** | 580,024 | **917,896** | 601,823 |
| Non-current | **281,227** | 153,788 | **281,227** | 153,788 |

Included in other receivables are imprest and sundry receivables.

## 18. INVESTMENTS

| | | The Bank | | The Group | |
|---|---|---|---|---|---|
| | | **2016** | 2015 | **2016** | 2015 |
| | | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Investment in subsidiaries | 18 (a) | 149,524 | 149,524 | - | - |
| Other investments | 18 (b) | 21,393 | 51,437 | 65,947 | 81,918 |
| | | 170,917 | 200,961 | 65,947 | 81,918 |
| Impairment Losses | | - | (100) | - | (100) |
| | | 170,917 | 200,861 | 65,947 | 81,818 |

### 18(a) Subsidiaries

The investment in subsidiaries is made up of:

- GH¢70,164,525 (2015: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 (2015: 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 (2015: 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 | | |
|---|---|---|---|
| | **2016** | 2015 | **Nature of business** |
| | **%** | % | |
| 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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Equity investment in Afrexim | **21,393** | 21,437 | **21,393** | 21,437 |
| Debt instruments | **-** | 30,000 | **-** | 30,000 |
| Held-to-maturity investments | **-** | - | **44,554** | 30,481 |
| | **21,393** | 51,437 | **65,947** | 81,918 |
| The movement in debt and equity instruments is as follows: | | | | |
| 1 January | **51,437** | 30,633 | **81,918** | 51,785 |
| Write off | **(100)** | - | **(100)** | - |
| Purchase of additional interest | **56** | 20,804 | **14,129** | 30,133 |
| Sale of debt investment | **(30,000)** | - | **(30,000)** | - |
| 31 December | **21,393** | 51,437 | **65,947** | 81,918 |

**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 December2016, the Bank had a total of GH¢21.39 million (2015: GH¢21.34 million) as equity in Afrexim. The proportion of the Bank's equity interest to the total holding in Afrexim is 1.56%.

## 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 2016 | 220,696 | 43,493 | 10,125 | 109,095 | 96,496 | 479,905 |
| Additions | 3,184 | 19,063 | 1,157 | 2,533 | 178,572 | 204,509 |
| Transfers | 16,033 | - | 709 | 20,952 | (37,694) | - |
| Transfer to intangible assets | - | - | - | - | (2,013) | (2,013) |
| Disposals | - | (4,294) | (3) | (30) | - | (4,327) |
| **At 31 December 2016** | **239,913** | **58,262** | **11,988** | **132,550** | **235,361** | **678,074** |
| **Accumulated depreciation & impairment losses** | | | | | | |
| At 1 January 2016 | 30,914 | 23,773 | 5,392 | 45,985 | - | 106,064 |
| Charge for the year | 8,089 | 9,644 | 1,986 | 14,802 | - | 34,521 |
| Disposals | - | (1,408) | (4) | (18) | - | (1,430) |
| **At 31 December 2016** | **39,003** | **32,009** | **7,374** | **60,769** | **-** | **139,155** |
| **Net book amount** | | | | | | |
| **At 31 December 2016** | **200,910** | **26,253** | **4,614** | **71,781** | **235,361** | **538,919** |

**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 2016 | 227,700 | 46,057 | 12,153 | 154,289 | 103,278 | 543,477 |
| Additions | 3,184 | 20,529 | 1,188 | 3,683 | 179,399 | 207,983 |
| Transfers | 16,033 | - | 709 | 20,952 | (37,694) | - |
| Transfer to intangible assets | - | - | - | - | (2,013) | (2,013) |
| Disposals | - | (4,397) | (3) | (385) | - | (4,785) |
| Translation Adjustment | (359) | (48) | (163) | (1,234) | - | (1,804) |
| **At 31 December 2016** | **246,558** | **62,141** | **13,884** | **177,305** | **242,970** | **742,858** |
| **Accumulated depreciation and impairment losses** | | | | | | |
| At 1 January 2016 | 34,161 | 25,672 | 7,505 | 81,361 | - | 148,699 |
| Charge for the Year | 8,623 | 10,425 | 2,075 | 19,281 | - | 40,404 |
| Released on Disposal | - | (1,511) | (4) | (17) | - | (1,532) |
| Translation Adjustment | (234) | (17) | (162) | (973) | - | (1,386) |
| **At 31 December 2016** | **42,550** | **34,569** | **9,414** | **99,652** | **-** | **186,185** |
| **Net book amount** | | | | | | |
| **At 31 December 2016** | **204,008** | **27,572** | **4,470** | **77,653** | **242,970** | **556,673** |

## 19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**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 and 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 December 2015 | 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 |

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.

**Profit on disposal**

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| Cost | **4,327** | 364 | **4,785** | 1,178 |
| Accumulated depreciation | **(1,430)** | (184) | **(1,532)** | (942) |
| Carrying amount | **2,897** | 180 | **3,253** | 236 |
| Proceeds from disposal | **(658)** | (23) | **(691)** | (91) |
| Loss/(Profit) on disposal | **2,239** | 157 | **2,562** | 145 |

## 20. INTANGIBLE ASSETS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| At 1 January | 20,058 | 9,520 | 24,737 | 9,520 |
| Transfers | 2,013 | - | 2,013 | - |
| Additions | 2,461 | 10,538 | 9,535 | 15,217 |
| **At 31 December** | **24,532** | 20,058 | **36,285** | 24,737 |
| **Accumulated amortisation& impairment losses** | | | | |
| At 1 January | 9,358 | 6,395 | 9,949 | 6,395 |
| Charge for the year | 3,611 | 2,963 | 4,734 | 3,554 |
| **At 31 December** | **12,969** | 9,358 | 14,683 | 9,949 |
| **Net book amount At 31 December** | **11,563** | 10,700 | **21,602** | 14,788 |

Intangible assets refers to computer software.

