BANK OF GHANA

ANNUAL REPORT

2018

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ANNUAL REPORT 2018

Prepared and Edited
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The Editorial Committee
Bank of Ghana

P. O. Box GP 2674, Accra

Also available on the Bank's Website:
www.bog.gov.gh

ISSN: 0855-0972

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ABBREVIATIONS

AACB	Association of African Central Banks
ACH	Automated Clearing House
ADB	Agricultural Development Bank
AERC	African Economic Research
AfDB	African Development Bank
AFRACA	African Rural and Agricultural Credit Association
AFREXIMBANK	African Export-Import Bank
AMCP	African Monetary Cooperation Programme
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ATMs	Automated Teller Machines
AUC	African Union Commission
BBG	Barclays Bank Ghana
bbl	Barrels
BCP	Business Continuity Plan
BEAC	Banque des Etats de l' Afrique Centrale
BOA	Bank of Africa
BOP	Balance of Payments
BSIC	Sahel-Sahara Bank
BSSI	Banking Sector Soundness Index
CABS	Community of African Banking Supervisors
CAL	CAL Bank
CAR	Capital Adequacy Ratio
CBG	Consolidated Bank Ghana
CCC	Cheque Codeline Clearing
CIEA	Composite Index Economic Activity
CIR	Cost to Income Ratio
CISD	Cyber and Information Security Directive
CPI	Consumer Price Inflation
CRG	Collateral Registry System
CSWAMZ	College of Supervisors of the West African Monetary Zone
DMB	Deposit Money Banks
DR	Disaster recovery
EBG	Ecobank Ghana
ECB	Energy Commercial Bank
ECF	Extended Credit Facility
ECM	Enterprise Cash Management
ECOWAS	Economic Community of West African States
EME	Emerging Market Economies
ERM	Enterprise Risk Management
EWP	Employee Wellbeing Programme
FAMB	First Atlantic Merchant Bank
FATF	Financial Action Task Force
FBL	Fidelity Bank Ghana Limited
FBN	First Bank Nigeria
FH	Finance Houses
FIC	Financial Intelligence Centre
FNB	First National Bank
FSIs	Financial Soundness Indicators
f.o.b	Free on board
GACH	Ghana Automated Clearing House
GAT	Ghana Amalgamated Trust
GBP	British Pound Sterling
GCB	Ghana Commercial Bank
GCC	Governors Consultative Committee
GCI	General Capital Increase
GHC	Ghana Cedis
GHIPSS	Ghana Interbank Payment and Settlement Systems Limited
GHL	Ghana Home Loan
GIABA	Inter-Governmental Action Group against Money Laundering
GIP	GHIPSS Instant Pay
GIR	Gross International Reserves
GIRSAL	Ghana Incentive-based Risk Sharing System for Agricultural Lending
GIS	Ghana Interbank Settlement
GNPC	Ghana National Petroleum Corporation
GOG	Government of Ghana
GSE	Ghana Stock Exchange
GSE-CI	GSE Composite Index
IATF	Intra-African Trade Fair
ICRG	International Co-operation and Review Group
IFRS	International Financial Reporting Standards
IIF	Institute of International Finance
IMF	International Monetary Fund
IMFC	International Monetary and Financial Committee
IPO	Initial Public Offering
ISO	International Organization for Standardization
LC	Largely compliant
M1	Narrow Money
M2+	Broad Money Supply
MFIs	Microfinance Institutions
MIC	Months of Import Cover
mn	Million
MPC	Monetary Policy Committee
MPR	Monetary Policy Rate
NBFIs	Non-Bank Financial Institutions
NCA	National Communications Authority
NDA	Net Domestic Assets
NFA	Net Foreign Assets
NGOs	Non-Governmental Organisations
NIB	National Investment Bank
NIM	Net Interest Margin
NIR	Net International Reserves
NIS	Net Interest spreads
NPL	Non-Performing Loans
NRA	National Risk Assessment
OMNI	OMNIBANK
OPEC	Organization of Petroleum Exporting Countries
P&A	Purchase and Assumption
P&L	Profit & Loss
PBL	Prudential Bank Limited
PC	Partially compliant
POS	Point of Sale

PPE	Property, Plant and Equipment
PRMA	Petroleum Revenue Management Act
PWMD	Proliferation of Weapons of Mass Destruction
RBG	Royal Bank Ghana
RCBs	Rural and Community Banks
RISP	Regional Integration Strategy Paper
RMC	Regional Member Countries
ROA	Return on Assets
ROE	Return on Equity
ROEA	Return on Equity Assets
REO	Regional Economic Outlook
RTGS	Real Time Gross Settlement
S&L	Savings and Loans
SADA	Savannah Accelerated Development Authority
SBG	Stanbic Bank Ghana
SCB	Standard Chartered Bank
SDGs	Sustainable Development Goals
SDR	Special Drawing Rights
SG	Societe Generale
SMEs	Small and Medium-sized Enterprises
SSA	Sub-Saharan Africa
SSNIT	Social Security and National Insurance Trust
TOR	Tema Oil Refinery
UBA	United Bank for Africa
UMB	Universal Merchant Bank
US	United States
USD	United States Dollar
VMS	Vault Management Systems
WAIFEM	West African Institute for Financial and Economic Management
WAMA	West African Monetary Agency
WAMI	West African Monetary Institute
WAMZ	West African Monetary Zone
WEO	World Economic Outlook
ZBG	Zenith Bank

FOREWORD

Dr. Ernest K. Y. Addison
Governor

The global economy continued to expand during the year, albeit at a slower pace. The moderation in global growth was on account of uncertainties about Brexit negotiations, US-China trade tensions, and weakening financial market sentiments.

The domestic economy also grew at a slower pace during the year under review, even though the non-oil sector expanded at a faster rate over the period. The fiscal deficit narrowed, reflecting continued consolidation efforts by Government. Improvement in the external trade account led to a narrowing of the current account deficit. However, increase in net outflows in the income account led to renewed pressures on the domestic currency over the period.

Headline inflation fell within and remained in the Bank's medium-term target band of 8±2 per cent during the year. The attainment of the inflation target provided scope for monetary policy to transfer gains in price stability to the broader economy. Consequently, the Monetary Policy Committee reduced the Monetary Policy Rate (MPR) by a cumulative 300 basis points to 17.0 per cent by end-December. Lowering of the MPR during the year led to declines in the lending-deposit rate spread and interbank rates.

During the year, the Bank continued with the banking sector supervision and regulatory reform exercises. The recapitalisation exercise which increased the minimum paid-up capital for new and existing banks to GH¢400 million was completed in the review year. As part of the reform exercise, Consolidated Bank Ghana (CBG) Limited was granted a universal banking licence to assume the deposits and some selected assets of seven insolvent banks, while the application of one bank was approved to become a savings and loans company. In addition, one bank exited and three applications for mergers were approved. Following the reforms, there are now 23 well capitalised and solvent universal banks operating in Ghana. Overall, financial soundness indicators of the industry improved significantly. The on-going strengthening of the regulatory and supervisory framework will further develop, strengthen, and modernise the financial sector to support the country's economic vision and transformational agenda of Ghana beyond Aid.

Within the payment ecosystem, the Bank launched the Mobile Money Interoperability Project to establish interconnection between mobile money platforms and the Ghana National Switch. This was to enhance financial inclusion through mobile money usage. Additionally, the Bank drew up proposals and consolidated payment system laws and guidelines into the Payment Systems and Services Bill, 2018, in order to strengthen the framework of operations governing the sector.

Internally, the Bank took measures to strengthen its operational efficiency. It established the Ethics and Internal Investigations Office to enhance adherence to high ethical standards, and the Information Security Office to protect the Bank's digital information. In addition, it approved a new five-year strategic plan, dubbed "STAR 2022", to position the Bank as "an institution of excellence, respected and trusted by stakeholders".

Furthermore, the Bank continued to align its operations with international regulatory and supervisory standards, such as Basel II and III, Financial Action Task Force (FATF) recommendations, and the International Financial Reporting Standards (IFRS). In addition, to enhance financial stability and soundness within the banking sector, the Bank introduced the Corporate Governance Directive and the Cyber and Information Security Directive during the year.

In conclusion, I would like to express my appreciation to the Board of Directors, the Monetary Policy Committee, Management and Staff of the Bank for their hard work, support and commitment in a rather challenging year of banking sector, regulatory and supervisory reforms. Going forward, we will continue to rely on your dedication and continued support to push the frontier of Ghana's financial sector to new heights, and help further consolidate the gains made from improvements in the macroeconomic fundamentals to foster economic growth, and price and financial stability.

Thank you.

Dr. Ernest K.Y. Addison

BOARD OF DIRECTORS


Dr. Maxwell Opoku-Afari
First Deputy Governor


Dr. Ernest K. Y. Addison
Governor


Mrs. Elsie Addo Awadzi
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. Frances Van-Hein Sackey
Secretary to the Board

MANAGEMENT OF THE BANK

TOP MANAGEMENT

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

Dr. Maxwell Opoku-Afari
First Deputy Governor

Mrs. Elsie Addo Awadzi
Second Deputy Governor

Dr. Benjamin Amoah
Advisor

Mrs. Grace Akrofi
Advisor

Mrs. Frances Van-Hein Sackey
The Secretary

HEADS OF DEPARTMENT

Mr. Eric Koranteng
Governors

Mr. Stephen Amoh
Internal Audit

Mrs. Frances Van-Hein Sackey
Secretary's

Mr. Yaw Afrifa-Mensah
Security

Mr. Stephen Opata
Financial Markets

Ms. Sandra Thompson
Legal

Mrs. Caroline Otoo
Office of Ethics and Internal Investigations

Mr. John Fummey
Information Security Office

Mr. George Adu-Sefa
Corporate Management & Services

Ms. Gloria Quartey
Human Resource & Capacity Development

Mr. Michael Mensah
Information & Communication Technology

Mr. John Gyamfi
Currency Management

Mrs. Evelyn Kwatia
Risk Management

Mr. Philip Abradu-Otoo
Research

Dr. Settor Amediku
Payment Systems

Mr. Osei Gyasi
Banking Supervision

Mr. Joseph Amoa-Awuah
Other Financial Institutions Supervision

Mr. Charles Elias Reindorf
Finance

Dr. (Mrs.) Charlotte Osafo
Medical

Mr. Stephen Amegashie
Collateral Registry

Mr. Kennedy Akonnor Adu
Banking

Dr. Joseph France
Financial Stability

REGIONAL MANAGERS

Mr. Victor Kodjo Atta Akakpo
Hohoe, Volta Region

Mr. Emmanuel Adwini Boakye
Kumasi, Ashanti Region

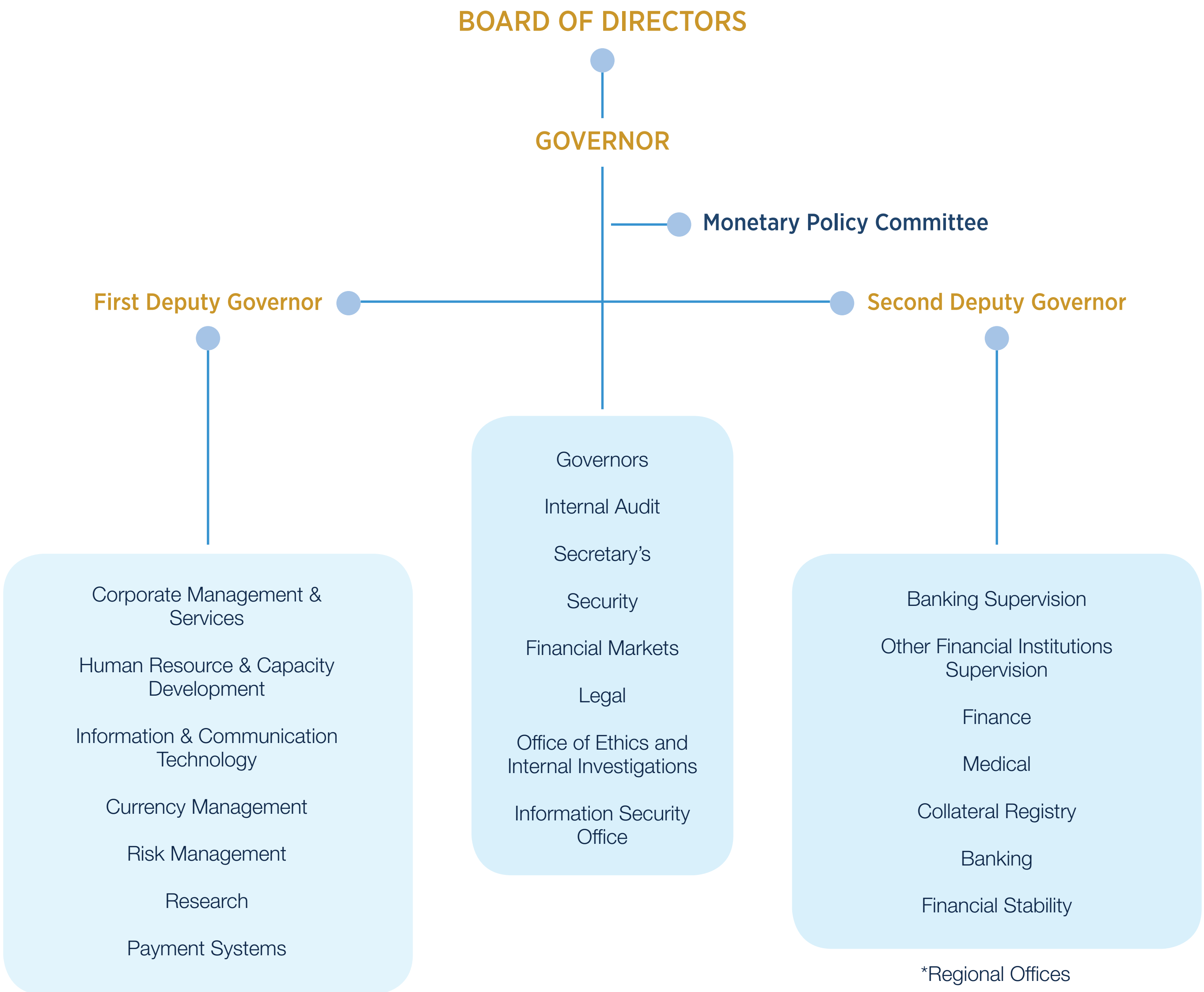
Mr. Kwasi Arthur Donkor
Sefwi-Boako Currency Office
Western Region

Mr. Alex Kwasi Donkor
Sunyani, Brong-Ahafo Region

Mr. Kofi Okwaben Assan
Takoradi, Western Region

Mr. Abdul-Aziz Mohammed
Tamale, Northern Region

ORGANISATIONAL STRUCTURE



* All under Banking Department

CHAPTER 1: GOVERNANCE

1.1 The Board of Directors

The governing body of the Bank, as stipulated in the Bank of Ghana Act, 2002 (Act 612), 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 one term only.

1.1.1 Membership of the Board

Dr. Ernest K. Y. Addison	Governor/Chairman
Dr. Maxwell Opoku-Afari	First Deputy Governor
Mrs. Elsie Addo Awadzi	Second Deputy Governor
Mr. Joseph Blignam Alhassan[1]	Non-Executive Director
Dr. (Sis) Eugenia Amporfu	Non-Executive Director
Dr. Samual Nii-Noi Ashong	Non-Executive Director
Mr. Charles Adu- Boahen[2]	Non-Executive Director
Mr. Andrew Boye-Doe	Non-Executive Director
Mr. Jude Kofi Bucknor	Non-Executive Director
Mr. Keli Gadzekpo	Non-Executive Director
Dr. Maria Hagan	Non-Executive Director
Mrs. Comfort F. A Ocran	Non-Executive Director
Dr. Kwame Owusu-Nyantekyi	Non-Executive Director

Secretary to the Board
Mrs. Frances Van-Hein Sackey[3]

1.1.2 Changes in Board Membership

Mrs. Elsie Addo Awadzi was appointed as Second Deputy Governor with effect from 12th February, 2018. She replaced Dr. Johnson Pandit Asiama, who resigned as Second Deputy Governor on 31st December, 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 established the following committees to assist in carrying out its functions:

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

Audit Committee

The Committee has oversight responsibility for the establishment of 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
Dr. Maxwell Opoku-Afari	Executive Attendee
Mrs. Elsie Addo Awadzi	Executive Attendee

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. (Sis) Eugenia Amporfu	Member
Mr. Andrew Boye-Doe	Member
Mr. Charles Adu-Boahen	Member
Dr. Maxwell Opoku-Afari	Member
Mrs. Elsie Addo Awadzi	Member

Strategic Planning and Budget Committee

The Committee provides policy direction on the formulation of strategy in the fulfilment of the Bank's

[1] Chartered Accountant [2] A representative of the Ministry of Finance, Deputy Minister
[3] Mrs. Frances Van-Hein Sackey replaced Mrs. Caroline Otoo in September 2018 as the Secretary to the Board.

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
Mrs. Elsie Addo Awadzi	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 but have the knowledge and experience relevant to the functions of MPC.

Members as at end-2018 were:

Dr. Ernest K. Y. Addison	Governor and Chairman
Dr. Maxwell Opoku-Afari	First Deputy Governor
Mrs. Elsie Addo Awadzi	Second Deputy Governor
Mr. Philip Abradu-Otoo[4]	Head, Research Dept.
Mr. Stephen Opata	Head, Financial Markets Dept.[5]
Dr. John K. Kwakye	External Member
Prof. Joshua Y. Abor	External Member

MEMBERS OF THE COMMITTEE

Dr. Ernest K. Y. Addison

Dr. Maxwell Opoku-Afari

Mrs. Elsie Addo Awadzi

Mr. Philip Abradu-Otoo

Mr. Stephen Opata

Dr. John Kwakye

Prof. Joshua Y. Abor

[4] Mr. Philip Abradu-Otoo replaced Dr. Benjamin Amoah in September 2018 as Head of Research Department
[5] Responsible for Treasury Operations.

CHAPTER 2: DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview

The global economic expansion that started in 2016 continued into the first half of 2018, but with moderated momentum during the second half of the year, amid uncertainties associated with US-China trade negotiations, Brexit, regulatory tightening in China, financial stress in Argentina and Turkey, and new fuel emissions standards on the Auto sector in Germany. The sharp decline in oil prices in the fourth quarter of 2018 also weighed on growth in emerging market oil-exporting countries.

2.2 World Output Growth

The International Monetary Fund (IMF) estimated global output growth at 3.6 per cent for 2018[6], lower than the 3.8 per cent in 2017. This reflected weakening financial market sentiment, trade policy uncertainty, concerns about China's outlook, and country specific factors such as new fuel emission standards in Germany, fiscal challenges in Italy, and natural disasters in Japan.

2.2.1 United States

In the US, real GDP growth remained relatively robust, supported by fiscal stimulus measures, improved business and consumer confidence sentiments, accommodative stance of monetary policy, and a strong labour market. Estimates showed that real GDP growth averaged 2.9 per cent in 2018, higher than the 2.2 per cent in 2017. (See Table 2.1)

2.2.2 Europe

The Eurozone real GDP growth in 2018 was 1.8 per cent, compared to 2.4 per cent recorded in 2017, reflecting a slowdown in external demand, weakening consumer and business confidence, fiscal challenges in Italy, street protests in France, and challenges with the implementation of new fuel emission standards in Germany.

2.2.3 Emerging Markets and Developing Economies

Economic activity in Emerging Market Economies (EMEs) slowed in 2018, with GDP growth estimated at 4.5 per cent, compared to the 4.8 per cent in 2017. China and India continued to grow at a solid rate. However, tighter financial conditions reflecting policy rate hikes in the US, contributed to disorderly and disruptive currency movements and weaker economic activity in Argentina and Turkey, and to some extent in Ghana as well.

2.2.4 Sub-Saharan Africa

In Sub-Saharan Africa (SSA), growth was estimated to have inched up marginally to 3.0 per cent in 2018, from 2.9 per cent in 2017. The pickup was driven by rising commodity prices, stronger household demand, and improved economic activity, mainly in Nigeria.

2.3 Global Consumer Prices

Global headline inflation picked up slightly in 2018, underpinned by solid economic expansion, narrowing of economic slack in advanced economies, and recovery in international commodity prices, especially that of crude oil. Headline inflation in advanced economies was estimated at 2.0 per cent in 2018, compared to 1.7 per cent in 2017. Similarly, inflation in emerging markets and developing economies increased to 4.9 per cent in 2018 from 4.3 per cent in 2017.

2.4 Commodity Markets

Developments in international commodity prices were mixed in 2018, underpinned by uncertainties surrounding Brexit negotiations, OPEC crude oil output cuts, geopolitical tensions in the global economy, and normalisation policy by the US Federal Reserve.

2.4.1 Crude Oil

Crude oil opened trading in 2018 at US$69.09 per barrel, but lost some grounds in February. Price regained momentum to trade above US$70.0 per barrel from May to peak at US$80.63 in October, after which it declined steadily to close the year at US$57.67. The average price for the year was US$71.53 per barrel, up by 30.6 per cent compared to 2017.

These developments were underpinned by the extension of crude oil production cuts by OPEC and its allies in 2018, sanctions on Iran, supply disruptions in Venezuela, and reduction in global demand emanating from the trade tensions between US and China.

2.4.2 Gold

Spot prices rose from end-2017 levels to trade above US$1,300 per fine ounce for the first-five months of 2018, on the back of strong demand from Asia and uncertainties emanating from tensions between US and North Korea, and Brexit fears. Consequently, prices fell to settle at US$1,198.14 in September due to increases in the US Fed's interest rates. The yellow metal regained its safe haven appeal, as stock prices plummeted, causing prices to increase gradually to end the year at US$1,251.11 per fine ounce. The average price for the year was US$1,269.33 per fine ounce, a marginal increase above the US$1,256.38 recorded at the end of 2017.

[6] World Economic Outlook (WEO, April 2019 Updates)

2.4.3 Cocoa

Cocoa futures recovered in 2018 from its low 2017 levels, as the bears were dislodged by the bulls. Prices ranged between US$1,940.52 and US$2,663.52 per tonne to end the year with an average price of US$2,314.57 per tonne compared to US$2,000.48 in 2017. The rally in prices in 2018 stemmed from low production in the 2017/2018 crop season in Ivory Coast and Ghana due to hot weather and the Harmattan. Prices were further boosted by the increase in demand and strong technical signals.

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

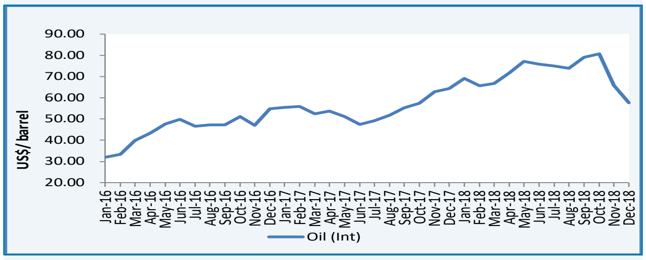


Chart 2.2: International Gold Prices (US$/fine ounce)

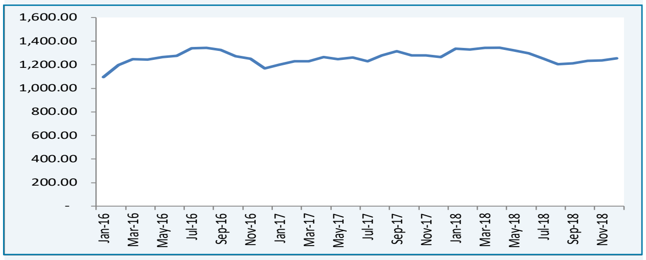
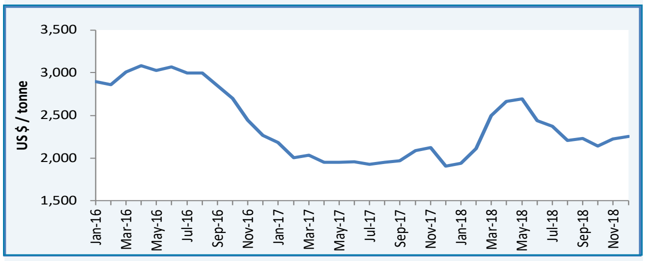


Chart 2.3: International Cocoa Prices (US$/tonne)



CHAPTER 3: DEVELOPMENTS IN THE GHANAIAN ECONOMY

3.1 Overview

Real economic growth in the domestic economy for 2018 was estimated at 6.3 per cent, down from 8.1 per cent in 2017. Non-oil GDP grew by 5.8 per cent in 2018 compared to 4.6 per cent in 2017 year-on-year. Headline inflation eased to 9.4 per cent in December 2018 from 11.8 per cent in the corresponding period in 2017, supported by tight monetary policy stance.

During the review year, the domestic currency (Ghana Cedi) traded relatively weakly, against the US dollar, largely due to the reaction of emerging markets to the normalisation of US Fed rates, external financing obligations and domestic demand pressures. The cedi recorded a cumulative depreciation of 8.4 per cent as against 4.9 per cent in 2017.

Government budgetary operations for 2018 recorded a deficit of 3.9 per cent of GDP, compared to 4.8 per cent in 2017. The deficit was financed from both domestic and foreign sources. Government's policy of re-profiling much of its domestic debt from the short-term to medium and long-term remained largely on track. The share of short-term debt declined to 12.7 per cent from 18.0 per cent, while those of medium- and long-term debt increased to 46.8 and 40.5 per cent in 2018 from 44.0 and 38.0 per cent in 2017, respectively.

The external trade balance recorded a surplus of US$1.78 billion, compared to a surplus of US$1.19 billion in 2017. The improvement resulted from increases in mainly oil and non-traditional export earnings. However, increases in net outflows outweighed the gains in the trade balance, leading to a current account deficit of 4.0 per cent of GDP, narrower than the 4.6 per cent recorded in 2017. Net inflow from the financial and capital account was US$1.4 billion. This was lower than the current account deficit of US$2.07 billion thus resulting in an overall Balance of Payments (BOP) deficit of US$671.50 million in 2018, against a surplus of US$1.09 billion in 2017.

Gross International Reserves (GIR) decreased by US$530 million to US$7.02 billion at end-December 2018, sufficient to provide import cover of 3.6 months, compared with a stock position of US$7.55 billion which provided 4.3 months of import cover at end-December 2017.

3.2 Monetary Policy

3.2.1 Monetary Policy Committee Meetings

The Monetary Policy Committee (MPC) held meetings in January, March, May, July, September, and November of 2018 to assess macroeconomic developments and risks to the inflation and growth outlook. At the January meeting, the monetary policy rate (MPR) was maintained at 20.0 per cent, but was reduced by 200 basis points at the March meeting, and further lowered by 100 basis points at the May meeting. The cumulative 300 basis points reduction in the MPR was underpinned by easing inflation pressures, with headline inflation reaching single digits in April and within the medium-term target band of 8±2 per cent. The MPR was maintained at 17.0 per cent at the subsequent MPC meetings in the year due to heightened external pressures arising from tightening global financial market conditions and trade tensions, which posed risks to the inflation outlook. (See Table 3.2)

Table 3.2: Monetary Policy Decisions in 2018

MPC Date	Policy Decision	MPR (%)
16 – 20 January	Maintained	20.0
20 – 24 March	Reduced	18.0
15 – 19 May	Reduced	17.0
16 – 20 July	Maintained	17.0
17 – 21 September	Maintained	17.0
19 – 23 November	Maintained	17.0

3.2.2 Summary of MPC Deliberations

January

At the first meeting in 2018, the Committee noted that the global economy continued to rebound, sustained by increased investments, manufacturing activity and trade, alongside general accommodative monetary policies. Although near-term growth risks were on the upside, the global outlook was still subject to substantial downside risks, including protectionism and geopolitical tensions.

The Committee viewed commodity prices as favourable, with the strong trade surplus impacting positively on the current account outturn, and a higher-than-programmed reserve build-up.

Notwithstanding the marginal upturn in headline inflation in the last two months of 2017, the relative stability of the exchange rate and fiscal consolidation efforts had all acted in concert to support a trend decline in headline and core inflation. The forecast also showed that inflation was likely to stay within the target band for the year. The realigning and scaling back of expenditures to address revenue shortfalls ensured that fiscal programme remained on track. Provisional estimates for overall real GDP growth for the third quarter of 2017 turned in strong on the back of oil exports and evidence from all leading indicators of growth.

The Committee's assessment was that, although inflation expectations appeared to be well-anchored, the emergence of underlying inflation pressures in the last two months of 2017 warranted some caution and decided to maintain the MPR at 20.0 per cent.

March

At the March MPC round, the Committee noted the strengthening of global economic activity in the first-two months of the year as favourable financing conditions, and improved business confidence and accommodative monetary policies boosted investment and consumer spending. Global inflation was gradually firming up in advanced economies, and was envisaged to result in a faster than anticipated monetary policy normalisation.

The external sector position continued to improve as prices of the country's major exports rebounded, with crude oil, in particular, delivering the most gains. The foreign exchange market experienced relative calm over the first quarter compared to the same period in 2017.

The Committee noted that the decline in headline inflation was in line with the Bank's forecasts. Core inflation also eased over the period, with broad decline in inflation expectations across all sectors. The trend decline in headline inflation broadly reflected the tight monetary policy stance and relative stability in the exchange rate.

In its assessment, the Committee indicated that the latest forecast suggested that the medium-term inflation target of 8±2 per cent was likely to be attained within the forecast horizon. This, therefore, provided some scope to ease monetary policy in order to realign interest rates and translate the gains from disinflation to the market. Consequently, the MPC reduced the MPR by 200 basis points to 18 per cent.

May

The Committee observed that global growth was expected to strengthen in the near-term, supported by positive business and consumer confidence and expectations of stronger profitability. Although global financing conditions remained favourable, the strengthening of the US dollar, rising oil prices and US long-term yields were beginning to exert pressures on emerging market currencies. Inflation picked up in major advanced economies and in most commodity importing emerging markets due to higher oil prices and narrowing output gaps.

The external sector performance improved as prices of the major exports firmed up across the board. The strong external position translated into trade and current account surpluses, with some appreciation in the local currency.

