BANK OF GHANA

ANNUAL REPORT

2017

BANK OF GHANA

ANNUAL REPORT 2017

Prepared and Edited
By
The Editorial Committee
Bank of Ghana

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FOREWORD

Dr. Ernest K. Y. Addison
Governor

" The Bank remained committed to addressing the various banking sector challenges that threatened the stability of the financial system to protect the interests of depositors and ensure efficient operations to promote economic growth. "

The Bank of Ghana is constantly evolving, and that evolution includes communicating better with all our stakeholders. Consequently, this Annual Report describes the governance, organisation, the economy, our activities, and discloses the annual financial statements for the year ending December, 2017.

On the economy, the developments in the global economy remained generally positive in 2017, with favourable financing conditions, accommodative monetary policy stance and subdued core inflation. These developments were on the back of strong growth recovery in most advanced economies and a gradual rebound in some emerging markets and developing economies. The broad-based recovery process was mainly driven by investment spending, a rise in business and consumer confidence, and a rebound in commodity prices, especially crude oil.

In the domestic economy, implementation of prudent fiscal and monetary policy mix strengthened the macroeconomic fundamentals. The current account recorded significant improvement alongside strong fiscal consolidation and debt maturity re-profiling during the year. The favourable external sector outturn, including significant external reserves build-up, provided enough buffers against potential external vulnerabilities. These positive developments translated into exchange rate stability, declining headline and core inflation, and a strong rebound in economic activity with a boost from increased crude oil production.

The sustained disinflation process in the year provided scope for monetary policy easing and transfer of the gains in macroeconomic stability to the broader economy. The Monetary Policy Committee of the Bank, consequently, lowered the Monetary Policy Rate (MPR) by a cumulative 550 basis points to 20.0 per cent by end- December 2017. The policy rate cuts transmitted to lower interest rates on the money market, broadly supporting a correction of the yield curve.

The Bank remained committed to addressing the various banking sector challenges that threatened the stability of the financial system to protect the interests of depositors and ensure efficient operations to promote economic growth. In this regard, several measures were implemented to strengthen the banking sector. Most importantly, the minimum paid-up capital of banks was adjusted upwards from GH¢120.0 million to GH¢400.0 million, to be met by end-December, 2018. This, together with other prudential and supervisory measures, is geared towards safeguarding the stability of the financial system. Overall, the banking sector was generally stable, solvent and liquid in the review year, despite the resolution of two banks due to significant capital deficiencies arising from poor corporate governance practices.

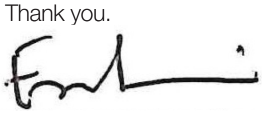
Significant progress was also made in the Bank's operations during the year. Work on the new five-year strategic plan, dubbed "STAR 2022" to replace the existing plan which expired in December 2017, was completed, awaiting the Board's approval. Also, some reorganisation was undertaken to realign Departments, enhance staff capacity, strengthen information security and improve management of staff issues in a bid to strengthen the operational efficiency of the Bank.

During the year, the Bank celebrated its 60th Anniversary under the theme, "Celebrating 60 Years of Central Banking: Achievements, Challenges & Prospects." The launch was undertaken by the President of the Republic, H.E. Nana Addo Dankwa Akufo-Addo. This was followed by a policy seminar on some emerging issues in central banking with prominent speakers, including past Governors. This created a platform for sober reflection on the Bank's past achievements and the outlook for the future.

The financial statements in 2017 reflet the burden of operators and the liquidity management needs of the financial sector.

Finally, I would like to extend my appreciation to the Board of Directors, members of the Monetary Policy Committee, Management, and Staff for their invaluable support during the year. As we move into 2018, I would like us all to work with continued dedication as we build on the gains achieved in macroeconomic stability, while setting the economy on a sustainable growth path.

Thank you.



Dr. Ernest K.Y. Addision

BOARD OF DIRECTORS

Dr. Maxwell Opoku-Afari
First Deputy Governor

Dr. Ernest K. Y. Addison
Governor

Dr. Johnson P. Asiama
Second Deputy Governor

Mr. Charles Adu-Boahen
Non-Executive Director

Mr. Joseph Bligman Alhassan
Non-Executive Director

Dr. Samuel Nii-Noi Ashong
Non-Executive Director

Dr. Kwame Owusu-Nyantekyi
Non-Executive Director

Mr. Keli Gadzekpo
Non-Executive Director

Mrs Comfort F. A. Ocran
Non-Executive Director

Dr. Maria Hagan
Non-Executive Director

Mr. Andrew Boye-Doe
Non-Executive Director

Mr. Jude Kofi Bucknor
Non-Executive Director

Dr. (Sis) Eugenia Amporfo
Non-Executive Director

Mrs. Caroline Otoo
Secretary to the Board

MANAGEMENT OF THE BANK

TOP MANAGEMENT

Dr. Ernest K.Y. Addison
Governor (Chairman)

Dr. Maxwell Opoku-Afari
First Deputy Governor

Dr. Johnson P. Asiama
Second Deputy Governor

Ms. Catherine Ashiley
Advisor

Mrs. Grace Akrofi
Advisor

Mrs. Caroline Otoo
The Secretary

HEADS OF DEPARTMENT

Mrs. Peggy Osei-Tutu Dzodzomenyo
Banking

Mr. Osei Gyasi
Banking Supervision

Mr. Stephen Amegashie
Collateral Registry

Mr. Felix Adu
Corporate Management & Services

Mr. John Gyamfi
Currency Management

Mr. Stephen Sapati
Finance

Mr. Stephen Opata
Financial Markets

Mr. Francis Blankson
Financial Stability

Mrs. Evelyn Kwatia
Governors

Ms. Jemima Roberts
Human Resource & Capacity Development

Mr. Michael Mensah
Information & Communication Technology

Mr. Stephen Amoh
Internal Audit

Mrs. Frances Van-Hein Sackey
Legal

Dr. (Mrs) Esther Kitcher
Medical

Mr. Joseph Amoa-Awuah
Other Financial Institutions Supervision

Dr. Settor Amediku
Payment Systems

Dr. Benjamin Amoah
Research

Ms. Gloria Quartey
Risk Management

Mrs. Caroline Otoo
Secretary's

Mr. Yaw Afrifa-Mensah
Security

REGIONAL MANAGERS

Mr. Victor Kodjo Atta Akakpo
Hohoe, Volta Region

Mr. Michael Kwesi Anyamesem
Kumasi, Ashanti Region

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

Mr. Alex Kwasi Donkor
Sunyani, Brong-Ahafo Region

Mr. Kofi Okwaben Assan
Takoradi, Western Region

Ms. Felicia Manoba Bilijo
Tamale, Northern Region

ORGANISATIONAL STRUCTURE

BOARD OF DIRECTORS

GOVERNOR

Monetary Policy Committee

First Deputy Governor

Second Deputy Governor

Governors

Financial Markets

Internal Audit

Legal

Secretary's

Security

Banking Supervision

Corporate Management & Services

Currency Management

Financial Stability

Human Resource & Capacity Development

Information & Communication Technology

Other Financial Institutions Supervision

Banking

Collateral Registry

Finance

Medical

Payment Systems

Research

Risk Management

*Regional Offices

* 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), and as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918), is the Board of Directors, which is composed of the Governor, who is also the Chairman, the First and Second Deputy Governors, one representative of the Ministry of Finance not below the rank of a Director, and nine other Directors including a chartered accountant appointed by the President in accordance with Article 70 of the Constitution of the Republic of Ghana.

A member of the Board, other than the Governor and the Deputy Governors, holds office for a period of four years and is eligible for re-appointment for another term only.

1.1.1 Membership of the Board

Dr. Ernest K. Y. Addison	Governor/Chairman
Dr. Maxwell Opoku-Afari	First Deputy Governor
Dr. Johnson Pandit Asiama	Second Deputy Governor
Mr. Charles Adu-Boahen	Non-Executive Director
Mr. Joseph Bligman Alhassan	Non-Executive Director
Dr. Samuel Nii-Noi Ashong	Non-Executive Director
Dr. Kwame Owusu-Nyantekyi	Non-Executive Director
Mr. Keli Gadzekpo	Non-Executive Director
Mrs. Comfort F. A. Ocran	Non-Executive Director
Dr. Maria Hagan	Non-Executive Director
Mr. Andrew Boye-Doe	Non-Executive Director
Mr. Jude Kofi Bucknor	Non-Executive Director
Dr. Eugenia Amporfu	Non-Executive Director

1.1.2 Changes in Board Membership

During the year, the following changes occurred:

- The tenure of the old Board expired on 7th January, 2017;
- The current Board was sworn into office on 9th August, 2017;
- Dr. Abdul-Nashiru Issahaku resigned as Governor on 1st April, 2017;
- Dr. Ernest K. Y. Addison was appointed as Governor on 1st April, 2017;
- Mr. Millison Narh retired as First Deputy Governor on 31st July, 2017; and
- Dr. Maxwell Opoku-Afari was appointed as First Deputy Governor on 7th August, 2017.

1.1.3 Mandate

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

1.1.4 Board Committees, Mandate and Membership

The Board has the following committees to assist in carrying 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

Mr. Joseph Bligman Alhassan	Chairman
Mrs. Comfort F. A. Ocran	Member
Dr. Maria Hagan	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

Mr. Andrew Boye-Doe	Chairman
Mr. Jude Kofi Bucknor	Member
Mrs. Comfort F. A. Ocran	Member
Dr. Maria Hagan	Member
Dr. Maxwell Opoku-Afari	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. Samuel Nii-Noi Ashong	Chairman
Mr. Keli Gadzekpo	Member
Dr. Eugenia Ampofo	Member
Mr. Andrew Boye-Doe	Member
Mr. Charles Adu-Boahen	Member
Dr. Maxwell Opoku-Afari	Member
Dr. Johnson Pandit Asiama	Member

Strategic Planning and Budget Committee

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

Membership

Dr. Kwame Owusu-Nyantekyi	Chairman
Mr. Keli Gadzekpo	Member
Mr. Jude Kofi Bucknor	Member
Mr. Joseph Bligman Alhassan	Member
Dr. Samuel Nii-Noi Ashong	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 by the Bank of Ghana (Amendment) Act, 2016 (Act 918). 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 treasury operations 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 as follows:

Dr. Ernest K. Y. Addison	Governor/Chairman
Dr. Maxwell Opoku-Afari	First Deputy Governor
Dr. Johnson Pandit Asiama	Second Deputy Governor
Dr. Benjamin Amoah	Head, Research Dept.
Mr. Stephen Opata	Head, Financial Markets Dept.
Dr. John Kwakye	External Member
Prof. Joshua Yindenaba Abor	External Member

MEMBERS OF THE COMMITTEE


Dr. Ernest K. Y. Addison


Dr. Maxwell Opoku-Afari


Dr. Johnson P. Asiama


Dr. Benjamin Amoah


Mr. Stephen Opata


Dr. John Kwakye


Prof. Joshua Y. Abor

CHAPTER 2: DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview

Global economic activity continued to expand in 2017, supported by a rebound in investment, manufacturing and trade. Also, the generally accommodative monetary policies, favourable global financing conditions, a rise in business and consumer confidence, and favourable commodity prices, all contributed to the improved economic activity in 2017. The recovery was broad-based, with strong growth recorded in most advanced economies, and a moderate pickup in emerging market and developing economies. Generally, rising commodity prices and benign financing conditions bolstered the recovery in commodity exporting countries, while the strong global growth prospects and historically low interest rates pushed up equity prices in both the advanced and emerging market economies.

2.2 World Output Growth

According to the International Monetary Fund (IMF) World Economic Outlook (WEO, April 2018), global output growth was estimated at 3.8 per cent in 2017, higher than the 3.2 per cent recorded in 2016. This reflected strong growth in advanced economies, and signalled the end of recessions in large emerging market economies such as Russia and Brazil, and robust growth in China and India.

2.2.1 United States

In the United Sates (US), real GDP growth averaged 2.3 per cent in 2017 compared to 1.5 per cent in 2016. The growth in real GDP reflected increases in consumer spending, business investment, exports, housing investment, as well as federal and state and local government spending. These contributions were partly offset by declines in inventories.

2.2.2 Europe

The Eurozone real GDP growth in 2017 was 2.3 per cent, its best performance in decades. The growth was supported by improved business and consumer confidence, exports, accommodative monetary policy and easing credit conditions. The growth was broad-based, with upward surprises in the largest economies such as France, Germany and Italy.

2.2.3 Emerging Markets and Developing Economies

Economic activity in emerging market economies continued to recover in 2017, with GDP growth estimated at 4.8 per cent, compared to the 4.4 per cent recorded in 2016. The recovery reflected a number of factors, including the end of recessions in some of the largest economies such as Russia and Brazil. Also, favourable financial conditions, the recovery of demand from advanced economies and a pickup in world trade contributed to the strong growth. For commodity exporters, the additional driver of growth was the recovery in commodity prices since early 2016.

2.2.4 Sub-Saharan Africa

In Sub-Saharan Africa, growth was estimated to have rebounded to 2.8 per cent in 2017, compared to 1.4 per cent in 2016. The pickup was supported by rising commodity prices, favourable global financing conditions, stronger household demand, and improved economic activity in the large economies of Nigeria and South Africa.

2.3 Global Consumer Prices

Global headline inflation picked up slightly in 2017, underpinned by the solid economic expansion, narrowing of economic slack in advanced economies and the recovery in commodity prices. Headline inflation in advanced economies was estimated at 1.7 per cent in 2017, compared to 0.8 per cent in 2016. However, inflation in emerging markets and developing economies declined to 4.0 per cent in 2017, from 4.3 per cent in 2016.

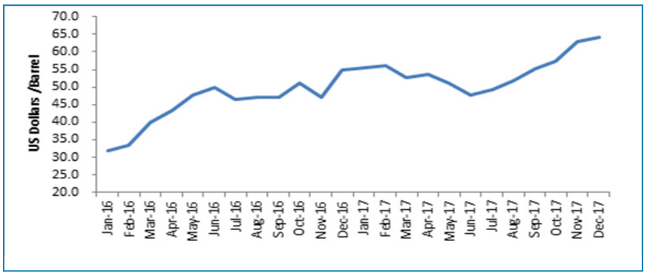
2.4 Commodity Markets

Developments in international commodity prices were mixed during 2017, reflecting a myriad of factors, such as strong global demand, a weaker US dollar, expectations about the US Fed's interest rate hikes, and modest recovery in emerging economies.

2.4.1 Crude Oil

Crude oil prices increased steadily in the second half of 2017, after declining to US$49.20 per barrel in the first half. The price rose steadily from July 2017, on account of a combination of demand and supply factors, such as rising oil demand by members of the Organisation for Economic Cooperation and Development (OECD), extension of Organisation of Petroleum Exporting Countries (OPEC)/ non-OPEC production cut agreement through to the end of 2018, and sudden drop in US shale oil supplies. Consequently, the price ended the year at US$64.30 per barrel, indicating a year-on-year growth of 17.0 per cent.

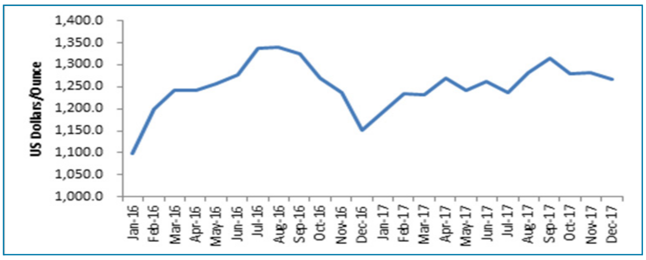
Chart 2.1: International Crude Oil Prices (US$/bbl)



2.4.2 Gold

Gold prices rose from US$1,192.80 per fine ounce in January 2017 to US$1,315.80 in September 2017, on the back of dwindling number of new gold mines and soaring global investment demand. The price, however, declined steadily in the last quarter to end the year at an average price of US$1,266.60 per fine ounce, underpinned by expectation of interest rates hikes by the US Federal Reserve, amid a strengthening US economy. On year-on-year basis, however, gold prices increased by 10.0 per cent from the US$1,151.20 per fine ounce recorded at the end of 2016.

Chart 2.2: International Gold Prices (US$/fine ounce)



2.4.3 Cocoa

On a year-on-year basis, cocoa price decreased from US$2,268.40 per tonne in December 2016 to US$1,904.60 in December 2017, representing a decline of 16.0 per cent. This was a reflection of over-production of the beans in West Africa. Ivory Coast, for instance, produced a record 2 million tonnes in 2017. The cocoa market, therefore, remained bearish for the rest of the year.

Chart 2.3: International Cocoa Prices (US$/tonne)

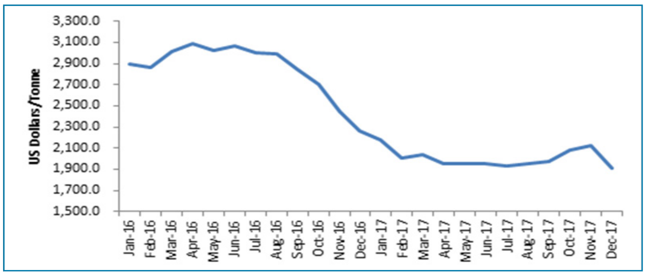


Table 2.1: World Economic Indicators

	Year-on-Year (%)		
	2015	**2016**	**2017**
World Output	**3.2**	**3.2**	**3.7**
Advanced Economies	**2.1**	**1.7**	**2.3**
United States	2.6	1.5	2.3
Euro Area	2.0	1.8	2.4
Germany	1.5	1.9	2.5
France	1.3	1.2	1.8
Italy	0.7	0.9	1.6
Spain	3.2	3.3	3.1
Japan	1.2	0.9	1.8
United Kingdom	2.2	1.9	1.7
Emerging Market and Developing Economies	**4.1**	**4.4**	**4.7**
Russia	**-3.7**	-0.2	1.8
China	6.9	6.7	6.8
India	7.6	7.1	6.7
Brazil	-3.8	-3.5	1.1
Sub-Saharan Africa	**3.4**	**1.4**	**2.7**
South Africa	1.3	-1.6	0.8
Nigeria	2.7	0.3	0.9
World Trade Volume (goods & services)	2.7	2.3	4.9
Advanced Economies	4.0	2.7	4.0
Emerging Market and Developing Economies	0.3	1.8	6.4
Commodity Prices (US Dollars)			
Oil	-47.2	-15.7	23.3
Non-Oil	-17.4	-1.5	6.8
Consumer Prices			
Advanced Economies	0.3	0.8	1.7
Emerging Markets and Developing Economies	4.7	4.3	4.0

Source: IMF World Economic Outlook Update, April 2018

CHAPTER 3: DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

Ghana's real GDP growth in 2017 was estimated at 8.5 per cent compared to 3.7 per cent in 2016. This was driven mainly by significant improvement in the oil and gas sector. The domestic currency maintained relative stability against the US dollar in 2017. Cumulatively, the cedi depreciated by 4.9 per cent in 2017 compared to 9.7 per cent in 2016. CPI inflation also declined from 15.4 per cent in December 2016 to 11.8 per cent in December 2017.

The implementation of the 2017 national budget returned the economy to the path of fiscal consolidation as expenditures were properly aligned to address shortfalls in revenues. In a bid to reduce the interest cost and roll-over risk, the government embarked on a debt re-profiling exercise which extended the maturity profile by moving much of its domestic debt from the short to medium and long term. This reflected in the normalisation of the yield curve.

Developments in the external sector improved, boosted by

Table 3.1: Selaected Economic Indicators

Indicators	2013	2014	2015	2016	2017
	(Annual percentage change; unless otherwise indicated)				
National Income and Prices					
Agriculture	5.7	4.6	2.8	3.0	8.4
Industry	6.6	0.8	-0.3	-0.5	16.7
Services	10.0	5.6	6.3	5.7	4.3
Real GDP (incl. Oil)	**7.3**	**4.0**	**3.8**	**3.7**	**8.5**
Real GDP (excl. Oil)	**6.6**	**3.9**	**4.0**	**5.5**	**4.9**
Nominal GDP (GH¢ Billions)	**93.4**	**113.3**	**137.0**	**167.4**	**205.9**
Nominal GDP (US$ Billions)	**93.4**	**113.3**	**137.0**	**167.4**	**205.9**
Consumer price index (end of period)					
Overall	13.5	17.0	17.7	15.4	11.8
Food	7.2	6.8	8.0	9.7	8.0
Non-food	18.1	23.9	23.3	18.2	13.6
Exchange rate (end of period)					
GH¢/USD	2.20	3.20	3.79	4.20	4.42
GH¢/GBP	3.67	4.98	5.63	5.20	5.97
GH¢/Euro	3.10	3.90	4.15	4.44	5.30
Money and credit					
Reserve Money	15.1	30.2	24.2	29.6	0.0
Broad Money Supply (M2)	18.2	33	26.6	24.6	0.0
Broad Money Supply (M2+)	19.1	36.8	26.1	22	0.0
Credit to the private sector	28.6	42.1	24.7	14.7	12.8
Real Credit to the private sector	13.3	21.9	5.9	1.0	0.9
Interest Rates (%)					
Monetary Policy rate	16.0	21.0	26.0	25.5	20.0
Interbank rate	16.3	23.9	25.3	25.2	19.3
91-Day treasury bill rate	18.8	25.8	23.1	16.8	13.3
182-Day treasury bill rate	18.8	26.4	24.4	18.5	13.8
1-year treasury note rate	17.0	22.5	22.75	21.5	15.0
2-year treasury note rate	16.5	23.0	23.3	22.5	17.5
Average lending rate	25.6	29.0	27.5	31.2	29.3
3-month average Deposit rate	12.5	13.9	13.0	13.0	13.0
lending - deposit rate spread	13.1	15.1	14.5	18.2	16.3
External Sector (Cummulative)					
Exports of Goods and Services (US$' m)	13,751.9	13,217.0	10,321.0	11,138.3	13,835.0
Imports of Goods and Services (US$' m)	17,600.3	14,600.0	13,465.0	12,920.1	12,647.4
Trade balance (US$' m)	-3,848.0	-1,383.0	-3,144.0	-1,781.8	1,187.7
Current account balance (US$' m)	-5,784.0	-3,694.5	-2,823.8	-2,840.5	-2,004.9
per cent of GDP	-11.9	-9.6	-7.8	-6.7	-4.2
Overall Balance of Payments (US$' m)	-699.2	-86.1	-15.9	247.4	1,091.4
Commodity Prices (International)					
Cocoa ($/tonne)	2,779	2,914	3,301	2268.4	1904.6
Gold ($/ounce)	1,223	1,199	1,069	1151.2	1266.6
Crude Oil ($/barrel)	110.6	64.8	38.9	54.9	64.3
Gross Foreign Assets (US$ m)	5,632.2	5,461.0	5,885.0	6,161.6	7,554.8
months of import cover	3.6	3.8	3.5	3.5	4.3
Gross international reserves (US$ m)	5,550	4,350	4403	4862	5,491.0
months of import cover	3.0	2.5	2.6	2.8	3.1
Net international reserves (US$ m)	3,286.0	3,199.0	3,094.0	3,431.0	4,522.5
External Debt (US$' m)	11,902.0	13,871.8	15,781.9	16,461.0	17,160.4
Government Budget (% of GDP)					
Domestic Revenue	19.7	21.1	21.4	19.4	19.4
Grants	0.8	0.7	1.3	0.7	0.8
Total Expenditure	29.9	28.2	27.3	30.6	25.3
Overall Balance (Including Divestiture)	-11.0	-10.2	-6.9	-7.9	-6.0
Domestic Primary Balance	-1.7	3.2	4.1	0.5	3.3

** Provisional estimates*

strong growth in exports of crude oil, gold and cocoa. The trade account recorded a surplus of US$1.2 billion (2.5% of GDP), the first time in decades. This resulted in the narrowing of the Current Account deficit to US$2.0 billion (4.2% of GDP). With positive net inflows in the capital and financial account amounting to US$3.0 billion (6.4% of GDP), the balance of payments recorded a surplus of US$1.1 billion (2.3% of GDP) against a surplus of US$247.0 million (0.6% of GDP) in 2016. These positive developments resulted in a build-up of US$1.4 billion in Gross Foreign Assets (GFA) to US$7.6 billion (4.3 months of import cover) at end-December 2017 compared with US$6.2 billion (3.5 months of import cover) a year ago.