## 21. DEPOSITS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Government of Ghana | 3,159,363 | 6,525,943 | 3,159,363 | 6,525,943 |
| Financial Institutions/Banks | 8,465,794 | 5,321,650 | 10,984,311 | 7,651,866 |
| Other deposits | 249,948 | 542,576 | 249,948 | 542,576 |
| | 11,875,105 | 12,390,169 | 14,393,622 | 14,720,385 |
| Current | 11,875,105 | 12,390,169 | 14,330,152 | 14,693,247 |
| Non-current | - | - | 63,470 | 27,138 |

**DEPOSITS BY VARIOUS CURRENCIES**
**(Ghana cedi equivalent)**

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Cedi | **8,520,634** | 7,981,842 | **10,327,722** | 9,486,400 |
| US Dollar | **3,005,329** | 4,048,731 | **3,642,710** | 4,807,040 |
| Pound Sterling | **148,039** | 158,024 | **179,436** | 187,621 |
| Euro | **199,225** | 191,162 | **241,477** | 226,966 |
| Others | **1,878** | 10,410 | **2,277** | 12,358 |
| Total | **11,875,105** | 12,390,169 | **14,393,622** | 14,720,385 |

## 22. SHORT TERM LIABILITIES

| | | | | |
|---|---|---|---|---|
| Short term facilities | **2,940,140** | 4,293,094 | **2,940,140** | 4,293,094 |

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.

## 22. SHORT TERM LIABILITIES (CONTINUED)

The movement in short term liabilities is as follows:

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| 1 January | **4,293,094** | 2,560,080 | **4,293,094** | 2,560,080 |
| Drawdown | **2,687,090** | 3,495,465 | **2,687,090** | 3,495,465 |
| Payment | **(4,389,265)** | (2,276,303) | **(4,389,265)** | (2,276,303) |
| Revaluation loss | **349,221** | 513,852 | **349,221** | 513,852 |
| 31 December | **2,940,140** | 4,293,094 | **2,940,140** | 4,293,094 |

## 23. LIABILITIES UNDER MONEY MARKET OPERATIONS

| | | | | |
|---|---|---|---|---|
| Bank of Ghana Instruments | **8,918,269** | 2,686,694 | **8,918,269** | 2,686,694 |

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 are 14 day instruments and are current.

## 24a. 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 movement in allocation of special drawing rights is as follows:

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| 1 January | **1,862,446** | 1,640,641 | **1,862,446** | 1,640,641 |
| Revaluation gain | **135,673** | 221,805 | **135,673** | 221,805 |
| 31 December | **1,998,119** | 1,862,446 | **1,998,119** | 1,862,446 |

Allocations of SDRs are non-current.

## 24b. LIABILITIES TO INTERNATIONAL MONETARY FUND

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| (i) IMF Currency Holdings | | | | |
| Operational Account | **48,391** | 44,820 | **48,391** | 44,820 |
| IMF Securities | **3,597,083** | 1,896,590 | **3,597,083** | 1,896,590 |
| (ii) IMF Facilities | | | | |
| Poverty Reduction and Growth Facility | **3,738,417** | 2,854,547 | **3,738,417** | 2,854,547 |
| | **7,383,891** | 4,795,957 | **7,383,891** | 4,795,957 |
| Current | **3,645,474** | 1,941,410 | **3,645,474** | 1,941,410 |
| Non-current | **3,738,417** | 2,854,547 | **3,738,417** | 2,854,547 |

## 25. OTHER LIABILITIES

| | | | | |
|---|---|---|---|---|
| Accruals and accounts payable | **526,698** | 337,355 | **526,698** | 337,355 |
| Defined pension fund liability (note 26) | **997** | 997 | **997** | 997 |
| Other payables | **602,805** | 531,190 | **723,075** | 628,017 |
| | **1,130,500** | 869,542 | **1,250,770** | 966,369 |
| Current | **526,698** | 591,418 | **646,968** | 688,245 |
| Non-current | **603,802** | 278,124 | **603,802** | 278,124 |

## 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 on a yearly basis to determine the benefit obligation. 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 | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| Defined benefit obligation | **(1,397,212)** | (1,122,169) | **(1,397,212)** | (1,122,169) |
| Plan assets | **1,492,213** | 1,227,694 | **1,492,213** | 1,227,694 |
| **Total recognised benefit (liability) Asset** | **95,001** | 105,525 | **95,001** | 105,525 |

Where the defined benefit obligation exceeds the plan assets, the excess liability is carried on the statement of financial position as part of other liabilities. For the year 2016, 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. The Bank intends to continue to contribute to the fund in line with the actuary's determined obligation when these exceed the value of the plan assets.

In 2014, the defined benefit obligation exceeded the plan assets by GHS997,000 and this was recognised in 0ther liabilities.

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| **Plan assets** | | | | |
| Balance at 1 January | **1,227,694** | 991,925 | **1,227,694** | 991,925 |
| Contributions by employer during the year | **264,519** | 235,769 | **264,519** | 235,769 |
| Fund assets in investments | **1,492,213** | 1,227,694 | **1,492,213** | 1,227,694 |
| Fair value of Plan Assets | **1,590,734** | 1,252,248 | **1,567,352** | 1,252,248 |
| **Fund Liability** | | | | |
| Balance at 1 January | **1,122,169** | 992,922 | **1,122,169** | 992,922 |
| Pension payments | **-** | (36,426) | **-** | (36,426) |
| Interest expense | **318,048** | 6,974 | **318,048** | 6,974 |
| Actuarial gain /(loss) | **(594,776)** | 63,806 | **(594,776)** | 63,806 |
| Accrual for service | **551,771** | 94,893 | **551,771** | 94,893 |
| Value of fund obligation at 31 December | **1,397,212** | 1,122,169 | **1,397,212** | 1,122,169 |

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 2016. The present value of the defined benefit obligation and the related service cost are measured using the projected unit credit method.

## 26. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

| | 2016 | 2015 |
|---|---|---|
| **Actuarial assumptions** | | |
| Discount rate at 31 December | **19%** | 20% |
| Salary increment rate | **20%** | 22% |
| 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)** | **19.0%** | 20.0% | 18.0% | 20.0% | 20.0% | 20.0% | 20.0% |
| **Salary Rate (s)** | **20.0%** | 20.0% | 20.0% | 21.0% | 19.0% | 20.0% | 20.0% |
| **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** | **1,397,212,373** | 1,145,660,255 | 1,748,889,828 | 1,744,423,982 | 1,143,424,476 | 1,249,144,200 | 1,596,314,984 |
| **Change in Actuarial liability** | **-** | 2.09% | 55.45% | 55.45% | 1.89% | 11.32% | 42.25% |

## 27 (a). CURRENCY IN CIRCULATION

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| Notes and Coins Issued | **20,616,984** | 16,341,870 | **20,616,984** | 16,341,870 |
| Less: Cash Account & Agencies | **(9,249,401)** | (6,815,487) | **(9,249,401)** | (6,815,487) |
| | **11,367,583** | 9,526,383 | **11,367,583** | 9,526,383 |