The Committee observed that inflation expectations remained subdued. Underlying inflation pressures were broadly contained, as reflected in the Bank's measures of core inflation and inflation expectations.

The Bank's updated Composite Index of Economic Activity (CIEA) pointed to some moderation in economic activity during the first quarter of 2018. However, the business and consumer confidence surveys showed continued optimism based on an improvement in macroeconomic fundamentals and realised expectations.

In assessing the economic outlook, the Committee noted that although fiscal performance indicated continued consolidation, revenue mobilization concerns still remained. The Committee further noted that the risks to the inflation outlook were subdued over the forecast horizon, but changes in global financing conditions and its impact on emerging market asset classes required some vigilance. Given these considerations, the Committee judged that the downside risks to growth outweighed the upside risks to the inflation outlook, and, therefore, reduced the MPR by 100 basis points to 17.0 per cent.

July

The Committee noted that global economic activity was strengthening, although risks were mounting in the medium term. While economic activity remained strong in the United States, growth was sluggish in the United Kingdom, Euro Area and Japan. Global inflation had picked up in most advanced economies, driven mainly by wage dynamics as labour market conditions tightened and crude oil price increased.

The foreign exchange market experienced some pressures with the strengthening of the US dollar and reverse capital inflows weighing down on emerging market assets. The Committee noted the uptick in headline inflation, following increases in administered prices. However, underlying inflationary pressures were subdued, as inflation expectations remained well-anchored with declining core inflation.

The Committee noted that real GDP growth was strong in the first quarter and was projected to remain high, although private sector credit growth was below expectations. However, there were emerging signs of recovery, evidenced by easing credit stance on loans to households.

The Committee concluded that the rise in inflation was not significant enough to alter the disinflation path over the medium term. Consequently, the MPR was maintained at 17 per cent.

September

At this sitting, the Committee noted the continued global growth momentum, underscored by a rebound in economic activity in advanced economies. However, there were risks in the outlook, including the trade dispute between the US and China, rising oil prices, and financial market volatilities.

The Committee viewed developments in the external sector as favourable, with a strong trade surplus outturn driven by higher oil exports. However, deterioration in the current and capital accounts resulted in an overall balance of payments deficit for the first-half of the year, leading to a drawdown in reserves.

The Bank's leading indicator confirmed a fairly robust economic activity, though below 2017 levels. However, the growth outlook was masked by uncertainty surrounding the impact of higher petrol prices, exchange rate depreciation and tightened credit stance of banks on economic activity.

The Committee observed that the forecast affirmed a slowdown in the pace of disinflation, due to the second round effects of the recent increases in petroleum prices, exchange rate depreciation, taxes, global inflation, and tight global financing conditions. The forecast also showed that inflation was likely to stay within the target band in the medium-term.

In concluding its assessment, the Committee noted that risks to growth and inflation were balanced, and, therefore, maintained the MPR at 17 per cent.

November

At its last meeting, the Committee observed a moderation in global growth momentum, amid escalating trade tensions, rising global inflation, and financial market volatilities. The normalisation of US monetary policy strengthened the dollar, triggered portfolio reversals and resulted in weaker local currencies in emerging and developing markets.

Headline inflation declined steadily and stayed within the medium-term target band of 8±2 per cent. Underlying inflation pressures had also eased, as reflected in the Bank's measures of core inflation. In line with developments in the headline and core inflation, businesses and the financial sector inflation expectations remained well-anchored.

The Committee noted that the 2019 budget sought to provide some fiscal impulse to boost economic expansion, especially in the non-oil sector. While execution of the 2018 budget had been affected by lower-than-projected revenue, indications were that fiscal consolidation was broadly on track.

The Committee judged that the risks in the outlook to inflation and growth were balanced and, therefore, maintained the MPR at 17.0 per cent. (See Chart 3.1)

3.3 Developments in Money, Credit and Interest Rates

3.3.1 Money Supply

Annual growth in broad money supply (M2+) was 15.7 per cent in 2018, compared to 16.7 per cent in 2017. This was driven by a 37.0 per cent growth in Net Domestic Assets (NDA), but partially mitigated by a 31.1 per cent contraction in Net Foreign Assets (NFA). The stock of broad money supply (M2+) at end-December 2018 was GH¢76.55 billion.

Reserve money grew by 4.7 per cent to GH¢22.47 billion in 2018 compared with a stock position of GH¢21.46 billion in 2017. (See Table 3.3)

3.3.2 Deposit Money Banks' Credit

The annual growth rate of banks' outstanding credit increased to 12.9 per cent at end-2018 from 6.8 per cent at end-2017. At the end of 2018, total outstanding credit stood at GH¢42.72 billion. In real terms, growth in credit from banks increased to 3.2 per cent in 2018 from a contraction of 4.5 per cent in 2017. (See Table 3.4)

The share of total outstanding credit to the private sector decreased to 88.0 per cent in 2018 from 89.8 per cent in 2017. The growth in outstanding credit to the private sector was 10.6 per cent in 2018 compared to 13.4 per cent in 2017. Total outstanding credit to the private sector at the end of 2018 stood at GH¢37.59 billion. In real terms, the annual growth rate of outstanding credit to the private sector was 1.1 per cent in 2018, down from 1.4 per cent in 2017. (See Chart 3.2)

The top-three beneficiary sectors of annual flow of private sector credit in 2018 were Services, Manufacturing, and Commerce & Finance.

3.3.3 Domestic Money Market

Total value of trades in the inter-bank market was GH₵76.96 billion at end-December 2018, with a weekly average of GH₵1.48 billion recorded during the review

Table 3.4: DMBs Credit: Sectoral Distribution

	Levels			Year-On-Year Variation (%)		
	Dec-16	Dec-17	Dec-18	Dec-16	Dec-17	Dec-18
Public Sector	5,425.5	3,842.5	5,131.2	39.3	(29.2)	33.5
Private Sector	29,983.5	33,987.0	37,593.2	14.4	13.4	10.6
Agric, For. & Fish	1,130.6	1,343.7	1,428.2	10.8	18.8	6.3
Export Trade	162.3	311.9	319.1	11.9	92.2	2.3
Manufacturing	2,576.0	2,930.2	3,975.1	9.0	13.8	35.7
Trans.,Stor., & Comm.	1,262.2	2,272.8	2,831.5	7.9	80.1	24.6
Mining & Quarrying	694.8	1,098.4	1,375.7	21.7	58.1	25.2
Import Trade	2,048.4	1,877.1	1,358.7	(4.3)	(8.4)	(27.6)
Construction	3,133.6	3,763.3	3,719.9	13.5	20.1	(1.2)
Commerce & Finance	6,803.3	7,072.3	7,684.9	57.9	4.0	8.7
Elect., Gas & Water	3,445.6	2,897.6	2,863.1	4.2	(15.9)	(1.2)
Services	5,591.1	6,238.2	7,978.9	(4.7)	11.6	27.9
Miscellaneous	3,135.6	4,181.6	4,058.1	23.0	33.4	(3.0)
Total Outstanding Credit	**35,409.0**	**37,829.5**	**42,724.4**	**17.6**	**6.8**	**12.9**

year. The total value of trades at end-December 2017 was GH₵75.20 billion, with a weekly average of GH₵1.40 billion.

3.3.4 Interest Rates

The MPR continued to trend downwards in 2018. It was reduced cumulatively by 300 basis points to 17 per cent. For 2017, the MPR was cumulatively reduced by 550 basis points.

The interbank weighted average interest rate decreased by 322 basis points to 16.12 per cent in December 2018. On the treasury market, however, interest rates showed mixed trends on a year-on-year basis. (See Chart 3.3)

3.4 Stock Market Developments

Activities on the Ghana Stock Exchange were affected by the financial sector challenges and unfavourable global events such as international trade tensions, US Fed rate hikes, and the depreciation of the local currency, the cedi. The GSE Composite Index (GSE-CI) contracted by 0.3 per cent in year-on-year terms compared to a growth of 52.7 per cent in 2017. (See Chart 3.4)

Total market capitalisation of the GSE in 2018 grew by 4.0 per cent to GH¢61.14 billion, driven mainly by the IPO of MTN Ghana. However, this growth was lower than the 11.6 per cent in 2017. (See Table 3.5)

3.5 Price Developments

Year-on-year headline inflation eased to 9.4 per cent in December 2018 from 11.8 per cent in December 2017, supported by the relatively tight monetary policy stance maintained throughout the year. The decline was driven by non-food inflation, which fell to 9.8 per cent in December 2018 from 13.6 per cent in December 2017. In contrast, food inflation was persistent, moving up to 8.7 per cent from 8.0 per cent. (See Table 3.6)

The Bank's main measure of core inflation, which excludes energy and utility, fell to 10.4 per cent in December 2018 from 12.6 per cent a year earlier, reflecting dampening of underlying inflation pressures. (See Chart 3.5)

3.6 Fiscal Developments

3.6.1 Budgetary Outturn

Total government receipts amounted to GH¢47.64 billion (16.0% of GDP) compared to GH¢41.50 billion (16.2% of GDP) in 2017. Total government payments for the year amounted to GH¢58.20 billion (19.4% of GDP) compared to GH¢51.99 billion (20.3% of GDP). Consequently, the Government's budgetary operations for 2018 recorded a deficit of 3.9 per cent of GDP as compared to a deficit of 4.8 per cent in 2017. The deficit was financed from both domestic and foreign sources. (See Table 3.7)

3.6.2 Domestic Debt

The stock of domestic debt was GH¢86.78 billion (28.9% of GDP) at end-December 2018, compared to GH¢66.54 billion (25.9% of GDP) at end-December 2017. The rise in the debt stock for the review period resulted from increases of GH¢11.28 billion and GH¢9.92 billion in the medium- and long-term securities respectively. This was, however, moderated by a decrease in the short-term instruments by almost GH¢1.0 billion. (See Table 3.8)

Chart 3.1: Monetary Policy Rate Trend (%), January 2015 – December 2018

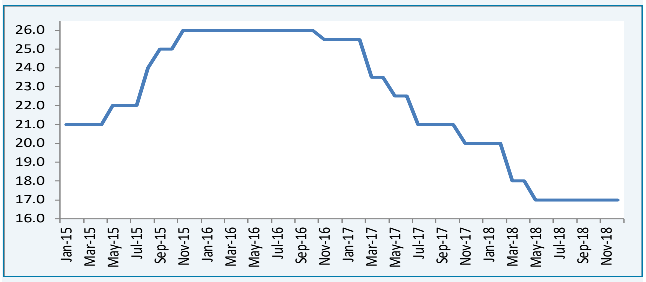


Chart 3.2: Allocation of Annual Flow of Credit to the Private Sector

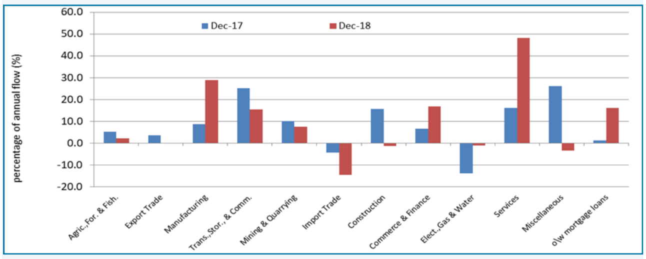


Chart 3.3: Yield Curve (%)

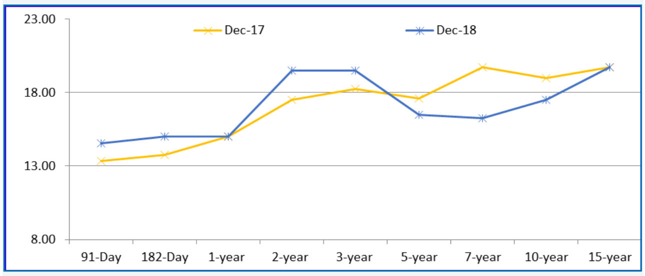
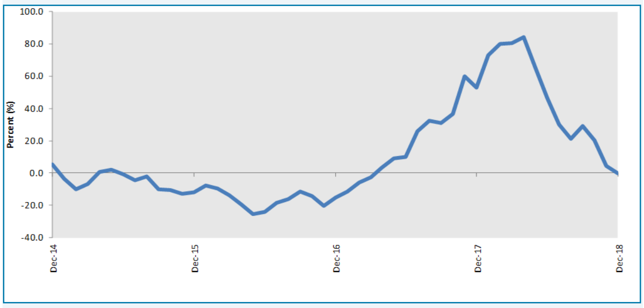


Chart 3.4: GSE Composite Index (Year-on-year change, %)



3.6.3 Holdings of Domestic Debt

The share of the Bank of Ghana's holdings of domestic debt increased to 19.7 per cent at end-December 2018, from 19.5 per cent at end-December 2017. Similarly, the Deposit Money Banks' (DMBs) holdings went up to 24.9 per cent, from 15.5 per cent. SSNIT's holdings, however, decreased to 0.9 per cent from 2.1 per cent. The share of Non-Residents' holdings also decreased to 30.0 per cent, from 38.6 per cent. (See Table 3.9a & 3.9b)

3.7 External Sector Developments

3.7.1 The Current Account

The current account deficit improved to 4.0 per cent of GDP in 2018 from 4.6 per cent of GDP in 2017. This development was as a result of an improvement in the trade balance.

3.7.1.1 Merchandise Trade Balance

The trade balance recorded a surplus of US$1.78 billion, compared to a surplus of US$1.19 billion in 2017. The improvement resulted from increases in oil, timber & timber products, and non-traditional export earnings.

Merchandise Exports

The value of merchandise exports for the year was estimated at US$14.87 billion, an increase of 7.5 per cent over the value of US$ 13.84 billion recorded in 2017.

Gold Exports

Gold export earnings in 2018 amounted to US$5.46 billion compared to US$5.79 billion in 2017. The decline was largely driven by a shortfall in volumes. The volume of gold exported decreased by 7.6 per cent to 4,264,664 fine ounces, while the average realised price increased by 2.1 per cent to US$1,280.61 per fine ounce.

Crude Oil Exports

The value of crude oil exported was estimated at US$4.57 billion in 2018 compared to US$3.12 billion in 2017. The average realised price of oil increased by 31.1 per cent to US$71.64 per barrel in 2018. Volume exported also improved by 12.0 per cent to 63,838,138 barrels in 2018.

Export of Cocoa Beans and Products

Exports of cocoa beans and products amounted to US$2.09 billion compared to US$2.66 billion in 2017, representing a decrease of 21.4 per cent. Cocoa beans exports amounted to US$1.32 billion, a decrease of 30.8 per cent compared to the value in 2017. Prices of cocoa beans dropped significantly by 20.7 per cent to US$2,156.36 per tonne, and export volume also decreased by 12.7 per cent to 611,231 tonnes. Earnings from the export of cocoa products, however, increased by 2.1 per cent to US$773.53 million.

Export of Timber & Timber Products

Export of timber and timber products export increased by 3.0 per cent to US$221.35 million. The average realised price increased by 5.6 per cent to US$670.73 per cubic metre in 2018 from US$634.92 per cubic metre in 2017. The volumes exported, however, decreased to 330,010 cubic metres from the 2017 level of 338,581 cubic metres.

Other Exports

The value of "other exports" made up of non-traditional exports, electricity, and other minerals (aluminium alloys, bauxite, diamond and manganese) was estimated at US$2.52 billion, 22.5 per cent higher than the outturn in 2017.

Merchandise Imports

The value of total merchandise imports for 2018 was estimated at US$13.09 billion, an increase of 3.5 per cent compared to the outturn in 2017 of US$12.65 billion.

Oil Imports and Non-Oil Imports

The value of oil imports (comprising crude oil, natural gas and finished products) increased to US$2.54 billion in 2018 from US$1.99 billion in 2017, driven by higher oil prices on the international market and increased volume demand. Non-oil imports for 2018 were US$10.55 billion, a decrease of 1.0 per cent from the 2017 position of US$ 10.66 billion.

3.7.1.2 Services, Income and Current Transfers

The services, income and transfers account recorded a deficit of US$3.85 billion, a deterioration of US$660.91 million compared to the deficit recorded in the preceding year. The services and income account recorded net outflows (payments) of US$6.43 billion in 2018 compared to US$5.61 billion in 2017. Net inflows into the current transfers account improved to US$2.58 billion in 2018 from US$2.42 billion in 2017.

3.7.2 Capital and Financial Account

The capital and financial account recorded a net inflow of US$1.61 billion, representing a decline of 46.5 per cent over the outturn for 2017. The capital account received net inflows of US$257.76 million in 2018 compared to US$242.20 million in 2017. The financial account recorded a net inflow of US$1.35 billion compared to US$2.77 billion recorded in 2017. Foreign direct investment and portfolio investment recorded lower net inflows.

3.7.3 Balance of Payments

The overall Balance of Payments (BOP) recorded a deficit of US$671.52 million in 2018, compared to a surplus of US$1.09 billion in 2017. The decline was on account of decreased net inflows in the capital and financial account.

3.7.4 International Reserves

The stock of Net International Reserves (NIR) at end-December 2018 was estimated at US$3.85 billion, down from a stock position of US$4.52 billion at end-December 2017.

Gross International Reserves (GIR) decreased by US$530.06 million to US$7.02 billion at end-December 2018. This was sufficient to provide cover for 3.6 months of imports compared to a stock position of US$7.55 billion, providing 4.3 months of import cover at end-December 2017. (See Table 3.10 & 3.11) (See Chart 3.6)

3.8 Foreign Exchange Market Developments

The foreign exchange market experienced some volatility during the year under review, due to both internal and external developments. For the first-four months of the year, the Ghana cedi performed strongly against the major trading currencies. It appreciated by 0.2 per cent against the US dollar and depreciated by lower rates against the pound sterling and the euro, when compared to the preceding year. However, by September 2018, the Ghana cedi had lost 7.6 per cent of its value against the US dollar, largely due to a stronger US dollar and rising yields on US securities, following the normalisation of US monetary policy. Also, there was increased foreign exchange demand by the corporate sector to meet external financing obligations.

As a result of improved inflows in the last quarter, the pace of depreciation slowed, with the cedi depreciating cumulatively by 8.4 per cent against the U.S. dollar at the end of 2018, compared to 4.9 per cent in 2017. Against the pound sterling, the cedi depreciated by 3.3 per cent compared to 12.9 per cent in the previous year. Similarly, the cedi depreciated against the euro by 3.9 per cent compared to 16.2 per cent in 2017. The depreciation rates against the pound sterling and the euro in 2018 were the lowest recorded since 2013. (See Chart 3.7) (See Table 3.12)

3.9 External Debt

At end-December 2018, the stock of external debt increased by 4.3 per cent to US$17.9 billion. The external debt stock represented 28.9 per cent of GDP.

The holders of external debt, by share, at end-December 2018 were as follows: multilateral holders, 36.1 per cent; international capital market, 27.3 per cent; commercial creditors, 13.0 per cent; other concessional, 9.5 per cent; export creditors, 6.9 per cent; and bilateral holders, 6.7 per cent. (See Table 3.13) (See Chart 3.8 & 3.9)

Chart 3.5: Headline, Food and Non-food Inflation (y/y, %)

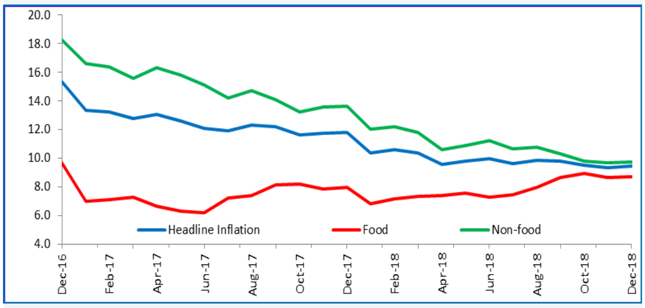


Chart 3.6: GIR and Import Cover, Dec. 2016 – Dec. 2018

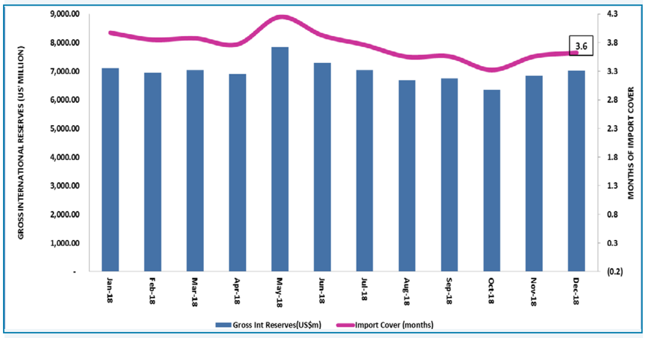


Chart 3.7: Interbank Exchange Rate (Year-on-Year Change, %)

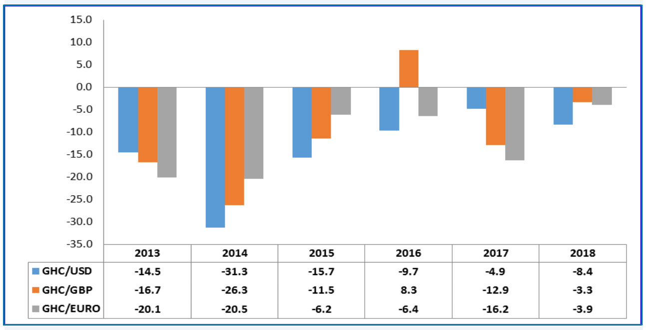


Chart 3.8: Total External Debt (US$ million)

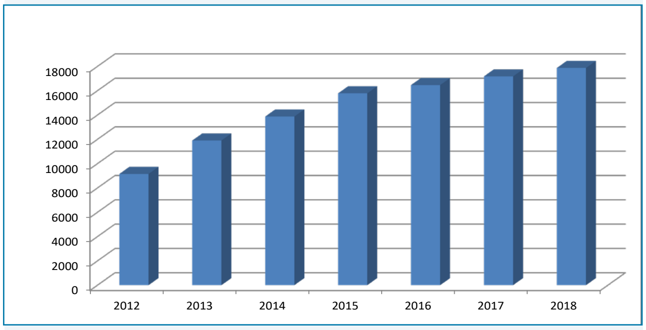
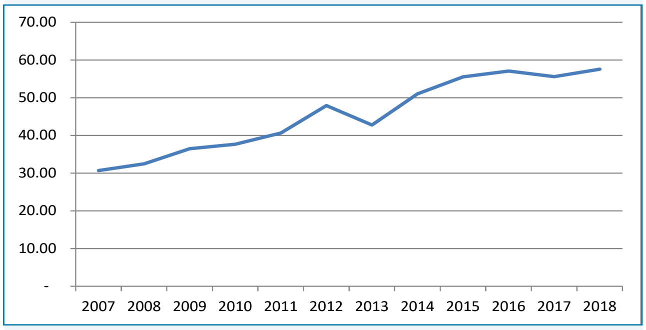


Chart 3.9: Total External Debt (US$ million)



CHAPTER 4: DEVELOPMENTS IN BANKS AND OTHER BANK OF GHANA LICENSED FINANCIAL INSTITUTIONS

4.1 Overview

In 2018, the banking industry remained generally safe and sound, despite the challenges that confronted some banks, in terms of solvency and liquidity. Cyber and Information Security breaches, however, continued to pose risks to the industry, which led to the introduction of the Cyber and Information Security Directive (CISD) by the Bank. Although the key performance indicators were positive on account of macroeconomic stability and improvement in the legal and regulatory environment, there were signs of stress. High non-performing assets remained the main source of risk.

The Bank pursued a number of policy initiatives aimed at promoting the safety, soundness, and stability of the banking industry. The Bank continued to implement the Banks and Specialised Deposit-Taking Institution Act, 2016 (Act 930), and showed strong commitment to the implementation of international regulatory and supervisory standards, such as the Basel II and III, International Financial Reporting Standards (IFRS) with emphasis on IFRS 9, and Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT), among others.

Also, in sanitizing the banking system, the Bank revoked the licences of eight banks[7], and granted a universal banking licence to Consolidated Bank Ghana (CBG) Limited, established by the Government, to assume all deposits and some selected assets of seven defunct banks. One bank was granted a savings and loan licence.

During the year under review, the Bank took part in all the scheduled meetings of the College of Supervisors of the West African Monetary Zone (CSWAMZ) as part of its commitment to the College's core mandates, which include the harmonization of supervisory practices, deepening of supervisory cooperation through the exchange of information, and joint cross-border supervision within the Zone.

4.2 Regulatory Developments

There were major regulatory developments in the course of the year aimed at strengthening the industry which are as follows:

4.2.1 Restructuring and Recapitalisation of the Banking Sector

In August 2018, the Bank resolved five banks by revoking their licences and granted a universal banking licence to Consolidated Bank Ghana (CBG) Limited, established by the Government, to assume all deposits and some selected assets of the defunct banks.

In 2017, the Bank of Ghana announced a new minimum paid-up capital of GH¢400 million for all universal banks, to be met by December 31, 2018. At the end of the target date, 16 banks had fully complied with the directive on the new minimum paid-up capital, either through capitalisation of income surplus or fresh capital injection, or a combination of both. Three applications for mergers involving six banks, to help them meet the requirement, were approved by the Bank. Also, Government facilitated the incorporation of a special purpose holding company, named Ghana Amalgamated Trust (GAT) Limited, to assist five indigenous banks to meet the recapitalisation requirements. The Bank of Baroda, an Indian Government-owned bank, exited the Ghanaian banking space on strategic grounds. The licences of three banks were revoked for non-compliance and the selected assets and liabilities of two of the defunct banks were taken over by CBG. The Bank of Ghana approved an application to reclassify the third defunct bank (GN Bank) as a Savings and Loans Company. All the above developments culminated in the reduction of the number of universal banks from 34 to 23.

4.2.2 Financial Regulation and Supervision

IFRS Implementation

Significant progress was made in the implementation of IFRS 9 and IFRS 16. Banks were made to disclose the impact of IFRS 9 on their 2017 financial statements and on quarterly unaudited financial statements for 2018. On IFRS 16, banks were directed to conduct an impact assessment on their Profit and Loss (P&L), Capital Adequacy Ratio (CAR), and leverage ratio. Furthermore, the Bank commenced a review of its Guide for Financial Publications for financial institutions, in accordance with the requirements of IFRS 9 and IFRS 16.

Basel II & III Implementation

As part of measures to strengthen its regulatory and supervisory framework under Act 930, the Bank of Ghana continued with the implementation of the risk-based Capital Requirements Directive (Basel II and III). Work on the final Capital Requirements Directive, meant to ensure banks align their risks with capital, was completed and issued to the industry.

AML/CFT

During the review period, the Bank of Ghana, in collaboration with the Financial Intelligence Centre (FIC), issued guidelines on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) and the Proliferation of Weapons of Mass Destruction (PWMD) to banks and other financial institutions to assist in the implementation of licensed institutions' AML/CFT compliance programmes. The guidelines

[7] The Royal Bank, UniBank, Construction Bank, Beige Bank Limited, Sovereign Bank, Heritage Bank, Premium Bank, GN Bank

were issued to operationalise the Banks & Specialised Deposit Taking Institutions, Act 2016, (Act 930), and Anti-Money Laundering Act, 2008 (Act 749) as amended. Furthermore, the Bank commenced the imposition of administrative sanctions and penalties for AML/CFT infractions. The Bank of Ghana also started working on a risk-based AML/CFT supervision framework for the savings and loans sub-sector.

Other Directives

The Bank additionally issued directives on Corporate Governance, Cyber and Information Security, Ghana Reference Rate, and exposure drafts to the public for comments on the following: Fit and Proper, Mergers and Acquisitions, Financial Holding Companies, and Voluntary Winding Up, among others. The Bank further published a new directive to strengthen compliance with the Foreign Exchange Act, 2006 (Act 723).

4.3 Banks and Other Bank of Ghana Licensed Financial Institutions

4.3.1 Assets and Liabilities of Banks

Total assets of the banking sector grew by 14.7 per cent to GH¢107.34 billion by end-December 2018. This was on account of increases in Cash and Bank Balances of 21.9 per cent to GH¢29.63 billion and investments of 27.3 per cent to GH¢38.20 billion, as against increases of 8.9 per cent and 24.9 per cent, respectively in 2017. Banks' credit stance tightened on year–on-year basis. Growth in Loans and Advances declined marginally to 0.7 per cent from 1.1 per cent in the previous year, due mainly to the fact that a portion of the outstanding bad loan portfolio of some defunct banks had been transferred to the Receivers as part of the bank resolution process.

The ratio of total earning assets (Loans & Advances and Investments) to total assets increased marginally to 65.2 per cent in 2018 from 64.3 per cent in 2017. The funding sources of total assets were mainly Deposits and Paid-up Capital, which increased by 17.3 per cent and 137.6 per cent in 2018, compared with 10.5 per cent and 14.7 per cent in 2017, respectively.