3.2 Monetary Policy

3.2.1 Monetary Policy Committee Meetings

The Monetary Policy Committee (MPC) held six meetings in 2017, consistent with its planned agenda for the year. At these meetings, the Committee took decisions on the positioning of the Monetary Policy Rate (MPR) based on its review of macroeconomic developments and assessment of the balance of risks in the outlook for growth and inflation. The thrust of monetary policy was to steer inflation towards its medium-term target band of 8±2.0 per cent. In response to the improving macroeconomic fundamentals, the MPR was cumulatively reduced from 25.5 per cent at end-December 2016 to 20.0 per cent at end-December 2017.

Table 3.2: Monetary Policy Decisions in 2017

MPC Date	Policy Decision	MPR (%)
16 – 20 January	Maintained	25.5
20 – 24 March	Reduced	23.5
15 – 19 May	Reduced	22.5
17 – 21 July	Reduced	21.0
19 – 22 September	Maintained	21.0
22 – 24 November	Reduced	20.0

3.2.2 Summary of MPC Deliberations

January Meeting

At its first meeting, the Committee noted the continuation of the global economic recovery at a moderate pace, underpinned by heightened policy uncertainties regarding Brexit, volatility in commodity prices, rebalancing in China, and the outturn of the US elections. Nonetheless, economic activity was projected to improve on the back of the pro-growth agenda of the new US administration and some turnaround in commodity prices, especially crude oil.

The Committee observed that, for the first time since 2011, the provisional data showed that the balance of payments in 2016 recorded a surplus. This was attributed to a narrowing of the current account deficit driven largely by improvement in the trade balance.

The underlying core inflation (CPI excluding energy and utility prices) declined significantly. In line with trends in headline inflation, inflation expectations by consumers, and the financial sector also eased. In its assessment of the economic outlook, the Committee viewed a stronger US dollar and rising global bond yields on the back of expected hikes in the Fed funds rate as global risks which could impact adversely on Ghana's balance of payments, fiscal operations and the inflation outlook. Regarding inflation outlook, the Committee noted that the pass-through effects of exchange rate volatility, persistent increases in food inflation and the higher-than-targeted fiscal deficit might adversely impact the disinflation process. On growth prospects, the Committee noted positive signals, underpinned by improved oil and gas production from the new oil fields, the gradual rebound in growth in private sector credit and improved sentiments and expectations.

The Committee underscored the need to return to the path of fiscal consolidation to complement the tight monetary policy stance to deliver on the medium-term inflation target. In concluding, the Committee viewed the risks to inflation and growth as balanced and decided to maintain the Monetary Policy Rate at 25.5 per cent.

March Meeting

At this MPC round, the Committee observed that the global economy was projected to pick up moderately in 2017, driven largely by the expected fiscal stimulus in the US as well as recovery in the Eurozone and emerging market economies. The foreign exchange market witnessed increased pressures early in the year to March, partly attributed to a strengthening US dollar, seasonal demand factors and speculative activities. The Committee noted a decline in headline inflation for the fifth consecutive month in February 2017. The steady decline in consumer prices was reflected in both food and non-food prices, driven mainly by the tight monetary policy stance and some base effects. Core inflation similarly eased over the period. Inflation expectations across all sectors – consumers, businesses and the financial sector – broadly declined. Identified upside risks to the inflation outlook were the perceived impact of tighter global financial conditions and volatility in commodity prices.

The Committee, in its assessment, was of the view that the uncertainties in the international commodities market could adversely impact Ghana's balance of payments, exchange rate and the inflation outlook. There were indications that growth was likely to remain significantly below potential which, alongside an improved inflation outlook, provided some scope for monetary policy easing.

Based on the deliberations during the meeting, the Committee decided to reduce the Monetary Policy Rate by 200 basis points to 23.5 per cent.

May Meeting

The Committee noted the improvement in growth prospects, with the recovery expected to continue through 2018, driven largely by a rebound in manufacturing activities, consumer confidence, and upticks in trade and higher commodity prices. The volatility in the foreign exchange market had eased, supported by improved foreign exchange liquidity conditions and the outturn in the trade balance, with a more positive outlook based on significant expected inflows.

Headline and core inflation inched up. The business and consumer confidence surveys produced mixed results; while business confidence showed a marked rebound, consumer confidence recorded a marginal dip.

On inflation, the Committee noted that, with a stable outlook for exchange rate movements and a return to the path of fiscal consolidation, headline inflation was expected to trend towards the medium-term target in 2018, barring any unanticipated shocks.

Given these considerations, the Committee judged that the downside risks to growth outweighed the upside risks to inflation in the outlook and, therefore, decided to reduce the policy rate by 100 basis points to 22.5 per cent.

July Meeting

The Committee observed that global growth momentum was gradually strengthening with continued support from manufacturing, trade and relatively higher commodity prices. These favourable global developments were expected to impact the domestic economy through the trade and financial channels, with a positive outlook for the balance of payments, exchange rate and inflation.

The Committee noted that consumer price inflation had trended downwards since September 2016 mainly due to policy tightening, relative stability in the exchange rate, and some favourable base drift effects. Both headline and core inflation continued to trend downwards, impacting positively on inflation expectations.

The Committee, in its assessment, noted that the disinflation process was still on-going, and the trend was likely to continue all through till the end of the third quarter.

In view of these developments, the Committee decided to reduce the Monetary Policy Rate by 150 basis points to 21.0 per cent.

September Meeting

During this sitting, the Committee noted the strengthening of global growth momentum since the July MPC meeting, with regional drivers of growth shifting from the US and UK to Japan, China and the Euro area. The Committee observed that prices of Ghana's key export commodities had shown recovery, driven by market dynamics, policy uncertainties and increasing global trade. Foreign exchange market conditions remained relatively stable, supported by improved liquidity conditions, despite some marginal demand pressures.

The consumer and business confidence surveys conducted in August reflected improved sentiments in the economy. These were on account of positive views expressed by businesses and consumers about exchange rate and price movements, as well as favourable prospects for industry and overall economic growth. Headline and core inflation picked up in August, although inflation expectations declined.

The Committee noted that the uptick in core inflation, an indication of emerging pressures, would require further monitoring. Since August 2017, there had been upward adjustments in ex-pump petroleum prices which were likely to transmit through prices in the coming months and pose some risks to the inflation outlook.

In view of the emerging risks to the inflation outlook, the Committee decided to pause the easing cycle and maintain the policy rate at 21.0 per cent.

November Meeting

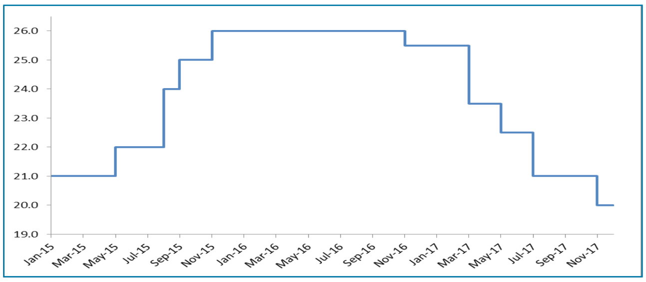
At this last MPC meeting for the year, the Committee noted a further strengthening of global growth, sustained by strong growth in demand and recovery in investments and trade. The recovery process had also expanded beyond those of the advanced economies to include large emerging market economies.

In its assessment of risks to the economic outlook, the Committee noted that the indicators of economic activity and business and consumer confidence remained strong. The cedi had remained relatively stable on the foreign exchange market, despite movements which were not a reflection of the underlying fundamentals.

The Committee observed further that price developments during the first 10 months of the year continued to show signs of dampening inflation expectations, with core inflation measures in line to achieving the medium-term inflation target.

In line with the foregoing risk assessment, the Committee decided to reduce the policy rate by 100 basis points to 20.0 per cent.

Chart 3.1: Monetary Policy Rate Trend (%), January 2015 – December 2017



3.3 Developments in Money, Credit and Interest Rates

3.3.1 Money Supply

Growth in broad money supply, including foreign currency deposits, (M2+) decreased to 16.7 per cent in 2017, from 22.0 per cent in 2016. The decline in the growth of M2+ during the review period was driven by a decrease in the growth of Net Domestic Assets (NDA) which was moderated by an increase in the growth of the Net Foreign Assets (NFA). Growth in NDA declined to 9.0 per cent in December 2017, from 19.5 per cent in December 2016. However, growth in Net Foreign Assets (NFA) increased to 38.4 per cent in December 2017, from 29.8 per cent in December 2016. M2+ stood at GH¢66.2 billion at end-December 2017 compared with GH¢56.7 billion at end-December 2016.

Growth in all components of NDA slowed. Net claims on Government contracted by 31.3 per cent at end-December 2017, against a growth of 42.9 per cent at end-December 2016. Net claims on the public sector (institutions) also contracted by 33.5 per cent at end-December 2017 as against growth of 20.7 per cent. Net claims on the private sector recorded a growth of 12.5 per cent compared to a growth of 14.6 per cent at end-December 2016.

The decline in rate of growth of total liquidity during the review period was mainly due to decrease in the rate of growth of currency outside banks and demand deposits to 14.5 per cent in December 2017, from 24.1 per cent in December 2016. However, savings and time deposits grew by 27.9 per cent in 2017, compared to a growth of 25.5 per cent in 2016. Growth in foreign currency deposits was 6.5 per cent in 2017 compared to 14.2 per cent in 2016.

Developments in reserve money for the period ending December 2017 showed a reduced growth rate when compared with the same period in 2016. Reserve money grew by 13.1 per cent in year-on-year terms compared with 29.6 per cent in the previous year.

Table 3.3: Monetary Indicators (GH¢' million)

	Levels			Variations (year-on-year)			
				As at end-Dec 2016		As at end-Dec 2017	
Indicator	**Dec-15**	**Dec-16**	**Dec-17**	**abs**	**per cent**	**abs**	**per cent**
Reserve Money	14,636.3	18,968.0	21,457.1	4,331.7	29.6	2,489.1	13.1
Narrow Money (M1)	21,018.3	26,076.4	29,847.0	5,058.1	24.1	3,770.7	14.5
Broad Money (M2)	34,860.9	43,452.5	52,066.4	8,591.6	24.6	8,614.0	19.8
Broad Money (M2+)	**46,455.3**	**56,692.1**	**66,172.0**	**10,236.9**	**22.0**	**9,479.9**	**16.7**
Currency with the Public	8,503.7	10,139.8	10,707.9	1,636.1	19.2	568.1	5.6
Demand Deposits	12,514.5	15,936.6	19,139.1	3,422.0	27.3	3,202.5	20.1
Savings & Time Deposits	13,842.6	17,376.1	22,219.4	3,533.5	25.5	4,843.3	27.9
Foreign Currency Deposits	11,594.4	13,239.6	14,105.6	1,645.3	14.2	866.0	6.5
Net Foreign Assets (NFA)	**11,514.7**	**14,946.6**	**20,678.8**	**3,431.9**	**29.8**	**5,732.2**	**38.4**
BOG	10,318.0	11,880.1	17,240.5	1,562.1	15.1	5,360.4	45.1
DMBs	1,196.7	3,066.5	3,438.3	1,869.8	156.2	371.8	12.1
Net Domestic Assets	**34,940.6**	**41,745.5**	**45,493.2**	**6,805.0**	**19.5**	**3,747.7**	**9.0**
Claims on Government (net)	**12,845.2**	**18,352.4**	**12,615.9**	**5,507.2**	**42.9**	**(5,736.5)**	**(31.3)**
BOG	6,418.7	8,862.4	6,057.3	2,443.7	38.1	(2,805.1)	(31.7)
DMBs	6,426.5	9,490.0	6,558.6	3,063.5	47.7	(2,931.4)	(30.9)
Claims on Public Sector	**5,900.7**	**7,120.5**	**4,737.3**	**1,219.8**	**20.7**	**(2,383.1)**	**(33.5)**
BOG	2,057.0	1,834.1	1,382.0	(222.9)	(10.8)	(452.1)	(24.6)
DMBs	3,843.8	5,286.4	3,355.3	1,442.6	37.5	(1,931.0)	(36.5)
Claims on Private Sector	**26,611.4**	**30,487.4**	**34,284.1**	**3,876.0**	**14.6**	**3,796.7**	**12.5**
BOG	408.3	503.9	464.8	95.6	23.4	(39.1)	(7.8)
DMBs	26,203.1	29,983.5	33,819.3	3,780.4	14.4	3,835.8	12.8
Other Items (Net) (OIN) \2	**(10,416.8)**	**(14,214.8)**	**(6,144.1)**	**(3,798.0)**	**36.5**	**8,070.6**	**(56.8)**
o/w BOG OMO (Sterilisation)	(204.7)	(898.0)	(7,901.0)	(693.4)	338.8	(7,003.0)	779.8

3.3.2 Deposit Money Banks' Credit

Growth in Deposit Money Banks' (DMBs) credit, in nominal terms, eased to 6.4 per cent in 2017, from 17.6 per cent in 2016. This decline was driven mainly by high non-performing loans (NPLs) which led to slowdown in credit delivery. At end-December 2017, total outstanding credit stood at GH¢37.7 billion.

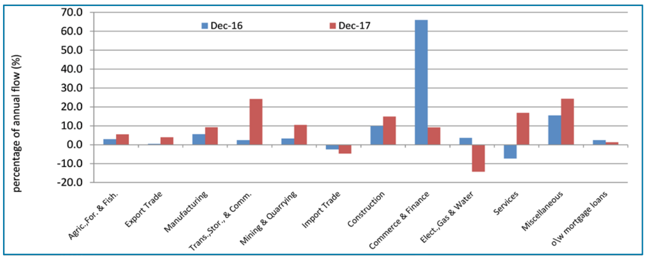
In real terms, credit from the banks contracted by 4.9 per cent in 2017 as against growth of 3.8 per cent in 2016. Private sector share in total outstanding credit increased to 89.8 per cent at end-December 2017, from 84.7 per cent at end-December 2016.

Table 3.4: DMBs Credit: Sectoral Distribution

	Levels			Year-On-Year Variation (%)		
	Dec-15	Dec-16	Dec-17	Dec-15	Dec-16	Dec-17
Public Sector	3,896.0	5,425.5	3,842.5	27.4	39.3	(29.2)
Private Sector	26,203.1	29,983.5	33,819.3	24.5	14.4	12.8
Agric, For. & Fish	1,020.7	1,130.6	1,343.5	14.7	10.8	18.8
Export Trade	145.0	162.3	314.8	(36.1)	11.9	94.0
Manufacturing	2,363.8	2,576.0	2,930.9	20.4	9.0	13.8
Import Trade	2,140.9	2,048.4	1,868.4	16.9	(4.3)	(8.8)
Construction	2,759.9	3,133.6	3,707.9	25.2	13.5	18.3
Commerce & Finance	4,309.0	7,013.4	7,156.7	40.3	62.8	2.0
Elect., Gas & Water	3,307.5	3,445.6	2,898.0	62.1	4.2	(15.9)
Services	5,866.5	5,591.1	6,238.2	24.3	(4.7)	11.6
Miscellaneous	2,548.9	2,925.5	4,071.6	16.7	14.8	39.2
Total Outstanding Credit	30,099.1	35,409.0	37,661.8	24.9	17.6	6.4

Growth of outstanding credit to the private sector decreased in both nominal and real terms at end-December 2017. In nominal terms, the growth was 12.8 per cent in 2017 compared to 14.4 per cent in 2016. The outstanding credit to the private sector at end-December 2017 stood at GH¢33.8 billion. In real terms, the annual growth in outstanding credit to the private sector was 0.9 per cent in 2017, compared to 1.0 per cent in 2016.

Chart 3.2: Allocation of Annual Flow of Credit to the Private Sector



The private sector credit distribution was largely concentrated in Miscellaneous (24.4%), Transport, Storage and Communication (24.2%), Services (16.9%), Construction (15.0%), and Mining and Quarrying (10.5%) sectors. These five sectors accounted for 91.0 per cent of the overall credit flow during the review period

3.3.3 Domestic Money Market

Total value of trades in the inter-bank market stood at GH¢75.2 billion at end-December 2017, with a weekly average of GH¢1.4

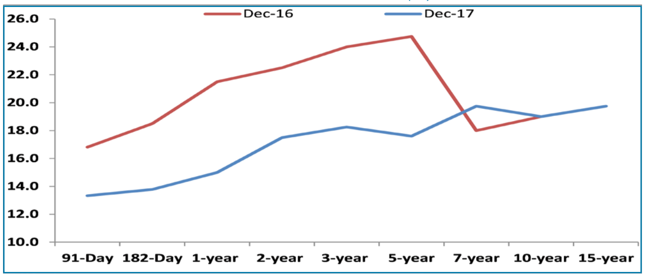
billion recorded during the review year. However, at end-December 2016, the total value of trades was GH¢96.3 billion, with a weekly average of GH¢1.9 billion.

3.3.4 Interest Rates

Interest rates trended downward during the review period in response to improved macroeconomic conditions and a cumulative reduction of 550 basis points in the Monetary Policy Rate (MPR). Interbank rates declined to 19.3 per cent, from 25.4 per cent in December 2016. The interest rate equivalent of the benchmark treasury securities also declined; the 91-day treasury bill rate dropped to 13.3 per cent (16.8% in December 2016), the 182-day rate also declined to 13.8 per cent (18.5% in December 2016) and the 1-year note also declined markedly to 15 per cent (21.5% in December 2016).

The major highlight of the capital market was the introduction of the 15-Year Bond issued at 19.75 per cent with the yield at end-December 2017 at 17.92 per cent.

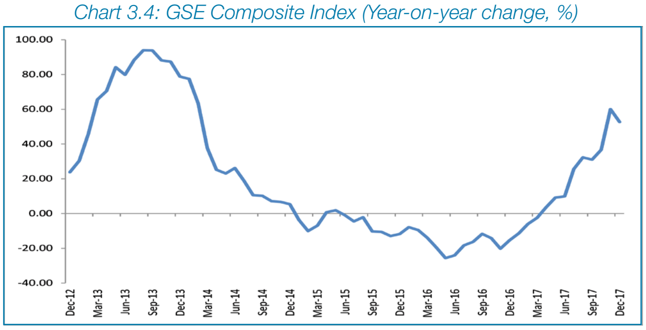
Chart 3.3: Yield Curve (%)



3.4 Stock Market Developments

The GSE Composite Index (GSE-CI) ended the year at 2,579.7 points, representing an annual growth of 52.7 per cent. This was on account of improvement in macroeconomic conditions and the restoration of the capital gains tax incentive, which helped attract new investors. Market capitalization at end-December 2017 was GH¢58.8 billion, representing 11.6 per cent increase over that of 2016.

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



3.5 Price Developments

Headline inflation broadly trended downwards from 15.4 per cent in December 2016 to 11.8 per cent in December 2017 on the back of stability of the domestic currency and fiscal consolidation. The slowdown in inflation was driven mainly by non-food inflation which fell from 18.2 per cent in December 2016 to 13.6 per cent in December 2017. Food inflation, also, eased by 1.9 per cent to 8.0 per cent in December 2017.

Contributions to the overall consumer price index showed general moderation in all the components in December 2017, with the exception of Food & Beverages group and Clothing & Footwear as well as Transport, which exerted marginal upward pressures on inflation.

The Bank's core measure of inflation, which excludes energy and utility prices, declined to 12.6 per cent in December 2017, from 14.6 per cent in December 2016, signalling easing underlying inflation pressures.

Similarly, the Bank's inflation expectations indices declined in 2017, as expectation by businesses declined to 12.3 per cent in December 2017, from 15.1 per cent in December 2016. Also, the financial sector inflation expectations declined to 11.4 per cent, from 14.8 per cent over the same comparative period, while the consumer inflation expectation index eased to 66.7 in December 2017, from 76.4 in December 2016. The gradual decline in overall

Chart 3.5: Headline Inflation: Components (y/y, %)

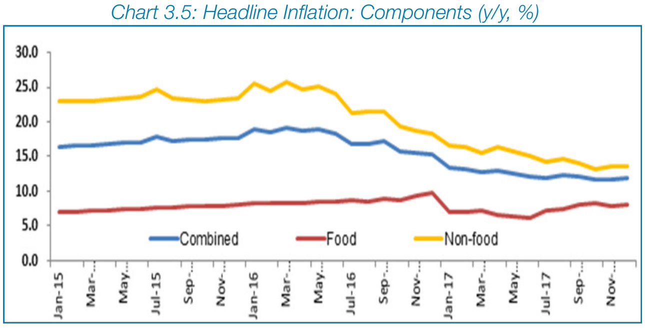


Chart 3.6: Headline and Core Inflation (y/y, %)

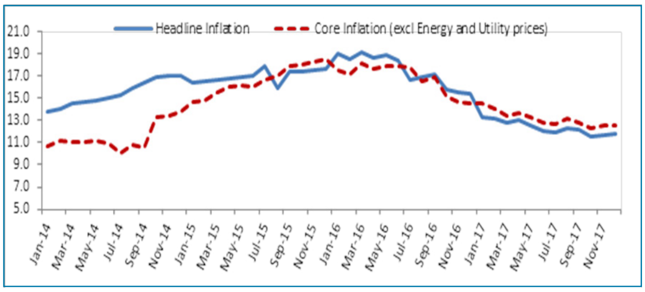


Table 3.5: Contribution to Market Capitalization

MONTH	SECTOR										
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	Market Cap
Dec-16	1,852.51	660.03	9,384.03	688.87	15,624.49	3.42	72.38	24,379.19	15.52	10.57	52,690.99
Nov-17	2,781.51	925.38	13,792.93	1,469.62	15,662.97	3.42	210.54	23,630.90	15.52	10.57	58,503.37
Dec-17	2,746.65	927.88	14,180.95	1,480.82	15,662.97	3.42	212.98	23,562.21	15.52	10.57	58,803.96
Mon Change											
ABS	-34.86	2.50	388.02	11.19	0.00	0.00	2.44	-68.69	0.00	0.00	300.59
(%)	-1.25	0.27	2.81	0.76	0.00	0.00	1.16	-0.29	0.00	0.00	0.51
Ytd Change											
ABS	894.13	267.85	4,796.92	791.95	38.48	0.00	140.59	-816.98	0.00	0.00	61,12.97
(%)	48.27	40.58	51.12	114.96	0.25	0.00	194.23	-3.35	0.00	0.00	11.60

inflation expectations was attributed to general confidence in the economy, significant reduction in the monetary policy rate, improvement in electricity supply, and stability in the exchange rate.

Table 3.5: Contribution to Market Capitalization

Sector	2013	2014	2015*	2016*	2017**
Agriculture	5.7	4.6	2.8	3.0	8.4
Industry	6.6	0.8	-0.3	-1.5	16.7
Services	10	5.6	6.3	5.7	4.3
Real GDP Growth (%)	**7.3**	**4.0**	**3.8**	**3.7**	**8.5**

** Revised*
*** Provisional*

3.6 Real Sector Performance

Data from the Ghana Statistical Service indicated that real GDP growth was 8.5 per cent in 2017 compared with 3.7 per cent in 2016. This was underpinned by increased crude oil production, relative stability in energy supply and the implementation of pro-growth government initiatives. The improved GDP outturn was driven mainly by Industry with 16.7 per cent growth, while Services and Agriculture recorded 4.3 and 8.4 per cent growth, respectively. In terms of sector shares, Services contributed 56.2 per cent (56.8% in 2016) to overall nominal GDP, followed by Industry with 25.5 per cent (24.3% in 2016) and Agricultural Sector with 18.3 per cent (18.9% in 2016).

3.7 Fiscal Developments

3.7.1 Budgetary Outturn

The Government's budgetary operations for 2017 recorded a deficit of 5.9 per cent of GDP, lower than the revised target of 6.3 per cent. The deficit was financed from domestic sources. Total government receipts amounted to GH¢41.5 billion (20.2% of GDP), marginally below the revised target of GH¢43.1 billion (21.4% of GDP). The major components were tax revenue of GH¢32.2 billion (77.7% of total receipts), Non tax revenue of GH¢5.3 billion (12.8% of total receipts) and Grants of GH¢1.5 billion (3.7% of total receipts).