## 27 (b). CURRENCY IN CIRCULATION BY DENOMINATION

| | The Bank | | The Group | |
|---|---|---|---|---|
| DENOMINATION<br>Notes in circulation | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| GH¢50 | 3,549,334 | 2,691,178 | 3,549,334 | 2,691,178 |
| GH¢20 | 4,099,715 | 3,590,251 | 4,099,715 | 3,590,251 |
| GH¢10 | 2,244,160 | 1,960,687 | 2,244,160 | 1,960,687 |
| GH¢5 | 890,168 | 821,899 | 890,168 | 821,899 |
| GH¢2 | 199,082 | 129,681 | 199,082 | 129,681 |
| GH¢1 | 198,246 | 165,559 | 198,246 | 165,559 |
| Total notes in circulation | **11,180,705** | 9,359,255 | **11,180,705** | 9,359,255 |
| Coins in circulation | | | | |
| GH¢1 | 26,609 | 26,091 | 26,609 | 26,091 |
| 50GP | 49,876 | 39,862 | 49,876 | 39,862 |
| 20GP | 50,778 | 42,768 | 50,778 | 42,768 |
| 10GP | 26,773 | 25,987 | 26,773 | 25,987 |
| 5GP | 9,462 | 9,076 | 9,462 | 9,076 |
| 1GP | 1,003 | 959 | 1,003 | 959 |
| Total coins in circulation | **164,501** | 144,743 | **164,501** | 144,743 |
| New currency in circulation | **11,345,206** | 9,503,998 | **11,345,206** | 9,503,998 |
| Old currency in circulation | **22,377** | 22,385 | **22,377** | 22,385 |
| Total currency in circulation | **11,367,583** | 9,526,383 | **11,367,583** | 9,526,383 |

## 28. STATED CAPITAL

| | Number of Shares 2016 GH¢'000 | Number of Shares 2015 GH¢'000 | Proceeds 2016 GH¢'000 | Proceeds 2015 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 2016** | Price Movement GH¢'000 | General and Revaluation Reserve GH¢'000 | Total GH¢'000 |
|---|---|---|---|
| At 1 January | 602,452 | 3,066,212 | 3,668,664 |
| Dividend | - | (500,000) | (500,000) |
| Exchange movement in gold and other foreign assets | - | 399,806 | 399,806 |
| Price movement in gold | 228,338 | - | 228,338 |
| Transfer of residual profit to general reserve | - | 81,338 | 81,338 |
| **At 31 December** | **830,790** | **3,047,356** | **3,878,146** |
| **The Bank 2015** | | | |
| At 1 January | 595,389 | 2,653,238 | 3,248,627 |
| Dividend | - | (600,000) | (600,000) |
| Exchange movement in gold and other foreign assets | - | 34,081 | 34,081 |
| Price movement in gold | 7,063 | - | 7,063 |
| Transfer of residual profit to general reserve | - | 978,893 | 978,893 |
| At 31 December | 602,452 | 3,066,212 | 3,668,664 |

**The Group 2016**

| Year ended 31 December 2016 | Price Movement GH¢'000 | Foreign currency Translation Reserve GH¢'000 | Available for sale reserves GH¢'000 | General and Revaluation Reserve GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|
| At 1 January | 602,454 | 157,585 | (5,780) | 3,066,298 | 3,820,557 |
| Dividend | - | - | - | (500,000) | (500,000) |
| Exchange movement in gold and other foreign assets | - | - | - | 399,806 | 399,806 |
| Increase/(decrease)in the year | 228,338 | (44,854) | 6,729 | 81,338 | 271,551 |
| **At 31 December** | **830,792** | **112,731** | **949** | **3,047,442** | **3,991,914** |
| **The Bank 2015** | | | | | |
| At 1 January | 595,391 | 156,506 | (2,205) | 2,653,324 | 3,403,016 |
| Dividend | - | - | - | (600,000) | (600,000) |
| Exchange movement in gold and other foreign assets | - | - | - | 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 |

## 31. OTHER RESERVES (CONTINUED)

- The price component of other reserves is used to account for price movement in the gold reverse 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 general and revaluation reserve component of other reserves is used to account for the allocation requirements under the Bank of Ghana Act.

## 32. NON-CONTROLLING INTEREST

| | The Group | |
|---|---|---|
| | **2016** | 2015 |
| | **GH¢'000** | GH¢'000 |
| At 1 January | **354,539** | 307,040 |
| Profit for the year | **32,311** | 36,051 |
| Other comprehensive income | **3,744** | (4,473) |
| Gains / (Loss)on translation of foreign operation | **(26,983)** | 37,057 |
| Dividend paid by the group | **(16,214)** | (21,136) |
| **At 31 December** | **347,397** | 354,539 |

**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 | **2016** | 2015 |
|---|---|---|---|
| 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:**

| | **2016** | 2015 |
|---|---|---|
| | **GH¢'000** | GH¢'000 |
| Operating income | **121,397** | 143,386 |
| Profit for the year | **54,694** | 69,581 |
| Other comprehensive income | **(37,214)** | (8,050) |
| Total comprehensive income | **17,480** | 61,531 |
| Attributable to Non-controlling interest | **8,565** | 30,150 |
| Dividends paid to non-controlling interest | **16,214** | 21,136 |
| **Summarised statement of financial position as at:** | | |
| Total assets | **4,329,356** | 3,870,196 |
| Total Liabilities | **3,638,832** | 3,155,567 |
| Total equity | **690,525** | 714,629 |
| Attributable to: | | |
| Equity holders of parent | **352,168** | 364,461 |
| Non-controlling interest | **338,357** | 350,168 |
| **Summarised cash flow information for the year:** | | |
| Cash flows from operating activities | **471,696** | 286,471 |
| Cash flows from investing activities | **(1,242)** | (2,305) |
| Cash flows from financing activities | **(31,865)** | (45,181) |
| Forex on cash and cash equivalents | **1** | 65 |
| **Net increase in cash and cash equivalents** | **438,590** | **239,050** |