4.3.2 Financial Soundness Indicators of Banks

Profitability

Key measures of profitability of banks as at end-December 2018 declined across board compared to the previous year's position. (See Table 4.2)

Solvency

Solvency of the banking sector improved during the year. The average Capital Adequacy Ratio (CAR) as at end-December 2018 increased to 19.3 per cent, compared with 15.6 per cent in 2017, significantly above the prudential requirement of 10 per cent. The banks' equity position increased significantly compared with the previous position. From GH¢12.3 billion in 2017, shareholders'

Table 4.2: Profitability Indicators

Indicators (%)	2014	2015	2016	2017	2018
Return on Equity	32.3	21.4	17.3	18.7	18.5
Return on Assets	6.4	4.5	3.82	3.6	3.4
Return on Earning Assets	8.6	6.1	5.07	4.7	4.6
Net Interest Spread (NIS)	12.9	12.5	11.4	10.2	9.5
Cost to Income Ratio	49.2	53.2	57.4	59.0	58.3
Net Interest Margin (NIM)	13.6	13.8	13.0	11.0	9.5

Table 4.3: Solvency Indicators

Indicators (%)	2014	2015	2016	2017	2018
CAR (%)	17.92	18.31	17.64	15.62	21.90
Net worth(GH¢' mn)	7,369	9,209	10,984	12,271	16,928
NPL (%)	10.98	14.67	17.30	21.59	18.19

Table 4.4: Liquidity Indicators (%)

Indicators (%)	2014	2015	2016	2017	2018
Liquid Asset/Total Deposits				85.3	91.5
Liquid Asset/Volatile Funds				156.0	162.0

Table 4.6: Lending Institutions and Number of Registered Security Interests

Lending Institutions	Registered Security Interests	% Shares
NBFIs	58,046	70.53
RCBs	9,498	11.54
Banks	7,583	9.21
MFIs	5,765	7.00
Micro-Credit Companies	1,260	1.53
Non-Resident Foreign Banks	76	0.09
Investment Firms	39	0.05
Financial NGO's	21	0.03
Insurance Firms	2	0.00
Other Companies	12	0.01
Total	82,302	100.00

Table 4.7: Registered Collaterals Assets Pledged

	Registered Security Interests	% Shares
Individuals	68,969	83.8
SMEs	9,053	11.0
Associations/Unions	1,399	1.7
Government Institutions	82	0.1
Other Institutions	2,798	3.4
Total	82,302	100.0

Table 4.8: Performance Indicators of Collateral Registry

Indicators	2017	2018
Registered Security Interests	57,509	82,302
Searches	25,049	36,889
Collaterals	171,551	224,583
Realizations Without Court Order	231	168

funds increased to GH¢16.9 billion in 2018. Asset quality also improved, with the non-performing loans (NPL) ratio declining to 18.2 per cent from 21.6 per cent over the same period in 2017, reflecting implementation of Bank of Ghana's loan-loss write-off policy. (See Table 4.3)

Liquidity

The banks remained broadly liquid in 2018. Liquid assets to total deposits ratio increased to 91.5 per cent at end-December 2018 from 85.3 per cent in 2017. Liquid assets to volatile funds ratio also increased to 162.0 per cent in 2018 compared to 156.0 per cent in 2017. (See Table 4.4)

4.3.3 Other Bank of Ghana Licensed Financial Institutions

These institutions are licensed by the Bank to undertake deposit and non-deposit taking activities. The sector comprises Savings and Loans companies (S&L), Finance Houses (FH), Mortgage Finance companies, Leasing Companies, Rural and Community Banks (RCBs), and Microfinance Institutions (MFIs). Their combined assets at end-December 2018 stood at GH¢16.5 billion, decreasing from the previous position of GH¢17.1 billion, and represented 13.3 per cent of the industry's total assets.

The major source of funding for the sector was deposits from S&L subsector (Dec. 2018: GH¢6.6 billion), which funded 40.0 per cent of the total assets of the other licensed institutions. Deposits increased by 38.8 per cent, year-on-year, to GH¢14.7 billion relative to 19.8 per cent growth recorded in the previous year.

Non-Bank Financial Institutions

The Non-Bank Financial Institutions (NBFIs) sub-sector comprises Savings and Loans Companies (S&L), Finance Houses (FH), Mortgage Finance Companies, and Leasing Companies. At end-December 2018, the combined assets of this sub-sector stood at GH¢11.4 billion, decreasing from GH¢12.2 billion in the preceding year. This represented a fall in year-on-year growth of 6.5 per cent at end-December 2018 compared to a growth rate of 31.6 per cent at end-December 2017. The asset size of the NBFIs constituted 9.2 per cent of the industry's assets in 2018 compared to 10.9 per cent in 2017. The major source of funding for the sub-sector was deposits, which funded 55.6 per cent of total assets.

Rural and Community Banks

During the year under review, three licenses were granted, bringing the total number of licensed Rural and Community Banks (RCBs) to 144. The total assets of the sub-sector stood at GH¢4.1 billion, reflecting an annual growth of 13.7 per cent over the 2017 level. Deposits remained the prime funding source for assets, accounting for 80.9 per cent of the total assets. The CAR of RCBs at end-December 2018 was 10.5 per cent, marginally above the prudential requirement of 10.0 per cent. NPL ratio improved to 12.6 per cent in 2018, down from 13.0 per cent in 2017.

Microfinance Institutions

The total number of licensed MFIs was 566 as at 31st December, 2018, same as in the previous year. The MFIs comprised 484 Microfinance Companies, 70 Money Lending Companies, and 12 Financial NGOs.

The total assets of the reporting 253 MFIs was GH₵999.0 million. The share of Deposit-Taking MFIs was GH¢818.0 million (81.9%) whilst the total assets attributable to Non-Deposit Taking MFIs was GH¢181.0 million (18.1%). Deposits remained the dominant source of funding of total assets and constituted 58.3 per cent of total liabilities. The CAR of the deposit-taking MFIs was 8 per cent at end-December, 2018. NPLs ratio of MFIs in 2018 was 19.2 per cent compared to 19.7 per cent in 2017. (See Table 4.5)

Forex Bureaux

The total number of licensed forex bureaux as at 31st December, 2018 was 420, down from 431 in 2017. The difference resulted from the revocation of the licenses of nine forex bureaux and two voluntary closures.

4.3.4 Collateral Registry

Security interests registered in 2018 totalled 82,302, indicating an annual increase of 43.1 per cent. NBFIs dominated registrations with 58,046 security interests. This was followed by RCBs (9,498), universal banks (7,583) and MFIs (5,765). The rest were micro-credit companies (1,260), non-resident foreign banks (76), investment firms (39), financial NGO's (21), insurance firms (2), and other companies (12). A total of 224,583 assets of borrowers were encumbered, up from 171,551 recorded in 2017. This includes movable assets of 198,255, immovable assets of 9,768 with the remaining 16,560 being company assets registered as grouped collaterals by lenders. (See Table 4.6)

For the period under review, 83.8 per cent of the registered collaterals were assets pledged by individuals to secure loans, 11.0 per cent by SMEs, 1.7 per cent by associations/unions, 0.1 per cent by government institutions, and 3.4 per cent by other institutions (i.e. large enterprises). (See Table 4.7)

A total of 36,889 searches were conducted in 2018, compared to 25,049 recorded in 2017. Out of this figure, 36,804 were conducted by institutions setup on the Collateral Registry System (CRS), while 85 were done by the general public and institutions not set up on the CRS. The Registry also facilitated the realization of interest in registered collaterals. (See Table 4.8)

4.4 Financial System Stability

In 2018, the Bank continued to monitor systemic vulnerabilities in the financial system for prompt remedial action. It also enhanced its systemic risk assessment tools based on Financial Soundness Indicators (FSIs). During the year, financial stability conditions significantly improved, reflecting gains derived from the banking sector restructuring that was undertaken by the Bank in 2017 and 2018 to re-position the banking sector to support macroeconomic stability and robust economic growth.

4.4.1 Developments in Core FSIs

Solvency position of the sector improved on the back of a holistic recapitalisation of the banking sector and orderly resolution of distressed institutions. Due partly to these initiatives, the capital adequacy ratio of the sector improved over the 2017 performance, and continued to remain well-above the regulatory floor of 10.0 per cent.

The quality of assets in the banking industry also improved. The NPL ratio fell to 18.2 per cent in December 2018, from 21.6 per cent in December 2017, due to the implementation of the Bank's loan write-off policy and resolution of some distressed banks.

The banking system also remained profitable in 2018, even though there was a slight reduction compared to end-December 2017. ROA decreased marginally to 2.3 per cent end-December 2018 from 2.4 at end-December 2017. Likewise, ROE decreased to 27.7 per cent from 27.9 per cent.

All the operational liquidity indicators improved in 2018. The ratio of liquid assets to total assets increased to 27.6 per cent at end-December 2018 from 26.0 at end-December 2017. Also, the ratio of liquid assets to short-term liabilities increased to 36.7 per cent from 33.3 per cent in the preceding year. (See Chart 4.1)

4.4.2 Developments in the Banking Sector Soundness Index[8]

The Banking Sector Soundness Index (BSSI), the composite indicator which tracks the overall improvement in the performance of the banking sector revealed an improvement in the general stability and soundness of the banking sector as at end-December 2018. The observed development was mainly driven by improvements in capital buffers and asset quality, as well as enhanced liquidity stance. (See Chart 4.2)

4.4.3 Banking Sector Stress Testing

In 2018, the Bank conducted mid-year and end-year stress tests of the banking sector to evaluate the resilience of the sector to extreme but plausible shocks. The results indicated that the banking sector's capacity to withstand tail risks has significantly improved.

Specifically, the banking sector appeared robust to credit, interest rates, and liquidity risks as a result of the recapitalisation programme. The improvement in the overall performance of the banking sector was largely due to the positive domestic macroeconomic environment and the clean-up of the banking sector. (See Chart 4.3)

4.4.4 Developments in Banks' Offshore Activities

Banks' offshore balances (placements and nostro) increased in the year under review relative to the previous year. Nostro balances increased by 1.4 per cent, compared to a contraction of 10.2 per cent in 2017. Placements also increased by 21.4 per cent in 2018, albeit less than the 33.4 per cent increase in 2017. (See Table 4.9)

The industry's major offshore counterparties as in 2018 included Citibank-USA, Access Bank Plc-Nigeria, Deutsche Bank-Germany, United Bank for Africa-Nigeria,

Chart 4.1: Heat Map of the Core FSIs*

CORE FSIs	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18
Capital Adequacy							
Regulatory capital to risk weighted assets	14.83	14.53	15.63	19.30	18.92	20.22	21.95
Regulatory Tier I capital to risk-weighted assets	12.88	12.64	13.52	16.62	16.38	17.44	20.98
Asset Quality							
Nonperforming loans net of loan-loss provision to capital	17.92	17.90	14.87	20.13	19.43	15.44	11.46
Nonperforming loans to total gross loans	21.18	22.22	21.59	22.58	22.56	20.03	18.19
Earnings							
Return on assets	2.42	1.58	2.40	2.59	2.35	2.22	2.26
Return on equity	27.05	18.87	27.88	25.68	24.53	25.34	27.70
Liquidity							
Liquid asset to total assets*	25.39	25.21	25.96	24.29	23.44	24.93	27.57
Liquid asset to short-term liabilities	32.50	32.55	33.33	31.95	30.53	32.36	36.74
Liquid assets/total deposits	40.41	40.43	41.76	39.35	38.07	38.78	43.33
Efficiency							
Interest margin to Gross income	45.16	46.52	47.35	46.89	47.18	49.11	48.69
Noninterest expenses to gross income	41.42	45.93	43.36	44.40	45.22	46.86	46.46
Personnel Expenses to Gross income	16.95	17.71	17.53	18.86	16.52	19.87	19.58

Chart 4.2: Banking Sector Soundness Index (BSSI) and Key Drivers

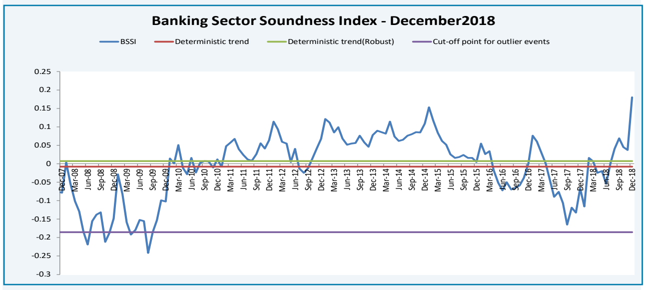


Chart 4.3: Risk Assessment Map

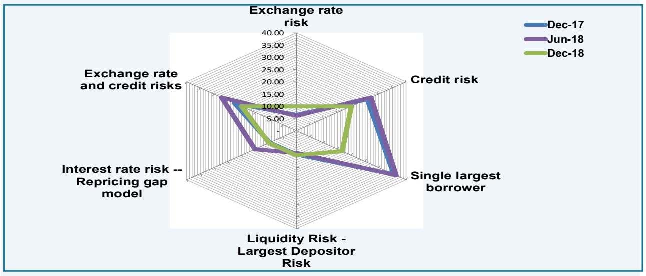
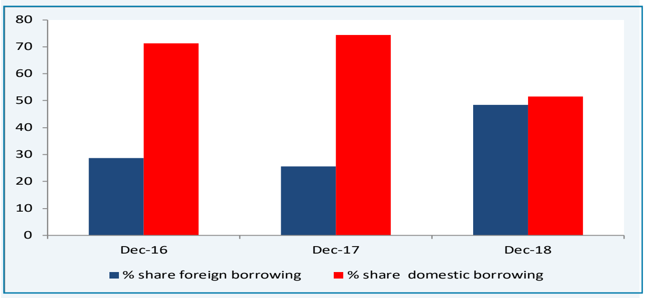


Chart 4.4: Banking Sector Borrowings



[8] The BSSI is developed from the Capital Adequacy Ratio, Asset Quality Ratio, Management Efficiency Ratio, Earning Ratio and Liquidity Ratio. An upward trending BSSI connotes a general improvement in the performance of the banking system. The data used is subject to revision.

and Ghana International Bank. Among these institutions, Citibank-USA had the highest banking industry exposure, followed by Access Bank Plc. (See Table 4.10)

4.4.5 Composition of Banks' Borrowing

The growth in the share of banks' borrowing from foreign sources as at end-December 2018 was significant. Foreign borrowing as a share of total borrowing was 48.4 per cent compared to 25.6 per cent as at end-December 2017, thus exposing the industry significantly to exchange rate risk. (See Chart 4.4)

4.4.6 Consumer Protection

During the year, the Bank undertook a number of programs to ensure that licensed financial institutions complied with the Consumer Protection Directives issued in 2017. These activities included:

- Training of financial institutions, such as RCBs and microfinance institutions, in market conduct returns on staff engagement and disengagement, complaints , credit reporting, and fraud; and
- Sensitisation and piloting of onsite market conduct supervision with selected institutions to strengthen consumer protection.

4.4.7 Complaints

The Bank received a total of 2,149 complaints from customers of banking institutions in the year under review. The number of complaints increased by 340.0 per cent from 488 complaints received in 2017. The increase was largely from customers of distressed institutions.

The Bank, during the year, collaborated with the Centre for Financial Inclusion and SMART Campaign to initiate the development of a web-based complaint management software for the industry.

4.4.8 Credit Reporting

The Bank undertook a number of initiatives to regulate and supervise the activities of the credit referencing system. These include:

- Onsite examination of selected rural banks to assess their compliance with Act 726 and directives issued to enhance the credit referencing system;
- Submission of the draft Credit Reporting Regulations to the Ministry of Finance for onward submission to Parliament for promulgation; and
- Public education campaign on the credit referencing system to enlighten the general public on the existence of credit reference bureaux and the need for responsible borrowing.

As a result of these initiatives, credit referencing participation among financial institutions improved in the year under review. A total of 2,525,392 enquiries were conducted by financial institutions on prospective borrowers in 2018. This figure represented an increase of 23.0 per cent over the 2017 position.

4.4.9 Financial Integrity

Mutual Evaluation

Following the deficiencies identified in the mutual evaluation exercise conducted in 2016 by the Inter-Governmental Action Group Against Money Laundering (GIABA), Ghana received its first Enhanced Follow-Up Report in 2018. Ghana's technical compliance with FATF's 40 recommendations was re-rated after the report. Recommendations 16 and 17 were upgraded to largely compliant from partially compliant. Ghana's overall compliance with FATF's recommendations after the upgrade was as follows: Compliant (14); Largely Compliant (20); Partially Compliant (5); and Non-compliant (1).

To further promote AML/CFT compliance, Ghana and the International Co-operation and Review Group (ICRG) of the FATF agreed on an Action Plan at a meeting in London. The following activities were undertaken under the Action Plan during the year:

1. The Bank, in collaboration with the Financial Intelligence Centre (FIC), developed and published revised AML/CFT Guidelines in line with requirements of the FATF 40 recommendations, the AML (Amendment) Act 2014, (Act 874), and the findings of the National Risk Assessment (NRA);
2. Administrative Sanctions and Penalties for AML/CFT breaches were published to ensure AML/CFT compliance by all licensed institutions;
3. Series of workshops were organized to sensitize all relevant institutions on the above guidelines and publications; and
4. AML/CFT Steering Committee was formed to foster collaboration in the fight against money laundering and terrorist financing.

4.5 Developments in the Payment and Settlement Systems

The key developments in the payment and settlement systems included:

- Strengthening of Regulation;
- Products Development and Innovation;
- Mobile Money Interoperability;
- Improvement in Financial Inclusion; and
- Non-Cash Payment Streams.

4.5.1 Strengthening Regulation

The Bank, during the year, drew up proposals and consolidated laws and guidelines relating to payment systems, payment services, and electronic money operations into one piece of legislation termed Payment Systems and Services Bill, 2018 to strengthen the payments system legal environment.

4.5.2 Products Development and Innovation

In order to promote financial inclusion and cash-lite economy, the Bank, in 2018, approved a total of 108 applications from banks and other financial institutions to roll out various payment products and services. Some of the products and services approved included agency banking services, issuance of payment cards (prepaid, credit and debit cards), cheque clearing services, electronic commerce, micro loans and savings, and termination of inward remittances into bank accounts and mobile wallets.

4.5.3 Mobile Money Interoperability

As part of the Bank's policy to transform the payment ecosystem, Phase I of the mobile money interoperability project was implemented in May 2018. Disparate mobile money platforms were linked through a central switch to facilitate funds transfer across mobile money platforms.

In November 2018, Phase II of the project was launched to interconnect the three major national payment platforms; mobile money, bank accounts and E-zwich. Three mobile money operators (MTN, AirtelTigo and Vodafone) were connected to the interoperability platform to offer services including transfers across networks, wallet to bank transfers, and E-zwich to wallet services. The total volume and value of mobile money interoperability transactions as at December 2018 stood at 2,266,631 million and GH¢212.89 million, respectively.

4.5.4 Financial Inclusion

Innovative products and services introduced in 2018 in the payment ecosystems led to improved access to credit and other financial products through the use of mobile devices. Financial institutions, FinTechs and mobile money operators collaborated to introduce products that provided convenient means of payment for consumers and brought the unbanked into the financial sector. As a result of these initiatives, the mobile money space continued to grow in 2018. The number of registered mobile money accounts increased to 32.6 million at end-2018 compared to 23.9 million at end-2017.

The key developments geared towards fostering financial inclusion were the following:

a. Mobile Money Interoperability Project was launched in 2018 to establish interconnection between mobile money platforms and the Ghana National Switch (gh-link system). This made it possible for customers to send mobile money across networks and from their mobile money wallets to their bank accounts and vice versa. In addition, the project also enabled customers to transfer monies between mobile money wallets and E-zwich cards (Ghana's biometric smart card system);

b. MTN Mobile Money Limited, in partnership with afb Ghana Limited, introduced the Qwikloan product which enabled the unbanked to conveniently access short-term loans ranging from GH₵25 to GH₵1,000 using the MTN Mobile Money platform; and

c. The Agent Registry Project, meant to serve as a database for all financial service agent points, was upgraded to provide additional information for stakeholders. (See Table 4.11)

Table 4.9: Growth in Banks' Offshore Balances

Offshore Balances	Dec-15	Dec-16	Dec-17	Dec-18
Offshore Balances to Net worth (%)	73.59	63.37	59.73	54.45
Offshore Balances (%)	31.25	16.59	7.78	11.57
Nostro Balances (%)	35.55	5.63	-10.22	1.40
Placements (%)	24.64	36.85	33.43	21.40

Table 4.10: Industry's Top 5 Correspondent Banks

Correspondent Bank	Banking Industry Exposure (GH¢ m)	Location
Citibank	940.2	USA
Access Bank Plc	929.9	Nigeria
Deutsche Bank	736.4	Germany
United Bank for Africa	657.3	Nigeria
Ghana International Bank	564.5	UK

Table 4.11: Financial Service Access Points

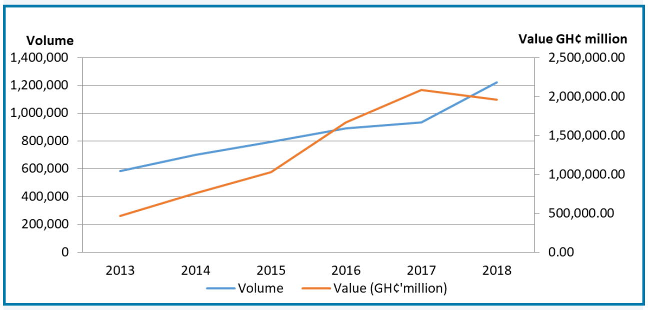
	2016	2017	2018
Universal Banks	33	34	23
Bank Branches	1,341	1,491	1,557
Microfinance Institutions	564	566	566
Rural and Community Banks (RCB)	141	141	144
Agencies of RCBs	895	910	921
Active Mobile Money Agents	107,415	151,745	180,664
ATMs	1,928	2,044	2,139
Non-Bank Financial Institutions	64	71	67

4.5.5 Non Cash Payment Streams

Ghana Interbank Settlement System

The total volume of Ghana Inter-bank Settlement (GIS) transactions recorded an annual growth of 30.8 per cent to 1.22 million in 2018. Total value of transactions, however, went down by 5.8 per cent to GH¢1,963.47 billion, resulting in a decline in the average value per transactions of 27.9 per cent to GH¢1.61 million. (See Table 4.12) (See Chart 4.5)

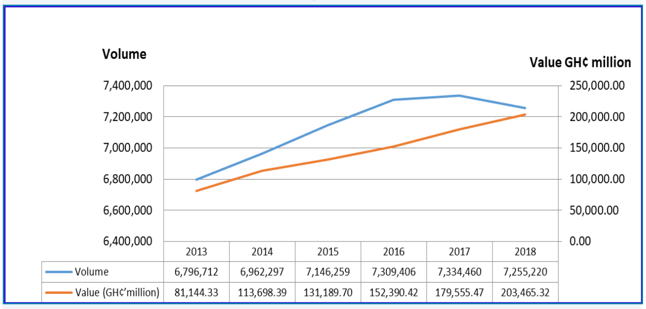
Chart 4.5: Ghana Interbank Settlement Transactions



Cheque Codeline Clearing

The total volume of interbank cheques cleared in 2018 declined by 1.1 per cent to 7.26 million in 2018. The value of transactions, however, went up by 13.3 per cent to GH¢203.5 billion. The marginal decline in growth in the volume of interbank cheques could partly be attributed to increased adoption of other digital payment options, such as mobile money and GhIPSS Instant Pay. (See Chart 4.6)

Chart 4.6: Cheque Codeline Clearing (CCC)

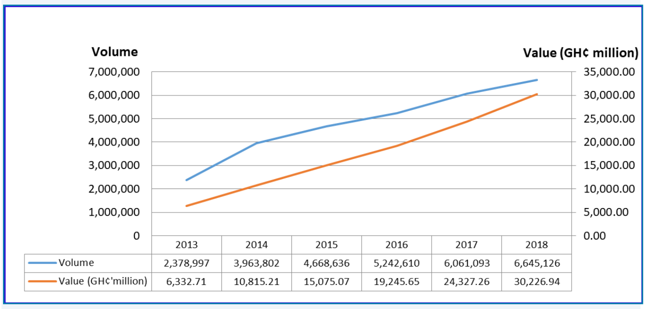


Ghana Automated Clearing House

(a) Direct Credit

The total volume of transactions cleared through the direct credit system in 2018 was 6.65 million, an increase of 9.6 per cent. Total value of direct credit transfers increased to GH¢30.23 billion from GH¢24.33 billion in 2017. Express Automated Clearing House (ACH) direct credit recorded a growth of 44.6 per cent and 67.0 per cent in both volume and value of transfers over the 2017 positions of 482,482 and GH¢4.52 billion, respectively. (See Chart 4.7)

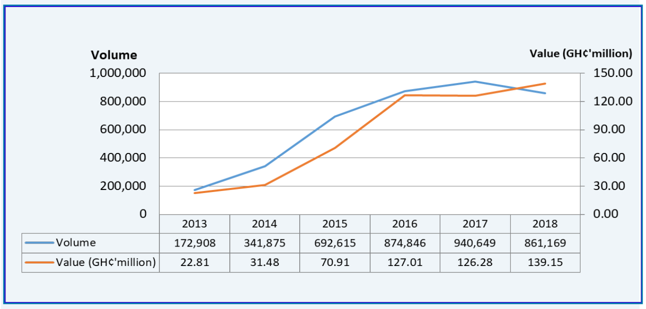
Chart 4.7: GACH Direct Credit Transactions



(b) Direct Debit

Total volume of direct debit transactions decreased to 861,169 in 2018, from 940,649 in 2017. However, the value of transactions increased by 10.2 per cent to GH¢139.15 million. Average value per transaction increased to GH¢161.58 million in 2018, from GH¢134.25 million in 2017. (See Chart 4.8)

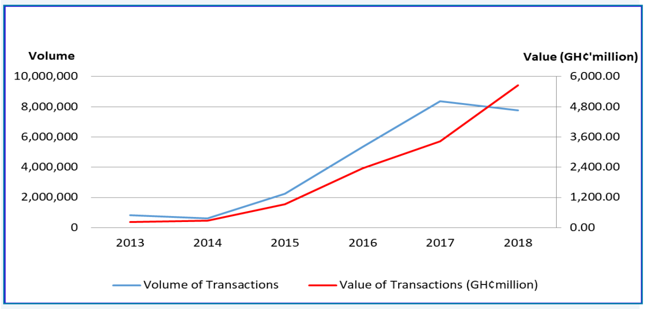
Chart 4.8: GACH Direct Debit Transactions



E-Zwich Transactions

The number of E-zwich card holders increased to 2.77 million in December 2018, from 2.36 million in December 2017. The total volume of E-zwich transactions declined by 7.3 per cent to 7.76 million, while total value of transactions increased by 64.7 per cent to GH¢5.65 billion in 2018. The decline in volume of transactions was partly attributed to a drop in purchases, cash deposits, and cash withdrawals on the E-zwich platform by 91.1, 67.4 and 19.4 per cent, respectively. (See Table 4.13) (See Chart 4.9)

Chart 4.9: E-Zwich Transactions

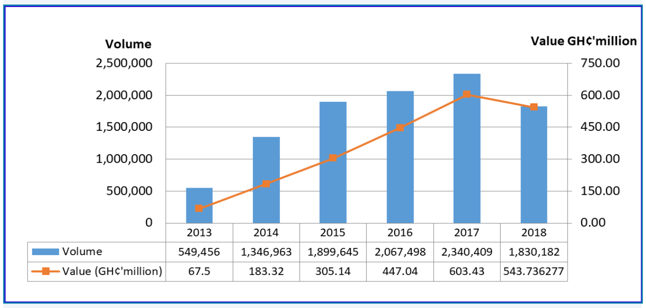


Gh-Link™ (National Switch)

The total volume of transactions on the gh-link™ platform was 1.83 million in 2018 compared to 2.34

million in 2017. Also, the total value of transactions was GH¢543.74 million in 2018 compared to GH¢603.43 million in 2017. ATM transactions continued to dominate on the gh-link™ platform and constituted more than 99.0 per cent of the transactions in 2018. (See Chart 4.10)

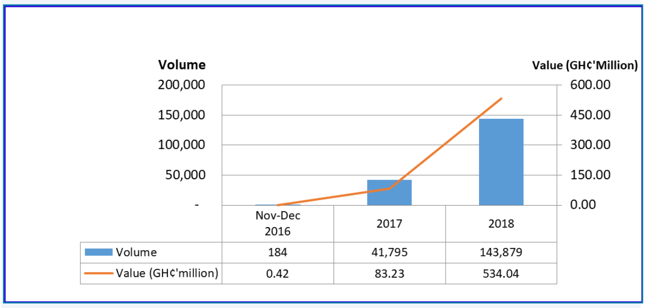
Chart 4.10: Gh-Link™ Transactions



GhIPSS Instant Pay[9]

In 2018, the total volume of GhIPSS Instant Pay (GIP) transactions increased to 143,879 from 41,795 in 2017. Also, the total value of transactions increased to GH¢534.04 million from GH¢83.2 million recorded in 2017. (See Chart 4.11)

Chart 4.11: GIP Transactions



Mobile Money Services

The total registered mobile money accounts was 32.55 million at end-December 2018 compared to 23.95 million at end-December 2017. Out of the total registered mobile money accounts, the number of active accounts increased by 17.4 per cent to 13.06 million in 2018. Also, the number of registered mobile money agents increased to 396,599 in 2018, from 194,688 in 2017.

Total value of mobile money transactions increased to GH¢223.21 billion in 2018 from GH¢155.84 billion in 2017, while the total float balance grew by 13.5 per cent to GH¢2.63 billion. (See Table 4.14) (See Chart 4.12 & 4.13)

Chart 4.12: Mobile Money Transactions

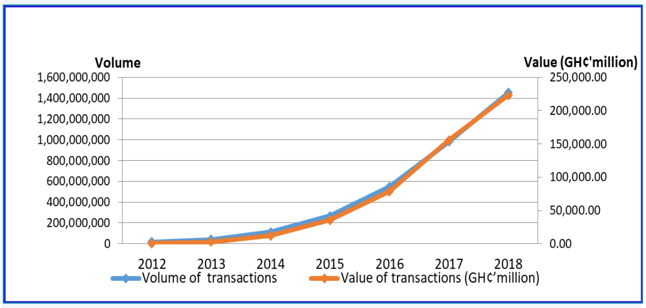
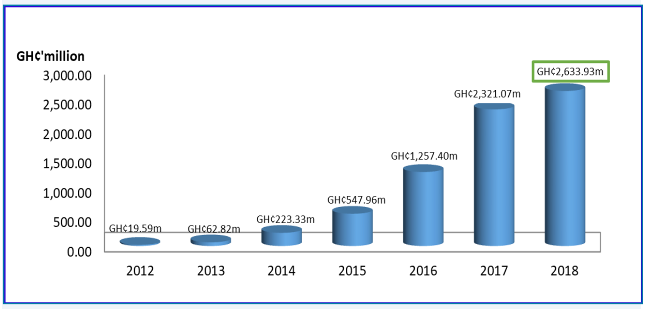


Chart 4.13: Mobile Money Float Balance



[9] GIP is a service which allows payments to be sent across financial institutions electronically from a customer bank account to a beneficiary bank account instantly.

CHAPTER 5: INTERNAL DEVELOPMENTS

5.1 Overview

The Bank continued to strengthen its operational efficiency by taking steps to enhance staff capacity and welfare, work ethics, information security, and to improve management of staff health.