Total government payments for the year amounted to GH¢52.0 billion (25.3% of GDP) which was 0.4 per cent below the revised budget of GH¢52.2 billion (25.8% of GDP). Recurrent expenditure was 87.8 per cent of total payments, while capital expenditure constituted 12.2 per cent. Of the recurrent expenditure, interest payments represented 29.7 per cent of the total, while non-interest expenditure was 70.3 per cent.

3.7.2 Composition of Domestic Debt

The stock of domestic debt was GH¢65.6 billion (31.8% of GDP) at end-December 2017, compared to GH¢52.9 billion (31.6% of GDP) at end-December 2016. The rise in the debt stock for the review period resulted from an increase of GH¢21.7 billion in the medium- and long-term securities. This was moderated by a decrease in the short-term instruments by GH¢8.1 billion.

3.7.3 Holdings of Domestic Debt

The share of the Bank of Ghana's holding of domestic debt decreased to 19.5 per cent at end-December 2017, from 24.7 per cent at end-December 2016. Similarly, the Deposit Money Banks' (DMBs) holding reduced to 15.7 per cent, from 27.9 per cent, and SSNIT holding decreased to 2.1 per cent from 2.8 per cent. However, the share of Non-Residents holding increased to 38.5 per cent, from 21.9 per cent.

Table 3.7: Selected fiscal indicators 2014-2017

	2014 Prov.	2015 Prov.	2016 Prov.	2017 Prov.
Taxes on income and property	8,486.57	8,706.50	9,106.90	13,398.09
per cent of GDP	7.49	6.36	5.44	6.51
Taxes on goods and services	6,434.28	9,935.62	12,231.32	13,344.84
per cent of GDP	5.68	7.25	7.31	6.48
Taxes on international trade	4,308.91	5,507.58	4,390.44	5,484.66
per cent of GDP	3.8	4.02	2.62	2.66
Tax revenue including oil	19,229.76	24,149.71	25,728.66	32,227.58
per cent of GDP	16.97	17.63	15.37	15.65
Tax revenue excluding oil	17,879.09	23,721.13	25,511.11	31,413.35
per cent of GDP	16.94	17.9	15.37	16.09
Nontax revenue	4,483.36	4,919.94	4,882.44	5,325.24
per cent of GDP	3.96	3.59	2.92	2.59
Domestic revenue including oil	23,931.32	29,358.97	32,537.45	39,963.04
per cent of GDP	21.11	21.44	19.44	19.41
Domestic revenue excluding oil	22,580.66	28,930.39	32,319.89	39,148.81
per cent of GDP	21.39	21.83	19.47	20.06
Grants	814.14	1,729.31	1,140.73	1,534.85
per cent of GDP	0.72	1.26	0.68	0.75
Total revenue and grants	24,745.46	31,088.28	33,678.17	41,497.89
per cent of GDP	21.83	22.7	20.12	20.15
Compensation of Employees	10,466.82	12,111.18	14,164.79	16,776.24
per cent of GDP	9.23	8.84	8.46	8.15
Goods and services	1,776.63	1,388.22	3,220.76	2,482.11
per cent of GDP	1.57	1.01	1.92	1.21
Interest payments	7,080.87	9,075.34	10,770.44	13,572.12
per cent of GDP	6.25	6.63	6.44	6.59
Subsidies	473.72	25	0	0
per cent of GDP	0.42	0.02	0	0
Non-Financial Assets (Capital Expenditure)	6,095.69	5,884.91	7,678.10	6,331.41
per cent of GDP	5.38	4.3	4.59	3.07
Total expenditure & net lending	31,962.21	37,344.58	51,125.04	51,985.95
per cent of GDP	28.2	27.27	30.55	25.25
Overall Budget Balance	-11,550.62	-9,438.18	-13,144.93	-12,244.73
per cent of GDP	-10.19	-6.89	-7.85	-5.95

Domestic Expenditure	20,304.17	23,793.37	31,693.23	33,102.02
per cent of GDP	17.91	17.37	18.94	16.08
Domestic Primary Balance	3,627.15	5,565.59	844.21	6,861.02
per cent of GDP	3.2	4.06	0.5	3.33
Stock of Domestic Debt	34,655.86	38,828.05	52,915.41	65,564.51
per cent of GDP	30.58	28.35	31.62	31.84
Nominal GDP (Including Oil)	113,343.00	136,957.36	167,353.50	205,913.97
Nominal GDP (Excluding Oil)	105,550.00	132,538.00	165,978.61	195,200.01

Table 3.8: Composition of Domestic Debt (GH¢ millions), 2014 - 2017

	2014	2015	2016	2017
A. Short-Term Instruments	**13,686.1**	**18,244.1**	**20,105.2**	**11,996.8**
91-Day Treasury Bill	7,939.4	9,317.9	10,477.6	5,444.7
182-Day Treasury Bill	4,493.4	8,149.6	7,112.4	2,867.0
1-Year Treasury Note	1,253.3	776.6	2,515.3	3,685.2
B. Medium-Term Instruments	**13,045.9**	**12,695.1**	**20,351.3**	**37,293.1**
2-Year Fixed Treasury Note	2,746.2	2,086.3	4,227.0	6,400.6
2-year USD Domestic Bond		0.0	395.9	418.1
3-Year Fixed Treasury Note	5,061.4	5,062.8	6,658.6	7,255.5
3-Year USD Domestic Bond			0.0	978.1
3-Year Stock (SSNIT)	1,281.8	1,073.6	1,137.0	881.8
3-Year Floating Treasury Note (SADA-UBA)	202.5	0.0	0.0	0.0
5-Year GOG Bond	2,790.2	3,508.6	6,480.0	11,204.0
7-Year GOG Bond	201.7	201.7	201.7	2,150.5
10-Year GOG Bond		0.0	599.0	7,409.6
GOG Petroleum Finance Bond	80.0	80.0	80.0	80.0
TOR Bonds	682.0	682.0	572.0	514.8
C. Long-Term Instruments	**7,888.9**	**7,888.9**	**12,458.9**	**17,252.7**
15-Year GOG Bond			0.0	4,793.8
Long-Term Government Stocks	7,417.4	7,417.4	11,987.4	11,987.4
Telekom Malasia Stock	109.5	109.5	109.5	109.5
Revaluation Stock	361.1	361.1	361.1	361.1
Other Government Stocks	1.0	1.0	1.0	1.0
TOTAL(A+B+C)	**34,620.9**	**38,828.1**	**52,915.4**	**66,542.6**

Source: Bank of Ghana and Ministry of Finance

Table 3.9: Holdings of Domestic Debt (GH¢ millions), 2014 - 2017

	2014	2015	2016	2017
A. Banking system	**18,745.5**	**19,280.4**	**27,834.4**	**23,319.2**
Bank of Ghana	9,293.5	8,851.2	13,056.2	13,009.3
Deposit Money Banks (DMBs)	9,452.0	10,429.1	14,778.2	10,309.9
B. Non-Bank Sector	**9,900.7**	**12,830.3**	**13,486.6**	**17,557.8**
SSNIT	1,563.6	1,502.6	1,463.4	1,403.4
Insurance Companies	63.3	80.9	179.0	340.5
Other Holders	8,273.8	11,246.8	11,844.1	15,813.9
Rural Banks	494.1	567.5	633.3	300.7
Firms & Institutions	5,093.3	6,602.3	7,864.1	10,807.8
Individuals	2,686.4	4,077.1	3,346.8	4,705.4
C. Foreign sector (Non-Residents)	**5,974.7**	**6,717.4**	**11,594.4**	**25,665.6**
TOTAL(A+B+C)	**34,620.9**	**38,828.1**	**52,915.4**	**66,542.6**

Source: Bank of Ghana and Ministry of Finance

3.8 External Sector Developments

The overall Balance of Payments (BOP) was a surplus of US$1.1 billion in 2017 compared to a surplus of US$247.0 million in 2016. The improvement was on account of a favourable trade balance and increased net inflows in the capital and financial account.

3.8.1 The Current Account

The current account recorded a deficit of 4.6 per cent of GDP in 2017, an improvement over the deficit of 6.6 per cent in 2016. This development was as a result of a significant improvement in the trade account, despite the deterioration in the services and income accounts.

Trade Balance

The trade balance recorded a surplus of US$1.2 billion, the first time in decades, compared to the deficit of US$1.8 billion in 2016. The improvement resulted from an increase in oil and gold export earnings and a reduction in imports.

Merchandise Exports

The value of merchandise exports for the year was estimated at US$13.84 billion, an increase of 24.2 per cent over the value recorded in 2016.

Gold Exports

Gold exports earnings in 2017 amounted to US$5.79 billion compared to US$4.92 billion recorded in 2016. The growth was largely driven by an increase in export volumes. The volume of gold ore exported increased by 20.1 per cent to 4,614,656 fine ounces, while the average realised price decreased by 2.0 per cent to US$1,253.87 per fine ounce.

Crude Oil Exports

The value of crude oil exported was estimated at US$3.1 billion in 2017 compared to US$1.3 billion exported for the same period in 2016. The average realised price of oil increased by 21.0 per cent to US$54.6 per barrel compared to US$45.1 per barrel in 2016. Volume exported also increased significantly by 91.3 per cent, year-on-year, to 57,023,474 barrels in 2017. This was as a result of the commencement of production and exports from the Tweneboa, Enyenra, Ntomme (TEN) fields.

Export of Cocoa Beans and Products

Exports of cocoa beans and products amounted to US$2.7 billion compared to US$2.6 billion in 2016, representing an increase of 3.5 per cent. Cocoa beans exported amounted to US$1.9 billion, an increase of 1.6 per cent compared to the value in 2016. However, prices of cocoa beans decreased by 12.1 per cent to US$2,719.8 per tonne, while export volume increased by 29.1 per cent to 699,864 tonnes. Earnings from the export of cocoa products, also, increased by 16.8 per cent to US$757.9 million.

Timber Exports

Timber products export recorded a decrease of 15.9 per cent to US$214.97 million. For the same period, the volume exported decreased from 393,943 cubic metres to 338,581 cubic metres. The average realised price of timber also declined from US$649.12 per cubic metre in 2016 to US$634.92 per cubic metre in 2017.

Other Exports

The value of "other exports" which is made up of non-traditional exports and other minerals (aluminium alloys, bauxite, diamond and manganese) was estimated at US$2.1 billion, 0.6 per cent higher than the outturn in 2016.

Merchandise Imports

The total value of imports for 2017 was estimated at US$12.6 billion, a decline of 2.1 per cent compared to the value recorded in 2016.

Oil Imports and Non-Oil Imports

The value of oil imports (including gas) increased from US$1.8 billion in 2016 to US$2.0 billion in 2017, driven by increase in oil prices on the international market. Non-oil imports for 2017 were estimated at US$10.7 billion, a 3.9 per cent decrease compared to the position in 2016.

Services, Income and Current Transfers

The services, income and transfers account recorded a deficit of US$3.2 billion, a deterioration of US$2.1 billion compared to the deficit recorded in the preceding year. The services and income accounts recorded net outflows (payments) of US$5.6 billion in 2017 compared to US$2.5 billion in 2016. Net inflows into the current transfers accounts improved from US$1.5 billion in 2016 to US$2.4 billion in 2017.

3.8.2 Capital and Financial Account

The capital and financial account recorded a net inflow of US$3.0 billion, representing an increase of 18.0 per cent over the outturn for 2016. The capital account had net inflows of US$242.0 million in 2017 as against US$274.0 million in 2016.

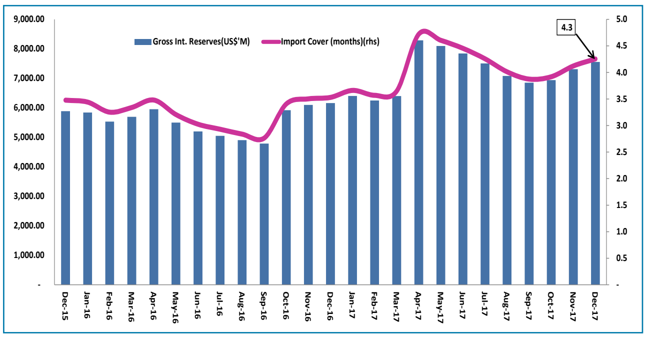
The financial account recorded a net inflow of US$2.8 billion compared to US$2.3 billion recorded in 2016. Foreign direct investment and other investments recorded lower net inflows, while portfolio investment recorded higher net inflows.

3.8.3 International Reserves

The stock of Net International Reserves (NIR) at end-December 2017 was estimated at US$4.5 billion, from a stock position of US$3.4 billion at end-December 2016.

Gross International Reserves (GIR) increased by US$1.4 billion to US$7.6 billion at end-December 2017. This was sufficient to provide for 4.3 months of imports cover, compared to 3.5 months of imports cover as at December 2016.

Chart 3.7: Gross International Reserves and Import Cover, December 2015 – December 2017



3.9 Foreign Exchange Market Developments

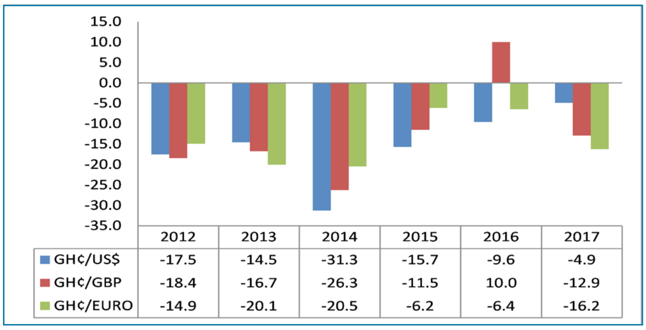
The local currency was relatively stable against the US dollar in 2017, driven mainly by improved foreign exchange supply. On the Inter-Bank Market, the Ghana cedi experienced an annual depreciation of 4.9 per cent, an improvement from the 9.6 per cent recorded in 2016. Similarly, on the Forex Bureau Market, the pace of depreciation of the Ghana cedi moderated to 6.9 per cent in 2017 from 9.6 per cent in 2016.

Table 3.10: Developments in Balance of Payments (US$ millions), 2013 -2017

	2013	2014	2015	2016**	2017*
A. Current account	**-5,704.03**	**-3,694.47**	**-2,823.75**	**-2,840.49**	**-2,004.85**
Merchandise Trade Balance	**-3,848.32**	**-1,383.41**	**-3,143.98**	**-1,781.77**	**1,187.67**
Exports (f.o.b.)	**13,751.92**	**13,216.79**	**10,321.08**	**11,138.34**	**13,835.01**
Cocoa beans & Products	2,267.29	2,612.88	2,720.79	2,572.17	2,661.37
Gold	4,965.71	4,388.06	3,212.59	4,919.46	5,786.16
Timber and Timber Products	165.76	185.05	208.75	255.72	214.97
Crude oil	3,885.07	3,724.98	1,931.28	1,345.21	3,115.10
Other Exports	2,468.09	2,305.82	2,247.67	2,045.78	2,057.41
Imports (f.o.b.)	**-17,600.24**	**-14,600.20**	**-13,465.06**	**-12,920.11**	**-12,647.35**
Non-oil	-14,049.79	-10,906.25	-11,418.34	-11,085.22	-10,655.20
Oil & Gas	-3,550.45	-3,693.95	-2,046.72	-1,834.89	-1,992.15
B. Balance on Services, Income and transfers	**-1,855.72**	**-2,311.06**	**320.23**	**-1,058.72**	**-3,192.52**
Services (net)	-2,443.76	-2,602.13	-1,166.60	-1,293.28	-2,875.84
Credit	2,454.04	2,044.77	6,142.19	6,332.98	6,600.03
Debit	-4,897.81	-4,646.90	-7,308.79	-7,626.26	-9,475.87
Income (net)	-1,351.39	-1,717.40	-1,110.90	-1,222.07	-2,740.89
Credit	284.53	110.76	394.42	237.96	309.32
Debit	-1,635.92	-1,828.15	-1,505.32	-1,460.03	-3,050.21
Transfers (net)	1,939.44	2,008.47	2,597.73	1,456.62	2,424.21
Private (net)	1,859.15	1,998.90	2,375.34	1,431.02	2,424.21
Official (net)	80.29	9.57	222.39	25.60	0.00
C. Capital & Financial Account	**5,368.16**	**3,752.80**	**3,123.24**	**2,557.86**	**3,015.72**
Capital Transfers	349.25	0.00	473.88	274.31	242.20
Direct investments	3,226.33	3,356.99	2,970.89	3,470.67	3,239.09
Other investments	1,792.58	395.81	-321.53	-1,187.11	-465.56
D. Net errors & omissions	**-363.34**	**-144.40**	**-315.37**	**530.05**	**80.57**
Overall balance	**-699.21**	**-86.07**	**-15.89**	**247.43**	**1,091.44**
E. Reserves and Related Items	**699.21**	**86.07**	**15.89**	**-247.43**	**-1,091.44**
Changes in International Reserves	699.21	86.07	15.89	-247.43	-1,091.44
IMF Position (net)	0.00	0.00	0.00	0.00	0.00
Holdings of SDR	0.00	0.00	0.00	0.00	0.00
Other Reserve Changes	699.21	86.07	15.89	-247.43	-1,091.44
Exceptional Financing	0.00	0.00	0.00	0.00	0.00

*Revised
** Provisional

Chart 3.8: Interbank Exchange Rate (Year-on-Year Change, %)



3.10 External Debt

The stock of external debt at end-December 2017 was estimated at US$17.2 billion (36.8% of GDP). This was an increase of 4.2 per cent from the end-December 2016 position.

In terms of composition, multilateral debt of US$6.4 billion was the highest component of the total, a 16.0 per cent increase over the end-December 2016 position. Bilateral debt was US$1.2 billion (7.0%), with commercial debts of US$2.4 billion, representing 14.0 per cent of the stock, a decrease of 13.6 per cent from the end-December 2016 position.

Chart 3.9: Total External Debt (US$ million)

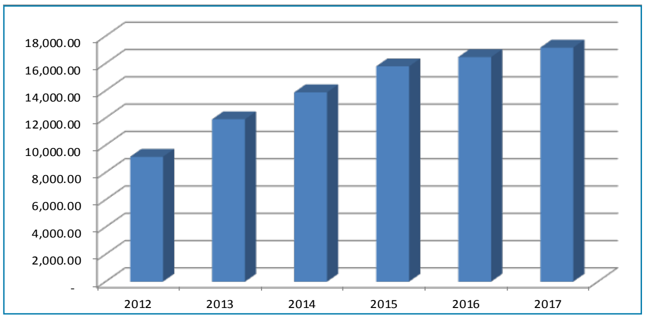


Table 3.11: External Debt Stock by Creditor Category (in millions of US$)

Indicator	2013	2014	2015	2016	2017
Total External Debt	11,901.97	13,871.84	15,781.89	16,460.99	17,160.41
Multilateral Creditors	4,557.92	4,900.73	5,379.45	5,547.96	6,436.84
Bilateral Creditors	1,114.91	1,127.81	1,096.32	1,136.47	1,210.67
Export Credit Agencies	1,119.38	1,158.43	1,176.29	1,315.22	1,461.23
Other Concessional	1,750.48	1,883.56	1,811.32	1,730.13	1,769.35
Commercial Creditors	1,828.76	2,270.80	2,788.00	2,782.20	2,403.20
International Capital Market	1,530.51	2,530.51	3,530.51	3,949.01	3,879.12

CHAPTER 4: DEVELOPMENTS IN BANKS AND SPECIALISED DEPOSIT-TAKING FINANCIAL INSTITUTIONS

4.1 Overview

The banking sector remained generally stable, solvent and liquid, even though two banks were resolved through a Purchase and Assumption (P&A) arrangement. However, the year witnessed a deterioration of 4.3 percentage points in the Non-Performing Loans (NPL) ratio from the previous year's ratio of 17.3 per cent. Following an Asset Quality Review (AQR) exercise conducted on the banks, a significant portion of the NPLs was fully provided for. If the fully provisioned loan loss category is written off, the NPL ratio reduces to 8.8 per cent.

The Bank participated in all the scheduled meetings of the College of Supervisors of the West African Monetary Zone (CSWAMZ) as part of its commitment to maintain cross-border relationships with other financial regulators. These engagements provided the platform for the Bank and other regional supervisors to work towards a common objective of attaining harmonised supervisory practices and deepening of supervisory cooperation through the exchange of information and the promotion of a sound financial system within the West African sub-region.

4.2 Regulatory Developments

Two major Notices/Directives and an Exposure Draft on Capital Requirement Directive (CRD) were issued. These were as follows:

A. **Notice on New Minimum Capital Requirement:** As part of reforms to further develop, modernise, and strengthen the financial sector, the Bank, through notice number BG/GOV/SEC/2017/19, announced the increase in the minimum paid-up capital of banks from GH¢120.0 million to GH¢400.0 million for existing banks and new entrants. Existing banks have up to December 31, 2018 to restore any capital shortfalls. This was the third time in a decade that the sector had witnessed an upward revision of the minimum regulatory capital. The first was in 2008 when it was increased from GH¢7.0 million to GH¢60.0 million, and in 2013 it was revised to GH¢120.0 million. The policy changes were largely informed by developments in the economy which required a policy response to reform, modernise and adequately capitalise the banks to serve as effective vehicles for economic transformation. The reforms were also to reduce systemic stress and the containment of contagion effects associated with bank failures.

B. **IFRS 9:** The Bank issued a Directive to provide guidance on the implementation of the International Financial Reporting Standards (IFRS 9), which was then followed by a quantitative impact assessment study and planning, essential to managing a successful transition and implementation. The guide is to assist financial institutions in ensuring that IFRS, as adopted, underpinned the preparation and presentation of financial statements. The adoption of the IFRS 9 to replace International Accounting Standards (IAS 39) will lead to a forward-looking model which will result in a more timely recognition of loan losses. The noticeable change in the standard has been a shift from an incurred loss model to an expected loss approach. Banks are required to apply the new standard in accounting for impairment of assets as well as their classification and measurement of financial instruments. The standard seeks to minimise the gaps between accounting and regulatory provisioning requirements for impaired assets.

C. **Capital Requirement Directive (CRD):** The Bank commenced the implementation of the Basel II/III supervisory framework to ensure that banks held adequate capital commensurate with their risk profile. To this end, the CRD Exposure Draft was issued for comments and general feedback. The CRD addresses Pillar I of the Basel framework. In principle, the changes to the risk-based capital requirement will ensure efficient deployment of regulatory capital of banks, and set standards on how core risks (credit, operational and market risks) are to be measured and managed by banks.

4.3 Banks and Non-Bank Financial Institutions

4.3.1 Structure

During the year, three banks, namely, The Construction Bank, The Beige Bank and GHL Bank, were licensed. Two of the institutions, The Beige Bank and GHL Bank, were existing savings and loans company and mortgage finance house, respectively. In August 2017, two banks, namely, Capital Bank Limited and UT Bank Limited, were resolved with some selected assets and liabilities assumed by GCB Bank Limited in a Purchase and Assumption (P&A) arrangement, with PricewaterhouseCoopers acting as the Receiver. The preceding developments resulted in the total number of banks increasing to 34. Five Specialised Deposit-taking Institutions (SDIs), comprising three Savings and Loans Companies and two Finance Houses, were granted licenses to operate. There was also the merger of Bayport Finance Limited and CFC Finance Limited, which became a licensed savings and loans company, as well as the conversion of Izwe Finance Limited into a savings and loans company.

During the year under review, 68 Non-Bank Financial Institutions (NBFIs), 141 Rural and Community Banks (RCBs), 566 Microfinance Institutions (MFIs), 417 Forex Bureaux and three Credit Reference Bureaux were in operation. The Deposit Money Banks (DMBs) operated 1,491 branches (December-2016: 1,341 branches) distributed across the 10 regions of the country and employed 19,730 staff, as against 19,977 employees during the same period a year ago. The deployment of Automated Teller Machines (ATMs) increased from 1,928 in 2016 to 2,044 in 2017. Similarly, the number of Point of Sale (POS) terminals went up from 6,501 in December 2016, to 7,356 in December 2017.

