PRESS RELEASE

STATEMENT ON BANK OF GHANA'S 2022 FINANCIAL STATEMENTS

Bank of Ghana released its full-year 2022 audited financial statements on 28th July 2023. The financial statements reported a total loss of GHS60 billion, which has since become a matter of unfortunate politicisation. It is noteworthy that GHS53.1 billion of those losses were a direct result of the Government's domestic debt restructuring exercise (phase 1 and II).

It is important to put the Bank of Ghana's 2022 financial results in proper context with a clear statement of the problem that Ghana faced and the chronology of events in Ghana since 2019. There was a clear mismatch between revenue inflows and expenditure financed in 2020 by exceptional support from the IMF and World Bank resources, and in addition to financing from the Bank of Ghana through the issuance of the GHS10 billion Covid-19 bond.

As a result, sovereign spreads on Ghana bonds widened, signalling investor dissatisfaction with the stance of fiscal policy. The Budget for 2022, which was read in 2021, failed to address fiscal concerns as the Budget was even more expansionary by about 23% with a raft of revenue measures to raise financing. As a result, the Credit Rating Agencies further downgraded Ghana's sovereign debt rating, which blocked Ghana's access to international capital market borrowing.

This triggered a liquidity crisis, spilling over into a balance of payments crisis. External and domestic payments needed to be made, the domestic auction was failing, and the Bank of Ghana had to step in to arrest a major economic and social crisis. In 2 months, the Bank of Ghana lost US$500 million in reserves and built significant overdraft with the government as a result of the auction failures. It became clear that Ghana was on a path that was unsustainable, and the Government had to approach the IMF for support in July 2022. The IMF process included putting into place a credible programme of reform, which included restructuring of the total government debt to sustainable levels. Until Staff Level Agreement with the IMF was reached in December 2022, the Bank of Ghana had to continue to provide the necessary support to keep the economy running.

In line with the provisions of the Bank of Ghana Act, (Act 612), as amended, the Bank informed the Minister of the developments in its finances. The Minister reported this to Parliament as part of his briefing to Parliament on the IMF programme and the Domestic Debt Exchange.

A major plank of the corrective action required for the IMF programme was the Domestic Debt Exchange, where the stock of Government of Ghana debt was to be halved from 105% of GDP to 55% of GDP by 2028. The holders of Government debt had their debt instruments exchanged for new ones with lower interest payments and longer terms. Despite the losses inflicted on households and banks, the threshold of 55% of GDP was not met. The Bank of Ghana was used to close the gap to enable Ghana meet the debt threshold that qualified Ghana for the IMF programme

(Bank of Ghana therefore, acted as a loss absorber). This means the Bank of Ghana had to absorb a 50% haircut on its non- marketable holdings of Government debt instruments. This singular act led to significant impairment losses of GHS 32.3 billion to the Bank's accounts. Impairments of marketable instruments also accounted for another GHS16.1 billion, bringing the total impairments of Government holdings to GHS48.4 billion.

As experienced by central banks globally, price and exchange rate movements led to a loss of GHS5.2 billion whiles impairments of Cocobod loans amounted to GHS4.7 billion. This is the reason the Bank of Ghana reported a loss of GHS60 billion in 2022.

Central banks are not commercial banks. This financial outcome has very little implication for the operations of the Bank of Ghana as supported by evidence from other central banks. Technically, Central Banks cannot be insolvent or bankrupt.

Bank of Ghana assures key stakeholders and the general public that we are committed to the highest standards of prudent management, governance, and transparent accounting and audit practices.

END

9TH AUGUST 2023