5.2 Human Resource Activities

5.2.1 Staff Strength

The total staff strength of the Bank was 2,016 as at December 31, 2018, up from 2,003 as at December 31, 2017. The categorisation of staff, by grade and gender, is summarised. (See Table 5.1)

Table 5.1: Staff Position, 2018

	Male	Female	Total	% of Total
Management Staff	184	70	254	**12.6%**
Middle Level Staff	621	493	1,114	**55.3%**
Junior Staff	524	124	648	**32.1%**
Total	**1,329**	**687**	**2,016**	**100.0%**

The number of staff recruited in 2018 was 91 while a total 78 exited the service of the Bank, resulting in a net intake of 13 new employees.

5.2.2 Creation of New Offices

In 2018, the Bank established the Ethics and Internal Investigations Office to work towards promoting good governance and assist in maintaining high ethical standards of conduct to enhance the reputation of the Bank and its employees. Also, the Information Security Office was established to protect the Bank's digital information records.

5.3 Health

In the year under review, the Bank commemorated the 2nd Anniversary of the Employee Wellbeing Programme (EWP), which coincided with the 30th Anniversary of the establishment of the Bank Clinic, with the following activities:

- Public health inspection at the various offices of the Bank;
- Training workshop for all Health Promotion Champions under the theme, "Creating Awareness on Mental Health and Stress Management at the Workplace";
- Two health walks to create awareness on general health issues and to encourage regular physical exercises among staff;
- Three major health screening (eye, cervical cancer and hearing assessment) exercises; and
- Capacity development workshop for all clinic staff under the theme, "The Role of Psychology in Healthcare Delivery and Managing Workplace Conflicts".

5.4 Capacity Development

The Bank sponsored staff to participate in various local and foreign training programmes in 2018.

Table 5.2: Staff Training, 2018

Programmes Implemented	No. of Participants
Local Training	**2,267**
Organised by BOG	1,833
Organised by Others	434
Foreign Training	**332**
Total Training	**2,599**

5.5 Currency Management

In 2018, the Bank undertook three major activities in currency management. These included the resumption of banknote processing at the Accra Head Office; the introduction of a new cash transactions processing software, Enterprise Cash Management (ECM) Software, at the Kumasi Regional Office to replace the Vault Management Systems software (VMS); and the installation of two new Banknote Processing Systems and Vault Automation Solution (Racking, Shelving and Lifting facilities) at the Sunyani Regional Office.

5.6 Risk Management

The Bank continued to employ an Enterprise Risk Management (ERM) Framework to support its objectives. The ERM framework assists business areas in identifying, assessing, and monitoring the risks to which it is exposed, and the development of appropriate actions necessary to mitigate them.

The Bank improved its risk reporting assessment of primary risks and conducted periodic critical review of the Bank's balance sheet and liquidity position. It also targeted, identified and assessed key emerging risks and conducted reputational risk assessments for its subsidiaries.

In strengthening the attainment of its strategic objectives, the Bank continued with the development of its strategic plan, dubbed STAR 2022 in 2018. Management approved the Enterprise Scorecard (Tier 1) and Departmental and Regional Scorecards (Tier 2) which paved the way for the cascading process of translating the Tier 1 strategic objectives and outcomes into Tier 2, and Tier 3 (Employee Scorecards).

The Bank's 3rd ISO 27001:2013 Re-certification and the 1st Surveillance Audit were conducted successfully during the year.

The Bank, in promoting Anti-Money Laundering/ Combating the Financing of Terrorism, approved the Whistle-Blower Policy (2018) in line with the Whistle-Blower Act, 2006 (Act 720). The policy was published and relevant training sessions were conducted for staff and key stakeholders.

5.7 ICT – Innovation and Software Implementation

During the year under review, the Bank intensified automation of its internal and external processes. The key projects undertaken included:

i. Financial Markets Automation — to automate the manual and semi-manual processes within the Financial Markets Department;
ii. eRegistry — memo management software that will be used to track incoming and outgoing memos in the Bank;
iii. BoG Connecting Extensions — automation of staff Treasury Bill purchases;
iv. Contact Management Database — for easy retrieval and search of contacts of stakeholders;
v. Petroleum Revenue Management Act (PRMA) System — to enable timely disbursement of funds to GNPC and the Ghana Petroleum Fund (GPF) in compliance with the Petroleum Revenue Management Act, 2011 (Act 815), as amended by Act 893;
vi. Database Security Hardening and General Compliance Measures for Cyber Security Project;
vii. Setup of Disaster Recovery (DR) Servers — to conduct Business Continuity Plan (BCP) Tests for the Bank's Critical Applications; and
viii. Public Key Infrastructure System — used by system administrators to securely manage their file servers.

5.8 Estate and Projects Management

The Bank, during the year under review, continued with the following projects, among others:

- **60-Bed Hospital at Cantonments, Accra**
  the construction works on a 60-bed hospital continued and was about 99.0 per cent complete at end-December 2018;
- **A Guest House at Butumagyebu, Takoradi**
  the project commenced in September 2015 and was about 90 per cent complete at end-December 2018; and
- **Ahinsan Data Centre Project**
  the development of the Data Centre and Disaster Recovery Site for the Bank at Ahinsan in Kumasi was completed and commissioned during the year.

5.9 Legal Issues

During the period under review, the Bank, in pursuit of regulatory reforms, prepared proposals for the drafting of the Payment Systems Bill and Cyber Security Regulations. Several directives were also issued, including Corporate Governance Directives, Fit and Proper Person Directives, Voluntary Winding-Up Directives, and procedures for issuance of directives to the banking industry.

5.10 Ghana Incentive-Based Risk Sharing For Agricultural Lending

The Ghana Incentive-Based Risk Sharing for Agricultural Lending (GIRSAL) was incorporated as a limited liability company in March 2018 by the Bank of Ghana. The company was established to provide credit risk guarantees to farmers and agricultural value chain actors as well as technical advisory services to banks. The Bank of Ghana, in June 2018, signed a share transfer agreement with the Government of Ghana, to transfer its interests in all of its shares in GIRSAL Limited to Government. The transfer was absolute and included all rights and obligations connected to the shares.

CHAPTER 6: EXTERNAL RELATIONS

6.1 Overview

The Bank, during the year, 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), African Development Bank (AfDB), ECOWAS, West African Monetary Institute (WAMI), West African Monetary Agency (WAMA), and West African Institute for Financial and Economic Management (WAIFEM).

6.2 Launch of IMF Reports in Ghana

During the year, the IMF launched two major reports in Accra:

1. The 2017 Regional Economic Outlook (REO) in April 2018; and
2. Future of Work Report in December 2018.

The REO was launched by Mr. Abebe Aemro Selassie, the IMF's Director of the African Department. The Future of Work Report was launched by Ms. Christine Lagarde, the IMF Managing Director.

6.3 Spring and Annual Meetings of the IMF and World Bank

The IMF 2018 Spring Meetings, which took place in Washington D.C., April 20 – 22, and the Annual Meetings, held in Bali, Indonesia, October 12 – 14, brought together representatives from both public and private institutions across the globe to discuss pertinent issues relating to the global outlook and development, poverty eradication and aid effectiveness. The Bank was represented in the meetings of the International Monetary and Financial Committee (IMFC) and the Development Committee (DC).

6.3.1 The International Monetary and Financial Committee

The meeting of the International Monetary and Financial Committee (IMFC) of the IMF was chaired by Mr. Lesetja Kganyago, Governor of the South African Reserve Bank.

The Committee noted that global growth had become more broad-based and had strengthened further, mainly on the back of a strong rebound in investment and trade. Rising financial vulnerabilities, increasing trade and geopolitical tensions, and historically high global debt levels were, however, identified as threats to the global growth outlook, with demographic headwinds and subdued productivity growth also likely to reduce the potential for higher and more inclusive growth going forward. The Committee further noted that, while these risks were broadly balanced in the near term, they remained skewed to the downside beyond the next several quarters.

In order to sustain the growth momentum, enhance resilience, and raise medium-term growth, the Committee recommended that policies and reforms be used efficiently. Specifically, the Committee recommended that monetary accommodation should be maintained in countries where inflation was weak and withdrawn in those with inflation likely to return to its target. The Committee also recommended that fiscal policy should be flexible, growth-friendly and sustainable, while structural reforms should be aimed at lifting productivity, potential growth, and employment, and also effectively assisting those bearing the cost of adjustment. The Committee stressed the need for the strengthening of financial sector resilience through the full and timely implementation of financial sector reforms and for policies to be inclusive to enable the gains from technology and economic integration to be widely shared and the associated risks effectively managed.

The Committee committed to continue to monitor, and if necessary, address emerging risks and vulnerabilities in the financial system, and to cooperate to tackle shared challenges.

6.3.2 Development Committee Communiqué

The Development Committee of the World Bank also acknowledged that global growth remained strong but uneven, with growing downside risks. In light of the identified risks, the Committee stressed the crucial role of international trade for economic growth, job creation and sustainable development, and called on member countries to implement policies that would ensure robust and inclusive economic growth, reduce risks, and foster competitiveness, while strengthening fiscal sustainability and financial resilience. The Committee also noted with concern the rise of debt vulnerabilities in some emerging markets and low-income countries, and called for member countries to strengthen their fiscal positions by improving debt management capacity, increasing domestic resource mobilization, and deepening local capital markets.

To keep up with technological advances in jobs, the financial sector and other aspects of development, the Committee stressed the need to ensure that all individuals have access to the right skills and capabilities to adapt and prosper in the face of the digital evolution. It also welcomed the potential of Fintechs to deepen financial markets, enhance responsible access to financial services, facilitate cross-border payments, strengthen remittance systems, and called for better management of the risks associated with use of these technologies.

6.3.3 African Consultative Group Meeting

The African Consultative Group meeting was held at the IMF Headquarters in Washington D.C. and was co-chaired by Governor Tarek Amer, Chairman of the African Caucus, and Ms. Christine Lagarde, Managing Director of the IMF. Discussions at the meeting focused on Africa's economic development and prospects for accelerating progress towards achieving the Sustainable Development Goals (SDGs).

At the meeting, it was noted that while the recovery in growth was expected to strengthen in 2018, growth remained too low on a per-capita basis, with significant downside risks posing a threat to the outlook. To sustain growth and accelerate progress towards achieving the SDGs, it was agreed that a reduction in macroeconomic vulnerabilities (particularly debt vulnerabilities through efforts at improving revenue mobilization) and a boost in private investment were needed.

The IMF was called upon to assist countries in need to design and implement growth-friendly fiscal adjustment policies that respond to country-specific sources of debt vulnerabilities, while preserving needed investments in infrastructure, human capital, and other priority expenditures. The IMF was also to support efforts to prioritize structural reforms, drawing on lessons from successful experiences of diversification, improved competitiveness, and fighting corruption — including by limiting illicit flows. Additionally, it was requested that the IMF should continue to assist countries to take advantage of the opportunities provided by digitalisation and to support, through policy advice and capacity building, the regional and international initiatives aimed at reinvigorating private investment, trade, and debt management.

6.4 Extended Credit Facility with the IMF

In April 2015, Ghana signed three-year Enhanced Credit Facility (ECF) arrangements with the IMF, aimed at restoring debt sustainability and macroeconomic stability. The arrangements were expected to end in April 2019 with December 2018 as the test date.

On April 30, 2018 the Executive Board of the IMF completed its fifth and sixth reviews of Ghana's economic performance under the arrangements, and approved the disbursement of SDR 132.84 million (about US$191 million) to Ghana. The review concluded that the implementation of the arrangements had improved significantly, augmenting the rebound in growth, decline in fiscal deficit (leading to a primary surplus for the first time in fifteen years) and strengthening the external position. It further concluded that key steps were being taken to address fragilities in the financial sector. The Board commended the Ghanaian authorities for their commitment to fiscal discipline and expenditure restraint and urged Government to continue implementing its fiscal consolidation program, focusing especially on increased domestic revenue mobilization. The IMF also recommended that monetary policy should continue to focus on achieving the inflation target, and that fragilities in the financial sector should be continuously addressed, with further actions to tackle high non-performing loans, strengthen oversight and clean up the microfinance sub-sector.

6.5 Association of African Central Banks

The 41st Ordinary Meeting of Assembly of Governors of the Association of African Central Banks (AACB) was held in August, 2018 in Sharm El Sheikh, Egypt. In all, 35 central banks and the African Union Commission (AUC) participated. The Meeting was preceded by a Symposium on the theme: *"Declining Corresponding Banking Relations and Illicit Capital Flows: Risks and Policy Changes for Africa".*

The Assembly approved the report on the monitoring framework and a peer review mechanism for macroeconomic convergence of member countries. They indicated that the AACB peer review process should take advantage of the peer reviews being undertaken in the five sub-regions. The Assembly also approved the proposal to explore the integration of the payment systems in Africa, and directed the prioritization of wholesale payments over retail payments.

The Assembly also took note of the progress made on the implementation of the African Monetary Cooperation Program (AMCP) in 2017, and noted that 18 out of 52 countries had met all the primary convergence criteria in 2017, compared to none in 2016, before the refinement of the convergence criteria.

Furthermore, the Governors endorsed the activities of the Community of African Banking Supervisors (CABS) on "Cross-border Banking Supervision" and "Crisis Management and Bank Resolution" and approved the total banking sector information sharing template to enable sharing of information among AACB members.

The Continental Seminar of AACB which took place in May 2018 was on the theme: "Financial Technology Innovations, Cybercrime and Challenges for Central Banks". It was hosted by the Banque des Etats de l' Afrique Centrale (BEAC) in N'Djamena, Republic of Chad. At the end, each central bank was tasked to design and implement a cyber-security program to ensure the prevention, detection and response to cyber incidents.

6.6 African Development Bank

The 53rd Annual Meeting and the 44th Meeting of the Board of Governors of the African Development Bank Group (Group) were held in May, 2018 in Busan, the Republic of Korea. The Board commended the Group for its contributions to the recent higher growth rates registered on the continent and requested the Group to intensify efforts at eradicating poverty by promoting inclusive growth and job creation. The Board also tasked the Group to boost productivity and competitiveness on the continent, and to step up its efforts to ensure debt sustainability of its Regional Member Countries (RMCs). Furthermore, it noted the need for the Group to accentuate the role of energy infrastructure for achieving inclusive economic growth and transformative industrialisation in Africa.

The Board authorised the Governors' Consultative Committee (GCC) to trigger discussions regarding a General Capital Increase (GCI) designed to enable the Group meet its ordinary capital requirements. The Group was urged to pursue the intrinsic linkages of the Group's High 5 priorities to the Sustainable Development Goals (SDGs) in Africa, as well as the objectives of the African Agenda 2063.

The Board took note of the role of the Group in deepening financial inclusion in Africa, particularly through digital financial services, and encouraged it to sustain its investment to the private sector, including water security in RMCs. The Group was enjoined to spur its efforts at assisting RMCs to improve domestic resource mobilisation, and public financial management, while curbing illicit financial flows from the continent.

In August 2018, the Group fielded a mission to Bank of Ghana to discuss its new West African Regional Integration Strategy Paper (RISP) for 2019-2025 that focuses on infrastructure connectivity, trade and investment, financial integration, gender-related issues, climate change, and youth employment.

6.7 African Export-Import Bank

The African Export-Import Bank (Afreximbank) held its 25th anniversary celebrations and Annual General Meetings in Abuja, Nigeria, in July under the theme, "Eximbanking for an Emergent Africa: The Next 25 years".

In collaboration with the African Union Commission and the Government of Egypt, the Afreximbank organised the inaugural Intra-African Trade Fair (IATF 2018) in December, in Cairo, Egypt. Deals valued at US$32.6 billion dollars were recorded at the inaugural Fair.

At the launch of the Continental Free Trade Area, in Kigali in March, Afreximbank pledged US$25.0 billion in support of the Intra-African Trade Strategy it launched in 2016. The strategy seeks to provide comprehensive solutions to enhance the conduct of cross border trade.

Afreximbank, in 2016, planned to raise US$1 billion equity capital by 2021. By June 2018, US$464.35 million had been raised, as new and existing shareholders continued to inject new capital. Afreximbank welcomed new members that joined in 2017 — South Africa (represented by the Export Credit Insurance Corporation), the Central African Republic, Eritrea, Comoros and Equatorial Guinea joined the bank. The Afreximbank also undertook two Depository Receipts issuances on the Stock Exchange of Mauritius in the period under review and was able to raise US$287 million.

6.8 African Rural and Agricultural Credit Association

The 76th and 77th meetings of the Executive Committee of African Rural and Agricultural Credit Association (AFRACA) took place in July and November in Morocco and Ghana, respectively.

AFRACA Secretariat conducted its second Special Training Program on Islamic Agricultural Finance held in Zaria, Nigeria in December 2018.

6.9 African Economic Research Consortium

The African Economic Research Consortium (AERC) held its 48th Biannual Research Workshop in June at Port Louis, Mauritius. Thematic areas discussed included:

- The Role of Innovation in Africa's Development;
- Barriers to Agricultural Innovation in Northern Ghana;
- Fintech in Developing Nations: What Has Worked Well and What Hasn't?

The 49th Research Workshop was held in Nairobi, Kenya, in December under the theme, "The Looming Debt Crisis in Africa". The AERC's Executive Committee Meeting was hosted by the Bank of Ghana in November to review the overall strategic direction of the Consortium and approve the annual work programme.

6.10 Sub-Regional Institutions

6.10.1 ECOWAS Presidential Task Force on Single Currency

In 2018, the ECOWAS Presidential Task Force on Single Currency adopted a revised roadmap for the introduction of the single currency in 2020. The ECOWAS Commission was directed to put in place a mechanism for the quarterly monitoring of the implementation of the revised roadmap.

The implementation of the roadmap encountered some challenges, including:

- Attainment of the macroeconomic convergence and stability criteria;
- Establishment and funding of the Community Solidarity and Stabilisation Fund;
- Determination of a common exchange rate regime and monetary policy framework; and
- Adoption of an appropriate central bank model.

6.10.2 West African Monetary Agency

The West African Monetary Agency (WAMA), in collaboration with the ECOWAS Commission and WAMI, undertook two multilateral surveillance missions to Ghana in the review year. It also held two statutory meetings in which Ghana participated.

6.10.3 West African Monetary Institute

In addition to participating in the two multilateral surveillance missions to Ghana in the review year, the West African Monetary Institute (WAMI) also held two statutory meetings in which Ghana participated, and organised two meetings of the College of Supervisors of the West African Monetary Zone (CSWAMZ) to coincide with the statutory meetings.

6.10.4 West African Institute for Financial Economic Management

The 34th and 35th meetings of the Board of Governors of West African Institute for Financial Economic Management (WAIFEM) were held in Banjul, The Gambia, in February, and Abuja, Nigeria, in September, respectively. The Board approved the hiring of Dr. Baba Musa and Mr. Emmanuel Owusu Afriyie (Bank of Ghana) as the Director-General and Director of Macroeconomic Management of WAIFEM, respectively. Ghana participated in all the capacity development programmes of the Institute.

ANNEXES

Table 2.1: World Economic Indicators

	APRIL 2019 UPDATES (YEAR OVER YEAR)			
	Estimates		Projections	
REAL GDP GROWTH (%)	**2017**	**2018**	**2019**	**2020**
World Output	**3.8**	**3.6**	**3.3**	**3.6**
Advanced Economies	**2.4**	**2.2**	**1.8**	**1.7**
United States	2.2	2.9	2.3	1.9
Euro Area	2.4	1.8	1.3	1.5
Germany	2.5	1.5	0.8	1.4
France	2.2	1.5	1.3	1.4
Italy	1.6	0.9	0.1	0.9
Spain	3	2.5	2.1	1.9
Japan	1.9	0.8	1.0	0.5
United Kingdom	1.8	1.4	1.2	1.4
Emerging Market and Developing Economies	**4.8**	**4.5**	**4.4**	**4.8**
Russia	1.6	2.3	1.6	1.7
China	6.8	6.6	6.3	6.1
India	7.2	7.1	7.3	7.5
Brazil	1.1	1.1	2.1	2.5
Sub-Saharan Africa	**2.9**	**3**	**3.5**	**3.7**
Nigeria	0.8	1.9	2.1	2.5
South Africa	1.4	0.8	1.2	1.5
Memorandum				
World Trade Volume (goods & services)	**5.4**	**3.8**	**3.4**	**3.9**
Advanced Economies	4.3	3.3	3	3.2
Emerging Market and Developing Economies	7.5	5.6	4.6	5.3
Commodity Prices (US Dollars)				
Oil	23.3	29.4	-13.4	-0.2
Non-Oil	6.4	1.6	-0.2	1.1
Consumer Prices				
Advanced Economies	1.7	2	1.6	2.1
Emerging Markets and Developing Economies	4.3	4.8	4.9	4.7

Table 3.1: Selaected Economic Indicators

Indicators	**2013**	**2014**	**2015**	**2016**	**2017***	**2018***
	(Annual percentage change; unless otherwise indicated)					
National Income and Prices						
Agriculture	5.7	4.6	2.8	3.0	6.1	4.8
Industry	6.6	0.8	-0.3	-0.5	15.7	10.6
Services	10.0	5.6	6.3	5.7	3.3	2.7
Real GDP Growth (incl. Oil)	7.3	2.9	2.2	3.4	8.1	6.3
Real GDP Growth (excl. Oil)	6.7	2.7	2.2	4.6	4.6	6.5
Nominal GDP (GH¢ Billions)	123,650.0	155,433.0	180,399.0	215,077.0	256,671.0	300,596.0
Consumer price index (end of period)						
Year-on-Year	13.5	17.0	17.7	15.4	11.8	9.4
Food	7.2	6.8	8.0	9.7	8.0	8.7
Non-food	18.1	23.9	23.3	18.2	13.6	9.8
Exchange rate (End of period)						
GH¢/USD	2.2	3.2	3.8	4.2	4.4	4.8
GH¢/GBP	3.7	5.0	5.6	5.2	6.0	6.2
GH¢/Euro	3.1	3.9	4.2	4.4	5.3	5.5
Monetary Aggregates Annual Growth Rates (%)						
Reserve Money	15.1	30.2	24.2	29.6	13.1	4.6
Broad Money Supply (M2)	18.2	33.0	26.6	24.6	19.8	16.1
Broad Money Supply (M2+)	19.1	36.8	26.1	22.0	16.7	15.7
Private Sector Credit	28.6	42.6	24.5	14.4	12.8	11.2
Real Credit to the private sector	13.3	21.9	5.8	-0.8	0.9	1.1
Interest Rates (%)						
Monetary Policy rate	16.0	21.0	26.0	25.5	20.0	17.0
Interbank rate	16.3	23.9	25.3	25.2	19.3	16.1
91-Day treasury bill rate	18.8	23.9	23.1	16.8	13.3	14.6
182-Day treasury bill rate	18.8	26.4	24.4	18.5	13.8	15.0
1-year treasury note rate	17.0	22.5	22.8	21.5	15.0	15.0
2-year treasury note rate	16.5	23.0	23.3	22.5	17.5	19.5
Average lending rate	25.6	29.0	27.5	31.2	29.3	26.9
3-month average Deposit rate	12.5	13.9	13.0	13.0	13.0	11.5
*lending - deposit rate spread***	13.1	15.1	14.5	18.2	16.3	15.4

Table 3.1: Selaected Economic Indicators continued

Indicators	2013	2014	2015	2016	2017*	2018*
	(Annual percentage change; unless otherwise indicated)					
External Sector (Cummulative)						
Exports of Goods and Services (US$' m)	13,751.9	13,216.8	10,321.1	11,138.3	13,835.0	14,868.1
Imports of Goods and Services (US$' m)	17,600.2	14,600.2	13,465.1	12,920.1	12,647.3	13,089.3
Trade balance (US$' m)	-3,848.3	-1,383.4	-3,144.0	-1,781.8	1,187.7	1,778.8
Current account balance (US$' m)	-5,704.0	-3,694.5	-2,823.8	-2,840.5	-2,004.9	-2,071.72
per cent of GDP	-11.9	-9.2	-7.5	-6.5	-4.6	-4.0
Overall Balance of Payments (US$' m)	-1,165.9	-85.2	-15.9	247.4	1,091.4	-671.5
Commodity Prices (International)						
Cocoa ($/tonne)	2,779.0	2,914.0	3,301.0	2,268.4	1,904.6	2,256.3
Gold ($/ounce)	1,223.0	1,199.0	1,069.0	1,151.2	1,266.6	1,251.1
Crude Oil ($/barrel)	110.6	64.8	38.9	54.9	64.3	57.7
Gross Foreign Assets (US$ m)	5,632.2	5,461.0	5,884.7	6,161.8	7,554.8	7,024.8
months of import cover	3.6	3.8	3.5	3.5	4.3	3.6
Gross International Reserves (US$ m)	5,550.0	4,350.0	4,403.1	4,862.1	5,491.0	5,317.2
months of import cover	3.0	2.5	2.6	2.8	3.1	2.7
Net International Reserves (US$ m)	3,286.0	3,199.0	3,094.0	3,431.0	4,522.5	3,851.0
External Debt (US$' m)	11,902.0	13,871.8	15,781.9	16,461.0	17,157.0	17,895.3
Government Budget (% of GDP)						
Domestic Revenue	15.2	15.4	16.3	15.1	15.6	15.5
Grants	0.6	1.0	0.5	0.6	0.4	0.4
Total Expenditure	22.1	20.6	20.7	23.8	20.3	19.4
Overall Balance (Including Divestiture)	-7.5	-7.4	-5.2	-6.1	-4.8	-3.9
Domestic Primary Balance	-0.2	2.3	3.1	0.4	2.7	2.3

** Provisional estimates   **Defined as average lending rate less 3-month average deposit rate*

Table 3.3: Monetary Indicators (GH¢' million)

	Levels			Variations (year-on-year)			
				As at end-Dec 2017		As at end-Dec 2018	
Indicator	**Dec-16**	**Dec-17**	**Dec-18**	**abs**	**per cent**	**abs**	**per cent**
Reserve Money	18,968.0	21,457.1	22,468.2	2,489.1	13.1	1,011.1	4.7
Narrow Money (M1)	26,076.4	29,847.0	34,817.5	3,770.7	14.5	4,970.5	16.7
Broad Money (M2)	43,452.5	52,066.4	60,426.8	8,614.0	19.8	8,360.3	16.1
Broad Money (M2+)	**56,692.1**	**66,172.0**	**76,552.3**	**9,479.9**	**16.7**	**10,380.3**	**15.7**
Currency with the Public	10,139.8	10,707.9	11,963.4	568.1	5.6	1,255.5	11.7
Demand Deposits	15,936.6	19,139.1	22,854.1	3,202.5	20.1	3,715.0	19.4
Savings & Time Deposits	17,376.1	22,219.4	25,609.2	4,843.3	27.9	3,389.8	15.3
Foreign Currency Deposits	13,239.6	14,105.6	16,125.6	866.0	6.5	2,020.0	4.3
Sources of M2+							
Net Foreign Assets (NFA)	**14,946.6**	**20,678.8**	**14,249.3**	**5,732.2**	**38.4**	**(6,429.5)**	**(31.1)**
BOG	11,880.1	17,240.5	12,975.3	5,360.4	45.1	(4,265.2)	(24.7)
DMBs	3,066.5	3,438.3	1,274.0	371.8	12.1	(2,164.3)	(62.9)
Net Domestic Assets	**41,745.5**	**45,493.2**	**62,303.0**	**3,747.7**	**9.0**	**16,809.8**	**37.0**
Claims on Government (net)	**18,352.4**	**12,615.9**	**27,551.5**	**(5,736.5)**	**(31.3)**	**14,935.6**	**118.4**
BOG	8,862.4	6,057.3	10,209.0	(2,805.1)	(31.7)	4,151.7	68.5
DMBs	9,490.0	6,558.6	17,342.5	(2,931.4)	(30.9)	10,783.9	164.4
Claims on Public Sector	**7,120.5**	**4,737.3**	**5,982.8**	**(2,383.1)**	**(33.5)**	**1,245.5**	**26.3**
BOG	1,834.1	1,382.0	1,699.7	(452.1)	(24.6)	317.7	23.0
DMBs	5,286.4	3,355.3	4,283.1	(1,931.0)	(36.5)	927.7	27.6
Claims on Private Sector	**30,487.4**	**34,451.8**	**37,841.0**	**3,964.4**	**13.0**	**3,389.2**	**9.8**
BOG	503.9	464.8	247.9	(39.1)	(7.8)	(217.0)	(46.7)
DMBs	29,983.5	33,987.0	37,593.2	4,003.5	13.4	3,606.2	10.6
Other Items (Net) (OIN) \2	**(14,214.8)**	**(6,311.8)**	**(9,072.3)**	**7,902.9**	**(55.6)**	**(2,760.5)**	**43.7**
o/w BOG OMO (Sterilisation)	(898.0)	-	-	898.0	(100.0)	-	

Table 3.5: Contribution to Market Capitalisation (GH¢ million)

MONTH	SECTOR										Market Cap
	F&B	MAN	FINANCE	DISTR	MINING	IT	AGRIC	OIL	ETFund	EDUC	
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