4.3.2 Assets and Liabilities

The industry recorded asset growth of 14.7 per cent to GH¢110.7 billion by end-December 2017. Growth in total assets was reinforced significantly by deployment in Cash and Bank balances of 10.1 per cent (GH¢26.5 billion) and Investments of 24.9 per cent (GH¢33.4 billion) respectively, as opposed to increases of 56.9 per cent and 32.8 per cent respectively in 2016. Out of the total assets of the industry, the market share of DMBs declined marginally by 1.1 percentage points to 84.6 per cent in 2017.

The ratio of total earning assets (Loans and Advances and Investments) to total assets declined marginally from 66.1 per cent in 2016 to 65.0 per cent in 2017. The funding sources of total assets were mainly from Deposits, Borrowings and other Liabilities and Shareholders' Funds, which increased by 11.8 per cent, 23.9 per cent and 12.4 per cent to GH¢68.8 billion, GH¢27.6 billion and GH¢14.4 billion, respectively in 2017.

Table 4.1: Assets and Liabilities of Banks and NBFIs

	2016					2017						
	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	82,644.00	9,560.54	3,052.76	1,272.01	96,529.30	93,627.41	12,146.84	3,643.96	1,286.50	110,704.71	14,175.41	14.69
Cash and Bank Balances	22,316.18	1,094.09	413.59	294.63	24,118.49	24,308.83	1,406.14	452.29	382.57	26,549.83	2,431.34	10.08
Investments	22,903.80	2,650.49	1,150.05	47.98	26,752.31	28,607.69	3,343.32	1,414.57	33.45	33,399.03	6,646.72	24.85
Loans & Advances	31,229.18	4,337.25	988.94	535.94	37,091.31	31,568.71	5,321.72	1,160.91	554.17	38,605.51	1,514.20	4.08
Other Assets and PPE	6,194.84	1,478.71	500.17	393.46	8,567.18	9,142.17	2,075.65	616.19	316.31	12,150.32	3,583.14	41.82
LIABILITIES AND SHAREHOLDERS' FUND	82,644.00	9,560.54	3,052.76	1,272.01	96,529.30	93,627.41	12,146.84	3,643.96	1,286.50	110,704.71	14,175.41	14.69
Liabilities	71,660.01	8,434.13	2,646.82	1,002.37	83,743.33	81,356.01	10,712.36	3,165.76	1,098.53	96,332.66	12,589.33	15.03
Deposits	52,690.15	5,758.54	2,381.76	686.98	61,517.43	58,209.34	6,943.56	2,880.89	741.39	68,775.18	7,257.75	11.8
Borrowings and other Liabilities	18,969.85	2,675.60	265.06	315.39	22,225.90	23,146.67	3,768.80	284.87	357.14	27,557.48	5,331.58	23.99
Shareholders' Funds	10,983.99	1,126.40	405.94	269.64	12,785.97	12,271.40	1,434.48	478.21	187.98	14,372.07	1,586.10	12.41
Paid-Up Capital	3,995.70	997.83	126.46	327.98	5,447.96	4,579.10	1,233.49	169.26	288.6	6,270.45	822.49	15.1
Reserves	6,988.29	128.57	279.48	-58.34	7,338.01	7,692.31	200.99	308.94	-100.63	8,101.61	763.6	10.41

4.3.3 Deposit Money Banks

Profitability

Profitability of the DMBs as at end-December 2017 improved marginally over the previous year's position as highlighted by the key profitability indicators below.

Table 4.2: Profitability Indicators (%)

Indicators (%)	2014	2015	2016	2017
Return on Equity	32.3	21.4	17.3	18.7
Return on Assets	6.4	4.5	3.82	3.6
Return on Earning Assets	8.6	6.1	5.07	4.7
Net Interest Spread (NIS)	12.9	12.5	11.4	10.2
Cost to Income Ratio	49.2	53.2	57.4	59.0
Net Interest Margin (NIM)	13.6	13.8	13.0	11.0

Solvency

The DMBs average Capital Adequacy Ratio (CAR) as at end-December 2017 was 15.6 per cent, compared with 18.0 per cent in 2016. The net worth of the DMBs increased by 11.7 per cent to GH¢12.3 billion, compared to the same period last year. The stock of impaired assets (non-performing loans) increased by 32.7 per cent to GH¢8.2 billion at end-December 2017.

Liquidity

The DMBs remained broadly liquid in 2017. Liquid assets to total deposits deteriorated marginally by 46 basis points to 85.3 per cent at end-December 2017. Liquid assets to volatile funds saw an increment from 144.0 per cent in 2016 to 156.0 per cent in 2017.

4.3.4 Non-Bank Financial Institutions

This subsector comprises Savings and Loans Companies (S&L), Finance Houses (FH), and Mortgage Finance and Leasing Companies. At end-December 2017, the combined assets stood at GH¢12.1 billion, increasing from the end-December 2016 position of GH¢9.6 billion. The asset size of the subsector formed 11.0 per cent of the entire banking industry's assets at end-December 2017.

The major source of funding for the subsector was deposits from the S&L group (December 2017: GH¢6.9 billion), which funded 57.2 per cent of total assets. Deposits grew by 27.2 per cent, year-on-year, in December 2017, relative to the 37.2 per cent recorded in the same period last year. Borrowings came second in terms of total assets funding source (December 2017: 23.6%) mainly driven by the Finance House growth of 35.4 per cent, year-on-year, at end-December 2017.

4.3.5 Rural and Community Banks

East Akim Rural Bank Limited was granted a license during the year under review, which brought the total number of licensed RCBs to 141. Even though the deadline for the new minimum paid-up capital requirement of GH¢1.0 million for RCBs is end-December 2018, 82 RCBs had met it by end-December 2017, with a number of them also instituting processes to ensure compliance by the deadline.

Total assets of the RCBs at end-2017 was GH¢3.6 billion, reflecting a year-on-year increase of 19.3 per cent. The balance sheet structure portrayed Investments as the dominant asset item, accounting for 38.8 per cent of the total assets and represented a year-on-year growth of 23.0 per cent. Deposits remained the prime funding source for assets.

4.3.6 Microfinance Institutions

The total number of licensed Microfinance Institutions stood at 566 at end-December 2017, from 564 in the previous year. The MFIs comprised 484 Microfinance Companies (MFCs), 70 Money Lending Companies and 12 Financial NGOs. Meanwhile, in the course of 2017, the Bank suspended the granting of new licenses to MFIs.

The MFIs are required to meet a minimum paid-up capital of GH¢2.0 million by 30th June 2018. As at 31st December 2017, 35 MFIs had met the requirement. The total assets at end-December 2017 remained broadly unchanged at GH¢1.3 billion. The share of deposit-taking MFIs was GH¢1.1 billion, whilst the total assets attributable to non-deposit taking MFIs was GH¢170 million. Deposits remained the dominant source of funding of total assets.

4.3.7 Forex Bureaux

The total number of licensed forex bureaus at end-December 2017 stood at 431, as against 420 in 2016.

4.3.8 Collateral Registry

A total of 171,551 collaterals were registered in 2017, compared with 116,897 registered in 2016. Collaterals registered in 2017 comprised 44,933 Equipment and Machinery, 41,118 Household Assets, and 38,918 Inventory/Account Receivables. The remaining collaterals were 15,571 Investment Property, 10,655 Motor Vehicles, 9,008 Real Estate Property, 3,760 Business Assets and 7,588 collaterals were not classified.

Table 4.3: Registrations, Collaterals and Searches

Indicators (%)	2015	2016	2017
Registrations	25,216	43,504	57,509
Collaterals	7,849	16,064	25,049
Searches	59,680	129,782	171,551

In 2017, a total of 57,509 charges were registered, compared to 43,504 charges recorded in 2016. The number of institutions which registered charges in 2017 totalled 368 compared with 255 recorded in 2016. These were made up of 111 MFIs, 99 RCBs, 33 DMBs, 57 NBFIs, 21 Microcredit Companies and 24 Other Companies. The remaining were 12 Investment firms, eight Foreign Banks and two Financial NGOs.

Further, a total of 25,049 searches were conducted to ascertain the status of assets in 2017, an improvement over 14,747 searches conducted in 2016.

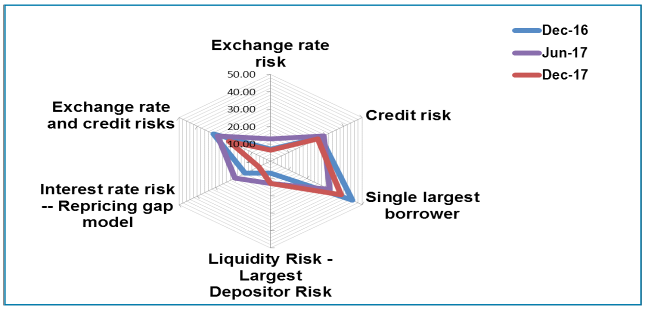
4.4 Financial System Stability

Macroeconomic challenges and macro-financial developments such as volatile commodity prices and benign financing conditions posed threats to the stability of the financial system. Consequently, in 2017 the Bank conducted mid-year and end-year stress tests to assess the resilience of the banking sector to withstand shocks.

4.4.1 Stress Testing

The stress tests conducted indicated that the robustness of the industry to shocks improved in 2017. This was a reflection of the enhanced resilience of the banking industry to market (exchange rate and interest rate), credit and concentration risks. The observed robustness could further be attributed to the relative macroeconomic stability experienced in 2017, and the seamless resolution of two banks that were insolvent but were taken over by a stronger bank.

Chart 4.1: Risk Assessment Map



4.4.2 Developments in Banks' Offshore Activities

Offshore investments and deposits declined sharply in the year under review relative to the previous year. Remittances and trade returns decreased in the second half of 2017 as banks' balances with their foreign counterparts (nostro balances) decreased to 10.2 per cent. Investments abroad (placements) also decreased marginally from 36.9 per cent as at end-December 2016 to 33.4 per cent at end-December 2017.

Table 4.4: Developments in Banks' Offshore Balances (%)

Offshore balances%	Dec-14	Dec-15	Dec-16	Dec-17
Offshore balances as % to Net worth	60.14	73.59	63.37	59.73
Annual Growth in Offshore balances (%)	75.06	31.25	16.59	7.78
Annual Growth in Nostro Balances (%)	56.37	35.55	5.63	-10.22
Annual Growth in Placement	123.70	24.61	36.85	33.43

The industry's major offshore counterparties at end-December 2017 included Citibank-USA, Access Bank Plc-Nigeria, Barclays Bank Plc-UK, Ecobank Transnational Bank-Togo and BHF-Germany. Among these institutions, Citibank-USA and BHF-Germany were the most widely used, as 15 and 12 banks, respectively, used them as their correspondent banks out of the 31 universal banks.

Table 4.5: Industry's Top 5 Correspondent Banks

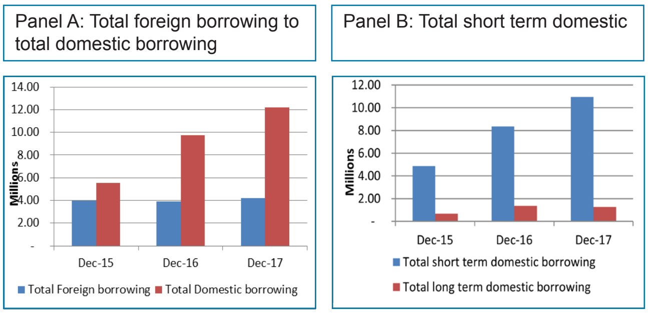
CORRESPONDENT BANK	Number	Banking Industry	LOCATION
Citbank	15	961.33	USA
Access Bank Plc	2	799.13	Nigeria
Barclays Bank	1	691.87	UK
Ecobank Transnational Bank	1	678.50	Togo
BHF	12	603.04	Germany

4.4.3 Composition and Classification of Banks' Borrowing

Borrowing through domestic sources in 2017 was substantial with a share of 74.4 per cent at end-December 2017 as against

25.6 per cent of total foreign borrowing. Majority of the domestic borrowing was on short-term basis. The marked decline in banks foreign borrowing reflected a reduction in the sector's exposure to foreign exchange risk.

Chart 4.2: Composition and Classification of Banks' Borrowing



4.4.4 Consumer Protection

To enhance consumer protection, the Bank, in collaboration with the German Development Cooperation (GIZ) and the Consultative Group to Assist the Poor (CGAP), developed the following financial consumer protection rules for the banking sector in 2017:

- **Disclosure and Product Transparency Regulations for Credit Products and Services,** which covers areas such as suitability of products offered to consumers, pre-agreement disclosure and statement, rights and responsibility of the consumer; and
- **Consumer Recourse Mechanisms for Financial Services Providers,** which provides more comprehensive complaint procedures in the banking sector.

The Bank also reached an agreement with the World Bank in the review year for technical support in the following areas:

- To build capacity for financial consumer protection; and
- To draft supervision manuals and market conduct requirements and implementation support.

4.4.5 Complaints

A total number of 488 complaints were received in the year under review. This represented a 68 per cent decline from the previous year position. Of this figure, 362 complaints were on issues pertaining to the Non-Bank Financial Institutions and 126 complaints were recorded from customers of universal and rural banks.

To improve complaint handling and resolution, the Bank obtained a funding agreement from GIZ to undertake the following:

- Implement the complaint management system; and
- Train financial services providers on the consumer protection guidelines.

In addition, the World Bank provided Technical Assistance programme on external dispute resolution and market conduct supervision.

4.4.6 Credit Reporting

To ensure the compliance of financial institutions with the Credit Reporting Act, 2007 (Act 726), the following were carried out in 2017:

- On-site examination of some rural banks;
- Data quality assessment of credit data of selected banks;
- Creation of a Data Hub for data submission by financial institutions;
- Collaboration with the International Finance Corporation (IFC) and other key stakeholders to embark on a public finance literacy campaign; and
- A training workshop on credit reporting for supervisors of banks and other deposit-taking institutions

4.4.7 Credit Enquiries

The year under review recorded an increase in the number of enquiries made by financial institutions.

A total of 2,060,049 enquiries were made, representing an increase of 24 per cent on the previous year's position.

Table 4.6: Monthly Credit Enquiries in 2017

Month		Number of Enquiries
JANUARY	-	150,082
FEBRUARY	-	152,431
MARCH	-	251,629
APRIL	-	122,502
MAY	-	140,760
JUNE	-	132,176
JULY	-	309,698
AUGUST	-	171,252
SEPTEMBER	-	172,397
OCTOBER	-	140,779
NOVEMBER	-	140,894
DECEMBER	-	175,449
TOTAL	**-**	**2,060,049**

4.4.8 Financial Integrity

The Bank carried out a review of the Anti-Money Laundering/ Combating Financing of Terrorism (AML/CFT) Guideline which was first launched in February 2011. The review became necessary following the passage of the Anti-Money Laundering (Amendment) Act, 2014 (Act 874) and deficiencies that were identified in the Mutual Evaluation exercise that was conducted by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) in September 2017. The Guideline was reviewed to also conform to the requirements in 40 Revised Financial Action Task Force (FATF) 2012 Recommendations.

4.5 Developments in the Payment and Settlement Systems

The major areas of development in the payment and settlement systems included:

- Strengthening Regulation;
- Improving Governance;
- Product development and innovation; and
- Growth in Non-Cash Payment Streams.

4.5.1 Strengthening Regulation

A Payment Systems and Services Bill was drafted following a review and consolidation of the Payment Systems Act, 2003 (Act 662) and the Electronic Money and Agents Guidelines. The Bill was referred to Cabinet and it is scheduled to be passed in the first half of 2018.

4.5.2 Improving Governance

In line with the National Payment Systems Oversight Framework (2013), the Bank, in January 2017, inaugurated an eleven-member Payment Systems Advisory Council as part of efforts to strengthen regulation of the sector towards the attainment of a sound and efficient payment, clearing and settlement system in Ghana.

The Council, an advisory body to the Bank, consists of representatives from the 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, National Pensions Regulatory Authority and Ghana Interbank Payment and Settlement System (non-voting member). The Governor chairs the Council, with the first Deputy Governor acting as the alternate chair.

4.5.3 Product Development and Innovation

Financial institutions, in collaboration with payment service providers, introduced innovative products and services to promote digital savings, lending and investment. The products and services included online payment platforms, Unstructured Supplementary Service Data (USSD) driven mobile banking service, electronic payment solutions allowing customers to pay for goods and services using their mobile phone, money transfer services, and the deployment of Point of Sale (POS) devices, among others.

Provision of ATMs for Rural and Community Banks

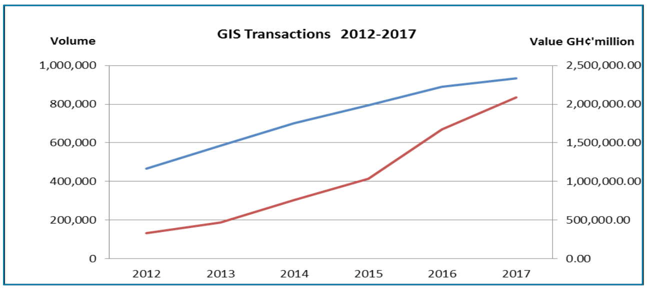
The Bank gave approval to ARB Apex Bank to deploy Automated Teller Machines (ATMs) for rural and community banks (RCBs) in the country. ARB Apex Bank intended to expand this service by integrating with Ghana Interbank Payment and Settlement Systems Limited (GhIPSS) to ensure that cards issued by the RCBs were accepted on ATMs deployed by universal banks in Ghana.

4.5.4 Growth in Non Cash Payment Streams

Ghana Interbank Settlement System

The total volume of Ghana Inter-bank Settlement (GIS) transactions for 2017 was 934,234 compared with 889,709 in 2016. Total value of transactions also went up by 24.8 per cent to GH¢2,083.8 billion in 2017. The average value per transaction was GH¢2.23 million in 2017 as against GH¢1.88 million in 2016.

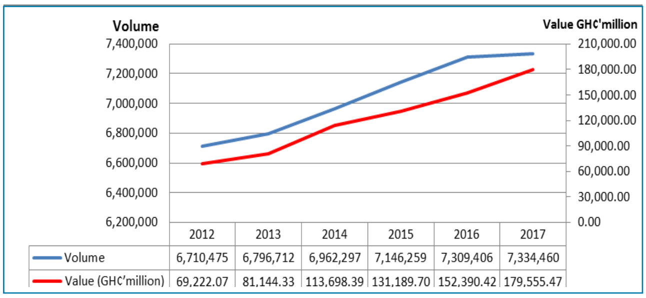
Chart 4.3: Ghana Interbank Settlement Transactions



Cheque Codeline Clearing

The total volume and value of interbank cheques cleared in 2017 went up by 0.34 per cent to 7,334,460 and 17.8 per cent to GH¢179.6 billion, respectively. The low increase in growth of interbank cheque transactions was partly attributed to increased use of other digital payment platforms such as E-zwich, mobile money and GhIPSS Instant Pay.

Chart 4.4: Cheque Codeline Clearing



Ghana Automated Clearing House

(a) Direct Credit

The total volume of transactions cleared through the direct credit system in 2017 was 6,061,093, an increase of 15.6 per cent over the 2016 position. Total value of direct credit transfers increased from GH¢19.2 billion to GH¢24.3 billion in 2017. The major contributor to the growth in the direct credit transactions was payment of SSNIT pensions by Bank of Ghana on behalf of the government. Express ACH direct credit transfers recorded a significant growth of 72.3 per cent over the 2016 figure of 279,959.

(b) Direct Debit

Total volume of direct debit transactions increased from 874,846 in 2016 to 940,649 in 2017. However, the value of transactions decreased by GH¢730,000 to GH¢126.3 million during the year. The decline in value of transactions consequently reflected in a decrease in average value per transaction from GH¢145.18 in 2016 to GH¢134.25 in 2017.

Table 4.7: Ghana Interbank Settlement Transactions

Indicators	2012	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Volume	467,642	586,200	699,956	794,282	889,709	934,234	44,525	5.0
Value (GH¢'million)	331,321	470,375	758,312	1,032,544	1,670,370	2,083,846	413,477	24.8
Average value per transaction (GH¢)	708,493	802,414	1,083,371	1,299,972	1,877,434	2,230,540	353,106	18.8

Table 4.8: Cheque Codeline Clearing

Indicators	2012	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Volume	6,710,475	6,796,712	6,962,297	7,146,259	7,309,406	7,334,460	25,054	0.3
Value (GH¢'million)	69,222.07	81,144.30	113,698.40	131,189.70	152,390.40	179,555.50	27,165.10	17.8
Average value per transaction (GH¢)	10,315.52	11,938.80	16,330.60	18,357.80	20,848.50	24,481.10	3,632.50	17.4

Table 4.9: GACH Direct Credit Transactions

Indicators	2012	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Volume	1,325,533	2,378,997	3,963,802	4,668,636	5,242,610	6,061,093	818,483	15.6
Value (GH¢'million)	3,690.0	6,332.7	10,815.2	15,075.1	19,245.7	24,327.3	5,082.0	26.4
Average value per transaction (GH¢)	2,784.0	2,661.9	2,728.5	3,229.0	3,671.0	4,013.7	342.7	9.3

Table 4.10: GACH Direct Debit Transactions

Indicators	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Volume	172,908	341,875	692,615	874,846	940,649	65,803	7.5
Value (GH¢'million)	22.8	31.5	70.9	127.0	126.3	-0.7	-0.6
Average value per transaction (GH¢)	131.9	92.1	102.4	145.2	134.3	-10.9	-7.5

Chart 4.5: GACH Direct Credit Transactions

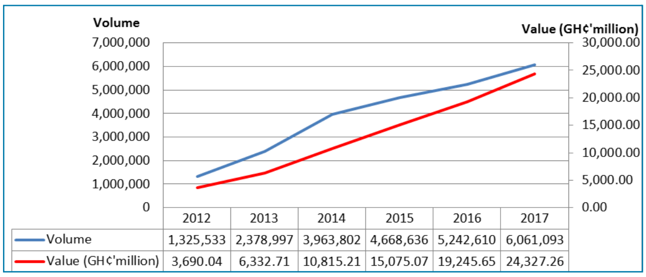
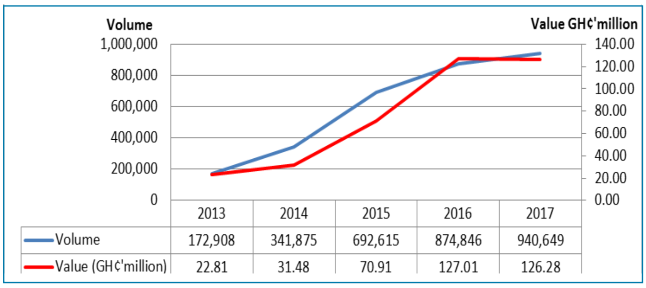


Chart 4.6: GACH Direct Debit Transactions

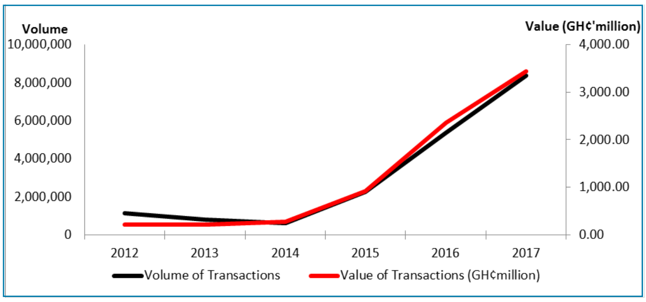


E-Zwich Transactions

The number of E-zwich card holders of 2,364,456 at end-December 2017 was an increase of 25.9 per cent over the 2016 position. Total volume of E-zwich transactions increased by 56.9 per cent to 8,367,017 in 2017, while the total value of transactions grew by 45.2 per cent to GH¢3.4 billion.

The increased trend in E-zwich transactions was attributed to Government's use of the gateway to pay caterers for the National School Feeding Programme (NSFP), beneficiaries of the Livelihood Empowerment Against Poverty (LEAP), Youth Employment Agency (YEA), nurses and teacher trainees allowances, Students Loan Trust Fund (SLTF), personnel of the National Service Scheme (NSS), among others.

Chart 4.7: E-zwich Transactions



National Switch

The total volume of transactions recorded through the use of the gh-link™ platform in 2017 was 2,340,409, with a value of GH¢603.4 million. In 2016, total volume was 2,067,498 with a value of GH¢447.0 million. ATM withdrawals dominated gh-linkTM transactions; POS transactions recorded a significant growth of 53.2 per cent to 1,717 in 2017.