## 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 summarized overleaf:

**Assets**

**The Bank**

| At 31 December 2016 | Note | Held to Maturity GH¢000 | Designated at through fair value 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 | | - | - | 3,652,353 | 3,652,353 | 3,652,353 |
| Balances with IMF | 13 | | - | - | 4,887,825 | 4,887,825 | 4,887,825 |
| Government securities | 14 | 12,476,825 | - | - | - | 12,476,825 | 11,642,125 |
| Money market instruments | 14 | 639,716 | - | - | - | 639,716 | 620,525 |
| Short-term securities | 14 | 17,249,489 | - | - | - | 17,249,489 | 17,159,792 |
| Loans and advances | 15 | - | - | - | 7,563,941 | 7,563,941 | 7,526,121 |
| Other assets | 17 | - | - | - | 668,118 | 668,118 | 668,118 |
| Investments | 18 | - | - | 21,393 | - | 21,393 | 21,393 |
| | | **30,366,030** | - | 21,393 | **16,772,237** | **47,159,660** | **46,178,252** |
| At 31 December 2015 | | | | | | | |
| 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 assets | 16 | - | 289,996 | - | | 289,996 | 289,996 |
| Other assets | 17 | - | - | - | 220,161 | 220,161 | 220,161 |
| Investments | 18 | - | - | 51,337 | - | 51,337 | 51,337 |
| | | 21,223,727 | 289,996 | 51,337 | 16,501,386 | 38,066,446 | 37,797,974 |

**The Group**

| At 31 December 2016 | Note | Held to Maturity GH¢000 | Designated at through fair value 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 | | - | | 6,812,680 | 6,812,680 | 6,812,680 |
| Balances with IMF | 13 | | - | | 4,887,825 | 4,887,825 | 4,887,825 |
| Government securities | 14 | 12,476,825 | - | | | 12,476,825 | 11,642,125 |
| Money market instruments | 14 | 639,716 | - | | | 639,716 | 620,525 |
| Short-term securities | 14 | 16,345,821 | - | 285,159 | | 16,630,980 | 16,541,283 |
| Loans and advances | 15 | | - | | 8,341,571 | 8,341,571 | 8,303,760 |
| Derivatives assets | 16 | | - | - | - | - | - |
| Other assets | 17 | | - | | 681,817 | 681,817 | 681,817 |
| Investments | 18 | 44,554 | - | 21,393 | - | 65,947 | 65,947 |
| | | 29,506,916 | - | 306,552 | 20,723,893 | 50,537,361 | 49,555,962 |
| 31 December 2015 | | | | | | | |
| 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 | - | - | - | 233,013 | 233,013 | 233,013 |
| Investments | 18 | 30,481 | - | 51,337 | - | 81,818 | 81,818 |
| At 31 December 2015 | | 20,520,556 | 289,996 | 430,656 | 19,995,452 | 41,236,660 | 40,964,190 |

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**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 | - | 3,159,363 | 3,159,363 |
| Due to Banks and Financial Institutions | 21 | - | 8,465,794 | 8,465,794 |
| Other Short-Term Deposits | 21 | | - | 249,948 |
| 249,948 | | | | |
| Short Term Liabilities | 22 | - | 2,940,140 | 2,940,140 |
| Money Market Instruments | 23 | - | 8,918,269 | 8,918,269 |
| Allocation of special drawing rights | 24a | | 1,998,119 | 1,998,119 |
| Liabilities to IMF | 24b | - | 7,383,891 | 7,383,891 |
| Other liabilities | 25 | - | 1,130,500 | 1,130,500 |
| Derivative Financial Liability | 18 | - | 89,526 | 89,526 |
| **At 31 December 2016** | | - | **34,335,550** | **34,335,550** |
| 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 |
| Allocation of special drawing rights | 24a | | 1,862,446 | 1,862,446 |
| Liabilities to IMF | 24b | | 4,795,957 | 4,795,957 |
| Other liabilities | 25 | - | 859,542 | 859,542 |
| At 31 December 2015 | | - | 26,887,902 | 26,887,902 |

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 | | 3,159,363 | 3,159,363 |
| Due to Banks and Financial Institutions | 21 | | 10,984,311 | 10,984,311 |
| Other Short-Term Deposits | 21 | | 249,948 | 249,948 |
| Short term liabilities | 22 | | 2,940,140 | 2,940,140 |
| Money Market Instruments | 23 | | 8,918,269 | 8,918,269 |
| Allocation of special drawing rights | 24a | | 1,998,119 | 1,998,119 |
| Liabilities to IMF | 24b | | 7,383,891 | 7,383,891 |
| Other liabilities | 25 | | 1,250,770 | 1,250,770 |
| Derivative liabilities | 16 | | 89,526 | 89,526 |
| **At 31 December 2016** | | | **36,974,337** | **36,974,337** |

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Liabilities**

**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 |
| Allocation of special drawing rights | 24a | | 1,862,446 | 1,862,446 |
| Liabilities to IMF | 24b | - | 4,795,957 | 4,795,957 |
| Other liabilities | 25 | - | 996,369 | 996,369 |
| At 31 December 2015 | | - | **29,354,945** | **29,354,945** |

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 2016 and 31 December 2015, 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 2016 and 31 December 2015 were classified as follows:

**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 | |
| | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| **Assets measured at fair value:** | | | | | | |
| Gold | 1,367,484 | 1,133,069 | - | - | - | - |
| Derivative financial Asset | - | - | - | 289,996 | - | - |
| **Liabilities measured at fair value:** | | | | | | |
| Derivative financial liabili | | - | 89,526 | - | - | - |

## 34. FAIR VALUE HIERARCHY (CONTINUED)

**The Group**

| | Level 1 The Group | | Level 2 The Group | | Level 3 The Group | |
|---|---|---|---|---|---|---|
| | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| **Assets measured at fair value:** | | | | | | |
| Gold | 1,367,484 | 1,133,069 | - | - | - | - |
| Available for sale securities | | - | 306,552 | 430,556 | - | - |
| Derivative financial asset | | - | - | 289,996 | - | - |
| **Liabilities at fair value:** | | | | | | |
| Derivative financial liability | | - | 89,526 | - | - | - |

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

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. The loans to GoG were securitised on 1 January 2016.