Table 3.6: Inflation

	Headline Inflation (%)			Monthly Changes in CPI (%)		
	Combined	Food	Non-food	Combined	Food	Non-food
Dec-16	**15.4**	**9.7**	**18.2**	**0.9**	**1.2**	**0.8**
2017						
Jan	13.3	7.0	16.6	2.8	3.2	2.5
Feb	3.2	7.1	16.4	0.6	0.8	0.6
Mar	12.8	7.3	15.6	1.3	0.9	1.4
Apr	13.0	6.7	16.3	1.6	1.0	1.9
May	12.6	6.3	15.8	0.7	0.9	0.6
Jun	12.1	6.2	15.1	0.9	1.4	0.6
Jul	11.9	7.2	14.2	0.7	0.2	0.9
Aug	12.3	7.4	14.7	-0.2	-1.2	0.2
Sep	12.2	8.1	14.1	0.0	-1.8	0.9
Oct	11.6	8.2	13.2	0.9	-0.1	1.4
Nov	11.7	7.9	13.6	0.9	1.2	0.8
Dec	**11.8**	**8.0**	**13.6**	**1.0**	**1.3**	**0.9**
2018						
Jan	10.3	6.8	12.0	1.4	2.1	1.1
Feb	10.6	7.2	12.2	0.9	1.1	0.7
Mar	10.4	7.3	11.8	1.1	1.0	1.1
Apr	9.6	7.4	10.6	0.9	1.0	0.8
May	9.8	7.6	10.9	1.0	1.1	0.9
Jun	10.0	7.3	11.2	1.0	1.1	1.0
Jul	9.6	7.4	10.7	0.4	0.3	0.4
Aug	9.9	7.9	10.8	0.0	-0.7	0.3
Sep	9.8	8.7	10.3	0.0	-1.1	0.5
Oct	9.5	8.9	9.8	0.7	0.1	0.9
Nov	9.3	8.6	9.7	0.7	1.0	0.6
Dec	9.4	8.7	9.8	1.1	1.3	1.0

Source: Ghana Statistical Service

Table 3.7: Selected fiscal indicators 2014-2018

	2014 Prov.	2015 Prov.	2016 Prov.	2017 Prov.	2018 Prov.	2018 Prog
Taxes on income and property	8,486.57	8,706.50	9,106.90	13,398.09	18,776.43	16,614.33
per cent of GDP	5.46	4.83	4.23	5.22	6.25	5.53
Taxes on goods and services	6,434.28	9,935.62	12,231.32	13,344.84	15,030.38	16,992.29
per cent of GDP	4.14	5.51	5.69	5.20	5.00	5.65
Taxes on international trade	4,308.91	5,507.58	4,390.44	5,484.66	6,102.12	6,609.71
per cent of GDP	2.77	3.05	2.04	2.14	2.03	2.20
Tax revenue including oil	19,229.76	24,149.71	25,728.66	32,227.58	37,784.19	38,589.15
per cent of GDP	12.37	13.39	11.96	12.56	12.57	12.84
Tax revenue excluding oil	17,879.09	23,721.13	25,511.11	31,413.35	35,835.32	37,115.20
per cent of GDP	12.21	13.50	11.92	12.66	11.92	12.35
Nontax revenue	4,483.36	4,919.94	4,882.44	5,325.24	6,523.71	7,444.94
per cent of GDP	2.88	2.73	2.27	2.07	2.17	2.48
Domestic revenue including oil	23,931.32	29,358.97	32,537.45	39,963.04	46,501.93	48,297.91
per cent of GDP	15.40	16.27	15.13	15.57	15.47	16.07
Domestic revenue excluding oil	22,580.66	28,930.39	32,319.89	39,148.81	44,553.06	46,823.96
per cent of GDP	15.42	16.47	15.10	15.77	14.82	15.58
Grants	814.14	1,729.31	1,140.73	1,534.85	1,134.81	761.14
per cent of GDP	0.52	0.96	0.53	0.60	0.38	0.25
Total revenue and grants	24,745.46	31,088.28	33,678.17	41,497.89	47,636.73	49,059.04
per cent of GDP	15.92	17.23	15.66	16.17	15.85	16.32
Compensation of Employees	10,466.82	12,111.18	14,164.79	16,776.24	19,612.04	19,729.00
per cent of GDP	6.73	6.71	6.59	6.54	6.52	6.56
Goods and services	1,776.63	1,388.22	3,220.76	2,482.11	5,127.86	3,682.27
per cent of GDP	1.14	0.77	1.50	0.97	1.71	1.22
Interest payments	7,080.87	9,075.34	10,770.44	13,572.12	15,821.82	15,091.62
per cent of GDP	4.56	5.03	5.01	5.29	5.26	5.02
Subsidies	473.72	25.00	0.00	0.00	125.31	146.98
per cent of GDP	0.30	0.01	0.00	0.00	0.04	0.05
Non-Financial Assets (Capital Expenditure)	6,095.69	5,884.91	7,678.10	6,331.41	4,738.33	6,393.33
per cent of GDP	3.92	3.26	3.57	2.47	1.58	2.13
Total expenditure & net lending	31,962.21	37,344.58	51,125.04	51,985.95	58,196.96	59,171.73
per cent of GDP	20.56	20.70	23.77	20.25	19.36	19.68
Overall Budget Balance	-11,550.62	-9,438.18	-13,144.93	-12,244.73	-11,672.75	-10,971.15
per cent of GDP	-7.43	-5.23	-6.11	-4.77	-3.88	-3.65
Domestic Expenditure	20,304.17	23,793.37	31,693.23	33,102.02	39,573.67	40,361.74
per cent of GDP	13.06	13.19	14.74	12.90	13.17	13.43
Domestic Primary Balance	3,627.15	5,565.59	844.21	6,861.02	6,928.25	7,936.17
per cent of GDP	2.33	3.09	0.39	2.67	2.30	2.64
Stock of Domestic Debt	34,655.86	38,828.05	52,915.41	66,542.63	86,776.00	0.00
per cent of GDP	22.30	21.52	24.60	25.93	28.87	0.00
Nominal GDP (Including Oil)	155,433.00	180,399.00	215,077.00	256,671.37	300,596.00	300,596.00
Nominal GDP (Excluding oil)	146,432.00	175,707.00	214,050.00	248,226.00	285,921.01	285,921.01

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

	2014	2015	2016	2017	2018
A. Short-Term Instruments	**13,686.10**	**18,244.10**	**20,105.20**	**11,996.80**	**11,031.90**
91-Day Treasury Bill	7,939.40	9,317.90	10,477.60	5,444.70	5,576.60
182-Day Treasury Bill	4,493.40	8,149.60	7,112.40	2,867.00	3,049.80
1-Year Treasury Note	1,253.30	776.6	2,515.30	3,685.20	2,405.50
B. Medium-Term Instruments	**12,283.80**	**11,933.10**	**19,100.20**	**29,288.70**	**40,568.60**
2-Year Fixed Treasury Note	2,746.20	2,086.30	4,227.00	6,400.60	13,049.80
2-year USD Domestic Bond	0	0	395.9	418.1	0
3-Year Fixed Treasury Note	5,061.40	5,062.80	6,658.60	7,255.50	10,930.30
3-Year USD Domestic Bond	0	0	0	978.1	1,067.70
3-Year Stock (SSNIT)	1,281.80	1,073.60	1,137.00	881.8	502.9
3-Year Floating Treasury Note (SADA-UBA)	202.5	0	0	0	0
5-Year GOG Bond	2,790.20	3,508.60	6,480.00	11,204.00	12,160.70
7-Year GOG Bond	201.7	201.7	201.7	2,150.50	2,857.40
C. Long-Term Instruments	**8,650.90**	**8,650.90**	**13,710.00**	**25,257.10**	**35,175.40**
10-Year GOG Bond	0	0	599	7,409.60	7,861.20
15-Year GOG Bond	0	0	0	4,793.80	4,793.80
Long-Term Government Stocks	7,417.40	7,417.40	11,987.40	11,987.40	21,568.50
GOG Petroleum Finance Bond	80	80	80	80	80
TOR Bonds	682	682	572	514.8	400.4
Telekom Malasia Stock	109.5	109.5	109.5	109.5	109.5
Revaluation Stock	361.1	361.1	361.1	361.1	361.1
Other Government Stocks	0.98	0.98	0.98	0.98	0.98
TOTAL(A+B+C)	**34,620.90**	**38,828.10**	**52,915.40**	**66,542.60**	**86,776.00**

Source: Bank of Ghana and Ministry of Finance

Table 3.9a: Holding Structure of Domestic Debt (GH¢ millions), 2014 – 2018

	2014	2015	2016	2017	2018
A. Banking system	**18,745.5**	**19,280.4**	**27,834.4**	**23,319.2**	**38,779.3**
Bank of Ghana	9,293.5	8,851.2	13,056.2	13,009.3	17,133.3
Deposit Money Banks (DMBs)	9,452.0	10,429.1	14,778.2	10,309.9	21,646.0
B. Non-Bank Sector	**9,900.7**	**12,830.3**	**13,486.6**	**17,557.8**	**21,920.5**
SSNIT	1,563.6	1,502.6	1,463.4	1,403.4	796.4
Insurance Companies	63.3	80.9	179.0	340.5	462.4
Other Holders	8,273.8	11,246.8	11,844.1	15,813.9	20,661.7
Rural Banks	494.1	567.5	633.3	300.7	412.8
Firms & Institutions	5,093.3	6,602.3	7,864.1	10,807.8	14,577.0
Individuals	2,686.4	4,077.1	3,346.8	4,705.4	5,671.9
C. Foreign sector (Non-Residents)	**5,974.7**	**6,717.4**	**11,594.4**	**25,665.6**	**26,076.2**
TOTAL(A+B+C)	**34,620.9**	**38,828.1**	**52,915.4**	**66,542.6**	**86,776.0**

Source: Bank of Ghana and Ministry of Finance

Table 3.9b: Holding Structure of Domestic Debt by Shares (%), 2014 – 2018

	2014	2015	2016	2017	2018
A. Banking system	**54.1**	**49.7**	**52.6**	**35.0**	**44.7**
Bank of Ghana	26.8	22.8	24.7	19.5	19.7
Deposit Money Banks (DMBs)	27.3	26.9	27.9	15.5	24.9
B. Non-Bank Sector	**28.6**	**33.0**	**25.5**	**26.4**	**25.3**
SSNIT	4.5	3.9	2.8	2.1	0.9
Insurance Companies	0.2	0.2	0.3	0.5	0.5
Other Holders	23.9	29.0	22.4	23.8	23.8
Rural Banks	1.4	1.5	1.2	0.5	0.5
Firms & Institutions	14.7	17.0	14.9	16.2	16.8
Individuals	7.8	10.5	6.3	7.1	6.5
C. Foreign sector (Non-Residents)	**17.3**	**17.3**	**21.9**	**38.6**	**30.0**
TOTAL(A+B+C)	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Bank of Ghana and Ministry of Finance

Table 3.11: Developments in Balance of Payments (US$ millions), 2014 -2018

	2014	2015	2016	2017	2018
A. Current account	**-3,694.47**	**-2,823.75**	**-2,840.49**	**-2,003.09**	**-2,071.72**
Merchandise Trade Balance	**-1,383.41**	**-3,143.98**	**-1,781.77**	**1,187.67**	**1,778.82**
Exports (f.o.b.)	**13,216.79**	**10,321.08**	**11,138.34**	**13,835.01**	**14,868.09**
Cocoa beans & Products	2,612.88	2,720.79	2,572.17	2,661.37	2,091.57
Gold	4,388.06	3,212.59	4,919.46	5,786.16	5,461.38
Timber and Timber Products	185.05	208.75	255.72	214.97	221.35
Crude oil	3,724.98	1,931.28	1,345.21	3,115.10	4,573.41
Other Exports	2,305.82	2,247.67	2,045.78	2,057.41	2,520.39
Imports (f.o.b.)	**-14,600.20**	**-13,465.06**	**-12,920.11**	**-12,647.35**	**-13,089.27**
Non-oil	-10,906.25	-11,418.34	-11,085.22	-10,655.20	-10,551.55
Oil	-3,693.95	-2,046.72	-1,834.89	-1,992.15	-2,537.72
B. Balance on Services, Income and transfers	**-2,311.06**	**320.23**	**-1,058.72**	**-3,190.76**	**-3,850.54**
Services (net)	-2,602.13	-1,166.60	-1,293.28	-2,874.08	-2,510.23
Credit	2,044.77	6,142.19	6,332.98	6,602.02	7,570.25
Debit	-4,646.90	-7,308.79	-7,626.26	-9,476.10	-10,080.47
Income (net)	-1,717.40	-1,110.90	-1,222.07	-2,740.89	-3,923.35
Credit	110.76	394.42	237.96	309.32	598.27
Debit	-1,828.15	-1,505.32	-1,460.03	-3,050.21	-4,521.63
Transfers (net)	2,008.47	2,597.73	1,456.62	2,424.21	2,583.05
Private (net)	1,998.90	2,375.34	1,431.02	2,424.21	2,564.34
Official (net)	9.57	222.39	25.60	0.00	18.70

Table 3.10: Gross and Net International Reserves (US$ millions)

Indicator	**2014**	**2015**	**2016**	**2017**	**2018**
Net International Reserves (in US$'M)	3,199.48	3,183.59	3,431.03	4,522.48	3,850.96
Gross Reserves Assets (in US$'M) excl Oil Funds, Encumbered	4,349.47	4,403.06	4,862.07	5,490.97	5,317.18
Gross International Reserves (in US$'M)	5,461.01	5,884.73	6,161.80	7,554.84	7,024.78
Months of Import Cover	3.78	3.48	3.53	4.25	3.62
Months of Import Cover (GIR - excl Oil Funds,Encumbered Assets)	3.01	2.60	2.78	3.09	2.74

Table 3.11: Developments in Balance of Payments (US$ millions), 2014 -2018 continued

	2014	2015	2016	2017	2018
C. Capital & Financial Account	**3,752.80**	**3,123.24**	**2,557.86**	**3,015.72**	**1,618.05**
Capital Transfers	0.00	473.88	274.31	242.20	257.76
Direct investments	3,356.99	2,970.89	3,470.67	3,239.09	2,908.18
Other investments	395.81	-321.53	-1,187.11	-465.56	-1,547.89
D. Net errors & omissions	**-144.40**	**-315.37**	**530.05**	**78.81**	**-217.85**
Overall balance	**-86.07**	**-15.89**	**247.43**	**1,091.44**	**-671.52**

Table 3.12: Interbank Exchange Rate Developments

	US$/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation
2016									
Dec	4.2002	-5.2	-9.66	5.1965	-4.3	8.27	4.4367	-4.9	-6.43
2017									
Jan	4.2711	-1.7	-1.66	5.3489	-2.8	-2.85	4.6073	-3.7	-3.70
Feb	4.4786	-4.6	-6.22	5.5745	-4.0	-6.78	4.7530	-3.1	-6.65
Mar	4.3173	3.7	-2.71	5.3964	3.3	-3.70	4.6164	3.0	-3.89
Apr	4.1867	3.1	0.32	5.4163	-0.4	-4.06	4.5611	1.2	-2.73
May	4.2857	-2.3	-2.00	5.5360	-2.2	-6.13	4.8221	-5.4	-7.99
Jun	4.3629	-1.8	-3.73	5.6651	-2.3	-8.27	4.9750	-3.1	-10.82
Jul	4.3743	-0.3	-3.98	5.7627	-1.7	-9.83	5.1573	-3.5	-13.97
Aug	4.3994	-0.6	-4.53	5.6629	1.8	-8.24	5.2215	-1.2	-15.03
Sep	4.3944	0.1	-4.42	5.8962	-4.0	-11.87	5.1940	0.5	-14.58
Oct	4.3765	0.4	-4.03	5.7984	1.7	-10.38	5.0940	2.0	-12.90
Nov	4.4122	-0.8	-4.80	5.9638	-2.8	-12.87	5.2572	-3.1	-15.61
Dec	4.4157	-0.1	-4.88	5.9669	-0.1	-12.91	5.2964	-0.7	-16.23

Table 3.12: Interbank Exchange Rate Developments

	US$/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	GBP/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation	Euro/GHC*	Monthly depreciation/ appreciation	Year-to-Date depreciation/ appreciation
2018									
Jan	4.4240	-0.2	-0.19	6.2717	-4.9	-4.86	5.5131	-3.9	-3.93
Feb	4.4187	0.1	-0.07	6.0925	2.9	-2.06	5.3873	2.3	-1.69
Mar	4.4044	0.3	0.26	6.1816	-1.4	-3.47	5.4179	-0.6	-2.24
Apr	4.4078	-0.1	0.18	6.0678	1.9	-1.66	5.3308	1.6	-0.65
May	4.4226	-0.3	-0.16	5.8865	3.1	1.37	5.1634	3.2	2.58
June	4.5230	-2.2	-2.37	5.9681	-1.4	-0.02	5.2808	-2.2	0.30
July	4.6943	-3.6	-5.93	6.1569	-3.1	-3.09	5.4945	-3.9	-3.61
Aug	4.7241	-0.6	-6.53	6.1344	0.4	-2.73	5.4951	0.0	-3.62
Sep	4.7776	-1.1	-7.57	6.2145	-1.3	-3.98	5.5392	-0.8	-4.38
Oct	4.7899	-0.3	-7.81	6.1115	1.7	-2.37	5.4187	2.2	-2.26
Nov	4.8060	-0.3	-8.12	6.1248	-0.2	-2.58	5.4503	-0.6	-2.82
Dec	4.8200	-0.3	-8.39	6.1710	-0.7	-3.31	5.5131	-1.1	-3.93

Table 3.13: External Debt Stock by Creditor Category (in millions of US$)

Indicator	2014	2015	2016	2017	2018
Total External Debt	13,871.84	15,781.89	16,460.99	17,174.05	17,868.48
Multilateral Creditors	4,900.73	5,379.45	5,547.96	6,436.84	6,390.46
Bilateral Creditors	1,127.81	1,096.32	1,136.47	1,210.67	1,204.79
Export Credit Agencies	1,158.43	1,176.29	1,315.22	1,461.23	1,235.56
Other Concessional	1,883.56	1,811.32	1,730.13	1,769.35	1,694.21
Commercial Creditors	2,270.80	2,788.00	2,782.20	2,416.85	2,365.37
International Capital Market	2,530.51	3,530.51	3,949.01	3,879.12	4,978.09

** Provisional*

Table 4.5: Assets and Liabilities of Banks and Other Bank of Ghana Licensed Financial Institutions (GH₵ Million)

		NBFI			MFI	
	Banks	Deposit Taking	Non-Deposit Taking	RCB	Deposit Taking	Non-Deposit Taking
TOTAL ASSETS	107,340.39	11,261.54	107.90	4,144.18	818.30	180.95
Cash and Bank Balances	29,637.72	979.56	3.30	542.03	37.54	23.88
Investments	38,200.57	2,493.31	3.50	1,600.41	227.77	21.98
Loans & Advances	31,790.42	5,188.84	25.80	1,340.81	331.76	108.31
Other Assets and PPE	7,711.68	2,599.81	75.40	660.93	186.76	25.43
LIABILITIES AND SHAREHOLDERS' FUND	107,340.39	11,261.54	107.90	-	-	-
Liabilities	90,412.75	10,158.66	99.30	-	818.30	180.95
Deposits	68,289.68	6,326.87	0.00	3,354.13	578.02	4.56
Borrowings and other Liabilities	22,123.07	3,831.80	99.30	286.04	191.93	117.04
Shareholders' Funds	16,927.64	1,102.88	8.60	504.01	48.34	59.35
Paid-Up Capital	10,879.74	1,092.78	16.00	210.60	167.91	36.75
Reserves	6,047.90	10.10	-7.40	302.42	(124.50)	22.60

Table 4.12: Ghana Interbank Settlement Transactions (RTGS)

Indicators	2014	2015	2016	2017	2018	Annual Growth %
Volume	699,956	794,282	889,709	934,234	1,221,650	30.76
Value (GH¢'million)	758,312.16	1,032,544.00	1,670,369.46	2,083,846.27	1,963,465.27	(5.78)
Average value per transaction (GH¢)	1,083,371.18	1,299,971.55	1,877,433.48	2,230,539.96	1,607,224.06	(27.94)

Table 4.13: E-Zwich Transactions

Indicators	2014	2015	2016	2017	2018	Annual Growth %
Total Number of Cards Issued	1,084,121	1,369,369	1,878,044	2,364,456	2,774,799	17.35
Cards with Value (per cent of total)	38.72	44.80	48.50	50.71	53.24	4.99
Value on Cards (GH¢'million)	8.76	29.02	53.57	74.43	123.19	65.52
Average Value Per Card (GH¢)	20.90	47.30	58.79	62.07	83.38	34.33
Volume of Transactions	625,167	2,251,101	5,365,085	8,367,017	7,759,354	(7.26)
Value of Transactions (GH¢'million)	272.70	922.90	2,362.96	3,431.49	5,651.14	64.68

Table 4.14: Mobile Money Service

Indicators	2014	2015	2016	2017	2018	Annual Growth %
Total number of mobile voice subscription (Cumulative)[1]	30,360,771	35,008,387	38,305,078	*37,445,048	**40,046,590	6.95
Registered mobile money accounts (Cumulative)	7,167,542	13,120,367	19,735,098	23,947,437	32,554,346	35.94
Active mobile money accounts[2]	2,526,588	4,868,569	8,313,283	11,119,376	13,056,978	17.43
Registered Agents (Cumulative)	26,889	79,747	136,769	194,688	396,599	103.71
Active Agents[3]	20,722	56,270	107,415	151,745	180,664	19.06
Total volume of transactions	113,179,738	266,246,537	550,218,427	981,564,563	1,454,470,801	48.18
Total value of transactions (GH¢'M)	12,123.89	35,444.38	78,508.90	155,844.84	223,207.23	43.22
Balance on Float (GH¢'M)	223.33	547.96	1,257.40	2,321.07	2,633.93	13.48

**Total mobile voice subscription figure as at September, 2017 (NCA)*
***Total mobile voice subscription figure as at September, 2018 (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

FINANCIAL STATEMENTS

CHAPTER 7: FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Dr. Ernest Yedu Addison	-	Governor (Chairman)
Dr. Maxwell Opoku-Afari	-	1st Deputy Governor
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
Dr. Samuel Nii-Noi Ashong	-	Non-Executive Director
Dr. Kwame Nyantekyi-Owusu	-	Non-Executive Director
Mr. Keli Gadzekpo	-	Non-Executive Director
Mrs. Comfort F. Ocran	-	Non-Executive Director
Dr. Maria Hagan	-	Non-Executive Director
Mr. Andrew Boye-Doe	-	Non-Executive Director
Mr. Jude Kofi Bucknor	-	Non-Executive Director
Mr. Charles Adu Boahen	-	Non-Executive Director
Dr. Eugenia Amporfu	-	Non-Executive Director

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. Frances Van-Hein Sackey
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 2018.

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 2018 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. Dr. Johnson Pandit Asiama resigned as second Deputy Governor on 1 January 2018 and was replaced by Mrs. Elsie Addo Awadzi on 12 February 2018.

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).

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 2018 (2017: Nil).

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 28 March 2019 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 2018, 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 2018.

The financial statements on pages 10 to 93 comprise:

- the separate and consolidated statements of financial position as at 31 December 2018;
- 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	*How our audit addressed the key audit matter*
Impairment of financial assets The determination of expected credit loss allowances is subjective and judgemental. With the introduction of IFRS 9 in 2018, a number of additional judgements and assumptions are introduced and reflected in the financial statements, including the identification of significant increases in credit risk and the application of forward looking economic scenarios reflecting management's view of potential future economic environment. These judgements were key in the development of new models which have been built and implemented to measure the expected credit losses on relevant credit exposures. There is limited experience available to back-test the charge for expected credit losses ('ECL') with actual results. There is also a significant increase in the number of data inputs required for the impairment calculation. This increases the risk of completeness and accuracy of	As IFRS 9 was adopted at the start of the year, we performed audit procedures on the opening balances to gain comfort on the transition from IAS 39. This included evaluating the accounting interpretations for compliance with IFRS 9 and testing the adjustments and disclosures made on transition. We understood and evaluated controls supporting management's estimates, judgements and assumptions and tested selected key controls on the completeness and accuracy of data used as input to the models. To verify data quality, we tested the data used in the ECL calculation by reconciling to source systems. We assessed the measurement decisions which include challenging management's determination of: - definition and identification of default, - probability of default, - exposure at default,

Key audit matter	How our audit addressed the key audit matter

the data that has been used to create assumptions and operate the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.

At 31 December 2018, the Bank's credit exposures and respective impairment, where applicable, were as follows:

Exposures assessed for expected credit loss under IFRS 9	Gross balance	Impairment
	GH¢'000	GH¢'000
Cash and balances with correspondence banks	5,023,690	-
Balances with IMF	4,858,652	-
Securities	37,934,330	19,708
Loans and advances	7,887,730	3,104,130
Other assets	3,238,725	67,714
Off balance sheet exposures	550,168	1,256

Key judgements and estimates in respect of the timing and measurement of expected credit losses (ECL) include:

- Definition of default and credit impaired assets focusing on both the qualitative and quantitative criteria used by the Bank;
- Allocation of assets to stage 1, 2, or 3 using the significant increase in credit risk (SICR) criteria and focusing on both the qualitative and quantitative indicators;
- Accounting interpretations and modelling assumptions used to build the models that calculate the ECL such as the Probability of Default – PD, Exposure At Default – EAD, Loss Given Default – LGD, and the Credit Conversion Factor – CCF;
- Inputs and assumptions used to estimate the impact of multiple economic scenarios such as inflation rate, USD/GHS exchange rate and GDP growth estimates;
- Completeness and valuation of post model adjustments; and
- Accuracy and adequacy of the financial statement disclosures.

The accounting policies, critical estimates and judgements and impairment charge are set out in notes 2(m), 9, 14, 15, 17 and 36 to the financial statements. Impairment of financial assets is considered a key audit matter in the separate and consolidated financial statements.

- loss given default, and
- credit conversion factors.

We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9; this included peer benchmarking to assess staging levels. We tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.

We tested the assumptions, inputs and formulas used in a sample of ECL models. This included assessing the appropriateness of model design and formulas used and recalculating the PD and LGD for a sample of exposures.

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment.

We assessed the base case and alternative economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources. We assessed whether forecasted macroeconomic variables such as GDP, USD/GHS exchange rate and inflation were appropriate.

We examined a sample of loans and advances which had not been identified by management as impaired or for which there was no significant increase in credit risk at the reporting date and formed our own judgement.

We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards including disclosure of transition from IAS 39.

Key audit matter	*How our audit addressed the key audit matter*
Fair value of externally managed short term funds As at 31 December 2018, the Bank had externally managed short term funds valued at GH¢20.2 billion. The fair value of these externally managed short term funds comprising foreign securities recorded in the statement of financial position are determined using valuation techniques including the Discounted Cash Flow (DCF) model where they cannot be measured based on quoted prices in active markets. For securities with no quoted price, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows and inputs such as LIBOR yield curve, FX rates, volatilities and counterparty spreads existing at the reporting dates. Changes in these inputs could affect the reported fair value of the externally managed short term funds. For funds with quoted prices, the marked to market value or revised unit price of the portfolio is used to determine the fair values. 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 understood and evaluated key controls relating to externally managed funds including management's process for reviewing the valuation reports received from fund managers. For each of the externally managed fund class, we obtained and reviewed the valuation reports prepared by the fund managers. For quoted securities, we reviewed the marked to market value or revised unit price of the portfolio used in determining the fair value of the foreign securities. For securities with no quoted price, we traced the inputs used at the reporting date to independent external sources. We agreed the fair value adjustments passed by management to the valuation reports prepared by the fund managers.