Chart 4.8: Gh-Link™ Transactions

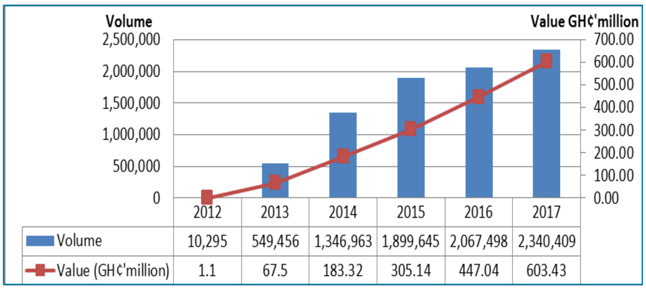


Table 4.11: E-zwich Transactions

Indicators	2012	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Total Number of Cards Issued	792,966	903,724	1,084,121	1,369,369	1,878,044	2,364,456	486,412	25.9
Cards with Value (% of total)	43.4	43	38.7	44.8	48.5	50.7	2.2	4.6
Value on Cards (GH¢'million)	8.1	8.1	8.8	29	53.6	74.4	20.9	38.9
Average Value Per Card (GH¢)	23.6	21	20.9	47.3	58.8	62.1	3.3	5.6
Volume of Transactions	1,147,418	814,441	625,167	2,251,101	5,365,085	8,367,017	3,001,932	55.9
Value of Transactions (GH¢million)	217.8	217.2	272.7	922.9	2,363.00	3,431.50	1,068.50	45.2

Table 4.12: Gh-Link™ Transactions

Indicators	2012	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Volume	10,295	549,456	1,346,963	1,899,645	2,067,498	2,340,409	272,911	13.2
Value (GH¢'million)	1.1	67.5	183.3	305.1	447.0	603.4	156.4	35.0
Average value per transaction (GH¢)	106.9	122.9	136.1	160.6	216.2	257.8	41.6	19.3

GhIPSS Instant Pay

GhIPSS Instant Pay (GIP) is a service on the gh-link platform which allows payments to be sent across financial institutions electronically from a customer bank account to a beneficiary bank account instantly.

In 2017, a total of 41,795 GIP transactions with a value of GH¢83.2 million were processed. The growth of GIP transactions was powered by third party payment gateways and international remittance companies. The membership on the GIP platform constitutes 28 Sending Institutions (including 3 remittance companies and 3 third party companies), and 24 Receiving Institutions (made up of 22 universal banks and 2 savings and loans companies).

Table 4.13: GIP Transactions

Indicators	Nov-Dec 2016	2017
Volume	184	41,795
Value (GH¢'million)	0.42	83.23

Mobile Money Services

The passage of the Electronic-money Issuers and Agents Guidelines in July 2015 to replace the Branchless Banking Guidelines (2008) has influenced operations in the mobile money space. Three mobile money operators (MTN, AirtelTIGO, and Vodafone) offered mobile money services in 2017.

The number of registered mobile money accounts as at end-December 2017 was 23,947,437 showing a growth of 21.3 per cent over the 2016 position, while the number of active mobile money accounts increased by 33.8 per cent from 8,313,283 in 2016. The active registered agents of the three Mobile Money Operators (MMOs) in 2017 stood at 151,745 and represented a growth of 41.3 per cent. Total value of mobile money transactions of GH¢155.8 billion in 2017 was a 98.5 per cent growth over the 2016 position.

The total float balance in 2017 increased from GH¢1,3 billion in December 2016 to GH¢2.3 billion.

Chart 4.9: Mobile Money Transactions

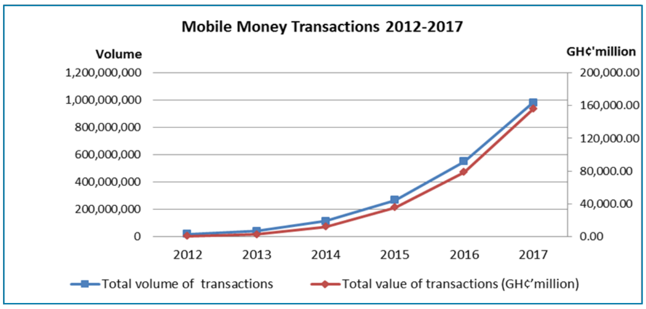


Chart 4.10: Mobile Money Float Balance

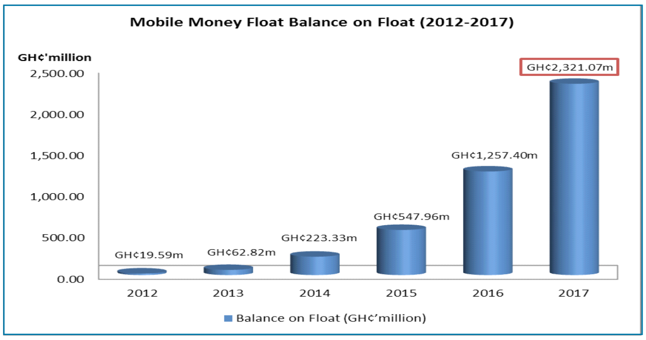


Table 4.14: Mobile Money Service

Indicators	2013	2014	2015	2016	2017	2017 Change	2017 Growth (%)
Total number of mobile voice subscription (Cumulative)[1]	25,618,427	28,026,482	30,360,771	35,008,387	37,445,048*	-860,030	-2.3
Registered mobile money accounts (Cumulative)	3,778,374	4,393,721	7,167,542	13,120,367	23,947,437	4,212,339	21.3
Active mobile money accounts[2]	345,434	991,780	2,526,588	4,868,569	11,119,376	2,806,093	33.8
Registered Agents (Cumulative)	8,660	17,492	26,889	79,747	194,688	57,919	42.4
Active Agents[3]	5,900	10,404	20,722	56,270	151,745	44,330	41.3
Total volume of transactions	18,042,241	40,853,559	113,179,738	266,246,537	981,564,563	431,346,136	78.4
Total value of transactions (GH¢'million)	594.12	2,652.47	12,123.89	35,444.38	155,844.84	77,335.94	98.5
Balance on Float (GH¢'million)	19.59	62.82	223.33	547.96	2,321.07	1,063.67	84.6

**Total Mobile Voice Subscription figure is as at September, 2017 (NCA)*
[1] Source: National Communications Authority (NCA)
[2] The number of accounts which 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 a bid to strengthen the operational efficiency of the Bank, steps were taken in the review year to re-align departments, enhance staff capacity, strengthen information security and improve management of staff health. Work on the new five-year strategic plan, dubbed "STAR 2022" to replace the existing plan which expired in December 2017, was completed, awaiting the Board's approval.

5.2 Human Resource Activities

5.2.1 Staff Strength

The total number of staff at end-December 2017 was two thousand and three (**2,003**), up from one thousand, nine hundred and eleven (**1,911**) at end-December 2016. The categorisation of staff by grade and gender is as follows:

Table 5.1: Staff Position

	Male	Female	Total	% of Total
Management Staff	190	69	259	**13**
Middle Level Staff	598	476	1,074	**53.6**
Junior Staff	542	128	670	**33.4**
Total	**1,330**	**673**	**2,003**	**100**

5.2.2 Creation and Reorganisation of Departments

To effectively deliver on its mandate, the Bank undertook a departmental reorganisation exercise during the review year to strengthen internal processes, enhance functionality and improve synergies among departments.

Consequently, the Research and Statistics Departments were combined and named Research Department; the Procurement and Transport Department, Estate and Projects Department and Information Documentation and Publication Services Department were combined to form the "Corporate Management and Services Department"; and the Communications Department was merged with the Secretary's Department to function under the name Secretary's Department.

In line with the reorganisation, new units and offices were created in some departments and changes were also made in staff assignments.

5.3 Health

The Bank commemorated the 1st Anniversary of its Employee Wellbeing Programme (EWP) with a series of activities which included "knowledge up-date" sessions and a presentation on mental health issues.

Two capacity building workshops for the Health Promotion Champions (HPC) of the Bank were organised in Sunyani (27th – 29th September) and Accra (1st – 3rd November).

A residential capacity building workshop on the topic "Customer Service Excellence in Healthcare through Emotional Intelligence" was also organised from 30th June – 3rd July for all clinic staff. This was aimed at updating the knowledge of staff and equipping them with the skills required for enhanced health delivery.

5.4 Capacity Development

The Bank implemented various local and foreign training programmes during the period under review as follows:

Table 5.2: Capacity Development: 2015 – 2017

Programmes Implemented	**No. of Participants**		
	2015	**2016**	**2017**
Total Training	**2,120**	**2,227**	**3,920**
Local Training	**1,664**	**1,787**	**3,494**
Organised by BOG	1,208	1,347	3,068
Organised by Others	456	440	426
Foreign Training	**495**	**270**	**468**

In 2017, a total of 3,494 staff participated in local training programmes, with some staff attending more than one programme. Also, 468 members of staff participated in foreign training programmes.

5.5 Currency Management

5.5.1 Cash Processing Activities

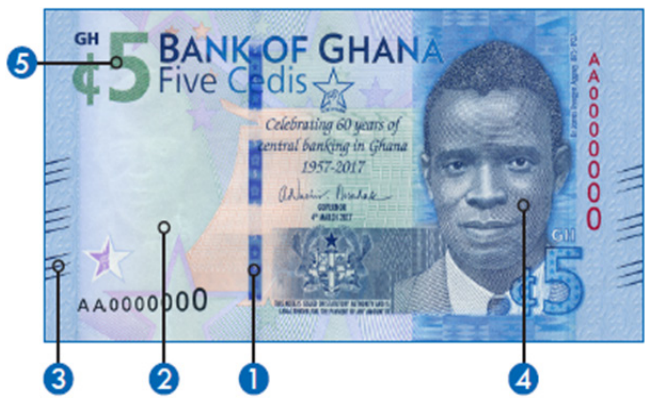
Great strides were made to modernise cash processing activities. The Enterprise Cash Management (ECM) software jointly developed by Bank of Ghana and DeLaRue / Cash Processing Solutions (CPS) of the United Kingdom was introduced during the year under review. The ECM, which replaced the Vault Management System (VMS), went live at the Cash Centre, General Services Complex, on October 16, 2017.

5.5.2 Commemorative Bank Note

The Bank unveiled a commemorative **GH¢5** Banknote on March 3, 2017 and was put into circulation on March 7, 2017. It was issued to mark the 60th anniversary celebration of the establishment of the central bank. The theme for the celebration was: **"Celebrating 60 Years of Central Banking: Achievements, Challenges & Prospects"**.

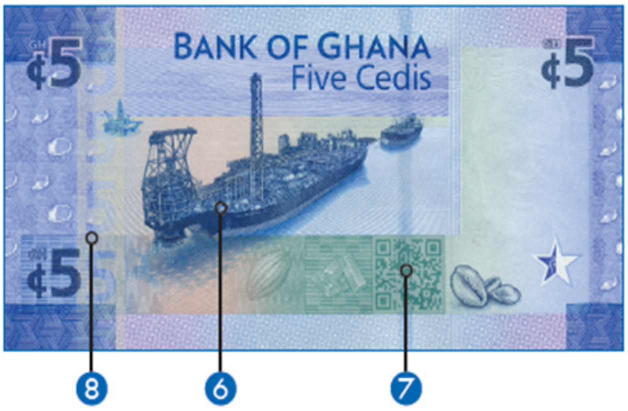
The design of the banknote was based on the concept of easy authentication, good aesthetics and resilient security features. The security features of the commemorative banknote are:

Obverse (Front View)



1. **Security Thread:** When the note is tilted the Black Star motif makes a pulsing motion and the figure 5 in the ribbon seems to move up and down.
2. **Watermark:** Visible from both sides when holding the banknote up to the light.
3. **Tactile Marks:** Tactile marks to assist the visually impaired.
4. **Intaglio Portrait:** Detect the intaglio relief by touching.
5. **Optically Variable Ink:** The figure ¢5 turns from green to blue colour when flicking the banknote.

Reverse (Back View)



6. **Intaglio Vignette:** The intaglio relief can be detected by touching.
7. **QR Code:** Readable by a mobile phone application, which leads to a special Bank of Ghana website (microsite) that explains the details of the national banknotes. The QR Code, however, is not designed as a security feature.
8. **Iridescent Band:** Becomes visible when holding the note at an angle.

5.6 Risk Management

The Bank subscribes to the ISO 31000:2009 Risk Management Principles and Guidelines for managing risks that may expose the Bank to significant disruptions to its operations which could lead to potential reputational and/or financial damage. The Bank is also ISO 27001:2013 Standard certified and continues to enhance and strengthen its information security management systems.

During the year, the Bank retained the ISO27001 certification after going through two successful audit review exercises in March and September.

Also, a new five-year strategic plan, dubbed "STAR 2022" to replace the existing plan, which expired in December 2017, was completed. And, subject to approval by the Board, this new strategic plan will define the institutional direction over the next five years.

5.7 ICT – Innovation and Software Implementation

5.7.1 BoG Connecting Implementation

The BoG Connecting platform went live in March 2017, replacing the Bank of Ghana Intranet. This is a seamless platform that promotes effective and efficient collaboration, through knowledge sharing, connecting people, and information processing. A secured version of **BoG Connecting** was rolled out in November 2017.

5.7.2 NStatistics Implementation

The Bank implemented the NStatistics platform during the year under review. NStatistics is a public Online Statistical Portal (OSP) aimed at providing public access to an Enterprise Data Warehouse (EDW).

5.7.3 Redesign of the Bank's Website

The Bank conducted a User Acceptance Test (UAT) on its redesigned website with the aim of going live in 2018. The objective of the redesign was to enhance information accessibility as well as improve the aesthetic features and corporate identity of the Bank.

5.7.4 Oracle Hyperion Software

The Bank procured and implemented the Oracle Hyperion Planning, Budgeting and Forecasting software on-premise version in 2017.

5.7.5 Upgrade of Datastore32 to DatastoreDSX

The Bank implemented Datastore32 Document Scanning, Archiving and Retrieval System in 2017 as part of the Impact 05 Project deliverables. The document tracking system, called Versatile Enterprise (VE) System, which was also implemented in 2017, integrates with the DatastoreDSX to provide both electronic and physical management of the Bank's documents.

5.7.6 Strategic Cyber Security Project

The Bank implemented the following as part of its Strategic Cyber Security Project: Radware AppWall (learning mode), ActionBase, Arcsight, Cybowall, Iron Scales and CyberArk Privilege Session Manager.

5.8 Estate and Projects Management

The following notable projects were continued or commenced during the year:

i. **60-Bed Hospital – Cantonments, Accra**
Work on the construction of a 60-bed hospital continued. The project, which commenced in 2014, was about 99 per cent complete at end-December 2017.

ii. **Development of Guest House at Butumagyebu, Takoradi**
The three-storey fifty-five (55) bedroom facility was about 70 per cent complete at end-December 2017. The project, which commenced in September 2015, is projected to be completed by end-June, 2018.

iii. **Data Centre Project, Ahinsan, Kumasi**
The three-floor building to be used as an emergency disaster and recovery facility was about 71 per cent complete at end-December 2017. The project, which started in September 2016, is expected to be completed by September, 2018.

iv. **Electronic Security Surveillance and IP PBX Telephone System Projects at Head Office and Cedi House, Accra**
During the year under review, work on this project continued. The project, which commenced in December 2016, is projected to be completed by July, 2018.

Also, supply, installation and commissioning of structured cabling with IP PBX Telephone System commenced in April 2017 and completed in October, 2017.

v. **Refurbishment of Banking Hall, Head Office, Accra**
The refurbishment work which commenced on 24th June, 2016 was completed and handed over on 14th June, 2017.

5.9 Legal Issues

The Bank executed Agreements with certain institutions and service providers.

Sn	Institution	Type of Service
a.	PricewaterhouseCoopers (PwC)	Consultancy services for the implementation of the Ghana Incentive Based Risk Sharing System for Agricultural Lending (GIRSAL)
b.	Express International Africa	Supply of stationery items
c.	Bintey Equipment Developers	Servicing of money counting machines
d.	Rageita Limited	Supply of beverage dispensing machine at Cedi House
e.	Virtual Security Africa Ltd.	Installation of fire alarm systems at Takoradi Office
f.	Actionaid Ghana	Provision of medical services by Bank of Ghana Clinic
g.	Heritage Aggregate Limited	Building of fence wall on BoG land at Hohoe
h.	Interbuild Limited	Provision of gardening services for the Bank
i.	Ridge Regional Hospital	Memorandum of Understanding for Infectious Disease Centre
j.	Fiagya Rural Bank	Subsidiary Loan Agreement under Rural Enterprises Programme
k.	Adansi Rural Bank	Subsidiary Loan Agreement under E-zwich Branchless Banking programme
i.	Royal Bank	Framework Loan Agreement under Out – grower and Value Chain Fund

Review of Advance Payment Guarantees/Bonds and Performance Securities		
1.	Super Tech Ltd.	Building of Data recovery site at Ahinsan in Kumasi
2.	De Simone Ltd.	Construction of Guest house at Butumegyabu
3.	Techconsult Ltd.	Electrical audit for the Bank
4.	Universal Hospitals Group	Construction of a hospital for the Bank
5.	Virtual Security Africa	Supply of Integrated Electronic Security Surveillance Systems

5.10 Security

The Bank and all of its branches enjoyed a relatively safe and secured environment during the review year.

CHAPTER 6: EXTERNAL RELATIONS

6.1 Overview

During the year under review, the Bank continued to foster partnerships and collaborations with other 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, Institute of International Finance (IIF), African Export-Import Bank (AFREXIMBANK), and the African Development Bank (AfDB). Also, missions by the Joint ECOWAS-WAMI-WAMA team visited the country during the year.

6.2 2017 Spring and Annual Meetings of the IMF and World Bank

The Bank participated in the 2017 Spring Meetings (April 21 – 23) and the Annual Meetings (October 9 – 15) which were held in Washington D.C to discuss issues of global concern and to find ways of sustaining the global economic recovery. At these meetings, the Bank took part in the International Monetary & Financial Committee and the Development Committee meetings.

6.2.1 The International Monetary and Financial Committee

The meeting of the International Monetary and Financial Committee (IMFC) took place on April 22 and was chaired by Mr. Agustin Carstens, the Governor of the Bank of Mexico.

The Committee noted that while the global economic recovery was gaining momentum, growth remained modest and was subject to heightened political and policy uncertainties. In advanced countries, the Committee stressed that headwinds to the growth prospects included crisis legacies, high debt levels, weak productivity growth and demographic trends. For emerging market and developing countries, it noted that downside risks included domestic imbalances, sharper-than-expected financial tightening and negative spillovers from global uncertainties.

The Committee reinforced its commitment to achieve strong, sustainable, balanced, inclusive, and job-rich growth; communicate policy stances clearly; avoid inward-looking policies; and preserve global financial stability. To these ends, priority areas of focus for member countries would include an accommodative monetary policy environment, growth-friendly fiscal policy, sequenced structural reforms, safeguarding financial stability, and ensuring a more inclusive global economy. The Committee requested that the IMF should support members to sustain the recovery, lift productivity and tackle vulnerabilities.

6.2.2 Development Committee Communiqué

The Development Committee noted, at its meeting, that the global economy had gained momentum but risks remained tilted to the downside. The Committee agreed that sustaining the recovery would require policies that promote inclusive and sustainable growth, address financial vulnerabilities, and create jobs and economic opportunities for all.

The Committee further noted that technological change, trade, financial flows, and economic integration had helped boost incomes and narrowed the economic gaps between countries but these gains had not always been shared evenly within countries. The Committee, therefore, encouraged the World Bank Group and the IMF to redouble their efforts to eradicate poverty and ensure that the benefits of international economic integration are shared widely.

6.3 Extended Credit Facility with the IMF

In April 2015, Ghana signed a three-year Extended Credit Facility (ECF) with the IMF. The program aims at restoring debt sustainability and macroeconomic stability to foster a return to high economic growth and job creation, while protecting social spending.

In 2017, the program was extended by a year to end in April 2019 but with December 2018 as test date. The IMF visited Ghana three times in 2017 on missions to assess the country's performance under the program, which led to the successful completion of the fourth review by the Executive Board of the IMF on August 30.

6.4 African Consultative Group Meeting

The African Consultative Group meeting was held on April 23 and was co-chaired by Minister Kenneth O. Matambo – Chairman of the African Caucus – and Ms. Christine Lagarde – Managing Director of the IMF. Discussions at the meeting focused on Africa's economic prospects, particularly on policy challenges and opportunities.

The medium-term outlook for Sub-Saharan Africa (SSA) was judged to be uncertain, with a faster-than-expected normalisation of the US monetary policy potentially tightening external financing conditions and raising the external debt burden for SSA countries. Concerns about food security in the region were also expressed, as some countries in Southern and Eastern Africa battled famine, drought, pest and armyworm infestations.

It was agreed that policy adjustments were immediately needed to address the large macroeconomic imbalances and emerging vulnerabilities in some of the SSA countries. These included the need for:

- large fiscal adjustment to reflect permanently lower oil prices;
- the exchange rate to absorb pressures in countries with scope for exchange rate flexibility, while eliminating exchange restrictions;
- growth-friendly fiscal consolidation;
- enhanced revenue mobilisation;
- public financial management; and
- financial sector deepening.

Minister Matambo acknowledged the critical role of the Fund in providing enhanced policy advice, technical assistance and financial support to aid the effort of African countries in addressing macroeconomic and structural challenges. Contributing to the discussions, Ms. Lagarde gave assurance that the IMF would remain closely engaged with its African members to support their efforts at addressing prevailing economic challenges.

6.5 Association of African Central Banks

The Association of African Central Banks (AACB) organised various meetings during the year under review. The Bureau meeting of AACB was held in Dakar, Senegal in March, followed by the Annual Continental Seminar, which was organised in May in Accra, Ghana. The Experts Group on the refinement of the African Monetary Cooperation Programme (AMCP) convergence criteria also met in June in Abuja, Nigeria. The Assembly of Governors held its 40th Ordinary Meeting in August at the South African Reserve Bank (SARB) in Pretoria, South Africa.

6.6 African Development Bank

The 52nd Annual Meeting of the AfDB was held in Ahmedabad, Gujarat State of India, from May 22-26. The theme was: “Transforming Agriculture for Wealth Creation in Africa”. The High-5 agenda of “Light up and Power Africa; Feed Africa; Industrialise Africa; Integrate Africa; and Improve the quality of life of the people of Africa”, dominated discussions at this meeting.

During the year, the AfDB supported the transformation of the rural economies of African countries, including Ghana, through loans and grant facilities. In Ghana, the following were the key areas of AfDB’s intervention:

- Loan of approximately US$49 million to the Government of Ghana to increase access to safe and sustainable sanitation and facilitate income generation support for urban and peri-urban poor residents of the Greater Accra Metropolitan Area (GAMA).
- Five million euros equity participation in Investisseur & Partenaire pour le Développement 2 (IPDEV.2), which is to support Small Growing Businesses (SGBs).

African Export-Import Bank

The 24th Annual General Meeting (AGM) of the AFREXIMBANK was held in Kigali, Rwanda, from June 28 to July 1.

West African Monetary Zone Meetings

The West African Monetary Zone (WAMZ) held its mandated statutory meetings during the year under review. The 38th Meeting of the Convergence Council of Ministers and Governors of WAMZ was held in Liberia in August. All the WAMZ Member States, ECOWAS Commission and the West African Monetary Institute (WAMI) were represented at the meeting. The West African Institute for Financial and Economic Management (WAIFEM), West African Monetary Agency (WAMA), Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO), Commission de l’Union Economique et Monétaire Ouest Africaine (UEMOA), West African Bankers’ Association (WABA), ECOWAS Bank for Investment and Development (EBID) and AFREXIMBANK attended as observers. There was also a meeting of Member States that recommended for the establishment of the WAMZ Commission with an expanded mandate to pursue economic integration. The appointment of Dr. (Mrs.) Eunice N. Egbuna as Director-General of WAMI with effect from August 4, 2017 was approved.