**Key management personnel compensation**

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016 GH¢'000** | 2015 GH¢'000 | **2016 GH¢'000** | 2015 GH¢'000 |
| Short-term employee benefits | 3,728 | 2,886 | 9,088 | 9,659 |
| Termination Benefit | 1,512 | 1,260 | 1,512 | 3,808 |
| Post-employment benefits | 680 | 567 | 930 | 853 |
| | **5,920** | 4,713 | **11,530** | 14,320 |

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 Subsidiaries** | |
|---|---|---|---|
| | | **2016 GH¢'000** | 2015 GH¢'000 |
| Ghana International Bank | 51 | - | - |
| Ghana Interbank Payments and Settlement Systems | 100 | 70 | 70 |
| Central Securities Depository | 70 | 4,053 | 2,322 |

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

## Exposure to Credit Risks

The maximum exposure to credit risks at the reporting date:

**BANK**

| | Grouping | 2016 GH¢'000 | Percentage of financial assets | 2015 GH¢'000 | Percentage to financial assets |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and balances with correspondent banks | I | 3,652,353 | 8% | 6,557,327 | 17% |
| Balances with IMF | I | 4,887,825 | 10% | 2,858,231 | 8% |
| Securities | I | 30,366,030 | 64% | 21,223,727 | 56% |
| Other assets | I | 668,118 | 1% | 220,161 | 1% |
| Loans and advances | II | 7,563,941 | 17% | 6,865,667 | 18% |
| | | 47,138,267 | 100% | 37,725,113 | 100% |
| **Off balance sheet** | | | | | |
| Documentary credit, guarantees and performance bonds | I | 3,570,726 | | 2,439,000 | |
| | Category | 2016 GH¢ '000 | | 2015 GH¢ '000 | |
| | Group I | 43,145,052 | | 36,027,784 | |
| | Group II | 7,563,941 | | 7,774,814 | |
| | Total | 50,708,993 | | 43,802,598 | |

**GROUP**

| | Grouping | 2016 GH¢'000 | Percentage of financial assets | 2015 GH¢'000 | Percentage to financial assets |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and amounts due from banks | I | 6,812,680 | 13% | 9,129,394 | 22% |
| Balances with IMF | I | 4,887,825 | 10% | 2,858,231 | 7% |
| Securities | I | 29,747,521 | 59% | 20,869,394 | 51% |
| Other assets | I | 681,817 | 1% | 233,013 | 1% |
| Loans and advances | II | 8,341,571 | 17% | 7,774,814 | 19% |
| | | 50,471,414 | 100% | 40,864,846 | 100% |
| **Off balance sheet** | | | | | |
| Documentary credit, guarantees and performance bonds | I | 4,035,140 | | 2,950,604 | |
| | Category | 2016 GH¢ '000 | | 2015 GH¢ '000 | |
| | Group I | 46,164,983 | | 36,040,636 | |
| | Group II | 8,341,571 | | 7,774,814 | |
| | Total | 54,506,554 | | 43,815,450 | |

### 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.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2016 and 2015 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, 90% as at 31 December 2016 (2015:92%) 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 minimize 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.

## BANK

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | **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** | **3,562,353** | **4,887,825** | **30,366,030** | **7,563,941** | **668,118** |
| **Past due but not impaired** | **-** | **-** | **-** | **-** | **-** |
| **Individually impaired** | **-** | **-** | **-** | **-** | **404,005** |
| **Gross** | **3,562 ,353** | **4,887,825** | **30,366,030** | **7,563,941** | **1,072,123** |
| **Less: Allowance for impairment** | **-** | **-** | **-** | **-** | **(404,005)** |
| **Carrying value** | **3,562,353** | **4,887,825** | **30,366,030** | **7,563,941** | **668,118** |

| | 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 | 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 |

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.

## 36. RISK MANAGEMENT (CONTINUED)

### Exposure to Credit Risks (Continued)

**GROUP**

| | 31 December 2016 | | | | |
|---|---|---|---|---|---|
| | 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** | **6,812,680** | **4,887,825** | **29,747,521** | **8,741,571** | **681,817** |
| **Past due but not impaired** | **-** | **-** | **-** | **-** | **-** |
| **Individually impaired** | **-** | **-** | **-** | **-** | **404,005** |
| **Gross** | **6,812,680** | **4,887,825** | **29,747,521** | **8,741,571** | **1,085,822** |
| **Less: Allowance for impairment** | **-** | **-** | **-** | **-** | **(404,005)** |
| **Carrying value** | **6,812,680** | **4,887,825** | **29,747,521** | **8,741,571** | **681,817** |

| | 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 | 233,013 |
| Past due but not impaired | - | - | - | - | - |
| Individually impaired | - | - | - | 198,309 | - |
| Gross | 9,129,394 | 2,858,231 | 20,869,394 | 7,973,123 | 233,013 |
| Less: Allowance for impairment | - | - | - | (198,309) | - |
| Carrying value | 9,129,394 | 2,858,231 | 20,869,394 | 7,774,814 | 233,013 |

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

Loans and advances neither past due nor impaired are loan and advances to Government of Ghana and Commercial Banks with no default in the past.

| **BANK** **At 31 December** | **2016 GH¢ '000** | 2015 GH¢ '000 |
|---|---|---|
| Cash and amounts due from banks | **3,652,353** | 6,557,327 |
| Balances with IMF | **4,887,825** | 2,858,231 |
| Securities | **30,366,030** | 21,223,727 |
| Other assets | **668,118** | 220,161 |
| Loans and advances | **7,563,941** | 6,865,667 |
| **Total** | **47,138,267** | 37,725,113 |

| **GROUP** **At 31 December** | **2016 GH¢ '000** | 2015 GH¢ '000 |
|---|---|---|
| Cash and amounts due from banks | **6,812,680** | 9,129,394 |
| Balances with IMF | **4,887,825** | 2,858,231 |
| Securities | **29,747,521** | 20,869,394 |
| Other assets | **681,817** | 233,013 |
| Loans and advances | **8,341,571** | 7,774,814 |
| **Total** | **50,471,414** | 40,864,846 |

## 36. RISK MANAGEMENT (CONTINUED)

### Exposure to Credit Risks (Continued)

### b) Individually impaired

The individual impairment before taking into consideration the cash flows from collateral held has been disclosed in the table below:

**BANK**

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash and amounts due from banks GH¢ '000 | Balances with IMF and securities GH¢ '000 | Loans and advances GH¢ '000 | Other assets GH¢ '000 | Cash and amounts due from banks GH¢ '000 | Balances with IMF and securities GH¢ '000 | Loans and advances GH¢ '000 | Other assets GH¢ '000 |
| Individually impaired | - | - | - | 404,005 | - | - | 196,681 | - |
| Fair value of collateral | - | - | - | - | - | - | 7,323,210 | - |

**GROUP**

| | 31 December 2016 | | | | 31 December 2015 | | | |
|---|---|---|---|---|---|---|---|---|
| | Cash and amounts due from banks GH¢ '000 | Balances with IMF and securities GH¢ '000 | Loans and advances GH¢ '000 | Other assets GH¢ '000 | Cash and amounts due from banks GH¢ '000 | Balances with IMF and securities GH¢ '000 | Loans and advances GH¢ '000 | Other assets GH¢ '000 |
| Individually impaired | - | - | - | 404,005 | - | - | 198,309 | - |
| Fair value of collateral | - | - | - | - | - | - | 7,323,210 | - |