Other information

The directors are responsible for the other information. The other information comprises the General Information and 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-Banks 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 2017), (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 (ICAG/F/2019/028)
Chartered Accountants
Accra, Ghana

18 April 2019

pwc

STATEMENT OF PROFIT OR LOSS

	NOTE	The Bank 2018 GH¢'000	The Bank 2017 GH¢'000	The Group 2018 GH¢'000	The Group 2017 GH¢'000
OPERATING INCOME					
Interest and similar income	5(i)	**2,395,132**	2,392,417	**2,519,482**	2,493,080
Price and exchange differences	5(ii)	**614,297**	-	**633,549**	-
Fee and commission income	5(iv)	**93,352**	85,415	**118,908**	115,181
Other operating income	5(v)	**8,286**	312,011	**87,938**	397,987
Dividend income	5(vi)	**18,675**	18,281	**2,893**	3,675
Total operating income		**3,129,742**	2,808,124	3,362,770	3,009,923
OPERATING EXPENSES					
Interest expense and similar charges	5(iii)	**(1,992,860)**	(2,245,036)	**(2,005,465)**	(2,252,905)
Other operating expenses	6	**(1,131,354)**	(805,863)	**(1,306,869)**	(917,405)
Price and exchange differences	5(ii)	-	(90,032)	-	(67,167)
Premises and equipment expenses	7	**(198,246)**	(77,662)	**(208,171)**	(85,551)
Currency issue expenses	8	**(153,647)**	(230,766)	**(153,647)**	(230,766)
Impairment loss	9(a)	**(446,720)**	(996,297)	**(445,177)**	(997,163)
Total operating expense		**(3,922,827)**	(4,445,656)	**(4,119,329)**	(4,550,957)
Loss before taxation		**(793,085)**	(1,637,532)	**(756,559)**	(1,541,034)
Taxation	10(a)	-	-	**(9,112)**	(23,166)
Operating loss for the year		**(793,085)**	(1,637,532)	**(765,671)**	(1,564,200)
Deficit attributed to:					
Equity shareholders of the bank		**(793,085)**	(1,637,532)	**(780,606)**	(1,600,045)
Non-controlling interest	32	-	-	**14,935**	35,845
		(793,085)	(1,637,532)	**(765,671)**	(1,564,200)

The notes on pages 50 to 111 form an integral part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

	The Bank		The Group	
	2018 GH¢'000	2017 GH¢'000	2018 GH¢'000	2017 GH¢'000
Operating profit for the year	(793,085)	(1,637,532)	(765,671)	(1,564,200)
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Foreign currency translation reserve	-	-	14,544	65,344
Tax effect	-	-	-	-
	-	-	14,544	65,344
Gain on FVOCI financial instruments	33,445	-	24,679	13,026
Tax effect	-	-	(1,491)	(719)
	33,445	-	23,188	12,307
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	33,445	-	37,732	77,651
Total comprehensive income for the year, net of tax	(759,640)	(1,637,532)	(727,939)	(1,486,549)
Attributable to:				
Equity holders of the parent	(759,640)	(1,637,532)	(744,974)	(1,560,443)
Non-controlling interest	-	-	17,035	73,894
	(759,640)	(1,637,532)	(727,939)	(1,486,549)

The notes on pages 50 to 111 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

	NOTE	The Bank 2018 GH¢'000	The Bank 2017 GH¢'000	The Group 2018 GH¢'000	The Group 2017 GH¢'000
ASSETS					
Cash and balances with correspondent banks	11	**5,023,690**	6,413,197	**7,278,763**	9,778,638
Gold	12	**1,735,202**	1,608,869	**1,735,202**	1,608,869
Balances with International Monetary Fund	13	**4,858,652**	4,657,098	**4,858,652**	4,657,098
Securities	14	**37,914,622**	33,712,408	**38,291,741**	32,926,677
Loans and advances	15	**4,783,600**	6,504,664	**5,411,480**	7,662,519
Other assets	17	**3,171,011**	1,335,059	**3,202,128**	1,365,679
Investments	18	**573,904**	271,766	**424,380**	122,242
Property, plant and equipment	19	**1,042,661**	670,795	**1,075,174**	694,106
Intangible assets	20	**18,556**	22,695	**26,055**	31,524
Current income tax assets	10	-	-	**794**	-
Deferred tax assets	10	-	-	**15**	59
Total Assets		**59,121,898**	55,196,551	**62,304,384**	58,847,411
LIABILITIES					
Deposits	21	**14,453,338**	15,409,226	**16,679,203**	18,127,119
Derivative financial liability	16	**28,319**	-	**28,319**	-
Bridge Facilities	22	**7,389,060**	5,740,410	**7,389,060**	5,740,410
Liabilities under money market operations	23	**10,739,796**	9,408,110	**10,739,796**	9,408,110
Allocations of special drawing rights	24a	**2,242,712**	2,031,560	**2,242,712**	2,031,560
Liabilities to International Monetary Fund	24b	**8,722,617**	7,585,435	**8,722,617**	7,585,435
Current income tax liabilities	10	-	-	**3,530**	10,743
Deferred tax liabilities	10	-	-	**190**	59
Other liabilities	25	**1,970,558**	858,831	**2,120,616**	998,701
Currency in circulation	27	**13,556,352**	12,126,059	**13,556,352**	12,126,059
Total Liabilities		**59,102,752**	53,159,631	**61,482,395**	56,028,137
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	**(135,136)**	1,882,638	**59,211**	2,067,562
Retained earnings		-	-	**179,710**	173,127
Total Equity Attributable to Equity Holders of the Bank		**19,146**	2,036,920	**393,203**	2,394,971
Non-Controlling Interest	32	-	-	**428,786**	424,303
Total Equity		**19,146**	2,036,920	**821,989**	2,819,274
TOTAL LIABILITIES AND EQUITY		**59,121,898**	55,196,551	**62,304,384**	58,847,411

The financial statements on pages 44 to 111 were approved by the Board of Directors on 28th March 2019 and signed on its behalf by:

Chairman (Governor)________________ Director________________

The notes on pages 50 to 111 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

The Bank **Year ended 31 December 2018**	**Stated Capital (note 28) GH¢'000**	**Asset Revaluation Reserves (note 29) GH¢'000**	**Statutory Reserves (note 30) GH¢'000**	**Fair valuation Reserves (note 31) GH¢'000**	**Other Reserves (note 31) GH¢'000**	**Retained Earnings GH¢'000**	**Total GH¢'000**
At 1 January 2018	10,000	115,522	28,760	-	1,882,638	-	2,036,920
Changes on initial application of IFRS 9							
Increase in impairment provisioning	-	-	-	-	-	(1,345,786)	(1,345,786)
Fair valuation of equity instruments	-	-	-	87,905	-	-	87,905
Restated balance at 1 January 2018	**10,000**	**115,522**	**28,760**	**87,905**	**1,882,638**	**(1,345,786)**	**779,039**
Loss for the Year	-	-	-	-	-	(793,085)	(793,085)
Other comprehensive income	-	-	-	33,445	-	-	33,445
Total comprehensive income	-	-	-	33,445	-	-	33,445
						-	
Dividend	-	-	-	-	-	-	-
Utilisation of Agricultural and Centre for Scientific and Research (CSR) funds	-	-	-	-	(253)	-	(253)
Exchange movement in gold and other foreign assets	-	-	-	-	403,361	(403,361)	-
Price movement in gold	-	-	-	-	(75,277)	75,277	-
Transfer from other reserves	-	-	-	-	(2,466,955)	2,466,955	-
At 31 December 2016	**10,000**	**115,522**	**28,760**	**121,350**	**(256,486)**	**-**	**19,146**

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)
Exchange movement in gold and other foreign assets				694,308	(694,308)	
Price movement in gold				257,414	(257,414)	-
Transfer from Other Reserves	-	-	-	(2,589,254)	2,589,254	-
						-
At 31 December 2017	10,000	115,522	28,760	1,882,638	-	2,036,920

The notes on pages 50 to 111 form an integral part of these financial statements.

The Group

Year ended 31 December 2018	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	Fair valuation Reserves (note 31) GH¢'000	Retained Earnings GH¢'000	Total GH¢'000	Non-controlling interest GH¢'000	Total GH¢'000
At 1 January 2018	10,000	115,522	28,760	1,882,726	178,075	6,761	173,127	**2,394,971**	424,303	**2,819,274**
Changes on initial application of IFRS 9										
Increase in impairment provisioning	-	-	-	-	-	-	(1,348,139)	**(1,348,139)**	(2,260)	**(1,350,399)**
Fair valuation of equity instruments	-	-	-	-	-	8,015	-	**88,015**	106	**88,121**
Restated balance at 1 January 2018	**10,000**	**115,522**	**28,760**	**1,882,726**	**178,075**	**94,776**	**(1,175,012)**	**1,134,847**	**422,149**	**1,556,996**
(Loss)/profit for the year	-	-	-	-	-	-	(780,606)	**(780,606)**	14,935	**(765,671)**
Other comprehensive income	-	-	-	-	14,544	28,214	-	**42,758**	(5,026)	**37,732**
Total comprehensive income	-	-	-	-	14,544	28,214	(780,606)	**(737,848)**	9,909	**(727,939)**
(Loss)/gain on translation of foreign operation	-	-	-	-	-	-	(3,543)	**(3,543)**	11,891	**8,348**
Dividend paid by group	-	-	-	-	-	-	-	-	(15,163)	**(15,163)**
Utilisation of Agricultural & CSR funds	-	-	-	(253)	-	-	-	**(253)**	-	**(253)**
Price movement in gold	-	-	-	(75,277)	-	-	75,277	-	-	-
Exchange movement in gold and other foreign assets	-	-	-	403,361	-	-	(403,361)	-	-	-
Transfer from other reserves	-	-	-	(2,466,955)	-	-	2,466,955	-	-	-
At 31 December 2018	**10,000**	**115,522**	**28,760**	**(256,398)**	**192,619**	**122,990**	**179,710**	**393,203**	**428,786**	**821,989**

The notes on pages 46 to 93 form an integral part of these financial statements.

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 2018	10,000	115,522	28,760	3,878,234	112,731	949	154,818	4,301,014	347,397	4,648,411
(Loss)/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)
(Loss)/gain 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)
Price movement in gold	-	-	-	257,414	-	-	(257,414)	-	-	-
Exchange movement in gold and other foreign assets	-	-	-	694,308	-	-	(694,308)	-	-	-
Transfer from other reserves	-	-	-	(2,589,254)	-	-	2,589,254	-	-	-
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 50 to 111 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

		The Bank		The Group	
	NOTE	2018 GH¢'000	2017 GH¢'000	2018 GH¢'000	2017 GH¢'000
Cash flows (used in)/generated from operating activities	37	**(3,588,623)**	364,218	**(4,912,568)**	617,106
Interest paid on bridge facilities	22	**(174,915)**	(127,766)	**(174,915)**	(127,766)
Tax paid	10(c)	-	-	**(16,885)**	(22,577)
Net cash flows (used in)/ generated from operating activities		**(3,763,538)**	236,452	**(5,104,368)**	466,763
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment	19	**301**	508	**354**	599
Purchase of intangible assets	20	**(5,771)**	(19,283)	**(6,755)**	(21,735)
Purchase of property, plant and equipment	19	**(489,321)**	(175,679)	**(504,062)**	(185,204)
Net cash used in investing activities		**(494,791)**	(194,454)	**(510,463)**	(206,340)
Cash flows from financing activities					
Dividend paid to government		-	(250,000)	-	(250,000)
Increase in IMF liabilities	24b	**1,137,182**	201,544	**1,137,182**	201,544
Drawdown in bridge facilities	22	**7,050,318**	5,649,180	**7,050,318**	5,649,180
Principal repayment of bridge facilities	22	**(5,874,240)**	(3,095,120)	**(5,874,240)**	(3,095,120)
Dividend paid to non-controlling interest	32	-	-	**(15,163)**	(14,033)
Net cash generated from financing activities		**2,313,260**	2,505,604	**2,298,097**	2,491,571
Net change in cash and cash equivalents		**(1,945,069)**	2,547,602	**(3,316,734)**	2,751,994
Cash and cash equivalents at 1 January		**6,413,197**	3,652,353	**9,778,638**	6,812,680
Net foreign exchange difference		**555,562**	213,242	**816,859**	213,964
Cash and cash equivalents at 31 December	11	**5,023,690**	6,413,197	7,278,763	9,778,638

The notes on pages 50 to 111 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 2018 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

IFRS 9 - Financial Instruments

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and fair valuation reserves of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in note 2(m) below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 are compared as follows:

Group	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount**	Measurement category	**Carrying amount**
Cash and balances with correspondence banks	Amortised cost (Loans and receivables)	9,778,638	Amortised cost (Hold to Collect)	9,778,638
Gold	FVTPL	1,608,869	FVTPL	1,608,869
Balances with IMF	Amortised cost (Loans and receivables)	4,657,098	Amortised cost (Hold to collect)	4,657,098
Securities	Amortised cost (Held-to-maturity and loans and receivable)	32,926,677	Amortised cost (Hold to collect)	32,906,004
Loans and advances	Amortised cost (Loans and receivables)	7,662,519	Amortised cost (Hold to collect)	6,336,838
Investments	Available for sale	187,414	FVOCI	275,535
Other assets	Amortised cost (Loans and receivables)	1,365,679	Amortised cost (Hold to collect)	1,362,623

Bank	IAS 39		IFRS 9	
Financial assets	**Measurement category**	**Carrying amount**	Measurement category	**Carrying amount**
Cash and balances with correspondence banks	Amortised cost (Loans and receivables)	6,413,197	Amortised cost (Hold to Collect)	9,778,638
Gold	FVTPL	1,608,869	FVTPL	1,608,869
Balances with IMF	Amortised cost (Loans and receivables)	4,657,098	Amortised cost (Hold to collect)	4,657,098
Securities	Amortised cost (Held-to-maturity and loans and receivable)	33,712,408	Amortised cost (Hold to collect)	32,906,004
Loans and advances	Amortised cost (Loans and receivables)	6,504,664	Amortised cost (Hold to collect)	6,336,838
Investments	Available for sale	271,766	FVOCI	275,535
Other assets	Amortised cost (Loans and receivables)	1,335,059	Amortised cost (Hold to collect)	1,362,623

There were no changes to the classification or measurement of financial liabilities. They remained classified as financial liabilities 'Other' and measured at amortised cost.

Reclassification from retired categories with no change in measurement

As indicated above, some financial assets have been reclassified to new categories under IFRS 9, as their previous categories under IAS 39 were "retired" with no changes to their measurement basis. They include those previously classified as held to maturity and loans and receivables and measured at amortised cost and available for sale equity investments but now classified as FVOCI and measured at fair value.

Reconciliation of statement of financial position balances *from IAS 39 to IFRS 9*

The Group performed a detailed analysis of its business models for managing financial assets and analysis of cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Group

	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and balances with correspondence banks – Amortised Cost				
Closing balance under IAS 39 and opening balance under IFRS 9	9,778,638	-	-	9,778,638
Balances with IMF - FVTPL				
Closing balance under IAS 39 and opening balance under IFRS 9	4,657,098	-	-	4,657,098
Securities – Hold to Collect				
Closing balance under IAS 39	32,926,677	-	-	-
Remeasurement: ECL allowance	-	-	(20,673)	-
Opening balance under IFRS 9	-	-	-	32,906,004
Loans and advances – Amortised Cost				
Closing balance under IAS 39	7,662,519	-	-	-
Remeasurement: ECL allowance	-	-	(1,325,681)	-
Opening balance under IFRS 9	-	-	-	6,336,838
Investments – FVOCI				
Closing balance under IAS 39	187,414	-	-	-
Remeasurement: ECL allowance	-	-	88,121	-
Opening balance under IFRS 9	-	-	-	275,535
Other assets – Amortised Cost				
Closing balance under IAS 39	1,365,679	-	-	-
Remeasurement: ECL allowance	-	-	(3,056)	-
Opening balance under IFRS 9	-	-	-	1,362,623

The expected credit loss recognised at 1 January 2018 for off balance sheet items (Letters of credit and guarantees) was GH¢988,570, this is recognised in Other liabilities. The total re-measurement loss of GH¢ 1.26 billion was recognised in opening reserves at 1 January 2018.

Group

	IAS 39 Carrying amount 31-Dec-17	Reclassifications	Remeasurements	IFRS 9 Carrying amount 1-Jan-18
Cash and balances with correspondence banks – Amortised Cost				
Closing balance under IAS 39 and opening balance under IFRS 9	6,413,197	-	-	6,413,197
Balances with IMF - FVTPL				
Closing balance under IAS 39 and opening balance under IFRS 9	4,657,098	-	-	4,657,098
Securities – Hold to Collect				
Closing balance under IAS 39	33,712,408	-	-	-
Remeasurement: ECL allowance	-	-	(20,673)	-
Opening balance under IFRS 9	-	-	-	33,691,735
Loans and advances – Amortised Cost				
Closing balance under IAS 39	6,504,664	-	-	-
Remeasurement: ECL allowance	-	-	(1,321,068)	-
Opening balance under IFRS 9	-	-	-	5,183,596
Investments – FVOCI				
Closing balance under IAS 39	271,766	-	-	-
Remeasurement: ECL allowance	-	-	87,905	-
Opening balance under IFRS 9	-	-	-	359,671
Other assets – Amortised Cost				
Closing balance under IAS 39	1,335,059	-	-	-
Remeasurement: ECL allowance	-	-	(3,056)	-
Opening balance under IFRS 9	-	-	-	1,332,003

The expected credit loss recognised at 1 January 2018 for off balance sheet items (Letters of credit and guarantees) was GH¢988,570, this is recognised in Other liabilities.

The total re-measurement loss of GH¢ 1.35 billion was recognised in opening reserves at 1 January 2018.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

	Bank			Group		
Measurement category	**Loss allowance under IAS 39**	**Remeasurement**	**Loss allowance under IFRS 9**	**Loss allowance under IAS 39**	**Remeasurement**	**Loss allowance under IFRS 9**
Securities	-	20,673	20,673	-	20,673	20,673
Other assets	421,097	3,056	424,153	421,097	3,056	424,153
Loans and advances	979,205	1,321,068	2,300,273	980,088	1,325,681	2,305,769
Provisions (financial guarantee)	-	989	989	-	989	989
Total	1,400,302	1,345,786	2,746,088	1,401,185	1,350,399	2,751,584

The remeasurement gain on equity investment measured at FVOCI recognised at 1 January 2019 were GH¢ 87.9 million and GH¢ 88.1 million for the Bank and Group respectively. Further information on the measurement of the impairment allowance under IFRS 9 can be found in notes 2 (m) and 36.

IFRS 15 - Revenue from contracts with customers

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. Comparatives for the 2017 financial year are not restated. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules with the cumulative effect method. However, no adjustments were passed on adoption on IFRS 15. There were no material effects on revenue recognised by the group on the adoption of IFRS 15.

c. (ii) Standards issued but not yet effective

IFRS 16 - Leases

IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group is in the process of reviewing all leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

The Group will apply the standard for its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Annual Improvements to IFRS Standards 2015-2017 Cycle

The following improvements were finalised in December 2017 and effective on 1 January 2018:

IFRS 3 - clarified that obtaining control of a business that is a joint operation is a business combination achieved in stages.

IFRS 11 - clarified that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation.

IAS 12 - clarified that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

IAS 23 - clarified that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

Calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling separately recognise any changes in the asset ceiling through other comprehensive income.

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 measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL.
- Details on the Group's impairments are disclosed in notes 2(m), 9 and 36.

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 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

(ii) Transactions eliminated on consolidation

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

(iii) Changes in ownership interests in subsidiaries without change of control

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

(iv) Disposal of subsidiaries

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

f. Dividends received

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

g. Interest income and expense

Interest income and expense on available-for-sale assets and financial assets or liabilities held at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future receipts or payments through the expected life of the financial instruments or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees received or paid between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of financial asset or liability.

Interest income and expense on financial assets and liabilities held at fair value through profit or loss is recognised in the profit or loss using the effective interest method.

h. Fees and commissions

Fee and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate. Other fee and commission income, including account servicing fees are recognised as the related services are performed and the performance obligations associated with the contracts are delivered.

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 Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930).

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	4.5864	4.8200
GBP	6.1191	6.1710
EURO	5.4128	5.5131

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) Financial Assets

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees. For purchased or originated credit-impaired ('POCI') financial assets – assets that are credit-impaired at initial recognition – the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets and liabilities differs from the transaction price on initial recognition, the entity recognises the difference as follows:

a. When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

b. In all other cases, the differences are deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and subsequent measurement

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (FVPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.
- The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and investment securities.
Classification and subsequent measurement of debt instruments depend on:

- the Group's business model for managing the asset; and
- the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represents solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'other operating income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within 'Net trading income' in the period in which it arises. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the `SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at fair value through profit or loss, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment

The Group assesses on a forward-looking basis the expected credit losses ('ECL') associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 36 provides more detail of how the expected credit loss allowance is measured.

Modification of loans

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms.

The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

Derecognition other than on a modification

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- 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.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Accounting policies applied until 31 December 2017
The Group has applied IFRS 9 prospectively and has not restated the comparative information. The comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy. A financial asset or financial liability was measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that were directly attributable to its acquisition or issue.

Initial recognition of financial instruments – IAS 39
The Group classified its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale financial assets. The directors determined the classification of financial assets at initial recognition. The Group used trade date accounting for regular way contracts when recording financial asset transactions.

The classification of financial instruments at initial recognition depended on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments were measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

Financial assets and liabilities held for trading
Financial assets or financial liabilities held for trading other than derivatives were recorded in the consolidated statement of financial position at fair value. Changes in fair value are recognised in 'Exchange difference' according to the terms of the contract or when the right to the payment has been established.

Included in this classification were debt securities, equities and short position in debt securities which had been acquired principally for the purpose of selling or repurchasing in the future.

Held to maturity financial instruments
Held to maturity financial instruments were those which carried fixed determinable payments and had fixed maturities and which the Group had the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments were subsequently measured at amortised cost using the effective interest rate method, less allowances for impairment. Amortised cost was calculated by taking into account any discount or premium on acquisition and fees that were an integral part of the effective interest rate.

The amortisation was included in 'interest income' in the statement of comprehensive income. The losses arising from impairment of such investments were recognised in the statement of comprehensive income line 'Impairment losses'.

Loans and advances
Loans and advances were financial assets with fixed or determinable payments and fixed maturities that were not quoted in an active market. These were not entered into with the intention of immediate or short-term resale and were not classified as 'Financial assets held for trading', designated as 'Financial investments – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, loans and advances were subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. The amortised cost was calculated by taking into account any discount on acquisition and fees and costs that were integral part of the effective interest rate. The amortisation was included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment were recognised in the statement of comprehensive income in 'Impairment charge on loans and advances'.

Available for sale financial investments
Available-for-sale financial investments were those which are designated as such or did not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. It included equity investments, investments in mutual funds and money market and other debt instruments. After initial measurement, available-for-sale financial instruments were subsequently measured at fair value. Unrealised gains and losses were recognised directly in equity in the 'Available-for-sale reserve'. When the security was disposed of, the cumulative gain or loss previously recognised in equity was recognised in the statement of comprehensive income in 'Other operating income' or 'Other operating expenses'.

Where the Group held more than one investment in the same security, it was deemed to be disposed off on a first-in first-out basis. Interest earned, whilst holding available-for-sale financial investments, was recognised in the statement of comprehensive income as 'Interest income' when the right of the payment had been established. The losses arising from impairment of such investments were recognised in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

Reclassification of financial assets
The Group chose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset was no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near-term. In addition, the Group chose to reclassify financial assets that met the definition of loans and receivables out of the fair value through profit or loss (FVPL)/held-

for-trading or fair value through other comprehensive income (FVOCI)/available-for-sale categories if the Bank had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives were re-assessed, and if necessary separately accounted for.

Identification and measurement of impairment

The Group assessed at each reporting date whether there was objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss was impaired. A financial asset or a group of financial assets was impaired and impairment losses are incurred if, and only if, there was 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) had 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 were impaired included default or delinquency by a borrower, restructuring of a loan and other observable data that suggested adverse changes in the payment status of the borrowers. The Group first assessed whether objective evidence of impairment existed individually for financial assets that were individually significant, and individually or collectively for financial assets that were not individually significant. If the Group determined that no objective evidence of impairment existed for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assessed them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was or continued to be recognised, were not included in a collective assessment of impairment.

Available for sale financial assets

For available-for-sale financial investments, the Group assessed at each reporting date whether there was objective evidence that an investment or a group of investments was impaired.

In the case of equity investments classified as available-for-sale, objective evidence included a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' was evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value had been below its original cost. Where there was 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 – was removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments were not reversed through profit or loss; increases in their fair value after impairment were recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment was assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment was 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 continued 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 was recorded as part of finance income. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a future write–off was later recovered, the recovery was 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 assessed individually whether objective evidence of impairment exists for financial assets that were individually significant, or collectively for financial assets that were not individually significant. If the Bank determined that no objective evidence of impairment existed for an individually assessed financial asset, it included the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that were individually assessed for impairment and for which an impairment loss was, or continued to be, recognised were not included in a collective assessment of impairment.

If there was objective evidence that an impairment loss had been incurred, the amount of the loss was 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 was reduced through the use of an allowance account and the amount of the loss was recognised in the income statement.

Interest income continued to be accrued on the reduced carrying amount and was accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income was recorded as part of Interest and similar income. Loans together with the associated allowance were written off when there was no realistic prospect of future recovery and all collateral had been realised or had been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a future write–off was later recovered, the recovery was credited to the 'Credit loss expense'. If, in a subsequent year, the amount of the estimated impairment loss increased or decreased because of an event occurring after the impairment was recognised, the previously recognised impairment loss was increased or reduced by adjusting the allowance account. If a future write–off was later recovered, the recovery was credited to the 'Impairment recognised'.

For the purposes of a collective evaluation of impairment, financial assets were grouped on the basis of similar credit risk characteristics that considered asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Those characteristics were 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.

(ii) Financial Liabilities

Classification and subsequent measurement

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions that give rise to market risk) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the considereation received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and
- Financial guarantee contracts and loan commitments.

Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

(iii) 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).

(iv) Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as a provision.

(v) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

The Bank uses widely recognised valuation models for determining fair values of non-standardised financial instruments of lower complexity, such as options or interest rate and currency swaps. For these financial instruments, inputs into models are generally market-observable.

For more complex instruments, the Bank uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models such as present value techniques are used primarily to value derivatives transacted in the over-the-counter market, unlisted debt securities (including those with embedded derivatives) and other debt instruments for which markets were or have become illiquid. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The Bank uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the Bank's credit spreads widen, the Bank recognises a gain on these liabilities because the value of the liabilities has decreased. When the Bank's credit spreads narrow, the Bank recognises a loss on these liabilities because the value of the liabilities has increased.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.

(vi) Repurchase and reverse repurchase agreements

Securities may be lent subject to a commitment to repurchase it at a specified date ('a repo'). Such securities are not derecognised but retained on the statement of financial position when substantially all the risks and rewards of ownership remain with the Bank. Any cash received, including accrued interest, is recognised on the statement of financial position reflecting its economic substance as a loan to the Bank.

Conversely, securities borrowed or purchased securities subject to a commitment to resell at a specified date (a 'reverse repo') is not recognised on the statement of financial position as the transactions are treated as collateralised loans. However, where the securities borrowed is sold to third parties, the obligation to repurchase the securities is recorded as a trading liability at fair value and any subsequent gain or loss included in net trading income.

(vii) Offsetting financial instruments

Netting, where financial assets and liabilities are offset and the net amount reported in the statement of financial position, occurs if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the lack of an intention to settle on a net basis results in the related assets and liabilities being presented gross in the statement of financial position.

(viii) Derivatives

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) as amended.

o. Loans and Advances

Loans and advances originated by the Group are classified as Hold to Collect. Loans and advances are stated in the statement of financial position at the estimated recoverable amounts in accordance with note 2(m)(i).

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 hold to collect 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 hold to collect 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 hold 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.

z.b. Currency in Circulation

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 pretax 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.

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¢218 million not provided for in the financial statements as at 31 December 2018 (2017: GH¢¢523 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¢154.5 million (2017: GH¢ 64.2 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¢879.9 million (2017: GH¢645 million).

d. Guarantees and performance bonds

The Bank enters into various commitments in the normal course of its business. The maximum exposure of the Group in respect of guarantees and performance bonds outstanding as at 31 December 2018 was GH¢ 2.95 billion (2017: GH¢3.26 billion).

e. Securities and pledges

The Bank has pledged GH¢4.99 billion (2017: GH¢11.99 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:

	2018	2017
Assets		
Securities – Government	**9.5 – 18.00%**	10 – 24.00%
External securities	**0.13 - 2.25%**	0.13 - 2.25%
Loans and Advances	**20.00 - 25.50%**	20.00 - 25.50%
Liabilities		
Deposits	**0%**	0%
Liabilities under Money Market Operations	**11.74 - 20.82%**	11.74 - 26.82%

5(i) INTEREST AND SIMILAR INCOME

	The Bank		**The Group**	
	2018 GH¢'000	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
Interest on overnight lending, government securities, medium/long-term notes and bonds	1,645,507	1,405,838	1,655,592	1,405,838
Interest on foreign accounts and foreign investments	379,669	190,580	435,228	188,639
	2,025,176	1,596,418	2,090,820	1,594,477
Interest on loans and advances	369,424	793,776	428,130	896,380
Total interest Income	2,394,600	2,390,194	2,518,950	2,490,857
Discount on treasury bill	532	2,223	532	2,223
	2,395,132	2,392,417	2,519,482	2,493,080

5(ii) PRICE AND EXCHANGE DIFFERENCES

Transactional exchange differences	88,395	113,006	107,647	135,871
Exchange rate equalisation	197,818	(1,154,760)	197,818	(1,154,760)
Exchange difference in gold other foreign assets	403,361	694,308	403,361	694,308
Price movement in gold	(75,277)	257,414	(75,277)	257,414
	614,297	(90,032)	633,549	(67,167)

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	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
IMF & SDR allocations	13,572	4,673	13,572	4,673
Foreign loans and credits	174,998	127,766	174,998	127,766
Interest on money market instruments	1,392,840	1,853,081	1,405,445	1,860,950
Repo expense	411,450	259,516	11,450	259,516
	1,992,860	2,245,036	2,005,465	2,252,905

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

The amounts reported above include interest income and expense calculated using the effective interest method, that relate to the following items:

	The Bank		The Group	
	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Financial assets measured at amortised cost	2,103,559	2,201,837	2,217,825	2,290,890
Financial assets measured at FVOCI	-	-	10,084	11,610
Financial assets measured at FVPL	291,573	190,580	291,573	190,580
	2,395,132	2,392,417	2,519,482	2,493,080
Financial liabilities measured at amortised cost	1,992,860	2,245,036	2,005,465	2,252,905

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	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Personnel costs	697,254	596,200	784,571	660,487
Foreign and domestic travel	37,317	38,255	37,317	38,255
Motor vehicle maintenance/running	36,188	26,630	36,188	26,986
Communication expenses	15,003	13,579	15,003	16,254
Banking college and monetary institutes expenses	8,013	6,309	8,013	6,309
Computer related expenses	20,275	12,955	20,275	21,191
Banking supervision expenses	49,697	8,062	49,697	8,062
Auditor's remuneration	515	420	1,127	1,068
Directors' fees	2,407	867	5,185	2,864
External Fund Manager Charges	15,685	17,416	15,685	17,416
International Bodies Subscriptions	7,350	7,733	7,350	7,733
Expense on foreign currency importation	417	1,034	417	1,034
Amortisation of intangible assets	9,910	8,151	11,978	10,049
Depreciation – motor vehicles	11,673	13,928	11,673	15,101
Other administrative expenses	219,650	54,324	302,389	84,596
	1,131,354	805,863	1,306,869	917,405

Directors' fees relate to emoluments paid to both executive and non-executive directors for the discharge of their roles as directors. All other remunerations are included in personnel costs. Included in other administrative expenses is the Bank's subordinated loan of GH¢150 million receivable from Agricultural Development Bank Limited and transferred to the Financial Investment Trust (a Trust set up by Bank of Ghana) during the year.