College of Supervisors of the West African Monetary Zone

The activities of the CSWAMZ focused on its core objectives of harmonisation of supervisory practices, deepening of supervisory cooperation and promoting financial stability. During the review period, the College held two meetings – the 27th and 28th meetings – in Ghana and The Gambia, respectively.

With the exception of Guinea, all members of the College have adopted the International Financial Reporting Standards (IFRS) in the preparation of financial statements. Members have adopted a gradual approach towards the implementation of the Basel II framework, with initial emphasis on compliance with the Basel Core Principles.

The West African Monetary Agency

WAMA, in carrying out its activities, continued to strengthen collaboration with WAMI, ECOWAS Commission and central banks in 2017.

The West African Institute for Financial and Economic Management

WAIFEM focused on its mandate of building capacity on a sustainable basis in macroeconomic, debt and financial sector management within its Member States. During the year under review, the Institute executed fifty-one (51) training programmes, benefitting executive/senior/middle level officials from central banks, core economic ministries, and public and private sector agencies. The Business Development and Consultancy Unit (BDCU) organised eight (8) training programmes on a cost-recovery basis in 2017.

BANK OF GHANA
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GOVERNOR
4th AUGUST 2017

FINANCIAL STATEMENTS

CHAPTER 7: FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Dr. Abdul-Nashiru Issahaku	-	Governor (Chairman) (Resigned 1st April, 2017)
Dr. Ernest Kwamina Yedu Addison	-	Governor (Appointed Chairman 1st April, 2017)
Mr. Millison Narh	-	1st Deputy Governor (Retired 31st July, 2017)
Dr. Maxwell Opoku-Afari	-	1st Deputy Governor (Appointed 7th August, 2017)
Dr. Johnson Pandit Asiama	-	2nd Deputy Governor (Resigned 1st January, 2018)
Mrs. Elsie Addo Awadzi	-	2nd Deputy Governor (Appointed 12th February, 2018)
Mr. Joseph Blignam Alhassan	-	Non-Executive Director (Appointed 3rd August, 2017)
Dr. Samuel Nii-Noi Ashong	-	Non-Executive Director (Appointed 3rd August, 2017)
Dr. Kwame Nyantekyi-Owusu	-	Non-Executive Director (Appointed 3rd August, 2017)
Mr. Keli Gadzekpo	-	Non-Executive Director (Appointed 3rd August, 2017)
Mrs. Comfort F. Ocran	-	Non-Executive Director (Appointed 3rd August, 2017)
Dr. Maria Hagan	-	Non-Executive Director (Appointed 3rd August, 2017)
Mr. Andrew Boye-Doe	-	Non-Executive Director (Appointed 3rd August, 2017)
Mr. Jude Kofi Bucknor	-	Non-Executive Director (Appointed 3rd August, 2017)
Mr. Charles Adu Boahen	-	Non-Executive Director (Appointed 3rd August, 2017)
Dr. Eugenia Amporfu	-	Non-Executive Director (Appointed 3rd August, 2017)
Prof. Kwabena Asomanin Anaman	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Dr. Augustine Fritz Gockel	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Hon. Cassiel Ato Forson	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Dr. Kwadwo Owusu Agyeman	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Mr. Godfrey Morgin Mwindaare	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Dr. Kwame Ampofo Kusi	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)
Dr. Sr. Eugenia Amporfu	-	Non-Executive Director (Statutory cessation of tenure on 7th January,2017)

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 2017.

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.

To formulate and implement monetary policy to achieve price stability, contribute to the promotion and maintenance of financial stability, and ensure a sound payment system.

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 2017 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.

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 2017. Ten (10) members of the Board retired and Twelve (12) new members were appointed. Dr. Earnest Addison assumed the Chairmanship of the Board effective 1st April 2017 upon the resignation Dr. Abdul-Nashiru Issahaku on 1st April, 2017.

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 Public Financial Management Act, 2016 (Act 921).

CHANGES IN ACCOUNTING POLICY

There was no change in accounting policies of the Bank.

SUBSIDIARY COMPANIES

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

The Bank also owns 100% of the shares of Ghana Interbank Payment and Settlement Systems Limited, a company incorporated in Ghana which operates the national payments system.

The Bank also owns 70% of the shares of Central Securities Depository (GH) Limited, a company incorporated in Ghana to carry out the business of immobilisation and dematerialization of securities.

DIVIDEND

The directors do not recommend the payment of dividend for the year ended 31 December 2017 (2016: GH¢250 million).

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, the going concern basis has been adopted 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 29 March 2018 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 2017, 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 Public Financial Management Act, 2016 (Act 921).

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 2017.

The financial statements on pages 9 to 79 comprise:
the separate and consolidated statements of financial position as at 31 December 2017;
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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter 1	*How our audit addressed the key audit matter*
Impairment provisions on loans and advances to customers and other assets of GH¢1.4 billion A significant degree of judgement is required to determine the timing and amount of impairment to recognise with respect to loans and advances and other assets. The directors make judgements over both the timing of recognition of impairment and the estimation of any such impairment. We have focused on the following significant judgements and estimates which could give rise to material misstatement or management bias: - Completeness and timing of recognition of loss events in accordance with criteria set out in IAS 39; - For individually assessed provisions, the measurement of the provision is dependent on the valuation of collateral, estimates of exit values and the timing of cash flows which help determine the loss given default (percentage exposure at risk that is not expected to be recovered in an event of default), - For modelled provisions measurement is primarily dependent	We obtained an understanding of and evaluated key controls within the loan origination, approval, monitoring and recovery processes. We tested the design and operating effectiveness of key controls focusing on the following: - Identification of loss events, including early warning and default warning indicators; - Assessment and approval of individual impairment provisions; - Governance including model validation and the assessment of the suitability of the model, appropriateness of assumptions, and approval of provisions; and - Completeness and accuracy of data input into the model and provision calculations. For specific impairment charges on individual loans, we tested the compilation of impaired loans, key assumptions applied such as the loss given default, probability of default, timing of cash flows and those relating to the valuation of collateral securities and compared the estimates to external evidence where available. For collective impairment, we tested the appropriateness of the

upon key assumptions relating to probability of default (estimate of the likelihood that a borrower will be unable to meet their debt obligations over a particular time horizon), ability to repossess collateral and recovery rates; and the emergence period (average period for impairment triggers or hidden loss events to be identified in a loan portfolio),

The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2(d), 2(m), 2(o), 9(a) and 15 to the financial statements.

model used to determine the charge by reference to the Bank and market experience, the identification of loans to be included in the model and the key assumptions applied such as the emergence period, the loss given default and the probability of default.

We examined a sample of loans and advances which had not been identified by management as potentially impaired and formed our own judgement.

Key audit matter 2	*How our audit addressed the key audit matter*
Fair value of externally managed short term funds of GH¢17.7 billion When the fair value of externally managed short term funds recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are determined 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 these assumptions could affect the reported fair value of the externally managed short term funds. The marked to market value or revised unit price of the portfolio is used when determining the fair value of these foreign securities. The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2(d), 2(m), 2(p), 5(ii) and 14 to the financial statements.	We obtained an understanding of and evaluated key controls relating to externally managed funds. We tested management process for reviewing the fair value reports received from fund managers. For each of the externally managed fund class, we obtained and reviewed the fair value reports prepared by the fund managers. We reviewed the marked to market value or revised unit price of the portfolio used in determining the fair value of the foreign securities. We agree the fair value adjustments passed by management to the fair value reports prepared by the fund managers.

Other information

The directors are responsible for the other information. The other information comprises the Report of the Directors, 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 Chairman's Foreword, 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 Chairman's Foreword, 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 Public Financial Management Act, 2016 (Act 921) 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 judgment and maintain professional skepticism 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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers

PricewaterhouseCoopers (ICAG/F/2018/028)
Chartered Accountants
Accra, Ghana

5th April 2018

STATEMENT OF PROFIT OR LOSS

		The Bank		The Group	
		2017	2016	**2017**	2016
	NOTE	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
OPERATING INCOME					
Interest and similar income	5(i)	2,392,417	2,411,429	2,493,080	2,486,187
Exchange differences	5(ii)	-	818,340	-	838,039
Fee and commission income	5(iv)	**85,415**	79,762	**115,181**	113,257
Other operating income	5(v)	**562,011**	211,732	**647,987**	271,089
Dividend income	5(vi)	**18,281**	23,263	**3,675**	6,387
Total operating income		**3,058,124**	3,544,526	**3,259,923**	3,714,959
OPERATING EXPENSES					
Interest expense and similar charges	5(iii)	**(2,245,036)**	(1,565,672)	**(2,252,905)**	(527,259)
Other operating expenses	6	(805,863)	(630,232)	(917,405)	(709,793)
Exchange differences	5(ii)	(90,032)	-	(67,167)	-
Premises and equipment expenses	7	(77,662)	(74,184)	(85,551)	(81,527)
Currency issue expenses	8	(230,766)	(160,951)	(230,766)	(160,951)
Impairment loss recognised	9(a)	(1,246,297)	(404,005)	(1,247,163)	(404,005)
Total operating expense		**(4,695,656)**	(2,835,044)	**(4,800,957)**	(2,929,160)
Profit before taxation		**(1,637,532)**	709,482	**(1,541,034)**	785,799
Taxation	10(b)	**-**	-	**(23,166)**	(18,714)
Operating profit for the year		**(1,637,532)**	709,482	**(1,564,200)**	767,085
Surplus attributed to:					
Equity shareholders of the bank		**(1,637,532)**	709,482	**(1,600,045)**	734,774
Non-controlling interest	32	**-**	-	**35,845**	32,311
		(1,637,532)	709,482	**(1,564,200)**	767,085

The notes on pages 45 to 93 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Operating profit for the year	**(1,637,532)**	709,482	**(1,564,200)**	767,085
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	-	-	**65,344**	(44,854)
Tax effect	-	-	**-**	-
	-	-	**65,344**	(44,854)
Gains/(loss) on available for sale financial assets		-	**13,026**	9,709
Tax effect	-	-	**(719)**	(2,069)
	-	-	**12,307**	7,640
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-	**77,651**	(37,214)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Re-measurement gains (losses) on defined benefit plans	-	-	-	-
Tax effect	-	-	-	-
	-	-	-	-
Total comprehensive income for the year, net of tax	**(1,637,532)**	709,482	**(1,486,549)**	729,871
Attributable to:				
Equity holders of the parent	(1,637,532)	709,482	**(1,560,443)**	715,795
Non-controlling interest	-	-	**73,894**	14,076
	(1,637,532)	709,482	**(1,486,549)**	**729,871**

The notes on pages 45 to 93 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

		The Bank		The Group	
		2017	2016	**2017**	2016
	NOTE	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
ASSETS					
Cash and balances with correspondent banks	11	**6,413,197**	3,652,353	**9,778,638**	6,812,680
Gold	12	**1,608,869**	1,367,484	**1,608,869**	1,367,484
Balances with International Monetary Fund	13	**4,657,098**	4,887,825	**4,657,098**	4,887,825
Securities	14	**33,712,408**	30,366,030	**32,861,505**	29,747,521
Loans and advances	15	**6,504,664**	7,563,941	**7,662,519**	8,341,571
Other assets	17	**1,335,059**	1,176,529	**1,365,679**	1,199,123
Investments	18	**271,766**	170,917	**187,414**	65,947
Property, plant and equipment	19	**670,795**	538,919	**694,106**	556,673
Intangible assets	20	**22,695**	11,563	**31,524**	21,602
Deferred tax assets		**-**	-	**59**	-
Total Assets		**55,196,551**	49,735,561	**58,847,411**	53,000,426
LIABILITIES					
Deposits	21	**15,409,226**	11,875,105	**18,127,119**	14,393,622
Derivative financial liability	16	**-**	89,526	**-**	89,526
Short term liabilities	22	**5,740,410**	2,940,140	**5,740,410**	2,940,140
Liabilities under money market operations	23	**9,408,110**	8,918,269	**9,408,110**	8,918,269
Allocations of special drawing rights	24a	**2,031,560**	1,998,119	**2,031,560**	1,998,119
Liabilities to International Monetary Fund	24b	**7,585,435**	7,383,891	**7,585,435**	7,383,891
Taxation		**-**	-	**10,743**	10,095
Other liabilities	25	**858,831**	1,152,877	**998,701**	1,273,147
Currency in circulation	27	**12,126,059**	11,345,206	**12,126,059**	11,345,206
Total Liabilities		**53,159,631**	45,703,133	**56,028,137**	48,352,015
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	**1,882,638**	3,878,146	**2,067,562**	3,991,914
Retained earnings		**-**	-	**173,127**	154,818
Total Equity Attributable to Equity Holders of the Bank		**2,036,920**	4,032,428	**2,394,971**	4,301,014
Non-Controlling Interest	32	**-**	-	**424,303**	347,397
Total Equity		**2,036,920**	4,032,428	**2,819,274**	4,648,411
TOTAL LIABILITIES AND EQUITY		**55,196,551**	49,735,561	**58,847,411**	53,000,426

The financial statements on pages 39 to 93 were approved by the Board of Directors on 29th March 2018 and signed on its behalf by:

Chairman (Governor)________________ Director________________

The notes on pages 45 to 93 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Bank

Year ended 31 December 2017	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 2017	10,000	115,522	28,760	3,878,146	-	4,032,428
Loss for the Year	-	-	-	-	(1,637,532)	(1,637,532)
Total comprehensive income	-	-	-	-	(1,637,532)	(1,637,532)
Dividend				(250,000)	-	(250,000)
Utilisation of Agricultural and Centre for Scientific and Research (CSR) funds				(107,976)		(107,976)
Movements in gold and other foreign assets				694,308	(694,308)	
Transfer from retained earnings				257,414	(257,414)	-
Transfer from Other Reserve	-	-	-	(2,589,254)	2,589,254	-
At 31 December 2017	**10,000**	**115,522**	**28,760**	**1,882,638**	**-**	**2,036,920**
Year ended 31 December 2016						
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 from retained earnings	-	-	-	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

The Group

Year ended 31 December 2017	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 2017	10,000	115,522	28,760	3,878,234	112,731	949	154,818	4,301,014	347,397	4,648,411
Profit for the year	-	-	-	-	-	-	(1,600,045)	(1,600,045)	35,845	(1,564,200)
Other comprehensive income	-	-	-	-	65,344	6,277	-	71,621	6,030	77,651
Total comprehensive income	-	-	-	-	65,344	6,277	(1,600,045)	(1,528,424)	41,875	(1,486,549)
Gains on translation of foreign operation	-	-	-	-	-	(465)	(19,178)	(19,643)	49,064	29,421
Dividend paid by group	-	-	-	(250,000)	-	-	-	(250,000)	(14,033)	(264,033)
Utilisation of Agricultural & CSR funds	-	-	-	(107,976)	-	-	-	(107,976)	-	(107,976)
Net revaluation surplus/(deficit)	-	-	-	257,414	-	-	(257,414)	-	-	-
Transfer from Other Reserve	-	-	-	(2,589,254)	-	-	2,589,254	-	-	-
Exchange movement in gold and other foreign assets	-	-	-	694,308	-	-	(694,308)	-	-	-
At 31 December 2017	**10,000**	**115,522**	**28,760**	**1,882,726**	**178,075**	**6,761**	**173,127**	**2,394,971**	**424,303**	**2,819,274**

The notes on pages 45 to 93 form an integral part of these financial statements.

The Group

Year ended 31 December 2016	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	3,668,752	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	-	-	-	-	(44,584)	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**	**3,668,752**	**157,585**	**(5,780)**	**116,238**	**4,091,077**	**354,539**	**4,445,616**

The notes on pages 45 to 93 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		The Bank		The Group	
	NOTE	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000
Cash flows generated from operating activities	37	**236,452**	**(3,775,266)**	**489,340**	**(3,146,710)**
Tax paid		-	-	**(22,577)**	(13,568)
Net cash flows generated from/(used in) operating activities		**236,452**	(3,775,266)	**466,763**	(3,160,278)
Cash flows from investing activities					
Proceeds from sale of debt investment	18	-	30,000	-	30,000
Proceeds from disposal of property, plant and equipment	19	**508**	658	**599**	691
Purchase of intangible assets	20	**(19,283)**	(2,461)	**(21,735)**	(9,535)
Purchase of property, plant and equipment	19	**(175,679)**	(204,509)	**(185,204)**	(207,983)
Net cash used in investing activities		**(194,454)**	(176,312)	**(206,340)**	(186,827)
Cash flows from financing activities					
Dividend paid		**(250,000)**	(500,000)	**(250,000)**	(500,000)
Drawdown in IMF liabilities	24b	**201,544**	2,587,934	**201,544**	2,587,934
Drawdown in Short term liabilities	22	**5,649,180**	2,687,090	**5,649,180**	2,687,090
Principal payment of short term liabilities	22	**(3,095,120)**	(4,389,265)	**(3,095,120)**	(4,389,265)
Dividend paid to non-controlling interest	32	-	-	**(14,033)**	(16,214)
Net cash generated from financing activities		**2,505,604**	385,759	**2,491,571**	369,545
Net change in cash and cash equivalents		**2,547,602**	(3,565,819)	**2,751,994**	(2,977,560)
Cash and cash equivalents at 1 January		**3,652,353**	6,557,327	**6,812,680**	9,129,394
Net foreign exchange difference		**213,242**	660,845	**213,964**	660,846
Cash and cash equivalents at 31 December	11	**6,413,197**	3,652,353	**9,778,638**	6,812,680

The notes on pages 45 to 93 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) and the Public Financial Management Act, 2016 (Act, 921). 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 2017 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 Public Financial Management Act, 2016 (Act, 921).

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 2017. The nature and the impact of each new standards and amendments are described below:

Amendments to IAS 7 – Statement of cash flows - Disclosure initiative

Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and noncash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences.

Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

(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 2018, 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 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 assessed the impact of IFRS 15 and given the revenue streams and type of operations of the Group, concluded that IFRS 15 will not have any material impact on the results and financial position of the Group.

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.

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, as well as new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

The Bank carried out an impact assessment using its audited numbers as at 31 December 2017. Based on the assessment carried out, the impact of the application of IFRS 9 is as follows:

Classification and Measurement

From a classification and measurement perspective, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortised cost. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortised cost or fair value through OCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the income statement.

The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements will be presented in OCI with no subsequent reclassification to the income statement, unless an accounting mismatch in profit or loss would arise.

Having completed its initial assessment for classification and measurement under IFRS 9, the Bank has concluded that except for the change in name of the classes of financial assets and liabilities, there were no change in the measurement basis of these financial assets and liabilities as indicated below:

Financial assets and liabilities	IAS 39 classification	IFRS 9 classification	Measurement under IAS 39 & IFRS 9
Cash and cash equivalents	Loans and receivables	Hold to collect	Amortised cost
	Fair value through profit or loss	Fair value through profit or loss	
Gold Balances with International		Hold to collect	Fair value
Monetary Fund	Loans and receivables		
		Hold to collect	Amortised cost
Securities:	Loans and receivables	Hold to collect	
1. Long- term Government of			Amortised cost
Ghana securities	Held to maturity	Hold to collect	Amortised cost
2. Money Market Instruments		Fair value through profit or loss	Amortised cost
3. Internally managed short term	Held to maturity		
securities	Fair value through profit or loss	Hold to collect	Fair value
4. Externally managed foreign	Loans and receivables	Fair value through profit or loss	Amortised cost
securities	Fair value through profit or loss		Fair value
Loans and advances		Equity instrument measured at	Fair value
	Equity instrument measured at	fair value through OCI	
Derivative financial asset	fair value through OCI		Amortised cost

Financial assets and liabilities	***IAS 39 classification***	***IFRS 9 classification***	***Measurement under IAS 39 & IFRS 9***
Investments	Loans and receivables	Hold to collect	Amortised cost
Other assets	Financial liabilities - other	Financial liabilities - other	Fair value
Deposits	Fair value through profit or loss	Fair value through profit or loss	Amortised cost
Derivative financial liability			Amortised cost
Short term liabilities	Financial liabilities - other	Financial liabilities - other	Amortised cost
	Financial liabilities - other	Financial liabilities - other	Amortised cost
Liabilities to International			
Monetary Fund	Financial liabilities - other	Financial liabilities - other	
	Financial liabilities - other	Financial liabilities - other	
Allocation of Special Drawing			
Rights			
Other liabilities			

Impairment of Financial Assets

IFRS 9 will also fundamentally change the loan loss impairment methodology. The standard will replace IAS 39's incurred loss approach with a forward-looking expected loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case, the allowance is based on the probability of default over the life of the asset.

In preparation for implementation of IFRS 9, the Group has established a policy to perform an assessment at the end of each reporting period to determine whether credit risk has increased significantly since initial recognition by considering the change in the risk of default occurring over the remaining life of the financial instrument.

To calculate ECL, the Group will estimate the risk of a default occurring on the financial instrument during its expected life. ECLs are estimated based on the present value of all cash shortfalls over the remaining expected life of the financial asset, i.e., the difference between: the contractual cash flows that are due to the Group under the contract, and the cash flows that the Group expects to receive, discounted at the effective interest rate of the loan. In comparison to IAS 39, the Group expects the impairment charge under IFRS 9 to be more volatile than under IAS 39 and to result in an increase in the total level of current impairment allowances

The Group will categorise its loans into Stage 1, Stage 2 and Stage 3, based on the applied impairment methodology, as described below:

Stage 1 – Performing loans

When loans are first recognised, the Group will recognise an allowance based on 12-month expected credit losses. This will also be applicable to financial assets that are not considered to have suffered a significant increase in their credit risk since the end of the previous reporting period.

Stage 2 – Underperforming loans

When a loan shows a significant increase in credit risk, the Group will record an allowance for the lifetime expected credit loss. The Group will consider whether there has been a significant increase in credit risk of an asset by comparing the lifetime probability of default upon initial recognition of the asset against the risk of a default occurring on the asset as at the end of each reporting period. In each case, this assessment will be based on forward-looking assessment that takes into account a number of economic scenarios, in order to recognise the probability of higher losses associated with more negative economic outlooks. In addition, a significant increase in credit risk will be assumed if the borrower falls more than 30 days past due in making its contractual payments.

When estimating lifetime ECLs for undrawn loan commitments, the Group will estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment and calculate the present value of cash shortfalls between the contractual cash flows that are due to the entity if the holder of the loan commitment draws down that expected portion of the loan and the cash flows that the entity expects to receive if that expected portion of the loan is drawn down. For financial guarantee contracts, the Group will estimate the lifetime ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party. If a loan is fully guaranteed, the ECL estimate for the financial guarantee contract would be the same as the estimated cash shortfall estimate for the loan subject to the guarantee.

Stage 3 – Impaired loans

The Group will recognise the lifetime expected credit losses for these loans. Financial assets will be included in Stage 3 when there is objective evidence that the loan is credit impaired. The criteria of such objective evidence are the same as under the current IAS 39 methodology. Accordingly, the Group expects the population to be generally the same under both standards. The impairment calculation will be the same as for Stage 2 loans with the probability of default set to 100%. When forbearance results in the derecognition of the original loan, the new loan will be classified as originated credit-impaired. Other than originated credit-impaired loans, loans will be transferred from out of Stage 3 if they no longer meet the criteria of credit-impaired after a probation period of not more than two years.

Other financial assets

The Bank will record impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which will remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortised cost will be recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

For 'low risk' FVOCI debt securities, the Group will apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition and will calculate ECL as explained in Stage 1 above. Such instruments will generally include traded, investment grade securities where the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group will not consider instruments to have low credit risk simply because of the value of collateral. Financial instruments are also not considered to have low credit risk simply because they have a lower risk of default than the Group's other financial instruments.

Forward-looking information

The Bank will incorporate forward-looking information in both the assessment of significant increase in credit risk and the measurement of ECLs. Forward-looking information such as macroeconomic factors (e.g., unemployment, GDP growth and interest rates) and economic forecasts will be considered. To evaluate a range of possible outcomes, the Group intends to formulate three scenarios: a base case, a worse case and a better case. The base case scenario represents the more likely outcome resulting from the Group's normal financial planning and budgeting process, while the better and worse case scenarios represent more optimistic or pessimistic outcomes. For each scenario, the Bank will derive an ECL and apply a probability weighted approach to determine the impairment allowance.