## 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.

## 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.

## 36. RISK MANAGEMENT (CONTINUED)

### Liquidity Risk (Continued)

### BANK

**31 December 2016**

| ASSETS | Up to 1 month GH¢ '000 | Between 1-3 months GH¢ '000 | Between 3 months &1 year GH¢ '000 | Between 1 year & 5 years GH¢ '000 | >5years GH¢ '000 | Total GH¢ '000 |
|---|---|---|---|---|---|---|
| Cash and balances with correspondent banks | 3,652,353 | - | - | - | - | 3,652,353 |
| Gold | 49,752 | 913,366 | 404,366 | | | 1,367,484 |
| Balances with IMF | 720,708 | 4,167,117 | | | | 4,887,825 |
| Securities | 83,783 | 56,510 | 17,853,191 | 342,266 | 13,899,505 | 32,235,255 |
| Loans and Advances | 1,217,646 | 4,348,063 | 24,958 | 209,938 | 4,369,009 | 10,169,614 |
| Other assets | 668,118 | - | - | - | - | 668,118 |
| Investments | - | - | - | - | 21,393 | 21,393 |
| **At 31 December 2016** | **6,392,360** | **9,485,056** | **18,282,515** | **552,204** | **18,289,907** | **53,002,042** |
| **LIABILITIES** | | | | | | |
| Deposits | 11,875,105 | - | - | - | - | 11,875,105 |
| Allocations of SDR | - | - | | 1,998,119 | - | 1,998,119 |
| Liabilities to IMF | 47,941 | - | 3,597,533 | 3,738,417 | - | 7,383,891 |
| Derivative financial liability | - | 89,526 | - | - | - | 89,526 |
| Short term liabilities | - | 3,704,576 | - | - | - | 3,704,576 |
| Liabilities under Money Market Operations | 8,785,998 | - | 5,293 | 10,263 | 401,300 | 9,202,854 |
| Currency in circulation | - | - | - | - | 11,367,583 | 11,367,583 |
| Other liabilities | - | - | 526,698 | 603,802 | - | 1,130,500 |
| **At 31 December 2016** | **20,709,044** | **3,794,102** | **4,129,524** | **6,350,601** | **11,768,883** | **46,752,154** |
| **Maturity surplus/(shortfall)** | **(14,316,684)** | **5,690,954** | **14,152,991** | **(5,798,397)** | **6,521,024** | **6,249,888** |

### BANK

**31 December 2015**

| ASSETS | Up to 1 month GH¢ '000 | Between 1-3 months GH¢ '000 | Between 3 months &1 year GH¢ '000 | Between 1 year & 5 years GH¢ '000 | >5years GH¢ '000 | Total GH¢ '000 |
|---|---|---|---|---|---|---|
| Cash and balances with correspondent 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 | - | - | 869,542 | - | - | 869,542 |
| At 31 December 2015 | 12,977,719 | 7,317,845 | 2,766,132 | 4,716,993 | 9,526,383 | 37,305,072 |
| Maturity surplus/(shortfall) | (1,407,123) | (2,646,284) | 7,979,811 | (3,797,608) | 4,658,964 | 4,787,760 |

## 36. RISK MANAGEMENT (CONTINUED)

### Liquidity Risk (Continued)

### GROUP

**31 December 2016**

| ASSETS | Up to 1 month GH¢ '000 | Between 1-3 months GH¢ '000 | Between 3 months &1 year GH¢ '000 | Between 1 year & 5 years GH¢ '000 | >5years GH¢ '000 | Total GH¢ '000 |
|---|---|---|---|---|---|---|
| Cash and balances with correspondent banks | 6,812,680 | - | - | - | - | 6,812,680 |
| Gold | 49,752 | 913,366 | 404,366 | | | 1,367,484 |
| Balances with IMF | 720,708 | 4,167,117 | | | | 4,887,825 |
| Securities | 249,947 | 92,135 | 16,995,523 | 342,266 | 13,936,875 | 31,616,746 |
| Loans and Advances | 1,670,777 | 4,445,213 | 150,401 | 209,938 | 4,470,916 | 10,947,245 |
| Other assets | 681,817 | - | - | - | - | 681,817 |
| Investments | 44,554 | - | - | - | 21,393 | 65,947 |
| **At 31 December 2016** | **10,230,235** | **9,617,831** | **17,550,290** | **552,204** | **18,429,184** | **56,379,744** |
| **LIABILITIES** | | | | | | |
| Deposits | 14,330,152 | | - | - | 63,470 | 14,393,622 |
| Allocations of Special Drawing Rights | - | - | | 1,998,119 | - | 1,998,119 |
| Liabilities to IMF | 47,941 | - | 3,597,533 | 3,738,417 | - | 7,383,891 |
| Derivative financial liability | - | 89,526 | - | | - | 89,526 |
| Short term liabilities | - | 3,704,576 | - | - | - | 3,704,576 |
| Liabilities under Money Market Operations | 8,785,998 | - | 5,293 | 10,263 | 401,300 | 9,202,854 |
| Currency in Circulation | - | - | - | - | 11,367,583 | 11,367,583 |
| Other liabilities | - | - | 646,968 | 603,802 | - | 1,250,770 |
| **At 31 December 2016** | **23,164,091** | **3,794,102** | **4,249,794** | **6,350,601** | **11,832,353** | **49,390,941** |
| **Maturity surplus/(shortfall)** | **(12,933,856)** | **5,823,729** | **13,300,496** | **(5,798,397)** | **6,596,831** | **6,988,803** |

### GROUP

**31 December 2015**

| ASSETS | Up to 1 month GH¢ '000 | Between 1-3 months GH¢ '000 | Between 3 months &1 year GH¢ '000 | Between 1 year & 5 years GH¢ '000 | >5years GH¢ '000 | Total GH¢ '000 |
|---|---|---|---|---|---|---|
| Cash and balances with correspondent 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 | 233,013 | - | - | - | - | 233,013 |
| Investments | - | 30,481 | - | - | 51,337 | 81,818 |
| At 31 December 2015 | 14,224,282 | 4,729,478 | 11,073,987 | 1,362,377 | 14,013,159 | 45,403,183 |
| **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 | ,526,383 |
| Other liabilities | - | - | 996,369 | - | - | 996,369 |
| At 31 December 2015 | 15,307,935 | 7,317,845 | 2,892,959 | 4,716,993 | 9,526,383 | 39,762,115 |
| Maturity surplus/(shortfall) | (1,083,653) | (2,588,367) | 8,181,028 | (3,354,616) | 4,486,776 | 5,641,068 |

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'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.