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

Directors	13	13	23	23
Staff	2,011	1,990	2,127	2,061
	2,024	2,003	2,150	2,084

7. PREMISES AND EQUIPMENT EXPENSES

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Rent and Rates	3,737	3,229	3,737	3,229
Electricity, Water and Conservancy	16,504	15,239	16,504	15,239
Repairs and Renewals	51,946	23,908	51,946	23,908
Insurance – Premises and Equipment	387	379	387	379
Depreciation – Premises & Equipment	102,944	26,874	112,809	31,609
Generator Running Expenses	552	285	552	285
General Premises and Equipment Expenses	22,176	7,748	22,236	10,902
	198,246	77,662	208,171	85,551

8. CURRENCY ISSUE EXPENSES

	The Bank 2018 GH¢'000	The Bank 2017 GH¢'000	The Group 2018 GH¢'000	The Group 2017 GH¢'000
Agency Fees	2,052	1,965	2,052	1,965
Notes Printing	146,795	222,762	146,795	222,762
Other Currency Expenses	4,800	6,039	4,800	6,039
	153,647	230,766	153,647	230,766

9(a) IMPAIRMENT LOSSES

	The Bank 2018 GH¢'000	The Bank 2017 GH¢'000	The Group 2018 GH¢'000	The Group 2017 GH¢'000
Balance at 1 January	1,400,302	404,005	1,401,185	404,005
Adoption of IFRS 9	1,345,786	-	1,350,399	-
Restated balance at 1 January	2,746,088	404,005	2,751,584	404,005
Impairment losses recognised	804,628	1,246,297	804,628	1,247,163
Recovery of impaired facilities	(357,908)	(250,000)	(359,451)	(250,000)
Exchange Difference	-	-	498	17
Balance at 31 December	3,192,808	1,400,302	3,197,259	1,401,185

9(b) RECONCILIATION OF CHANGES IN IMPAIRMENT LOSSES

The Bank

Year ended 31 December 2018	**Loans and Advances (note 15) GH¢'000**	**Other Assets (note 17) GH¢'000**	**Securities (note 44) GH¢'000**	**Other Liabilities (note 25) GH¢'000**	**Total 2018 GH¢'000**
At 1 January 2018	979,205	421,097	-	-	1,400,302
Adoption of IFRS 9	1,321,068	3,056	20,673	989	1,345,786
Restated balance at 1 January	2,300,273	424,153	20,673	989	2,746,088
Impairment losses recognised	803,857	1,469	(965)	267	804,628
Recovery of impaired facilities	-	(357,908)	-	-	(357,908)
At 31 December 2018	**3,104,130**	**67,714**	**19,708**	**1,256**	**3,192,808**

The Group

Year ended 31 December 2018	**Loans and Advances (note 15) GH¢'000**	**Other Assets (note 17) GH¢'000**	**Securities (note 44) GH¢'000**	**Other Liabilities (note 25) GH¢'000**	**Total 2018 GH¢'000**
At 1 January 2018	980,088	421,097	-	-	1,401,185
Adoption of IFRS 9	1,325,681	3,056	20,673	989	1,350,399
Restated balance at 1 January	2,305,769	424,153	20,673	989	2,751,584
Impairment losses recognised	803,857	1,469	(965)	267	804,628
Recovery of impaired facilities	(1,543)	(357,908)	-	-	(359,451)
Exchange difference	498	-	-	-	498
At 31 December 2018	**3,108,581**	**67,714**	**19,708**	**1,256**	**3,197,259**

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

The Bank

Year ended 31 December 2017	Loans and Advances (note 15) GH¢'000	Other assets (note 17) GH¢'000	Total 2016 GH¢'000
At 1 January 2017	-	404,005	404,005
Impairment losses recognised	979,205	267,092	1,246,297
Recovery of impaired facilities	-	(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 2016 GH¢'000
At 1 January 2017	-	404,005	404,005
Impairment losses recognised	980,071	267,092	1,247,163
Recovery of impaired facilities	-	(250,000)	(250,000)
Exchange difference	17	-	17
At 31 December 2017	980,088	421,097	1,401,185

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	**2018 GH¢'000**	2017 GH¢'000
Current income tax		
Current year	8,933	23,107
Prior year adjustment	(3)	141
Total current tax charge	8,930	23,248
Deferred tax charge		
Current year	216	88
Prior year adjustment	(34)	(170)
Total deferred tax charge	182	(82)
Total charge	9,112	23,166

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

	2018 GH¢'000	2017 GH¢'000
Profit on ordinary activities before tax	(1,668,939)	(1,541,034)
Tax at 25% (2017: 25%)	(417,235)	(385,259)
Depreciation of non-qualifying assets	167	212
Expenses disallowed for other tax purposes	7	248
Effect of change in tax rate of subsidiary	47	141
Prior year adjustment	219	(29)
Results of the Bank not subject to tax	425,907	407,853
	9,112	23,166

(c) The movement in the current income tax balance is as follows:	2018 GH¢'000	2017 GH¢'000
At 1 January	10,743	10,095
Charge to statement of profit or loss	8,930	23,248
Payment	(16,885)	(22,577)
Translation difference	(52)	(23)
	2,736	10,743

The net current income tax balance of GH¢2,736,000 consists of current income tax liability of GH¢ 3,530,000 in Ghana International Bank Plc and current income tax asset of GH¢ 794,000 in Central Securities Depository (Gh) Limited.

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

	2018 GH¢'000	2017 GH¢'000
At 1 January	(59)	-
Adoption of IFRS 9	(945)	-
Restated balance at 1 January	(1,004)	-
Charge/(release) to statement of profit or loss	182	(82)
Translation difference	997	23
	175	(59)
Deferred tax (assets)/liabilities are attributable to:		
Impairment provision	(15)	(59)
Property, plant and equipment	190	-

Deferred tax assets and liabilities are non-current.

11. CASH AND BALANCES WITH CORRESPONDENT BANKS

	The Bank		The Group	
	2018 GH¢'000	2017 GH¢'000	2018 GH¢'000	2017 GH¢'000
Correspondent Bank Balances	4,814,343	6,273,054	7,069,416	9,638,495
Notes and Coins Holdings	209,347	140,143	209,347	140,143
	5,023,690	6,413,197	7,278,763	9,778,638
CASH AND BANK BALANCES BY CURRENCY				
(Ghana cedi equivalent)				
US Dollar	4,640,297	6,204,762	6,542,567	8,426,062
Pound Sterling	63,581	37,635	85,382	971,147
Euro	165,553	112,170	450,313	300,641
Others	154,259	58,630	200,501	80,788
Total	5,023,690	6,413,197	7,278,763	9,778,638

12. GOLD

	The Bank		The Group	
	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Bank of England Gold set aside	682,206	632,525	682,206	632,525
Federal Reserve Bank NY Gold	476,774	442,053	476,774	442,053
UBS Gold Investment	513,091	475,758	513,091	475,758
Gold-local holdings	63,131	58,533	63,131	58,533
	1,735,202	1,608,869	1,735,202	1,608,869

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	
	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Holdings	181,429	420,240	181,429	420,240
Quota	4,677,223	4,236,858	4,677,223	4,236,858
	4,858,652	4,657,098	4,858,652	4,657,098

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	
	2018	2017	2018	2017
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Long-term Government securities	12,467,953	12,474,356	12,467,953	12,474,356
Money market instruments	4,024,528	588,506	4,024,528	588,506
Short-term securities	21,441,849	20,649,546	21,511,980	19,739,641
Other securities	-	-	306,988	124,174
Gross amount	37,934,330	33,712,408	38,311,449	32,926,677
Less: Impairment losses (note 9b)	(19,708)	-	(19,708)	-
	37,914,622	33,712,408	38,291,741	32,926,677
Current	21,937,649	20,653,597	22,235,469	19,752,818
Non-current	15,976,973	13,058,811	16,056,272	13,173,859
SECURITIES BY CURRENCY				
(Ghana cedi equivalent)				
Cedi	16,154,102	12,641,154	16,224,351	11,731,249
US Dollar	21,327,795	20,596,488	21,522,232	20,596,488
Pound Sterling	151,618	212,279	237,938	336,453
Others	281,107	262,487	307,220	262,487
Total	37,914,622	33,712,408	38,291,741	32,926,677

(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) as amended.

(ii) Short-term securities
Short term securities include fixed deposits held with correspondent banks and investments held with overseas fund managers which mainly are in the form of units held in Trust and other debt and equity instruments. They are categorised as foreign short term internally managed securities measured at amortised cost and foreign short term externally managed securities measured at fair value through profit or loss.

(iii) Available-for-sale securities
Other securities include certificate of deposits, treasury bills, sovereign bonds and other corporate bonds.

15. LOANS AND ADVANCES

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Government of Ghana	-	-	-	-
Financial institutions	5,382,598	5,103,234	6,014,929	6,261,972
Other quasi-governmental institutions	2,505,132	2,380,635	2,505,132	2,380,635
Gross Amount	7,887,730	7,483,869	8,520,061	8,642,607
Less: Impairment losses (9b)	(3,104,130)	(979,205)	(3,108,581)	(980,088)
Carrying amount	4,783,600	6,504,664	5,411,480	7,662,519
Current	2,717,446	3,974,028	3,187,532	4,655,121
Non-current	2,066,154	2,530,636	2,223,948	3,007,398

LOANS AND ADVANCES BY CURRENCY (GROSS AMOUNT)
(Ghana cedi equivalent)

Cedi	4,761,900	6,504,664	4,740,209	6,570,563
US Dollar	21,690	-	446,300	771,856
Pound Sterling	-	-	224,971	320,100
Total	4,783,600	6,504,664	5,411,480	7,662,519

16. DERIVATIVES

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Foreign currency swap	28,319	-	28,319	-

The Central Bank entered into currency swap contracts with some local banks where it received United States Dollars from the local banks in exchange for Ghana cedis. The foreign currency swap balance is from an underlying receivable of GH¢2.09 billion (2017: GH¢3.6 billion) from these local banks and GH¢2.05 billion payable to those local banks (2017: GH¢3.5 billion). The balance also includes the fair value of the foreign currency forward contracts included in the arrangements of GH¢28.3 million (2017: Nil). Under the terms of the agreements, the amounts payable by the Bank are offset against receivables from the commercial banks and only the net amounts are settled. The receivable and payable amounts have therefore been presented on a net basis in the balance sheet. Derivatives are current.

The table below presents the recognised derivative instruments that are offset, or subject to enforceable master netting arrangements as at 31 December 2018 and 31 December 2017. The column 'net amount' shows the impact on the group's balance sheet if all set-off rights were exercised.

	Gross amounts GH¢'000	Gross amounts set off in the balance sheet GH¢'000	Net amounts presented in the balance sheet GH¢'000
2018			
Derivative financial instruments	2,090,695	(2,119,014)	(28,319)
2017			
Derivative financial instruments	-	-	-

17. OTHER ASSETS

	The Bank		The Group	
	2018 GH¢'000	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
Items in course of Collection	3,474	265,073	3,474	265,073
Other receivables	3,235,251	1,491,083	3,266,368	1,521,703
	3,238,725	1,756,156	3,269,842	1,786,776
Less: Impairment losses (note 9b)	(67,714)	(421,097)	(67,714)	(421,097)
	3,171,011	1,335,059	3,202,128	1,365,679
Current	1,236,462	1,328,425	1,267,579	1,359,045
Non-current	1,934,549	6,634	1,934,549	6,634

Included in other receivables are imprest and sundry receivables.

18. INVESTMENTS

		The Bank		The Group	
		2018 GH¢'000	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
Investment in subsidiaries	18 (a)	149,524	149,524	-	-
Other investments	18 (b)	424,380	122,242	424,380	122,242
		573,904	271,766	424,380	122,242
Less: Impairment losses		-	-	-	-
		573,904	271,766	424,380	122,242

18(a) Subsidiaries

The investment in subsidiaries is made up of:

- GH¢70,164,525 (2017: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 (2017: 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 (2017: 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		
	2018 %	2017 %	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.

Bank of Ghana is also the sole member of Financial Investment Trust, a company limited by guarantee whose object is to own, hold, manage, sell, dispose of, transfer realise the proceeds of sale of the investments of Bank of Ghana in its subsidiaries, associated and other companies as may be directed by Bank of Ghana from time to time. The Trust has not been consolidated as its results are considered immaterial to the Bank.

18(b) Other Investments

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Equity investment in Afrexim	142,744	21,393	142,744	21,393
GIRSAL investment	200,000	100,849	200,000	100,849
GDPC investment	81,636	-	81,636	-
	424,380	122,242	424,380	122,242

All other investments above are measured as fair value through other comprehensive income (FVOCI).

At 1 January	122,242	21,394	122,242	21,394
Adoption of IFRS 9	87,905	-	87,905	-
Restated balance at 1 January	210,147	21,394	210,147	21,394
Purchase of additional interest	180,788	100,848	180,788	100,848
Fair value gain on equity investment measured at FVOCI	33,445	-	33,445	-
At 31 December	424,380	122,242	424,380	122,242

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 2018, the Bank had a total value of GH¢142.74 million (2017: GH¢21.39 million) as equity in Afrexim. The balance includes a fair value gain on the equity instrument of GH¢33.45 million (2017: Nil) arising from the instrument being measured at Fair Value through Other Comprehensive Income (FVOCI). The proportion of the Bank's equity interest to the total holding in Afrexim is 1.56%.

Ghana Incentive Based Risk Sharing System for Agricultural Lending (GIRSAL)

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 export-intensive and import-substituting agricultural product producers. Total funds made available to the Scheme as at 31 December 2018 was GH¢300 million out of which GH¢100 million was charged to other reserves in 2017 as Government's contribution to the initiative.

Ghana Deposit Protection Corporation (GDPC)

The Ghana Deposit Protection Corporation was established under the Ghana Deposit Protection Act, 2016 (Act 931) to protect small depositors from loss incurred by depositors as a result of the occurrence of an insured event and to support the development of a safe, sound, efficient and a stable market-based financial system in Ghana. Total funds made available to the Corporation as at 31 December 2018 was GH¢ 81.64 million.

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 2018	245,428	80,227	13,091	140,024	367,745	846,515
Additions	10,847	3,179	7,264	165,139	302,892	489,321
Transfers	430,818	-	-	-	(430,818)	-
Disposals	-	(7,834)	(461)	(316)	-	(8,611)
At 31 December 2018	**687,093**	**75,572**	**19,894**	**304,847**	**239,819**	**1,327,225**
Accumulated depreciation						
At 1 January 2018	47,609	44,716	8,737	74,658	-	175,720
Charge for the year	31,821	11,673	3,075	68,048	-	114,617
Released on disposals	-	(5,456)	(125)	(192)	-	(5,773)
At 31 December 2018	**79,430**	**50,933**	**11,687**	**142,514**	**-**	**284,564**
Net book amount						
At 31 December 2018	**607,663**	**24,639**	**8,207**	**162,333**	**239,819**	**1,042,661**

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 2018	254,516	85,214	15,664	193,469	376,616	925,479
Additions	12,874	2,786	8,515	173,397	306,490	504,062
Transfers	430,818	-	-	-	(430,818)	-
Disposals	-	(7,963)	(511)	(7,806)	-	(16,280)
Translation adjustment	238	25	86	733	-	1,082
At 31 December 2018	**698,446**	**80,062**	**23,754**	**359,793**	**252,288**	**1,414,343**
Accumulated depreciation						
At 1 January 2018	52,408	48,229	11,182	119,554	-	231,373
Charge for the Year	33,535	11,597	3,887	71,377	-	120,396
Released on disposal	-	(5,553)	(175)	(7,682)	-	(13,410)
Translation adjustment	163	18	81	548	-	810
At 31 December 2018	**86,106**	**54,291**	**14,975**	**183,797**	**-**	**339,169**
Net book amount						
At 31 December 2018	**612,340**	**25,771**	**8,779**	**175,996**	**252,288**	**1,075,174**

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 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
Released on 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	65,3663	67,745	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

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	
	2018 GH¢'000	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
Cost	8,611	7,238	16,280	8,487
Accumulated depreciation	(5,773)	(4,235)	(13,410)	(5,198)
Carrying amount	2,838	3,003	2,870	3,289
Proceeds from disposal	(301)	(508)	(354)	(599)
Loss on disposal	2,537	2,495	2,516	2,690

20. INTANGIBLE ASSETS

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
At 1 January	43,815	24,532	58,020	36,285
Additions	5,771	19,283	6,755	21,735
At 31 December	49,586	43,815	64,775	58,020
Accumulated amortisation				
At 1 January	21,120	12,969	26,496	14,683
Charge for the year	9,910	8,151	12,224	11,813
At 31 December	31,030	21,120	38,720	26,496
Net book amount At 31 December	18,556	22,695	26,055	31,524

Intangible assets refers to computer software.

21. DEPOSITS

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Government of Ghana	5,349,034	6,883,446	5,349,034	6,883,446
Financial Institutions/Banks	8,492,005	7,899,314	10,717,870	10,617,207
Other deposits	612,299	626,466	612,299	626,466
	14,453,338	15,409,226	16,679,203	18,127,119
Current	14,453,338	15,409,226	16,454,203	18,088,031
Non-current	-	-	225,000	39,088

DEPOSITS BY VARIOUS CURRENCIES

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Cedi	10,658,536	12,294,020	10,647,376	14,462,450
US Dollar	3,371,324	2,732,925	5,289,648	3,214,961
Pound Sterling	170,181	166,107	200,801	195,405
Euro	242,301	198,293	529,460	233,268
Others	10,996	17,881	11,918	21,035
Total	14,453,338	15,409,226	16,679,203	18,127,119

22. BRIDGE FACILITIES

Term Loans	7,389,060	5,740,410	7,389,060	5,740,410

Term loans include short and long term facilities denominated in US Dollars. Short term facilities represent facilities with three months maturity period with a roll over option and with fixed rates of interest. The long term facility is a 3 year facility of USD 532 million from JP Morgan Chase.

22. BRIDGE FACILITIES (CONTINUED)

The movement in Bridge Facilities is as follows:

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
1 January	5,740,410	2,940,140	5,740,410	2,940,140
Drawdown	7,050,318	5,649,180	7,050,318	5,649,180
Interest	174,915	127,766	174,915	127,766
Repayment	(6,049,155)	(3,222,886)	(6,049,155)	(3,222,886)
Exchange loss	472,572	246,210	472,572	246,210
31 December	7,389,060	5,740,410	7,389,060	5,740,410
Current	4,820,000	5,740,410	4,820,000	5,740,410
Non-current	2,569,060	-	2,569,060	-

23. LIABILITIES UNDER MONEY MARKET OPERATIONS

Bank of Ghana Instruments	10,739,796	9,408,110	10,739,796	9,408,110

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	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
1 January	2,031,560	1,998,119	2,031,560	1,998,119
Exchange loss	211,152	33,441	211,152	33,441
31 December	2,242,712	2,031,560	2,242,712	2,031,560

Allocations of SDRs are non-current.

24b. LIABILITIES TO INTERNATIONAL MONETARY FUND

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
(i) IMF Currency Holdings				
Operational Account	56,918	53,895	56,918	53,895
IMF Securities	4,037,975	3,657,284	4,037,975	3,657,284
(ii) IMF Facilities				
Poverty Reduction and Growth Facility	4,627,724	3,874,256	4,627,724	3,874,256
	8,722,617	7,585,435	8,722,617	7,585,435
Current	4,627,724	3,874,256	4,627,724	3,874,256
Non-current	4,094,893	3,711,179	4,094,893	3,711,179

25. OTHER LIABILITIES

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Accruals and accounts payable	764,690	519,903	783,408	519,903
Defined pension fund liability	-	997	-	997
Impairment Losses	1,256	-	1,256	-
Other payables	1,204,612	337,931	1,335,952	477,801
	1,970,558	858,831	2,120,616	998,701
Current	1,916,411	519,903	2,066,469	659,773
Non-current	54,147	338,928	54,147	338,928

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. It is Management Policy that a full external actuarial valuation by a qualified independent actuary is carried out on every two years to determine the benefit obligation. Meanwhile, in between the periods, Management will perform an internal assessment of the Defined 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	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Defined benefit obligation	(2,039,251)	(1,773,261)	(2,039,251)	(1,773,261)
Plan assets	2,361,714	1,782,655	2,361,714	1,782,655
Total recognised benefit (liability) asset	322,463	9,394	322,463	9,394

Where the defined benefit obligation exceeds the plan assets, the excess liability is recognised as part of other liabilities. For the year 2018, 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. All the plan assets are Governments securities which are traded on secondary market.

	The Bank		The Group	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Plan assets				
Balance at 1 January	1,782,655	1,492,213	1,782,655	1,492,213
Contributions by employer during the year	579,059	290,442	579,059	290,442
Fund assets in investments	2,361,714	1,782,655	2,361,714	1,782,655
Fair value of Plan Assets	2,361,714	2,036,188	2,361,714	2,036,188
Fund Liability				
Balance at 1 January	1,773,261	1,397,212	1,773,261	1,397,212
Pension payments	(79,418)	(70,806)	(79,418)	(70,806)
Interest expense	345,408	310,727	345,408	310,727
Remeasurements	-	(141,737)	-	(141,737)
Current service cost	-	277,865	-	277,865
Fund obligation at 31 December	2,039,251	1,773,261	2,039,251	1,773,261

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.

Management has decided to value the Defined Benefit Obligations externally using actuaries every two years. As a result of this, no amount is determined for Remeasurement and Accrual for service for the year. These figures shall be determined in the following year by the Professional Value who shall be engaged by the Bank. However, the fund obligation for prior year has been adjusted by the annual salary increment for 2018 which is 15%.

26. EMPLOYEE BENEFIT OBLIGATION (CONTINUED)

	2018	2017
Actuarial assumptions		
Discount rate at 31 December	**18%**	18%
Salary increment rate	**15%**	20%
Mortality Rate	**SSNIT 75% Mortality**	SSNIT 75% Mortality

The sensitivity of the present values of the defined benefit obligations when it was last performed by the Actuary in 2017 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%

The risk is that when the defined benefit obligation falls due the Bank would be unable to honour them, however, in recent years the plan assets have always been higher than the defined benefit obligation. As a funded scheme, the plan assets are expected to be used in paying the obligations. Where the obligations are higher than the plan assets, the Bank of Ghana Act makes provision for the shortfall to be funded via an appropriation in retained earnings.

The sensitivity of the present values of the defined benefit obligations as estimated by management for 2018 is 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)	15%	15%	15%	16.0%	14.0%	15.0%	15.0%
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	-	(5.45)%	28.40%	27.15%	(5.97)%	(6.91)%	9.98%

27. CURRENCY IN CIRCULATION

	The Bank		The Group	
	2018 GH¢'000	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
Notes and Coins Issued	20,487,399	20,209,570	20,487,399	20,209,570
Less: Cash Account & Agencies	(6,931,047)	(8,083,511)	(6,931,047)	(8,083,511)
	13,556,352	12,126,059	13,556,352	12,126,059

27. CURRENCY IN CIRCULATION BY DENOMINATION

	The Bank		The Group	
DENOMINATION	**2018**	2017	**2018**	2017
Notes in circulation	**GH¢'000**	GH¢'000	**GH¢'000**	GH¢'000
GH¢50	4,572,313	4,148,694	4,572,313	4,148,694
GH¢20	4,546,342	4,142,263	4,546,342	4,142,263
GH¢10	2,607,663	2,228,733	2,607,663	2,228,733
GH¢5	1,233,212	1,030,969	1,233,212	1,030,969
GH¢2	208,666	208,619	208,666	208,619
GH¢1	175,134	179,717	175,134	179,717
Total notes in circulation	13,343,330	11,938,995	13,343,330	11,938,995
Coins in circulation				
GH¢1	27,106	26,292	27,106	26,292
50GP	70,916	59,193	70,916	59,193
20GP	69,479	60,225	69,479	60,225
10GP	34,554	30,610	34,554	30,610
5GP	9,892	9,690	9,892	9,690
1GP	1,075	1,054	1,075	1,054
Total coins in circulation	213,022	187,064	213,022	187,064
Total currency in circulation	13,556,352	12,126,059	13,556,352	12,126,059

28. STATED CAPITAL

	Number of Shares		Proceeds	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Authorised Number of shares	700,000,000	700,000,000		
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) as amended. 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 2018 (2017: Nil).

31. OTHER RESERVES

The Bank 2018	Price Movement GH¢'000	General and Revaluation Reserve GH¢'000	Fair valuation Reserve GH¢'000	Total GH¢'000
At 1 January	1,088,204	794,434	-	1,882,638
Adoption of IFRS 9	-	-	87,905	87,905
Restated 1 January	1,088,204	794,434	87,905	1,970,543
Exchange movement in gold and other foreign assets	-	403,361	-	403,361
Utilisation of agriculture & CSR fund		(253)	-	(253)
Price movement in gold	(75,277)	-	-	(75,277)
Increase in the year	-	-	33,445	33,445
Transfer of residual loss from retained earnings	-	(2,466,955)	-	(2,466,955)
At 31 December	1,012,927	(1,269,413)	121,350	(135,136)
The Bank 2017				
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 retained earnings	-	(2,589,254)	-	(2,589,254)
At 31 December	1,088,204	794,434	-	1,882,638

The Group 2018

	Price Movement GH¢'000	Foreign currency Translation Reserve GH¢'000	Fair valuation Reserve GH¢'000	General and Revaluation Reserve GH¢'000	Total GH¢'000
At 1 January	1,088,206	178,075	6,761	794,520	2,067,562
Adoption of IFRS 9	-	-	88,015	-	88,015
Restated 1 January	1,088,206	178,075	94,776	794,520	2,155,577
Utilisation of Agricultural and CSR funds	-	-	-	(253)	(253)
Price movement in gold	(75,277)	-	-	-	(75,277)
Exchange movement in gold and other foreign assets	-	-	-	403,361	403,361
Increase in the year	-	14,544	28,214	-	42,758
Transfer of residual loss from retained earnings	-	-	-	(2,466,955)	(2,466,955)
At 31 December	1,012,929	192,619	122,990	(1,269,327)	59,211
The Group 2017					
Year ended 31 December 2017					
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	71,156
Price movement in gold	257,414	-	-	-	257,414
Increase in the year	-	65,344	5,812	-	328,570
Transfer of residual loss from retained earnings	-	-	-	(2,589,254)	(2,589,254)
At 31 December	1,088,206	178,075	6,761	794,520	2,067,562

- 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 transfer from surplus component of other reserves is used to account for the allocation requirements under the Bank of Ghana Act.
- The fair value component of other reserves is used to account for movements in investments measured at fair value through other comprehensive income.

32. NON-CONTROLLING INTEREST

	The Group	
	2018	2017
	GH¢'000	GH¢'000
At 1 January	424,303	347,397
Changes on initial application of IFRS 9	(2,154)	-
Profit for the year	14,935	35,845
Other comprehensive income	(5,026)	6,030
Gains on translation of foreign operation	11,891	49,064
Dividend paid by the group	(15,163)	(14,033)
At 31 December	428,786	424,303

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	**2018**	2017
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:

	2018	2017
	GH¢'000	GH¢'000
Operating income	157,344	146,473
Profit for the year	25,846	56,300
Other comprehensive income	4,287	77,651
Total comprehensive income	30,133	133,951
Attributable to Non-controlling interest	14,765	65,636
Dividends paid to non-controlling interest	15,163	14,033
Summarised statement of financial position as at:		
Total assets	4,321,730	4,663,558
Total Liabilities	3,477,850	3,828,439
Total equity	843,880	835,119
Attributable to:		
Equity holders of parent	430,378	425,911
Non-controlling interest	413,502	409,208
Summarised cash flow information for the year:		
Cash flows from operating activities	(369,813)	(199,071)
Cash flows from investing activities	(5,627)	(6,084)
Cash flows from financing activities	(31,000)	(30,824)
Forex on cash and cash equivalents	449	722
Net increase in cash and cash equivalents	(405,991)	(235,257)

33. FINANCIAL INSTRUMENTS

Financial assets are classified as Amortised cost, Fair value through Profit or Loss or Fair Value through Other Comprehensive Income. 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 Group's classification of its principal financial assets and liabilities is summarized overleaf:

Assets
The Bank

At 31 December 2018	Note	Amortised cost GH¢000	Designated at fair value through profit or loss GH¢000	Designated at fair value through other comprehensive income GH¢000	Total Carrying GH¢000	Fair value GH¢000
Cash and balances with correspondent banks	11	5,023,690	-	-	5,023,690	5,023,690
Balances with IMF	13	4,858,652	-	-	4,858,652	4,858,652
Government securities	14	12,448,245	-	-	12,448,245	12,541,607
Money market instruments	14	4,024,528	-	-	4,024,528	4,064,773
Short-term securities	14	1,226,300	20,215,549	-	21,441,849	21,450,678
Loans and advances	15	4,783,600	-	-	4,783,600	5,046,698
Other assets (less prepayments)		2,078,362	-	-	2,078,362	2,078,362
Investments	18	281,636	-	142,744	424,380	424,380
		34,725,013	20,215,549	142,744	55,083,306	55,488,840
At 31 December 2017						
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	3,749,589	-	-	3,749,589	3,749,589
Short-term securities	14	2,917,593	17,731,953	-	20,649,546	20,670,552
Loans and advances	15	6,117,699	-	-	6,117,699	6,117,699
Other assets (less prepayments)		809,512	-	-	809,512	809,512
Investments	18	-	-	122,242	122,242	122,242
		37,139,044	17,731,953	122,242	54,993,239	55,107,803

Assets
The Group

At 31 December 2018	Note	Amortised cost GH¢000	Designated at fair value through profit or loss GH¢000	Designated at fair value through other comprehensive income GH¢000	Total Carrying GH¢000	Fair value GH¢000
Cash and balances with correspondent banks	11	7,278,763	-	-	7,278,763	7,278,763
Balances with IMF	13	4,858,652	-	-	4,858,652	4,858,652
Government securities	14	12,448,245	-	-	12,448,245	12,541,607
Money market instruments	14	4,024,528	-	-	4,024,528	4,064,773
Short-term securities	14	1,226,300	20,215,549	-	21,441,849	21,143,690
Other securities	14	-	-	306,988	306,988	306,988
Loans and advances	15	5,411,480	-	-	5,411,480	5,709,111
Other assets (less prepayments)	17	2,109,479	-	-	2,109,479	2,109,479
Investments	18	281,636	-	142,744	424,380	424,380
		37,639,083	20,215,549	449,732	58,304,364	58,437,443
31 December 2017						
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
		38,008,938	17,731,952	246,416	55,987,306	56,160,070

33. FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities

The Bank

At 31 December 2018	Notes	Designated at Fair Value through profit or loss GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total GH¢'000
Government deposits	21	-	5,349,034	5,349,034
Due to Banks and Financial Institutions	21	-	8,492,005	8,492,005
Other Short-Term deposits	21	-	612,299	612,299
Derivative liabilities	16	28,319	-	28,319
Bridge facilities	22	-	7,389,060	7,389,060
Money Market Instruments	23	-	10,739,796	10,739,796
Allocation of special drawing rights	24a	-	2,242,712	2,242,712
Liabilities to IMF	24b	-	8,722,617	8,722,617
Other liabilities	25	-	1,970,558	1,970,558
		28,319	45,518,081	45,546,400
At 31 December 2017				
Government deposits	21	-	6,883,446	6,883,446
Due to Banks and Financial Institutions	21	-	7,899,314	7,899,314
Other Short-Term deposits	21	-	626,466	626,466
Bridge facilities	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
		-	41,033,572	41,033,572

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

The Group

At 31 December 2018	Notes	Designated at Fair Value through profit or loss GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total GH¢'000
Government deposits	21	-	5,349,034	5,349,034
Due to Banks and Financial Institutions	21	-	10,717,870	10,717,870
Other Short-Term Deposits	21	-	612,299	612,299
Derivative liabilities	16	28,319	-	28,319
Bridge facilities	22	-	7,389,060	7,389,060
Money Market Instruments	23	-	10,739,796	10,739,796
Allocation of special drawing rights	24a	-	2,242,712	2,242,712
Liabilities to IMF	24b	-	8,722,617	8,722,617
Other liabilities	25	-	2,120,616	2,120,616
		28,319	47,894,004	47,922,323

33. FINANCIAL INSTRUMENTS (CONTINUED)

Liabilities

The Group

	Notes	Designated at Fair Value through profit or loss GH¢'000	Financial Liabilities at amortised cost GH¢'000	Total GH¢'000
Government Deposits	21	-	6,883,446	6,883,446
Due to Banks and Financial Institutions	21	-	10,617,207	10,617,207
Other Short-Term Deposits	21	-	626,466	626,466
Bridge facilities	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 2017		-	43,891,335	43,891,335

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 2018 and 31 December 2017, 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 2018 and 31 December 2017 was classified as follows:

The Bank

	Fair value measurement using					
	Quoted prices in active market (Level 1)		Significant observable inputs (Level 2)		Significant unobservable inputs (Level 3)	
	2018 GH¢'000	2017 GH¢'000	2018 GH¢'000	2017 GH¢'000	2018 GH¢'000	2017 GH¢'000
Assets measured at fair value:						
Gold	1,735,202	1,608,869	-	-	-	-
Short-term securities	-	-	20,215,549	17,731,952	-	-
Equity investment	-	-	-	-	142,744	21,394
Liabilities measured at fair value:						
Derivative financial liability	-	-	28,319	-	-	-

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	1,735,202	1,608,869	-	-	-	-
Short-term securities	-	-	20,215,549	17,731,952	-	-
Other securities	-	-	306,988	124,174	-	-
Equity investment	-	-	-	-	142,744	21,394
Liabilities at fair value:						
Derivative financial liability	-	-	28,319	-	-	-

There have been no transfers among level 1, level 2 and level 3 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 value of equity investments were based on the net assets value of these investments at the reporting date.