The additional impairment the Group would have recognised as at 31 December 2017 if IFRS 9 were used is as follows:

Description	IFRS 9 GH¢'000	IAS 39 GH¢'000	Additional impairment GH¢'000
Loans and advances	2,300,275	979,205	1,321,070
Other assets	267,092	267,092	-
Letters of credit, guarantees and undrawn commitments	4,582	-	4,582
Investment securities	2,402	-	2,402
	2,574,351	1,246,297	1,328,054

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 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	4.3476	4.4157
GBP	5.6037	5.9669
EURO	4.9153	5.2964

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:

Category (as defined by IAS 39)		Class (as determined by the Group)
Financial assets	Loans and receivables	Loans and advances to Government and other governmental institutions and commercial banks Cash and balances with banks Investments Balances with IMF Other assets
	Available-for-sale	Short term securities
	Fair value through profit or loss	Derivative assets

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

(ii) Initial recognition
Purchases and sales of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on trade date (the date the Group commits to the contractual provisions of the instrument).

(iii) Held-to-Maturity
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale or loans and receivables.

Held-to-maturity investments are carried at amortised cost using the effective interest method less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss.

(iv) Financial assets and liabilities held at fair value through profit or loss
This category has two sub-categories: (i) financial assets and liabilities held for trading and (ii) financial assets designated at fair value through profit or loss. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short-term. Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a Group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

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

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

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

(vii) Financial liabilities measured at amortised Cost
This relates to all other liabilities that are not designated at fair value through profit or loss.

(viii) Subsequent measurement
Available-for-sale financial assets are subsequently carried at fair value with the resultant fair value changes recognised in other comprehensive income. The fair value changes on available-for-sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or 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 short term internally managed securities*

These represent 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.

- *Foreign short term externally managed securities*

These represent debt and equity instruments managed by external fund managers on behalf of the Bank. Externally managed foreign securities are stated in the statement of financial position at fair value through profit or loss.

- *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¢523 Million not provided for in the financial statements as at 31 December 2017 (2016: GH¢¢ 445.8 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¢ 64.2 million (2016: GH¢ 77.4 million). 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¢ 645 million (2016: GH¢260.2million).

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 2017 was GH¢ 3.26 billion (2016: GH¢3.3 billion).

e. Securities and pledges

The Bank has pledged GH¢11.99 billion (2016: GH¢5.3 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:

	2017	2016
Assets		
Securities – Government	10 – 24.00%	10 - 24.75%
External securities	0.13 - 2.25%	0.04 - 3.13%
Loans and Advances	20.00 - 25.50%	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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Interest on overnight lending, government securities, medium/long-term notes and bonds	**1,405,838**	1,667,975	**1,405,838**	1,667,975
Interest on foreign accounts and foreign investments	**190,580**	99,197	**188,639**	102,545
Total interest on held to maturity instruments	**1,596,418**	1,767,172	**1,594,477**	1,770,520
Interest on loans and advances-Loans and receivables	**793,776**	629,923	**896,380**	701,333
Total interest Income	**2,390,194**	2,397,095	**2,490,857**	2,471,853
Discount on treasury bill	**2,223**	14,334	**2,223**	14,334
	2,392,417	2,411,429	**2,493,080**	2,486,187

5(ii) EXCHANGE DIFFERENCES

Transactional exchange differences	**113,006**	113,509	**135,871**	133,208
Exchange rate equalisation	**(1,154,760)**	76,688	**(1,154,760)**	76,688
Exchange difference on Gold, SDR and foreign securities	**951,722**	628,143	**951,722**	628,143
	(90,032)	818,340	**(67,167)**	838,039

Exchange Rate Equalization 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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
IMF & SDR allocations	**4,673**	506	**4,673**	506
Foreign loans and credits	**127,766**	77,968	**127,766**	77,968
Interest on money market instruments	**1,853,081**	1,239,764	**1,860,950**	1,243,621
Repo expense and other commissions paid	**259,516**	247,434	**259,516**	250,789
	2,245,036	1,565,672	**2,252,905**	1,572,884

All interest expense recognized 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 to 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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Personnel costs	592,242	398,225	652,209	440,323
Foreign and domestic travel	38,255	39,577	38,255	39,577
Motor vehicle maintenance/running	26,630	26,337	26,986	26,554
Communication expenses	13,579	12,441	16,254	16,225
Banking college and monetary institutes expenses	6,309	5,130	6,309	5,130
Computer related expenses	12,955	15,978	21,191	23,512
Banking supervision expenses	8,062	6,029	8,062	6,029
Auditor's remuneration	420	361	1,068	851
Directors' remuneration	4,825	5,075	8,464	11,204
External Fund Manager Charges	17,416	14,294	17,416	14,294
International Bodies Subscriptions	7,733	6,223	7,733	6,223
Expense on foreign currency importation	1,034	872	1,034	872
Amortisation of intangible assets	8,151	3,611	10,049	4,734
Depreciation – motor vehicles	13,928	9,644	15,101	10,425
Other administrative expenses	**54,324**	86,435	**87,274**	103,840
	805,863	630,232	**917,405**	709,793

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

	The Bank 2017	The Bank 2016	The Group 2017	The Group 2016
Directors	**13**	11	**23**	23
Staff	**1,990**	1,910	**2,061**	1,967
	2,003	1,921	**2,084**	1,990

7. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Rent and Rates	**3,229**	2,453	**3,229**	2,453
Electricity, Water and Conservancy	**15,239**	14,979	**15,239**	14,979
Repairs and Renewals	**23,908**	23,369	**23,908**	23,369
Insurance – Premises and Equipment	**379**	372	**379**	372
Depreciation – Premises & Equipment	**26,874**	24,877	**31,609**	29,979
Generator Running Expenses	**285**	347	**285**	347
General Premises and Equipment Expenses	7,748	7,787	**10,902**	10,028
	77,662	74,184	**85,551**	81,527

8. CURRENCY ISSUE EXPENSES

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Agency Fees	**1,965**	1,676	**1,965**	1,676
Notes Printing	**222,762**	158,638	**222,762**	158,638
Other Currency Expenses	**6,039**	637	**6,039**	637
	230,766	160,951	**230,766**	160,951

9(a) IMPAIRMENT LOSSES

	The Bank 2017	The Bank 2016	The Group 2017	The Group 2016
Balance at 1 January	**404,005**	197,888	**404,005**	199,516
Impairment losses recognised	**1,246,297**	404,005	**1,247,163**	404,005
Loan write off	**-**	(7,888)	**-**	(9,516)
Recovery of impairment losses	**(250,000)**	(190,000)	**(250,000)**	(190,000)
Exchange Difference	**-**	-	**17**	-
Balance at 31 December (9b)	**404,005**	197,888	**404,005**	199,516

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

9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT

The Bank

Year ended 31 December 2017	Loans and Advances (note 15) GH¢'000	Other assets (note 17) GH¢'000	Total 2017 GH¢'000
At 1 January 2017	-	404,005	404,005
Impairment losses recognised	979,205	267,092	1,246,297
Recovery of impairment losses	-	(250,000)	(250,000)
At 31 December 2017	**979,205**	**421,097**	**1,400,302**

The Group

Year ended 31 December 2017	Loans and Advances (note 15) GH¢'000	Other assets (note 17) GH¢'000	Total 2017 GH¢'000
At 1 January 2017	-	404,005	404,005
Impairment losses recognised	980,071	267,092	1,247,163
Loan write off	-	(250,000)	(250,000)
Recovery of impairment losses	17	-	17
At 31 December 2017	**980,088**	**421,097**	**1,401,185**

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 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	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	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

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	**2017 GH¢'000**	2016 GH¢'000
Current income tax		
Current year	**23,107**	18,641
Prior year adjustment	**141**	(1)
Total current tax charge	**23,248**	18,640
Deferred tax charge		
Current year	**88**	51
Effect on change in tax rate	-	33
Prior year adjustment	**(170)**	(10)
Total deferred tax charge	**(82)**	74
Total charge	**23,166**	18,714

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

	2017 GH¢'000	2016 GH¢'000
Profit on ordinary activities before tax	**(1,541,034)**	785,799
Tax at 19.25% (2016: 20%)	**(296,649)**	157,160
Depreciation of non-qualifying assets	**212**	106
Expenses disallowed for other tax purposes	**248**	13
Effect of change in tax rate	**141**	33
Prior year adjustment	**(29)**	(12)
Results of the Bank not subject to tax	**319,243**	(138,586)
	23,166	18,714

(c) The movement in the tax balance is as follows:

	2017 GH¢'000	2016 GH¢'000
At 1 January	**10,095**	5,371
Charge to statement of profit or loss	**23,166**	18,714
Payment	**(22,577)**	(13,568)
Translation difference	**59**	(442)
	10,743	10,095

11. CASH AND BALANCES WITH CORRESPONDENT BANKS

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Correspondent Bank Balances	**6,273,054**	3,395,138	**9,638,495**	6,555,465
Notes and Coins Holdings	**140,143**	248,576	**140,143**	248,576
	6,413,197	3,652,353	**9,778,638**	6,812,680
Cash and Bank Balances were held in the following Currencies: (Ghana cedi equivalent)				
US Dollar	**6,204,762**	3,342,944	**8,426,062**	6,235,546
Pound Sterling	**37,635**	113,259	**971,147**	211,260
Euro	**112,170**	128,678	**300,641**	240,021
Others	**58,630**	67,472	**80,787**	125,853
Total	**6,413,197**	3,652,353	**9,778,638**	6,812,680

12. GOLD

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Bank of England Gold set aside	**632,525**	537,632	**632,525**	537,632
Federal Reserve Bank NY Gold	**442,053**	375,735	**442,053**	375,735
UBS Gold Investment	**475,758**	404,366	**475,758**	404,366
Gold-local holdings	**58,533**	49,751	**58,533**	49,751
	1,608,869	1,367,484	**1,608,869**	1,367,484

Gold balances consists of **280,872.44** fine ounces of gold at the market price of USD1,296.80 per ounce (2016: 280,872.44 fine ounces at USD1,158.76 per ounce).

13. BALANCES WITH INTERNATIONAL MONETARY FUND (IMF)

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Holdings	**420,240**	720,708	**420,240**	720,708
Quota	**4,236,858**	4,167,117	**4,236,858**	4,167,117
	4,657,098	4,887,825	**4,657,098**	4,887,825

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	
	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000
Long-term Government securities	12,474,356	12,476,825	12,474,356	12,476,825
Money market instruments	588,506	639,716	588,506	639,716
Short-term securities	20,649,546	17,249,489	19,674,469	16,345,821
Available-for- sale securities	-	-	124,174	285,159
	33,712,408	30,366,030	32,861,505	29,747,521
Current	20,653,597	17,447,252	19,687,646	16,743,169
Non-current	13,058,811	12,918,778	13,173,859	13,004,352
SECURITIES BY CURRENCY				
(Ghana cedi equivalent)				
Cedi	12,641,154	12,760,157	11,666,077	11,856,489
US Dollar	20,596,488	17,243,102	20,596,488	17,243,102
Pound Sterling	212,279	164,033	336,453	449,192
Others	262,487	198,738	262,487	198,738
Total	33,712,408	30,366,030	32,861,505	29,747,521

(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) Available-for-sale securities

Available-for-sale securities include certificate of deposits and other corporate bonds.

15. LOANS AND ADVANCES

	The Bank		The Group	
	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000
Government of Ghana	-	-	-	-
Financial institutions	4,797,790	5,226,018	5,270,899	5,796,422
Other quasi-governmental institutions	2,686,079	2,337,923	3,371,708	2,545,149
Gross Amount	7,483,869	7,563,941	8,642,607	8,341,571
Less: Impairment Losses (9b)	(979,205)	-	(980,088)	-
Carrying amount	6,504,664	7,563,941	7,662,519	8,341,571
Current	3,974,028	5,250,074	4,655,121	5,631,561
Non-current	2,530,636	2,313,867	3,007,398	2,710,010

LOANS AND ADVANCES BY CURRENCY
(Ghana cedi equivalent)

	The Bank		The Group	
	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000
Cedi	7,483,869	7,563,941	7,549,768	7,564,121
US Dollar	-	-	771,856	520,583
Pound Sterling	-	-	320,983	256,867
Total	7,483,869	7,563,941	8,642,607	8,341,571

16. DERIVATIVES

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Foreign currency swap	**-**	89,526	**-**	89,526

The foreign currency swap balance from an underlying receivable of GH¢3.6 billion (2016: GH¢3.1 billion) from certain commercial banks and GH¢3.5 billion payable to those commercial banks (2016: GH¢2.9 billion) was settled in 2017.

17. OTHER ASSETS

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Items in course of Collection	**265,073**	11,600	**265,073**	11,600
Other receivables	**1,491,083**	1,568,934	**1,521,703**	1,591,528
	1,756,156	1,580,534	**1,786,776**	1,603,128
Less: Impairment Losses (note 9(b))	**(421,097)**	(404,005)	**(421,097)**	(404,005)
	1,335,059	1,176,529	**1,365,679**	1,199,123
Current	**1,328,425**	895,302	**1,359,045**	917,896
Non-current	**6,634**	281,227	**6,634**	281,227

Included in other receivables are imprest and sundry receivables.

18. INVESTMENTS

		The Bank		The Group	
		2017	2016	**2017**	2016
		GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Investment in subsidiaries	18 (a)	**149,524**	149,524	-	-
Other investments	18 (b)	**122,242**	21,393	**187,414**	65,947
		271,766	170,917	**187,414**	65,947
Impairment Losses		**-**	-	**-**	-
		271,766	170,917	**187,414**	65,947

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		
	2017	2016	**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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Equity investment in Afrexim	**21,393**	21,393	**21,393**	21,393
GIRSAL investment	100,849	-	100,849	-
Held-to-maturity investments	**-**	**-**	**65,172**	44,554
	122,242	21,393	**187,414**	65,947
The movement in debt and equity instruments is as follows:				
At 1 January	**21,393**	51,437	**65,947**	81,918
Write off	**-**	(100)	**-**	(100)
Purchase of additional interest	**100,849**	56	**121,467**	14,129
Sale of debt investment	**-**	(30,000)	**-**	(30,000)
At 31 December	**122,242**	21,393	**187,414**	65,947

Equity investment in African Export-Import Bank (AFREXIM)

AFREXIM, incorporated in 1993 in Nigeria, was set up for the purpose of financing, promoting and expanding intra-African and extra-African trade. As at 31 December 2017, the Bank had a total of GH¢21.39 million (2016: GH¢21.39 million) as equity in Afrexim. The proportion of the Bank's equity interest to the total holding in Afrexim is 1.56%.

The Ghana Incentive Based Risk Sharing System for Agricultural Lending (GIRSAL) Limited, is a Bank of Ghana support scheme to the Agricultural sector. The scheme aims at boosting lending to the export-intensive and import-substituting agricultural product producers. Total funds made available to the Scheme as at 31 December 2017 was GH¢200.8 million out of which GH¢100 million had been charged to other reserves.

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 2017	239,913	58,262	11,988	132,550	235,361	678,074
Additions	4,414	25,517	2,401	9,862	133,485	175,679
Transfers	1,101	-	-	-	(1,101)	-
Disposals	-	(3,552)	(1,298)	(2,388)	-	(7,238)
At 31 December 2017	**245,428**	**80,227**	**13,091**	**140,024**	**367,745**	**846,515**
Accumulated depreciation						
At 1 January 2017	39,003	32,009	7,374	60,769	-	139,155
Charge for the year	8,606	13,927	2,068	16,199	-	40,800
Disposals	-	(1,220)	(705)	(2,310)	-	(4,235)
At 31 December 2017	**47,609**	**44,716**	**8,737**	**74,658**	**-**	**175,720**
Net book amount						
At 31 December 2017	**197,819**	**35,511**	**4,354**	**65,366**	**367,745**	**670,795**

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 2017	246,558	62,141	13,884	177,305	242,970	742,858
Additions	6,090	27,060	2,840	14,467	134,747	185,204
Transfers	1,101	-	-	-	(1,101)	-
Disposals	-	(4,081)	(1,368)	(3,038)	-	(8,487)
Translation Adjustment	767	94	308	4,735	-	5,904
At 31 December 2017	**254,516**	**85,214**	**15,664**	**193,469**	**376,616**	**925,479**
Accumulated depreciation						
At 1 January 2017	42,550	34,569	9,414	99,652	-	186,185
Charge for the Year	9,335	15,099	2,220	20,740	-	47,394
Released on Disposal	-	(1,487)	(753)	(2,958)	-	(5,198)
Translation Adjustment	523	48	301	2,120	-	2,992
At 31 December 2017	**52,408**	**48,229**	**11,182**	**119,554**	**-**	**231,373**
Net book amount						
At 31 December 2017	**202,108**	**36,985**	**4,482**	**73,915**	**376,616**	**694,106**

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 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						
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						
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

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	
	2017 GH¢'000	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000
Cost	**7,238**	4,327	**8,487**	4,785
Accumulated depreciation	**(4,235)**	(1,430)	**(5,198)**	(1,532)
Carrying amount	**3,003**	2,897	**3,289**	3,253
Proceeds from disposal	**(508)**	(658)	**(599)**	(691)
Loss/(Profit) on disposal	**2,495**	2,239	**2,690**	2,562

20. INTANGIBLE ASSETS

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
At 1 January	24,532	20,058	36,285	24,737
Transfers	-	2,013	-	2,013
Additions	19,283	2,461	21,735	9,535
At 31 December	**43,815**	24,532	**58,020**	36,285
Accumulated amortisation				
At 1 January	12,969	9,358	14,683	9,949
Charge for the year	8,151	3,611	11,813	4,734
At 31 December	**21,120**	12,969	**26,496**	14,683
Net book amount At 31 December	**22,695**	11,563	**31,524**	21,602

Intangible assets refers to computer software.

21. DEPOSITS

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Government of Ghana	**6,883,446**	3,159,363	**6,883,446**	3,159,363
Financial Institutions/Banks	**8,465,519**	8,465,794	**11,183,412**	10,984,311
Other deposits	**60,261**	249,948	**60,261**	249,948
	15,409,226	11,875,105	**18,127,119**	14,393,622
Current	**15,409,226**	11,875,105	**18,088,031**	14,330,152
Non-current	-	-	39,088	63,470

DEPOSITS BY VARIOUS CURRENCIES (Ghana cedi equivalent)

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Cedi	**12,294,020**	8,520,634	**14,462,450**	10,327,722
US Dollar	**2,732,925**	3,005,329	**3,214,961**	3,642,710
Pound Sterling	**166,107**	148,039	**195,405**	179,436
Euro	**198,293**	199,225	**233,268**	241,477
Others	**17,881**	1,878	**21,035**	2,277
Total	**15,409,226**	11,875,105	**18,127,119**	14,393,622

22. SHORT TERM LIABILITIES

Short term facilities	**5,740,410**	2,940,140	**5,740,410**	2,940,140

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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
1 January	**2,940,140**	4,293,094	**2,940,140**	4,293,094
Drawdown	**5,649,180**	2,687,090	**5,649,180**	2,687,090
Repayment	**(3,095,120)**	(4,389,265)	**(3,095,120)**	(4,389,265)
Revaluation loss	**246,210**	349,221	**246,210**	349,221
31 December	**5,740,410**	2,940,140	**5,740,410**	2,940,140

23. LIABILITIES UNDER MONEY MARKET OPERATIONS

Bank of Ghana Instruments	**9,408,110**	8,918,269	**9,408,110**	8,918,269

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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
1 January	**1,998,119**	1,862,446	**1,998,119**	1,862,446
Revaluation gain	**33,441**	135,673	**33,441**	135,673
31 December	**2,031,560**	1,998,119	**2,031,560**	1,998,119

Allocations of SDRs are non-current.

24b. LIABILITIES TO INTERNATIONAL MONETARY FUND

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
(i) IMF Currency Holdings				
Operational Account	**53,895**	48,391	**53,895**	48,391
IMF Securities	**3,657,284**	3,597,083	**3,657,284**	3,597, 083
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	**3,874,256**	3,738,417	**3,874,256**	3,738,417
	7,585,435	7,383,891	**7,585,435**	7,383,891
Current	**3,868,572**	3,645,474	**3,868,572**	3,645,474
Non-current	**3,716,863**	3,738,417	**3,716,863**	3,738,417

25. OTHER LIABILITIES

Accruals and accounts payable	**519,903**	526,698	**519,903**	526,698
Defined pension fund liability	**997**	997	**997**	997
Other payables	**337,931**	625,182	**477,801**	745,452
	858,831	1,152,877	**998,701**	1,273,147
Current	**519,903**	526,698	**659,773**	646,968
Non-current	**338,928**	626,179	**338,928**	626,179

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	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Defined benefit obligation	**(1,773,261)**	(1,397,212)	(1,773,261)	(1,397,212)
Plan assets	**1,782,655**	1,492,213	1,782,655	1,492,213
Total recognised benefit (liability) asset	**9,394**	95,001	**9,394**	95,001

Where the defined benefit obligation exceeds the plan assets, the excess liability is recognised as part of other liabilities. For the year 2017, the plan assets exceed the defined benefit obligation and the excess assets have not been recognised since no future economic benefits is available to the Bank in the form of a reduction in future contributions or a cash refund. There are no legal or contractual requirement for the employer to make any additional minimum funding to the plan other than those actuarially determined.

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

	The Bank		The Group	
	2017	2016	**2017**	2016
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Plan assets				
Balance at 1 January	**1,492,213**	1,227,694	**1,492,213**	1,227,694
Contributions by employer during the year	**290,442**	264,519	**290,442**	264,519
Fund assets in investments	**1,782,655**	1,492,213	**1,782,655**	1,492,213
Fair value of Plan Assets	**2,036,188**	1,590,734	**2,036,188**	1,590,734
Fund Liability				
Balance at 1 January	**1,397,212**	1,122,169	**1,397,212**	1,122,169
Pension payments	**(70,806)**	-	**(70,806)**	-
Interest expense	**310,727**	318,048	**310,727**	318,048
Remeasurements	**(141,737)**	(594,776)	**(141,737)**	(594,776)
Accrual for service	**277,865**	551,771	**277,865**	551,771
Fund obligation at 31 December	**1,773,261**	1,397,212	**1,773,261**	1,397,212

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 2017. 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)

	2017	2016
Actuarial assumptions		
Discount rate at 31 December	**18%**	19%
Salary increment rate	**20%**	20%
Mortality Rate	**SSNIT 75% Mortality**	SSNIT 75% Mortality

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

Assumption Variables	Management Best Estimates	i+1%	i-1%	s+1%	s-1%	μ increased by 10%	μ decreased by 10%
Discount Rate (i)	**18.0%**	19.0%	17.0%	18.0%	18.0%	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	**1,773,261,354**	1,636,916,798	2,433,286,124	2,393,936,199	1,622,084,170	1,602,370,694	1,999,758,518
Change in Actuarial liability	**-**	(7.26)%	37.86%	35.64%	(8.10)%	(9.21)%	13.30%

27 (a). CURRENCY IN CIRCULATION

	The Bank		The Group	
	2017 GH¢'000	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000
Notes and Coins Issued	**20,209,570**	20,594,436	**20,209,570**	20,594,436
Less: Cash Account & Agencies	**(8,083,511)**	(9,249,230)	**(8,083,511)**	(9,249,230)
	12,126,059	11,345,206	**12,126,059**	11,345,206

27 (b). CURRENCY IN CIRCULATION BY DENOMINATION

	The Bank		The Group	
DENOMINATION Notes in circulation	**2017 GH¢'000**	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000
GH¢50	4,148,694	3,549,334	4,148,694	3,549,334
GH¢20	4,142,263	4,099,715	4,142,263	4,099,715
GH¢10	2,228,733	2,244,160	2,228,733	2,244,160
GH¢5	1,030,969	890,168	1,030,969	890,168
GH¢2	208,619	199,082	208,619	199,082
GH¢1	179,717	198,246	179,717	198,246
Total notes in circulation	**11,938,995**	11,180,705	**11,938,995**	11,180,705
Coins in circulation				
GH¢1	26,292	26,609	26,292	26,609
50GP	59,193	49,876	59,193	49,876
20GP	60,225	50,778	60,225	50,778
10GP	30,610	26,773	30,610	26,773
5GP	9,690	9,462	9,690	9,462
1GP	1,054	1,003	1,054	1,003
Total coins in circulation	**187,064**	164,501	**187,064**	164,501
Total currency in circulation	**12,126,059**	11,345,206	**12,126,059**	11,345,206

28. STATED CAPITAL

	Number of Shares		Proceeds	
	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 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 in 2017. (2016: Nil)

31. OTHER RESERVES

The Bank 2017	Price Movement GH¢'000	General and Revaluation Reserve GH¢'000	Total GH¢'000
At 1 January	830,790	3,047,356	3,878,146
Dividend	-	(250,000)	(250,000)
Utilisation of Agricultural and CSR funds	-	(107,976)	(107,976)
Exchange movement in gold and other foreign assets	-	694,308	694,308
Price movement in gold	257,414	-	257,414
Transfer of residual loss from general reserve	-	(2,589,254)	(2,589,254)
At 31 December	**1,088,204**	**794,434**	**1,882,638**
The Bank 2016			
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 Group 2017

Year ended 31 December 2017	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	830,792	112,731	949	3,047,442	3,991,914
Dividend	-	-	-	(250,000)	(250,000)
Utilisation of Agricultural and CSR funds	-	-	-	(107,976)	(107,976)
Exchange movement in gold and other foreign assets	-	-	-	694,308	694,308
Increase/(decrease)in the year	257,414	65,344	5,812	(2,589,254)	(2,260,684)
At 31 December	**1,088,206**	**178,075**	**6,761**	**794,520**	**2,067,562**
The Group 2016					
Year ended 31 December 2016					
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

31. OTHER RESERVES (CONTINUED)

- The price and exchange 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 transfer from surplus component of other reserves is used to account for the allocation requirements under the Bank of Ghana Act.