## 36. RISK MANAGEMENT (CONTINUED)

## 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.

## 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 2015.

**Effects in Cedis**

| | 100bp Increase GH¢'000 | 100bp Decrease GH¢'000 |
|---|---|---|
| **The Bank 2016** | | |
| Average for the Period | 286,502 | (286,502) |
| Maximum for the Period | 289,460 | (289460) |
| Minimum for the Period | 281,168 | (281,168) |
| **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) |

## 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.

## 36. RISK MANAGEMENT (CONTINUED)

### Interest Rate Risk (Continued)

### The Bank

**31 December 2016**

| ASSETS | 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 |
|---|---|---|---|---|---|
| Cash and balances with correspondent banks | 3,395,138 | - | - | 257,215 | 3,652,353 |
| Balances with IMF | | 4,167,117 | | 720,708 | 4,887,825 |
| Securities | 135,906 | 17,311,346 | 12,918,778 | | 30,366,030 |
| Loans and Advances | 5,226,018 | 24,056 | 2,313,867 | | 7,563,941 |
| Other assets | 668,118 | - | - | - | 668,118 |
| **At 31 December 2016** | **9,425,180** | **21,502,519** | **15,232,645** | **977,923** | **47,138,267** |
| **LIABILITIES** | | | | | |
| Deposits | - | - | - | 11,875,105 | 11,875,105 |
| Short term Liabilities | - | 2,940,140 | - | - | 2,940,140 |
| Liabilities to IMF | - | 3,597,113 | - | 3,786,778 | 7,383,891 |
| Liabilities under Money Market Operations | - | 8,918,269 | - | - | 8,918,269 |
| Currency in circulation | - | - | - | 11,367,583 | 11,367,583 |
| Other Liabilities | - | 526,698 | 603,802 | - | 1,130,500 |
| **At 31 December 2016** | **-** | **15,982,220** | **603,802** | **27,029,466** | **43,615,488** |
| **Total interest rate re-pricing gap** | **9,425,180** | **5,520,299** | **14,628,843** | **(26,051,543)** | **3,522,779** |

**31 December 2015**

| ASSETS | 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 |
|---|---|---|---|---|---|
| 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 | - | 869,542 | - | - | 869,542 |
| At 31 December 2015 | - | 9,745,920 | - | 24,815,919 | 34,561,839 |
| Total interest rate re-pricing gap | 12,047,364 | 2,897,024 | 12,160,078 | (23,651,196) | 3,453,270 |

## 36. RISK MANAGEMENT (CONTINUED)

### Interest Rate Risk (Continued)

**The Group**

**31 December 2016**

| ASSETS | 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 |
|---|---|---|---|---|---|
| Cash and Amounts due from Banks | 6,555,465 | | | 257,215 | 6,812,680 |
| Balances with IMF | | 4,167,117 | | 720,708 | 4,887,825 |
| Securities | 135,906 | 17,311,346 | 12,300,269 | - | 29,747,521 |
| Loans and Advances | 5,274,800 | 356,761 | 2,710,010 | - | 8,341,571 |
| Other assets | 681,817 | - | - | - | 681,817 |
| **At 31 December 2016** | **12,647,988** | **21,835,224** | **15,010,279** | **977,923** | **50,471,414** |
| **LIABILITIES** | | | | | |
| Deposits | 1,715,689 | | | 12,677,933 | 14,393,622 |
| Short term liabilities | | 2,940,140 | - | - | 2,940,140 |
| Liabilities under Money Market Operations | - | 8,918,269 | - | - | 8,918,269 |
| Liabilities to IMF | - | 3,597,113 | - | 3,786,778 | 7,383,891 |
| Currency in circulation | - | - | - | 11,367,583 | 11,367,583 |
| Other liabilities | - | 646,968 | 603,802 | - | 1,250,770 |
| **At 31 December 2016** | **1,715,689** | **16,102,490** | **603,802** | **27,832,294** | **46,254,275** |
| **Total interest rate re-pricing gap** | **10,932,299** | **5,732,734** | **14,406,477** | **(26,854,371)** | **4,217,139** |

31 December 2015

| ASSETS | 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 |
|---|---|---|---|---|---|
| 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 | 233,013 | - | - | - | 233,013 |
| At 31 December 2015 | 14,728,486 | 12,970,988 | 12,290,645 | 1,164,723 | 41,154,842 |
| **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 | - | 996,369 | - | - | 996,369 |
| At 31 December 2015 | 2,330,216 | 7,976,157 | - | 26,712,509 | 37,018,882 |
| Total interest rate re-pricing gap | 12,398,270 | 4,994,831 | 12,290,645 | (25,547,786) | 4,135,960 |

## 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.

## 36. RISK MANAGEMENT (CONTINUED)

### Foreign Currency Risk (Continued)

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.

The Bank also 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 were as follows:

## Currency Exposure Analysis

| | The Bank | | The Group | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| **ASSETS** | **GH¢'000** | GH¢'000 | **GH¢'000** | GH¢'000 |
| USD | 22,024,550 | 16,516,363 | 24,922,816 | 19,033,518 |
| GBP | 285,085 | 297,189 | 480,340 | 718,370 |
| EUR | 136,748 | 94,950 | 467,895 | 292,287 |
| SDR | 4,887,825 | 2,858,231 | 4,887,825 | 2,858,231 |
| OTHER | 301,645 | 289,876 | 302,665 | 290,746 |
| GHS | 22,099,708 | 20,190,622 | 21,938,885 | 20,109,163 |
| **TOTAL** | **49,735,561** | **40,247,231** | **53,000,426** | **43,302,315** |
| **LIABILITIES & EQUITY** | | | | |
| USD | 13,296,573 | 11,679,618 | 16,195,719 | 14,195,175 |
| GBP | 152,867 | 202,200 | 235,445 | 599,552 |
| EUR | 101,524 | 152,705 | 432,123 | 349,928 |
| SDR | 5,643,623 | 3,803,856 | 5,643,623 | 3,803,856 |
| OTHER | 190,746 | 87,813 | 191,555 | 90,875 |
| GHS | 30,350,228 | 24,321,039 | 30,301,961 | 24,262,929 |
| **TOTAL** | **49,735,561** | **40,247,231** | **53,000,426** | **43,302,315** |
| **NET POSITION** | | | | |
| USD | 8,727,977 | 4,836,745 | 8,727,097 | 4,838,343 |
| GBP | 132,218 | 94,989 | 244,895 | 118,818 |
| EUR | 35,224 | (57,755) | 35,772 | (57,641) |
| SDR | (755,798) | (945,625) | (755,798) | (945,625) |
| OTHER | 110,899 | 202,063 | 111,110 | 199,871 |
| GHS | (8,250,520) | (4,130,417) | (8,363,076) | (4,153,766) |
| **TOTAL** | - | - | - | - |