The following table presents the changes in level 3 items for the years ended 31 December 2018 and 31 December 2017:

The Bank and Group	**2018 GH¢'000 Equity investment**	2017 GH¢'000 Equity investment
At 1 January	21,394	21,394
Adoption of IFRS 9	87,905	-
Restated balance at 1 January	109,299	21,394
Gains recognised in other comprehensive income	33,445	-
At 31 December	142,744	21,394

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.

Description	**Fair value at**		**Unobservable inputs**	**Range of inputs (probability weighted average)**		**Relationship on unobservable inputs to fair value**
	31 December 2018 GH¢'000	31 December 2017 GH¢'000		2018	2017	
Unlisted equity securities	142,744	21,394	USD/GHS rate	5% - 10%	5% - 10%	A change in the USD/GHS rate by 100bps would increase/increase the fair value by GH¢ 14.27 million.

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.

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 and advances 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	
	2018	2017	**2018**	2017
	GH¢'000	GH¢'000	**GH¢'000**	GH¢'000
Short-term employee benefits	5,980	4,499	10,174	8,860
Termination Benefit	2,624	1,805	2,624	1,805
Post-employment benefits	1,181	812	1,565	1,223
	9,785	7,116	14,363	11,888

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	
		2018	2017
		GH¢'000	GH¢'000
Ghana International Bank	51	176	-
Ghana Interbank Payments and Settlement Systems	100	5,447	70
Central Securities Depository	70	5,537	-

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, minimizing 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

Loans are designated as impaired and considered non-performing where recognised weakness indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Where any amount is considered uncollectible, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the raising of provisions, the bank attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews. Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off.

A portfolio impairment provision is also held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. The provision is estimated by using the historical loss rate, the migration or incident rate and the balance of the performing loan portfolio. The portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

Write off policy

The Group writes off a loan balance (and any related allowances for impairment losses) when the Group determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers due to renegotiations or for distressed loans with a view to maximizing recovery. Such restructuring activities include extended payment term arrangements. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review.

The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for three consecutive months or more. There were no such assets held as at 31 December 2018.

The Group continues to monitor if there is a subsequent significant increase in credit risk in relation to such assets through the use of specific models for modified assets.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Significant increase in credit risk (SICR)

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Qualitative criteria

For Loan portfolios, if the borrower meets one or more of the following criteria:

- In short-term forbearance
- Direct debit cancellation
- Extension to the terms granted
- Previous arrears within the last 12 months
- If the borrower is on the Watchlist and/or the instrument meets one or more of the following criteria:
- Significant increase in credit spread
- Significant adverse changes in business, financial and/or economic conditions in which the borrower operates
- Actual or expected forbearance or restructuring
- Actual or expected significant adverse change in operating results of the borrower
- Significant change in collateral value (secured facilities only) which is expected to increase risk of default
- Early signs of cashflow/liquidity problems such as delay in servicing of trade creditors/loans The assessment of SICR incorporates forward-looking information and is performed on a quarterly basis at a portfolio level. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness.

Backstop

A backstop is applied and the financial instrument considered to have experienced a significant increase in credit risk if the borrower is more than 30 days past due on its contractual payments.

Low credit risk exception

The Group has not used the low credit risk exemption for any financial instruments in the period ended 31 December 18.

Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The borrower is more than 90 days past due on its contractual payments.

Qualitative criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent
- The borrower is in breach of financial covenant(s)
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- It is becoming probable that the borrower will enter bankruptcy
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months.

Measuring ECL — Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by product type. The assumptions underlying the ECL calculation — such as how the maturity profile of the PDs and how collateral values change etc. — are monitored and reviewed on a quarterly basis. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Forward-looking information incorporated in the ECL models
The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

Economic Variable Assumptions
The most significant period end assumptions used for the ECL estimate as at 31 December 2018 are set out below:

Scenario	Weight %	GDP Growth %	USD/GHS	Inflation %
Base Case	50	6.30	4.82	9.5
Upside	15	6.50	4.62	7.5
Downside	35	3.03	5.02	12.5

Sensitivity analysis

The most significant variables affecting the ECL model are as follows:

1. GDP Growth – GDP growth is used to assess the relative health of the economy. Forward looking information is incorporated by using the projected GDP growth rate for the current year as a base.
2. USD/GHC - The Bank of Ghana average USD rate on the date of assessment and for the last three quarters is used in the tool. This is because of the sensitivity of the economy to exchange rate fluctuations.
3. Inflation – Inflation is used due to its influence on monetary policy and on interest rates. Interest rates have an impact on borrowers' likelihood of default. Forward looking information is incorporated by using the expected change in inflation rates for the next three quarters.

Set below are the changes to the ECL as at 31 December 2018 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Group's economic variable assumptions:

	-10% change GH¢'000	No change GH¢'000	+10% change GH¢'000
GDP growth	3,344,880	3,192,808	2,890,563
USD/GHS	2,873,529	3,192,808	3,512,091
Inflation	2,882,397	3,192,808	3,200,976

Exposure to Credit Risks

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

Bank	2018 GH¢'000	Percentage of financial assets	2017 GH¢'000	Percentage of financial assets
Assets				
Cash and balances with correspondent banks	5,023,690	9%	6,413,197	12%
Balances with IMF	4,858,652	9%	4,657,098	9%
Securities	37,914,622	69%	33,712,408	65%
Other assets	2,078,362	4%	809,512	2%
Loans and advances	4,783,600	9%	6,504,664	12%
	54,658,926	100%	52,096,879	100%

Off balance sheet				
Documentary credit, guarantees and performance bonds	3,829,900		3,904,189	

GROUP	**2018**		2017	
	GH¢'000	Percentage of financial assets	GH¢'000	Percentage of financial assets
Assets				
Cash and amounts due from banks	7,278,763	13%	9,778,638	18%
Balances with IMF	4,858,652	8%	4,657,098	8%
Securities	38,291,741	66%	32,926,677	58%
Other assets	2,109,479	4%	840,132	2%
Loans and advances	5,411,480	9%	7,662,519	14%
	57,950,115	100%	55,865,064	100%
Off balance sheet				
Documentary credit, guarantees and performance bonds	4,310,358		4,368,603	

The above table represents a worst case scenario of credit risk exposure to the Group and the Bank at 31 December 2018, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above for the Group, % (2017: 14%) of the total maximum exposure is derived from loans and advances and securities represents 66% (2017: 58%).

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 other central banks and commercial banks.

At 31 December 2018, the Group's credit exposures were categorised under IFRS 9 as follows:

- Stage 1 – At initial recognition
- Stage 2 – Significant increase in credit risk since initial recognition
- Stage 3 – Credit impaired

Neither past due nor impaired – Stage 1

Financial assets are designated at stage 1 (neither past due nor impaired) upon initial recognition except for such financial assets that are purchased or originated as credit impaired. The credit risk of neither past due nor impaired financial assets are continuously monitored by the Group.

Past due but not impaired financial assets – Stage 2

Past due but not impaired financial assets, are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Group. When a financial asset shows a significant increase in credit risk, the Group records an allowance for the lifetime expected credit loss. A significant increase in credit risk is assumed if the borrower falls more than 30 days past due in making its contractual payments.

Impaired financial assets – Stage 3

Individually impaired financial assets are those for which the Group determines that there is default and it does not expect to collect all principal and interest due according to the contractual terms of the security agreement(s).

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represent the Group's maximum exposure to credit risk on these assets.

Group	Stage 1	Stage 2	Stage 3	2018 Total	2017 Total
Cash and balances with correspondence banks (less notes and coins holdings)	7,069,416	-	-	7,069,416	9,638,495
Balances with IMF	4,858,652	-	-	4,858,652	4,657,098
Securities	38,311,449	-	-	38,311,449	32,926,677
Loans and advances	2,680,108	119,000	5,720,953	8,520,061	8,642,607
Other assets	3,203,358	-	66,484	3,269,842	1,261,229
Gross carrying amount	**56,122,983**	**119,000**	**5,787,437**	**62,029,420**	**57,126,106**
Loss allowance	(102,598)	-	(3,093,405)	(3,196,003)	(1,401,185)
Carrying amount	**56,020,385**	**119,000**	**2,694,032**	**58,833,417**	**55,724,921**

Bank	Stage 1	Stage 2	Stage 3	2018 Total	2017 Total
Cash and balances with correspondence banks (less notes and coins holdings)	4,814,343	-	-	4,814,343	6,273,054
Balances with IMF	4,858,652	-	-	4,858,652	4,657,098
Securities	37,934,330	-	-	37,934,330	33,712,408
Loans and advances	2,680,108	119,000	5,088,622	7,887,730	7,482,869
Other assets	3,172,241	-	66,484	3,238,725	1,230,609
Gross carrying amount	**53,459,674**	**119,000**	**5,155,106**	**58,733,780**	**53,356,038**
Loss allowance	(102,598)	-	(3,088,954)	(3,191,552)	(1,400,302)
Carrying amount	**53,357,076**	**119,000**	**2,066,152**	**55,542,228**	**51,955,736**

Maximum exposure to credit risk – financial instruments not subject to impairment

The maximum credit risk exposure (Group and Bank) from financial assets not subject to impairment (i.e. FVPL) is GH¢23.32 billion.

Collaterals and other credit enhancements

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Charges over business assets such as premises, inventory and accounts receivable.
- Charges over financial instruments such as debt securities and equities.

Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances.

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior year.

The Group closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that the Group will take possession of collateral to mitigate potential credit losses. Financial assets that are credit impaired and the related collateral in order to mitigate potential losses are shown below:

Group and Bank

31 December 2018	Gross exposure	Impairment allowance	Carrying amount	Fair value of collateral held
Individually impaired				
Emergency Liquidity Assistance	3,071,073	(2,177,778)	893,295	570,181
Overnight lending	2,017,549	(844,693)	1,172,856	1,246,685
Total credit impaired assets	**5,088,622**	**(3,022,471)**	**2,066,151**	**1,816,866**

Loss allowance

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent step up (or step down) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period due to these factors:

The Group	**Stage 1 GH¢'000**	**Stage 2 GH¢'000**	**Stage 3 GH¢'000**	**Total GH¢'000**
Loss allowance as at 1 January 2018	545,118	-	2,206,466	2,751,584
Movements with P&L impact				
New financial assets originated or purchased	-	-	886,939	886,939
Changes in PDs/LGDs/EADs	(82,311)	-	-	(82,311)
Other movements	(359,451)	-	-	(359,451)
Total net P&L charge during the year	(441,762)	-	886,939	445,177
Other movements with no P&L impact				
Exchange difference	498	-	-	498
Loss allowance as at 31 December 2018	103,854	-	3,093,405	3,197,259

The Bank

	Stage 1 GH¢'000	Stage 2 GH¢'000	Stage 3 GH¢'000	Total GH¢'000
Loss allowance as at 1 January 2018	545,118	-	2,206,466	2,751,584
Movements with P&L impact				
New financial assets originated or purchased	-	-	886,939	886,939
Changes in PDs/LGDs/EADs	(82,311)	-	-	(82,311)
Other movements	(359,451)	-	-	(359,451)
Total net P&L charge during the year	(441,762)	-	886,939	445,177
Other movements with no P&L impact				
Exchange difference	498	-	-	498
Loss allowance as at 31 December 2018	103,854	-	3,093,405	3,197,259

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as a result of high volume of emergency liquidity assistance and overnight lending to commercial banks.

Grouping of instruments for losses measured on a collective basis

The Group has not assessed expected credit loss provisions modelled on a collective basis.

Maximum exposure to credit risk before collateral held

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 other central banks, commercial banks and other assets analyzed by type and performance less impairment:

THE BANK

31 December 2018

	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	5,023,690	4,858,652	37,934,330	2,680,108	2,079,592
Past due but not impaired	-	-	-	119,000	-
Individually impaired	-	-	-	5,088,622	66,484
Gross	5,023,690	4,858,652	37,934,330	7,887,730	2,146,076
Less: Allowance for impairment	-	-	(19,708)	(3,104,130)	(67,714)
Carrying value	5,023,690	4,858,652	37,914,622	4,783,600	2,078,362

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

THE GROUP

31 December 2018

	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	7,278,763	4,858,652	38,311,449	2,680,108	2,110,709
Past due but not impaired	-	-	-	119,000	-
Individually impaired	-	-	-	5,720,953	66,484
Gross	7,278,763	4,858,652	38,311,449	8,520,061	2,177,193
Less: Allowance for impairment	-	-	(19,708)	(3,108,581)	(67,714)
Carrying value	7,278,763	4,858,652	38,291,741	5,411,480	2,109,479

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	32,926,677	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	32,926,677	8,642,607	1,261,229
Less: Allowance for impairment	-	-	-	(980,088)	(421,097)
Carrying value	9,778,638	4,657,098	32,926,677	7,662,519	840,132

36. RISK MANAGEMENT (CONTINUED)

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 2018

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	5,023,690	-	-	-	-	5,023,690
Gold	63,129	1,158,957	513,116	-	-	1,735,202
Balances with IMF	438,428	4,420,224	-	-	-	4,858,652
Securities	1,429,577	23,015,039	2,429,004	875,947	18,695,845	46,445,412
Loans and Advances	1,051,718	288,937	2,069,740	2,593,023	-	6,003,418
Other assets	1,236,462	-	-	841,900	-	2,078,362
Investments	-	-	-	424,380	-	424,380
At 31 December 2018	**9,243,004**	**28,883,157**	**5,011,860**	**4,735,250**	**18,695,845**	**66,569,116**
LIABILITIES						
Deposits	14,453,338	-	-	-	-	14,453,338
Derivative liabilities	28,319	-	-	-	-	28,319
Allocations of SDR	-	-	-	2,242,712	-	2,242,712
Liabilities to IMF	57,453	-	4,037,440	4,627,724	-	8,722,617
Bridge Facilities	-	5,012,800	2,800,275	-	-	7,813,075
Liabilities under Money Market Operations	11,320,764	-	74,895	1,580,162	-	12,975,821
Currency in circulation	-	-	-	-	13,556,352	13,556,352
Other liabilities	-	1,156,039	760,372	54,147	-	1,970,558
At 31 December 2018	**25,859,874**	**6,168,839**	**7,672,982**	**8,504,745**	**13,556,352**	**61,762,792**
Maturity surplus/(shortfall)	**(16,616,870)**	**22,714,318**	**(2,661,122)**	**(3,769,495)**	**5,139,493**	**4,806,324**

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 2018	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
Bridge facilities	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 2018	24,300,038	5,661,489	4,234,917	7,440,213	12,148,590	53,785,247
Maturity surplus/(shortfall)	(14,182,357)	17,955,453	888,513	(3,212,822)	2,732,876	4,181,663

36. RISK MANAGEMENT (CONTINUED)

Liquidity Risk (Continued)

GROUP

31 December 2018

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	7,278,763	-	-	-	-	7,278,763
Gold	63,129	1,158,957	513,116	-	-	1,735,202
Balances with IMF	438,428	4,420,224	-	-	-	4,858,652
Securities	1,429,577	23,111,490	2,560,242	911,369	18,739,722	46,752,400
Loans and Advances	1,057,650	397,825	2,425,006	2,702,506	48,311	6,631,298
Other assets	1,267,579	-	-	841,900	-	2,109,479
Investments	-	-	-	424,380	-	424,380
At 31 December 2018	**11,535,126**	**29,088,496**	**5,498,364**	**4,880,155**	**18,788,033**	**69,790,174**
LIABILITIES						
Deposits	14,834,263	602,205	1,017,735	225,000	-	16,679,203
Derivative liabilities	28,319	-	-	-	-	28,319
Allocations of Special Drawing Rights	-	-	-	2,242,712	-	2,242,712
Liabilities to IMF	57,453	-	4,037,440	4,627,724	-	8,722,617
Bridge facilities	-	5,012,800	2,800,275	-	-	7,813,075
Liabilities under Money Market Operations	11,320,764	-	74,895	1,580,162	-	12,975,821
Currency in Circulation	-	-	-	-	13,556,352	13,556,352
Other liabilities	-	1,206,441	860,028	54,147	-	2,120,616
At 31 December 2018	**26,240,799**	**6,821,446**	**8,790,373**	**8,729,745**	**13,556,352**	**64,138,715**
Maturity surplus/(shortfall)	**(14,705,673)**	**22,267,050**	**(3,292,009)**	**(3,849,590)**	**5,231,681**	**5,651,459**

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	-	18,134,304
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
Bridge facilities	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	25,096,886	6,605,594	5,318,847	7,480,278	12,148,590	56,650,195
Maturity surplus/(shortfall)	(11,576,006)	17,065,735	169,882	(2,777,260)	2,647,120	5,529,471

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:

36. RISK MANAGEMENT (CONTINUED)

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

Market Risk

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

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

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

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

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 2017.

Effects in Cedis	100bp Increase GH¢'000	100bp Decrease GH¢'000
The Bank 2018		
Average for the Period	**165,120**	**(165,120)**
Maximum for the Period	**142,755**	**(142,755)**
Minimum for the Period	**202,237**	**(202,237)**
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)

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 2018

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	4,814,343	-	-	209,347	5,023,690
Gold	-	-	-	1,735,202	1,735,202
Balances with IMF	-	4,677,223	-	181,429	4,858,652
Securities	19,954,789	1,982,860	3,528,728	12,448,245	37,914,622
Loans and Advances	1,068,251	1,649,195	2,066,154	-	4,783,600
Other assets	1,236,462	-	-	841,900	2,078,362
At 31 December 2018	**27,073,845**	**8,309,278**	**5,594,882**	**15,416,123**	**56,394,128**
LIABILITIES					
Deposits	-	-	-	14,453,338	14,453,338
Derivative liabilities	-	-	-	28,319	28,319
Bridge Facilities	-	4,820,000	2,569,060	-	7,389,060
Allocations of Special Drawing Rights	-	-	-	2,242,712	2,242,712
Liabilities to IMF	57,453	4,037,440	4,627,724	-	8,722,617
Liabilities under Money Market Operations	9,369,942	61,989	1,307,865	-	10,739,796
Currency in circulation	-	-	-	13,556,352	13,556,352
Other Liabilities	1,156,039	760,372	-	54,147	1,970,558
At 31 December 2018	**10,583,434**	**9,679,801**	**8,504,649**	**30,334,868**	**59,102,752**
Total interest rate re-pricing gap	**16,490,411**	**(1,370,523)**	**(2,909,767)**	**(14,918,745)**	**(2,708,624)**

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
Gold	-	-	-	1,608,869	1,608,869
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	19,901,203	53,705,748
LIABILITIES					
Deposits				15,409,226	15,409,226
Bridge facilities	5,740,410	-	-	-	5,740,410
Allocations of Special Drawing	-	-	-	2,031,560	2,031,560
Liabilities to IMF	-	3,874,256	-	3,711,179	7,585,435
Liabilities under Money Market Operations	8,650,969	757,141	-	-	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	5,151,300	316,397	33,300,555	53,159,631
Total interest rate re-pricing gap	(4,624,278)	3,296,697	15,273,050	(13,399,352)	546,117

36. RISK MANAGEMENT (CONTINUED)

Interest Rate Risk (Continued)

The Group

31 December 2018

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	7,069,416	-	-	209,347	7,278,763
Gold	-	-	-	1,735,202	1,735,202
Balances with IMF	-	4,677,223	-	181,429	4,858,652
Securities	20,121,371	2,114,098	3,608,027	12,448,245	38,291,741
Loans and Advances	1,183,071	2,004,461	2,223,948	-	5,411,480
Other assets	1,267,579	-	-	841,900	2,109,479
At 31 December 2018	**29,641,437**	**8,795,782**	**5,831,975**	**15,416,123**	**59,685,317**
LIABILITIES					
Deposits	602,205	1,017,735	225,000	14,834,263	16,679,203
Derivative liabilities	-	-	-	28,319	28,319
Bridge facilities		4,820,000	2,569,060	-	7,389,060
Liabilities under Money Market Operations	9,369,942	61,989	1,307,865	-	10,739,796
Allocations of Special Drawing Rights	-	-	-	2,242,712	2,242,712
Liabilities to IMF	57,453	4,037,440	4,627,724	-	8,722,617
Currency in circulation	-	-	-	13,556,352	13,556,352
Other liabilities	1,206,441	860,028	-	54,147	2,120,616
At 31 December 2018	**11,236,041**	**10,797,192**	**8,729,649**	**30,715,793**	**61,478,675**
Total interest rate re-pricing gap	**18,405,396**	**(2,001,410)**	**(2,897,674)**	**(15,299,670)**	**(1,793,358)**

31 December 2017

ASSETS					
Cash and Amounts due from Banks	9,638,496	-	-	140,142	9,778,638
Gold	-	-	-	1,608,869	1,608,869
Balances with IMF	-	4,236,858	-	420,240	4,657,098
Securities	191,513	1,829,353	13,173,859	17,731,952	32,926,677
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	12,273,152	9,118,321	16,181,257	19,901,203	57,473,933
LIABILITIES					
Deposits	858,994	939,362	39,088	16,289,675	18,127,119
Bridge facilities	5,740,410	-	-	-	5,740,410
Liabilities under Money Market Operations	8,650,969	757,141	-	-	9,408,110
Allocations of Special Drawing	-	-	-	2,031,560	2,031,560
Liabilities to IMF	-	3,874,256	-	3,711,179	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	6,090,662	378,016	34,298,343	56,017,394
Total interest rate re-pricing gap	(2,977,221)	3,027,659	15,803,241	(14,397,140)	1,456,539

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

36. RISK MANAGEMENT (CONTINUED)

Foreign Currency Risk (Continued)

approved currencies is permissible.

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	
ASSETS	**2018 GH¢'000**	2017 GH¢'000	**2018 GH¢'000**	2017 GH¢'000
USD	26,250,996	28,423,030	27,704,828	31,531,881
GBP	205,594	250,332	216,980	568,097
EUR	158,066	112,236	166,820	373,244
SDR	4,904,742	5,101,229	5,176,376	5,101,229
OTHER	319,787	321,280	337,497	322,137
GHS	27,282,713	20,988,444	28,701,883	20,950,823
TOTAL	59,121,898	55,196,551	62,304,384	58,847,411
LIABILITIES & EQUITY				
USD	14,662,389	12,888,243	15,474,421	15,996,952
GBP	163,068	159,748	172,099	453,407
EUR	27,241	33,458	28,750	294,678
SDR	6,388,499	6,285,296	6,742,307	6,285,296
OTHER	302,367	268,892	319,113	269,710
GHS	37,578,334	35,560,914	39,567,694	35,547,368
TOTAL	59,121,898	55,196,551	62,304,384	58,847,411
NET POSITION				
USD	11,588,607	15,534,787	12,230,407	15,534,929
GBP	42,526	90,584	44,881	114,690
EUR	130,825	78,778	138,070	78,566
SDR	(1,483,757)	(1,184,067)	(1,565,931)	(1,184,067)
OTHER	17,420	52,388	18,384	52,427
GHS	(10,295,621)	(14,572,470)	(10,865,811)	(14,596,545)
TOTAL	-	-	-	-

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

Currency Exposure Analysis (Continued)

The following significant exchange rates applied during the year:

	Average rate		Closing rate	
	2018	2017	**2018**	2017
Currency	**GH¢**	GH¢	**GH¢**	GH¢
US Dollar	4.5864	4.3476	4.8200	4.4157
GBP	6.1191	5.6037	6.1711	5.9669
EURO	5.4129	4.9153	5.5131	5.2989
SDR	6.4915	6.0342	6.3377	5.7410

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 2017.

	Profit or (Loss)/Equity	
	2018	2017
Currency	**GH¢'000**	GH¢'000
US Dollar	(1,158,861)	(1,553,479)
GBP	(4,253)	(9,058)
EURO	(13,083)	(7,878)
SDR	148,376	118,407

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 2018

(a) The Bank

Reconciliation of operating profit to net cash flow from operating activities

	Note	2018 GH¢'000	2017 GH¢'000
Loss before tax		(793,085)	(1,637,532)
Adjustments for:			
Depreciation of property, plant and equipment	19	114,617	40,800
Amortisation of intangible assets	20	9,910	8,151
Impairment on financial instruments	9a	446,720	996,297
Loss on disposal of property and equipment	19	2,537	2,495
Interest expense on bridge facilities	22	174,915	127,766
Exchange loss on foreign denominated borrowings	22	472,572	246,210
Effect of exchange rate fluctuations on cash held		(555,562)	(213,242)
Utlilisation of agricultural fund		(253)	(107,976)
Change in loans and advances	15	(71,442)	62,980
Change in securities	14	(4,202,214)	(3,346,378)
Change in gold	12	(126,333)	(241,385)
Change in derivative instruments	16	28,319	(89,526)
Change in other assets	17	(1,835,952)	(158,530)
Change in IMF receivable	13	(201,554)	230,727
Change in investments	18	(180,788)	(100,849)
Change in deposit	21	(955,888)	3,534,121
Change in liabilities under Money Market Operations	23	1,331,686	489,841
Change in allocations of Special Drawing Rights	24a	211,152	33,441
Change in other liabilities	25	1,111,727	(294,046)
Change in currency in circulation	27	1,430,293	780,853
Cash flows (used in)/generated from operating activities		(3,588,623)	364,218

(b) The Group

	Note	2018 GH¢'000	2017 GH¢'000
Loss before tax		(756,559)	(1,541,034)
Adjustments for:			
Depreciation of property, plant and equipment	19	120,396	47,394
Amortisation of intangible assets	20	12,224	11,813
Impairment on loans and advances	9a	445,177	997,163
Loss on disposal of property and equipment	19	2,516	2,690
Interest expense on bridge facilities	22	174,915	127,766
Exchange loss on foreign denominated borrowings	22	472,572	246,210
Translation difference		22,620	91,853
Effect of exchange rate fluctuations on cash held		(816,859)	(213,964)
Utlilisation of agricultural fund		(253)	(107,976)
Change in loans and advances	15	455,463	(318,111)
Change in securities	14	(5,370,090)	(3,166,849)
Change in gold	12	(126,333)	(241,385)
Change in derivative instruments	16	28,319	(89,526)
Change in other assets	17	(1,836,449)	(166,556)
Change in IMF receivable	13	(201,554)	230,727
Change in investments	18	(185,803)	(56,295)
Change in deposit	21	(1,447,916)	3,733,497
Change in liabilities under Money Market Operations	23	1,331,686	489,841
Change in allocations of Special Drawing Rights	24a	211,152	33,441
Change in other liabilities	25	1,121,915	(274,446)
Change in currency in circulation	27	1,430,293	780,853
Cash flows (used in)/generated from operating activities		(4,912,568)	617,106

38. EVENTS AFTER REPORTING DATE

The directors do not recommend transfers into the consolidated fund for the year ended 31 December 2018 (2017: Nil).

ADDRESSES AND TELEPHONE NUMBERS

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REGIONAL OFFICES

Ashanti Region
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Kumasi
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Fax: 032-2026317

Brong-Ahafo Region
P. O. Box 598
Sunyani
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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
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Currency Office
Sefwi-Boako
P. O. Box 176, Sefwi-Wiawso
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Tel: 027-7765554, 7765558
Fax: 027-7900115

AGENCIES HELD BY BANK OF GHANA

Ghana Commercial Bank Ltd.
P. O. Box 65
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Ghana Commercial Bank Ltd.
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Koforidua
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Ghana Commercial Bank Ltd.
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Ghana Commercial Bank Ltd.
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P. O. Box 272
Tema - Greater Accra Region
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Ghana Commercial Bank Ltd.
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