32. NON-CONTROLLING INTEREST

	The Group	
	2017	2016
	GH¢'000	GH¢'000
At 1 January	**347,397**	354,539
Profit for the year	**35,845**	32,311
Other comprehensive income	**6,030**	3,744
Gains (loss)on translation of foreign operation	**49,064**	(26,983)
Dividend paid by the group	**(14,033)**	(16,214)
At 31 December	**424,303**	347,397

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	**2017**	2016
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:

	2017	2016
	GH¢'000	GH¢'000
Operating income	**146,473**	121,397
Profit for the year	**56,300**	54,694
Other comprehensive income	**77,651**	(37,214)
Total comprehensive income	**133,951**	17,480
Attributable to Non-controlling interest	**65,636**	8,565
Dividends paid to non-controlling interest	**14,033**	16,214
Summarised statement of financial position as at:		
Total assets	**4,663,558**	4,329,356
Total Liabilities	**3,828,439**	3,638,832
Total equity	**835,119**	690,525
Attributable to:		
Equity holders of parent	**425,911**	352,168
Non-controlling interest	**409,208**	338,357
Summarised cash flow information for the year:		
Cash flows from operating activities	**(199,071)**	471,696
Cash flows from investing activities	**(6,084)**	(1,242)
Cash flows from financing activities	**(30,824)**	(31,865)
Forex on cash and cash equivalents	**722**	1
Net increase in cash and cash equivalents	**(235,257)**	438,590

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 2017	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				6,413,197	6,413,197	6,413,197
Balances with IMF	13				4,657,098	4,657,098	4,657,098
Government securities	14	12,474,356	-	-	-	12,474,356	12,567,914
Money market instruments	14	588,506	-	-	-	588,506	594,391
Short-term securities	14	2,917,593	17,731,953	-	-	20,649,546	20,670,552
Loans and advances	15				6,504,664	6,504,664	6,862,421
Other assets (less prepayments)					809,512	809,512	809,512
Investments	18	-	-	122,242	-	122,242	122,242
		15,980,455	**17,731,953**	**122,242**	**18,384,471**	**52,219,120**	**52,697,327**
At 31 December 2016							
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 (less prepayments)		-	-	-	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

The Group

At 31 December 2017	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				9,778,638	9,778,638	9,778,638
Balances with IMF	13				4,657,098	4,657,098	4,657,098
Government securities	14	12,474,356	-	-	-	12,474,356	12,567,914
Money market instruments	14	588,506	-	-	-	588,506	594,391
Short-term securities	14	1,942,517	17,731,952	124,174	-	19,798,643	19,819,650
Loans and advances	15				7,662,519	7,662,519	7,714,833
Other assets (less prepayments)	17				840,132	840,132	840,132
Investments	18	65,172	-	122,242	-	187,414	187,414
		15,070,551	**17,731,952**	**246,416**	**22,938,387**	**55,987,306**	**56,160,070**
31 December 2016							
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
Other assets (less prepayments)	17	-	-	-	681,817	681,817	681,817
Investments	18	44,554	-	21,393	-	65,947	65,947
At 31 December 2016		29,506,916	-	306,552	20,723,893	50,537,361	49,555,962

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	-	6,883,446	6,883,446
Due to Banks and Financial Institutions	21	-	8,465,519	8,465,519
Other Short-Term Deposits	21	-	60,261	60,261
Short Term Liabilities	22	-	5,740,410	5,740,410
Money Market Instruments	23	-	9,408,110	9,408,110
Allocation of special drawing rights	24a	-	2,031,560	2,031,560
Liabilities to IMF	24b	-	7,585,435	7,585,435
Other liabilities	25	-	858,831	858,831
At 31 December 2017		-	**41,033,572**	**41,033,572**
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	16	-	89,526	89,526
At 31 December 2016		-	34,335,550	34,335,550

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

The Group

	notes	Designated at Fair Value through profit or loss GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total GH¢'000
Government Deposits	21	-	6,883,446	6,883,446
Due to Banks and Financial Institutions	21	-	11,183,412	11,183,412
Other Short-Term Deposits	21	-	60,261	60,261
Short term liabilities	22	-	5,740,410	5,740,410
Money Market Instruments	23	-	9,408,110	9,408,110
Allocation of special drawing rights	24a	-	2,031,560	2,031,560
Liabilities to IMF	24b	-	7,585,435	7,585,435
Other liabilities	25	-	998,701	998,701
At 31 December 2016		-	**43,891,335**	**43,891,335**

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	-	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	-	1,273,147	1,273,147
Derivative liabilities	16	-	89,526	89,526
At 31 December 2016		-	36,996,714	36,996,714

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 2017 and 31 December 2016, 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 2017 and 31 December 2016 was 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	
	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000	2017 GH¢'000	2016 GH¢'000
Assets measured at fair value:						
Gold	1,608,869	1,367,484	-	-	-	-
Short-term securities	-	-	17,731,952	11,992,141	-	-
Liabilities measured at fair value:						
Derivative financial liability	-	-	89,526	-	-	-

34. FAIR VALUE HIERARCHY (CONTINUED)

The Group

	Level 1 The Group		Level 2 The Group		Level 3 The Group	
	2017 GH¢'000	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000
Assets measured at fair value:						
Gold	1,608,869	1,367,484	-	-	-	-
Short-term securities	-	-	17,731,952	11,992,141	-	-
Available for sale investments	-	-	246,416	306,552	-	-
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 on 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.

Key management personnel compensation

	The Bank		The Group	
	2017 GH¢'000	2016 GH¢'000	**2017 GH¢'000**	2016 GH¢'000
Short-term employee benefits	4,499	3,728	8,860	9,088
Termination Benefit	1,805	1,512	1,805	1,512
Post-employment benefits	812	680	1,223	930
	7,116	5,920	**11,888**	11,530

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 2017 GH¢'000	2016 GH¢'000
Ghana International Bank	51	-	-
Ghana Interbank Payments and Settlement Systems	100	70	70
Central Securities Depository	70	-	4,053

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 was:

BANK

	Grouping	2017 GH¢'000	Percentage of financial assets	2016 GH¢'000	Percentage to financial assets
Assets					
Cash and balances with correspondent banks	I	6,413,197	12%	3,652,353	8%
Balances with IMF	I	4,657,098	9%	4,887,825	10%
Securities	I	33,712,408	65%	30,366,030	64%
Other assets	I	809,512	2%	668,118	1%
Loans and advances	II	6,504,664	12%	7,563,941	17%
		52,096,879	100%	47,138,267	100%
Off balance sheet					
Documentary credit, guarantees and performance bonds	I	3,904,189		3,570,726	

Category	2017 GH¢ '000	2016 GH¢ '000
Group I	49,496,404	43,145,052
Group II	6,504,664	7,563,941
Total	56,001,068	50,708,993

GROUP

	Grouping	2017 GH¢'000	Percentage of financial assets	2016 GH¢'000	Percentage to financial assets
Assets					
Cash and amounts due from banks	I	9,778,638	18%	6,812,680	13%
Balances with IMF	I	4,657,098	8%	4,887,825	10%
Securities	I	32,861,505	58%	29,747,521	59%
Other assets	I	840,132	2%	681,817	1%
Loans and advances	II	7,357,076	14%	8,341,571	17%
		55,494,449	100%	50,471,414	100%
Off balance sheet					
Documentary credit, guarantees and performance bonds	I	4,368,603		4,035,140	

Category	2017 GH¢ '000	2016 GH¢ '000
Group I	52,505,976	46,164,983
Group II	7,662,519	8,341,571
Total	60,168,495	54,506,554

Group I

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

Group II

These are existing customers (more than 6 months) with some defaults in the past. This group is mainly composed of loans to the other institutions. Refer to Note 15.

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2017 and 2016 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, as at 31 December 2017, 90% (2016:90%) 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.

Loans and advances, amounts due from banks and other assets

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

BANK

	31 December 2017				
	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	**6,413,197**	**4,657,098**	**33,712,408**	**2,380,636**	**809,512**
Past due but not impaired	**-**	**-**	**-**	**305,443**	**-**
Individually impaired	**-**	**-**	**-**	**4,797,790**	**421,097**
Gross	**6,413,197**	**4,657,098**	**33,712,408**	**7,483,869**	**1,230,609**
Less: Allowance for impairment	**-**	**-**	**-**	**(979,205)**	**(421,097)**
Carrying value	**6,413,197**	**4,657,098**	**33,712,408**	**6,504,664**	**809,512**

	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	3,652,353	4,887,825	30,366,030	7,563,941	668,118
Past due but not impaired	-	-	-	-	-
Individually impaired	-	-	-	-	404,005
Gross	3,652 ,353	4,887,825	30,366,030	7,563,941	1,072,123
Less: Allowance for impairment	-	-	-	-	404,005
Carrying value	3,652,353	4,887,825	30,366,030	7,563,941	668,118

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 2017				
	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	**9,778,638**	**4,657,098**	**32,861,505**	**3,538,491**	**840,132**
Past due but not impaired	**-**	**-**	**-**	**305,443**	**-**
Individually impaired	**-**	**-**	**-**	**4,798,673**	**421,097**
Gross	**9,778,638**	**4,657,098**	**32,861,505**	**8,642,607**	**1,261,229**
Less: Allowance for impairment	**-**	**-**	**-**	**(980,088)**	**(421,097)**
Carrying value	**9,778,638**	**4,657,098**	**32,861,505**	**7,662,519**	**840,132**

	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	1,805,822
Less: Allowance for impairment	-	-	-	-	404,005
Carrying value	6,812,680	4,887,825	29,747,521	8,741,571	681,817

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

(a) Neither past due nor impaired

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

BANK **At 31 December**	**2017** **GH¢ '000**	2016 GH¢ '000
Cash and amounts due from banks	**6,413,197**	3,652,353
Balances with IMF	**4,657,098**	4,887,825
Securities	**33,712,408**	30,366,030
Other assets	**809,512**	668,118
Loans and advances	**2,686,079**	7,563,941
Total	**48,278,294**	47,138,267

GROUP **At 31 December**	**2017** **GH¢ '000**	2016 GH¢ '000
Cash and amounts due from banks	**9,778,638**	6,812,680
Balances with IMF	**4,657,098**	4,887,825
Securities	**32,861,505**	29,747,521
Other assets	**840,132**	681,817
Loans and advances	**3,538,491**	8,341,571
Total	**51,675,864**	50,471,414

36. RISK MANAGEMENT (CONTINUED)

Exposure to Credit Risks (Continued)

b) Individually impaired

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

BANK

	31 December 2017				31 December 2016			
	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	-	-	4,797,790	421,097	-	-	-	404,005
Fair value of collateral	-	-	642,656	-	-	-	-	-

GROUP

	31 December 2017				31 December 2016			
	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	-	-	4,798,673	421,097	-	-	-	404,005
Fair value of collateral	-	-	642,656	-	-	-	-	-

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 2017

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	6,413,197	-	-	-	-	6,413,197
Gold	58,533	1,074,578	475,758	-	-	1,608,869
Balances with IMF	420,240	4,236,858	-	-	-	4,657,098
Securities	1,117,130	17,984,896	1,898,123	684,501	14,609,700	36,294,350
Loans and Advances	1,299,069	320,610	2,749,549	3,542,890	-	7,912,118
Other assets	809,512					809,512
Investments	-	-	-	-	271,766	271,766
At 31 December 2017	10,117,681	23,616,942	5,123,430	4,227,391	14,881,466	57,966,910
LIABILITIES						
Deposits	15,409,226	-	-	-	-	15,409,226
Allocations of SDR	2,031,560	-	-	-	-	2,031,560
Liabilities to IMF	53,895	-	3,657,284	3,874,256	-	7,585,435
Short term liabilities	110,793	5,661,489	-	-	-	5,772,282
Liabilities under Money Market Operations	8,726,124	-	57,730	1,218,000	-	10,001,854
Currency in circulation	-	-	-	-	12,126,059	12,126,059
Other liabilities	-	-	519,903	316,397	22,531	858,831
At 31 December 2017	26,331,598	5,661,489	4,234,917	5,408,653	12,148,590	53,785,247
Maturity surplus/(shortfall)	(16,213,917)	17,955,453	888,513	(1,181,262)	2,732,876	4,181,663

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	-	-	-	-	11,345,206	11,345,206
Other liabilities	-	-	526,698	603,802	22,377	1,152,877
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

36. RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

GROUP

31 December 2017

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	9,778,638	-	-	-	-	9,778,638
Gold	58,533	1,074,578	475,758	-	-	1,608,869
Balances with IMF	420,240	4,236,858	-	-	-	4,657,098
Securities	1,117,130	17,984,896	1,907,249	736,393	14,673,216	36,418,884
Loans and Advances	1,299,069	340,505	3,082,380	3,966,625	52	8,688,631
Other assets	840,132					840,132
Investments	7,138	34,492	23,342	-	122,442	187,414
At 31 December 2017	13,520,880	23,671,329	5,488,729	4,703,018	14,795,710	62,179,666
LIABILITIES						
Deposits	16,206,074	944,105	944,060	40,065	-	18,127,119
Allocations of Special Drawing Rights	2,031,560	-	-	-	-	2,031,560
Liabilities to IMF	53,895	-	3,657,284	3,874,256	-	7,585,435
Short term liabilities	110,793	5,661,489	-	-	-	5,772,282
Liabilities under Money Market Operations	8,726,124	-	57,730	1,218,000	-	10,001,854
Currency in Circulation	-	-	-	-	12,126,059	12,126,059
Other liabilities	-	-	659,773	316,397	22,531	998,701
At 31 December 2017	27,128,446	6,605,594	5,318,847	5,448,718	12,148,590	56,650,195
Maturity surplus/(shortfall)	(13,607,566)	17,065,735	169,882	(745,700)	2,647,120	5,529,471

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 Amounts due from 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	-	-	-	-	11,345,206	11,345,206
Other liabilities	-	-	646,968	603,802	22,377	1,273,147
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

Assets held for managing liquidity risk

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

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with central banks and other operating banks;
- Loans and advances to operating banks, non-bank financial institutions and Government of Ghana;

36. RISK MANAGEMENT (CONTINUED)

- Investment securities;
- Amount due from IMF; and
- Other assets.

Market Risk

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

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

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

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

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 2016.

Effects in Cedis	100bp Increase GH¢'000	100bp Decrease GH¢'000
The Bank 2017		
Average for the Period	**380,726**	**(380,726)**
Maximum for the Period	**433,946**	**(433,946)**
Minimum for the Period	**343,882**	**(343,882)**
The Bank 2016		
Average for the Period	286,502	(286,502)
Maximum for the Period	289,460	(289,460)
Minimum for the Period	281,168	(281,168)

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 optimizing 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 2017

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	6,273,055	-	-	140,142	6,413,197
Balances with IMF	-	4,236,858	-	420,240	4,657,098
Securities	1,101,418	1,820,227	13,058,811	17,731,952	33,712,408
Loans and Advances	1,583,116	2,390,912	2,530,636	-	6,504,664
Other assets	809,512	-	-	-	809,512
At 31 December 2017	9,767,101	8,447,997	15,589,447	18,292,334	52,096,879
LIABILITIES					
Deposits				15,409,226	15,409,226
Short term Liabilities	5,740,410	-	-	-	5,740,410
Liabilities to IMF	-	3,657,284	-	3,928,151	7,585,435
Liabilities under Money Market Operations	8,650,969	57,141	700,000	-	9,408,110
Currency in circulation	-	-	-	12,126,059	12,126,059
Other Liabilities	-	519,903	316,397	22,531	858,831
At 31 December 2017	14,391,379	4,234,328	1,016,397	31,485,967	51,128,071
Total interest rate re-pricing gap	(4,624,278)	4,213,669	14,573,050	(13,193,633)	968,808

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	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	-	-	-	11,345,206	11,345,206
Other liabilities	-	526,698	603,802	22,377	1,152,877
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

36. RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

The Group

31 December 2017

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	9,638,496	-	-	140,142	9,778,638
Balances with IMF	-	4,236,858	-	420,240	4,657,098
Securities	126,341	1,829,353	13,173,859	17,731,952	32,861,505
Loans and Advances	1,603,011	3,052,110	3,007,398	-	7,662,519
Other assets	840,132	-	-	-	840,132
At 31 December 2017	12,207,980	9,118,321	16,181,257	18,292,334	55,799,892
LIABILITIES					
Deposits	858,994	939,362	39,088	16,289,675	18,127,119
Short term liabilities	5,740,410	-	-	-	5,740,410
Liabilities under Money Market Operations	8,650,969	57,141	700,000	-	9,408,110
Liabilities to IMF	-	7,585,435	-	-	7,585,435
Currency in circulation	-	-	-	12,126,059	12,126,059
Other liabilities	-	519,903	338,928	139,870	998,701
At 31 December 2017	15,250,373	9,101,841	1,078,016	28,555,604	53,985,834
Total interest rate re-pricing gap	(3,042,393)	16,480	15,103,241	(10,263,270)	1,814,058

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
Derivative assets	-	-	-	-	-
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	-	-	-	11,345,206	11,345,206
Other liabilities	-	646,968	603,802	22,377	1,273,147
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

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	
	2017	2016	**2017**	2016
ASSETS	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
USD	**28,423,030**	22,024,550	**31,531,881**	24,922,816
GBP	**250,332**	285,085	**568,097**	480,340
EUR	**112,236**	136,748	**373,244**	467,895
SDR	**5,101,229**	4,887,825	**5,101,229**	4,887,825
OTHER	**321,280**	301,645	**322,137**	302,665
GHS	**20,988,444**	22,099,708	**20,950,823**	21,938,885
TOTAL	**55,196,551**	49,735,561	**58,847,411**	53,000,426
LIABILITIES & EQUITY				
USD	**12,888,243**	13,296,573	**15,996,952**	16,195,719
GBP	**159,748**	152,867	**453,407**	235,445
EUR	**33,458**	101,524	**294,678**	432,123
SDR	**6,285,296**	5,643,623	**6,285,296**	5,643,623
OTHER	**268,892**	190,746	**269,710**	191,555
GHS	**35,560,914**	30,350,228	**35,547,368**	30,301,961
TOTAL	**55,196,551**	49,735,561	**58,847,411**	53,000,426
NET POSITION				
USD	**15,534,787**	8,727,977	**15,534,929**	8,727,097
GBP	**90,584**	132,218	**114,690**	244,895
EUR	**78,778**	35,224	**78,566**	35,772
SDR	**(1,184,067)**	(755,798)	**(1,184,067)**	(755,798)
OTHER	**52,388**	110,899	**52,427**	111,110
GHS	**(14,572,470)**	(8,250,520)	**(14,596,545)**	(8,363,076)
TOTAL	**-**	-	**-**	-

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency Exposure Analysis (Continued)

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2017	2016	**2017**	2016
Currency	**GH¢**	GH¢	**GH¢**	GH¢
US Dollar	**4.3476**	3.9093	**4.4157**	4.2002
GBP	**5.6037**	5.2938	**5.9669**	5.1965
EURO	**4.9153**	4.3264	**5.2989**	4.4367
SDR	**6.0342**	5.4311	**6.2885**	5.6465

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 2016.

	Profit or (Loss)/Equity	
	2017	2016
Currency	**GH¢'000**	GH¢'000
US Dollar	**(1,553,479)**	(872,798)
GBP	**(9,058)**	(13,222)
EURO	**(7,878)**	(3,522)
SDR	**118,407**	75,580

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	2017 GH¢'000	2016 GH¢'000
Profit / (Loss) before tax		(1,637,532)	709,482
Adjustments for:			
Depreciation of property, plant and equipment	19	40,800	34,521
Amortisation of intangible assets	20	8,151	3,611
Impairment on loans and advances and other assets	9a	1,246,297	404,005
Loss on disposal of property and equipment	19	2,495	2,239
Revaluation loss on foreign denominated borrowings	22	246,210	349,221
Effect of exchange rate fluctuations on cash held		(213,242)	(660,845)
Utlilisation of agricultural fund		(107,976)	-
Change in loans and advances		(187,020)	(1,102,279)
Change in securities		(3,346,378)	(9,142,303)
Change in gold		(241,385)	(234,415)
Change in derivative instruments		(89,526)	379,522
Change in other assets		(158,530)	(442,717)
Change in IMF receivable		230,727	(2,029,594)
Change in investments		(100,849)	(56)
Change in deposit		3,534,121	(515,064)
Change in liabilities under Money Market Operations		489,841	6,231,575
Change in allocations of Special Drawing Rights		33,441	135,673
Change in other liabilities		(294,046)	260,958
Change in currency in circulation		780,853	1,841,200
Net cash (used in)/generated from operating activities		236,452	(3,775,266)

(b) The Group

Reconciliation of operating profit to net cash flow from operating activities

	Note	2017 GH¢'000	2016 GH¢'000
Profit before tax		(1,541,034)	785,799
Adjustments for:			-
Depreciation of property, plant and equipment	19	47,394	40,404
Amortisation of intangible assets	20	11,813	4,734
Impairment on loans and advances	9a	1,247,163	404,005
Loss on disposal of property and equipment	19	2,690	2,562
Revaluation loss on foreign denominated borrowings	22	246,210	349,221
Translation difference		91,853	(55,298)
Effect of exchange rate fluctuations on cash held		(213,964)	(660,846)
Utlilisation of agricultural fund		(107,976)	-
Change in loans and advances		(568,111)	(970,762)
Change in securities		(3,101,677)	(8,870,487)
Change in gold		(241,385)	(234,415)
Change in derivative instruments		(89,526)	379,522
Change in other assets		(166,556)	(443,512)
Change in IMF receivable		230,727	(2,029,594)
Change in investments		(121,467)	(14,129)
Change in deposit		3,733,497	(326,763)
Change in liabilities under Money Market Operations		489,841	6,231,575
Change in allocations of Special Drawing Rights		33,441	135,673
Change in other liabilities		(274,446)	284,401
Change in currency in circulation		780,853	1,841,200
Cash generated from/(used in) operating activities		489,340	(3,146,710)

38. EVENTS AFTER REPORTING DATE

The directors do not recommend transfers into the consolidated fund for the year ended 31 December 2017 (2016: GH¢250 million).

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
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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
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3202769

Ghana Commercial Bank Ltd.
P. O. Box 66
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Ghana Commercial Bank Ltd.
Dunkwa-on-Offin
Tel: 033-2228236, 2228674
2228528
Fax: 033-2228673

Ghana Commercial Bank Ltd.
P. O. Box 186
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Fax: 033-2020414

Ghana Commercial Bank Ltd.
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Bolgatanga
Upper East Region
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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