## 36. FINANCIAL RISK MANAGEMENT (CONTINUED)

### Currency Exposure Analysis (Continued)

The following significant exchange rates applied during the year:

| | Average rate | | Closing rate | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| **Currency** | **GH¢** | GH¢ | **GH¢** | GH¢ |
| US Dollar | **3.9093** | 3.7161 | **4.2002** | 3.7950 |
| GBP | **5.2938** | 5.6736 | **5.1965** | 5.6164 |
| EURO | **4.3264** | 4.1249 | **4.4367** | 4.1320 |
| SDR | **5.4311** | 5.2007 | **5.6465** | 5.2631 |

## 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 2015.

| | Profit or (Loss)/Equity | |
|---|---|---|
| | **2016** | 2015 |
| **Currency** | **GH¢'000** | GH¢'000 |
| US Dollar | **(872,798)** | (483,675) |
| GBP | **(13,222)** | (9,499) |
| EURO | **(3,522)** | 5,776 |
| SDR | **75,580** | 94,562 |

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)(as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918).

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) (as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918).

The provisions of the Act seek to ensure that the Government of Ghana continues to own a hundred percent 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.

## 37. NOTES TO CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

### (a) The Bank

Reconciliation of operating profit to net cash flow from operating activities

| | Note | 2016 GH¢'000 | 2015 GH¢'000 |
|---|---|---|---|
| Profit before tax | | 709,482 | 1,020,037 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 19 | 34,521 | 30,060 |
| Amortisation of intangible assets | 20 | 3,611 | 2,963 |
| Impairment on loans and advances | 9 | 404,005 | 29,374 |
| Loss on disposal of property and equipment | 19 | 2,239 | 157 |
| Revaluation loss on foreign denominated borrowings | 22 | 349,221 | 513,852 |
| Effect of exchange rate fluctuations on cash held | | (660,845) | (556,264) |
| Change in loans and advances | | (1,102,279) | 2,965,395 |
| Change in securities | | (9,142,303) | (1,013,246) |
| Change in prices of gold | | (234,415) | (56,812) |
| Change in derivative instruments | | 379,522 | (431,838) |
| Change in other assets | | (442,717) | (268,712) |
| Change in IMF receivable | | (2,029,594) | (117,294) |
| Change in investments | | (56) | (21,175) |
| Change in deposit | | (515,064) | (3,092,266) |
| Change in liabilities under Money Market Operations | | 6,231,575 | 2,541 |
| Change in allocations of Special Drawing Rights | | 135,673 | 221,805 |
| Change in other liabilities | | 260,958 | 426,086 |
| Change in currency in circulation | | 1,841,200 | 1,791,337 |
| **Net cash (used in)/generated from operating activities** | | **(3,775,266)** | 1,446,000 |

### (b) The Group

Reconciliation of operating profit to net cash flow from operating activities

| | Note | 2016 GH¢'000 | 2015 GH¢'000 |
|---|---|---|---|
| Profit before tax | | 785,799 | 1,090,255 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 19 | 40,404 | 35,353 |
| Amortisation of intangible assets | 20 | 4,734 | 3,554 |
| Impairment on loans and advances | 9 | 404,005 | 28,459 |
| Loss on disposal of property and equipment | 19 | 2,562 | 145 |
| Revaluation loss on foreign denominated borrowings | 22 | 349,221 | 513,852 |
| Translation difference | | (55,298) | 73,804 |
| Effect of exchange rate fluctuations on cash held | | (660,846) | (556,199) |
| Change in loans and advances | | (970,762) | 4,949,440 |
| Change in securities | | (8,870,487) | (343,625) |
| Change in prices of gold | | (234,415) | (56,812) |
| Change in derivative instruments | | 379,522 | (431,838) |
| Change in other assets | | (443,512) | (273,251) |
| Change in IMF receivable | | (2,029,594) | (117,294) |
| Change in investments | | (14,129) | (30,133) |
| Change in deposit | | (326,763) | (2,870,833) |
| Change in liabilities under Money Market Operations | | 6,231,575 | 2,541 |
| Change in allocations of Special Drawing Rights | | 135,673 | 221,805 |
| Change in other liabilities | | 284,401 | 461,423 |
| Change in currency in circulation | | 1,841,200 | 1,791,337 |
| Tax paid | | (13,568) | (21,018) |
| **Net cash (used in)/generated from operating activities** | | **(3,160,278)** | 4,470,965 |

## 38. EVENTS AFTER REPORTING DATE

The directors have declared a dividend of GH¢250 million (2015: GH¢500,000,000) subsequent to the reporting date which would be used to offset government indebtedness in the books of the Bank in accordance with Section 6 of the Bank of Ghana Act, 2002 (Act 612).

## 39. COMPARATIVE INFORMATION

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

# ADDRESSES AND TELEPHONE NUMBERS

## HEAD OFFICE

Bank of Ghana
1 Thorpe Road
P. O. Box GP 2764
Accra

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

Fax: (0302) 662996, 665074
E-mail: bogsecretary@bog.gov.gh
Website: www.bog.gov.gh

Cedi House (Head Office Annex)
030-2665252, 2665253

General Services Complex
030-2811301, 2811006

Bank of Ghana Clinic: 030-2224837

## REGIONAL OFFICES

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

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

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

Western Region
P. O. Box 532
Takoradi
Tel: 031-2024035, 2024372, 2024604, 2021257
Fax: 031-2024705

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

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

## AGENCIES HELD BY BANK OF GHANA

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

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

Ghana Commercial Bank Ltd.
P. O. Box 272
Nkawkaw
Eastern Region
Tel: 034-3122105, 3122222
Fax: 034-3022126

Ghana Commercial Bank Ltd.
Tema Main
P. O. Box 272
Tema - Greater Accra Region
Tel: 030-3202760, 3202768
3202769

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

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

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

Ghana Commercial Bank Ltd.
P. O. Box 12
Bolgatanga
Upper East Region
Tel: 038-2022500, 2023462, 2022446
Fax: 038-2024961

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

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

www.bog.gov.gh