# GHANA GAZETTE

REPUBLIC OF GHANA

*Published by Authority*

No. 36 FRIDAY, 29TH JUNE 2012

## CONTENTS

## NOTICE OF PUBLICATION OF ACTS

The following Acts are published today:

Colleges of Education Act, 2012 (Act 847)

Immigration (Amendment) Act, 2012 (Act 848)

Criminal Offences (Amendment) Act, 2012 (Act 849)

## NOTICE OF PUBLICATION OF AN EXECUTIVE INSTRUMENT

The following Executive Instrument is published today:

Curfew (Hohoe and its Surrounding Areas in the Volta Region, Instrument, 2012 (E. I. 12)

## NOTICE OF PUBLICATION OF OFFICIAL BULLETIN

COMMERCIAL AND INDUSTRIAL No. 21

is published today

**SUMMARY OF CONTENTS**



LOCAL GOVERNMENT No. 24

is published today

**SUMMARY OF CONTENTS**



## THE NATIONAL FRIDAY BONANZA LOTTO RESULTS

It is hereby certified that a National Friday Bonanza Lotto Draw was held on Friday, 22nd June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 2006 (Act 722) and the Regulations published thereunder and that the following numbers were drawn in successive order:

13 – 40 – 89 – 71 – 33

SIGNED

*Director-General of National Lottery Authority*

## THE NATIONAL WEEKLY LOTTO RESULTS

It is hereby certified that a National Weekly Lotto Draw was held on Saturday, 23rd June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 2006 (Act 722) and the Regulations published thereunder and that the following numbers were drawn in successive order:

71 – 67 – 84 – 39 – 1

SIGNED

*Director-General of National Lottery Authority*

## THE NATIONAL MONDAY SPECIAL LOTTO RESULTS

It is hereby certified that a National Monday Special Lotto Draw was held on Monday, 25th June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 2006 (Act 722) and the Regulations published thereunder and that the following numbers were drawn in successive order:

48 – 31 – 39 – 45 – 80

SIGNED
*Director-General of National Lottery Authority*

## THE NATIONAL LUCKY TUESDAY LOTTO RESULTS

It is hereby certified that a National Lucky Tuesday Lotto Draw was held on Tuesday, 26th June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 2006 (Act 722) and the Regulations published thereunder and that the following numbers were drawn in successive order:

66 – 56 – 63 – 6 – 28

SIGNED
*Director-General of National Lottery Authority*

## THE NATIONAL MID-WEEK LOTTO RESULTS

It is hereby certified that a National Mid-Week Lotto Draw was held on Wednesday, 27th June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 1961 and the Regulations published thereunder and that the following numbers were drawn in successive order:

89 – 22 – 34 –69 – 59

SIGNED
*Director-General of National Lottery Authority*

## THE NATIONAL FORTUNE THURSDAY LOTTO RESULTS

It is hereby certified that a National Fortune Thursday Lotto Draw was held on Thursday, 28th June, 2012 in accordance with the provisions of the National Weekly Lotto Act, 1961 and the Regulations published thereunder and that the following numbers were drawn in successive order:

89 – 19 – 24 – 9 – 40

SIGNED
*Director-General of National Lottery Authority*

GCAA

## GHANA CIVIL AVIATION AUTHORITY

TECHNICAL DIRECTIVE TD/AIR/1/12

25TH JUNE, 2012

**SUBJECT: CREW MEMBER AND FLIGHT OPERATIONS OFFICER QUALIFICATIONS: DOMESTIC COMMERCIAL AIR TRANSPORT**

**AGE 65 RESTRICTION**

In accordance with Section 9 (5) of the Ghana Civil Aviation Act, 2004, Act 678, this Technical Directive is hereby issued and takes effect from the date of Gazette Publication.

The following provisions shall henceforth apply to domestic air transport operations by Ghanaian registered aircraft.

*(a)* No person may serve nor may any AOC holder use a person as a required pilot flight crew member on an aircraft engaged in commercial air transport operations if that person has reached their 65th birthday.

*(b)* For multi-crew public transport operations, where a pilot is operating over 60 years of age, the other pilot must be under the age of 60.

*(c)* Check airmen who have reached their 65th birthday may continue their check airman functions, but may not serve as or occupy the position of a required pilot flight crew member on an aircraft engaged in commercial air transport operations.

*SIGNED*
*ISSUED BY DIRECTOR GENERAL*

BANK OF GHANA
BALANCE SHEET
AS AT 31st MAY, 2012

| | 31st May 2012 GH¢ | 15th May 2012 GH¢ |
|---|---|---|
| **FOREIGN CURRENCY** | | |
| Cash and Amounts due from Banks | 458,325,933.93 | 375,956,117.88 |
| Gold | 581,859,859.14 | 549,830,456.67 |
| Balances with International Monetary Fund | 1,760,841,277.97 | 1,688,761,186.15 |
| Securities | 5,604,529,487.64 | 5,457,504,256.78 |
| Loans and Advances | 94,260,140.06 | 89,218,204.10 |
| Other Assets | 75,403,648.42 | 75,349,181.82 |
| Property, Plant and Equipment | 0.00 | 0.00 |
| Development Loans and Investments | 0.00 | 0.00 |
| **Total Foreign Assets** | 8,575,220,347.16 | 8,236,619,403.40 |
| **DOMESTIC CURRENCY** | | |
| Cash and Amounts due from Banks | 0.00 | 0.00 |
| Gold | 0.00 | 0.00 |
| Balances with International Monetary Fund | 0.00 | 0.00 |
| Securities | 3,390,311,464.81 | 3,350,608,323.61 |
| Loans and Advances | 3,493,349,849.36 | 2,852,860,309.38 |
| Other Assets | 648,687,687.03 | 553,223,153.09 |
| Property, Plant and Equipment | 172,671,018.20 | 172,671,018.20 |
| Development Loans and Investments | 173,127,788.51 | 173,127,788.51 |
| **Total Domestic Assets** | 7,878,147,607.91 | 7,102,490,592.79 |
| **TOTAL ASSETS** | 16,453,368,155.07 | 16,339,109,996.19 |
| **LIABILITIES** | | |
| **FOREIGN CURRENCY** | | |
| Currency in Circulation | 0.00 | 0.00 |
| Allocation of Special Drawing Rights | 967,335,142.09 | 927,737,248.32 |
| Deposits | 1,187,432,053.86 | 1,163,762,700.88 |
| Liabilities to IMF | 2,552,930,236.31 | 2,427,683,254.16 |
| Liabilities under Money Market Operations | 0.00 | 0.00 |
| Other Liabilities | 37,411,986.00 | 35,407,595.90 |
| **Total Foreign Liabilities** | 4,745,109,418.26 | 4,554,590,799.26 |
| **DOMESTIC CURRENCY** | | |
| Currency in Circulation | 4,007,023,557.41 | 4,062,448,107.85 |
| Allocation of Special Drawing Rights | 0.00 | 0.00 |
| Deposits | 4,700,072,204.28 | 4,137,631,396.29 |
| Liabilities to IMF | 0.00 | 0.00 |
| Liabilities under Money Market Operations | 385,599,654.98 | 226,175,700.50 |
| Other Liabilities | 621,272,645.74 | 412,301,447.53 |
| **Total Domestic Liabilities** | 9,713,968,262.41 | 8,838,556,652.17 |
| **TOTAL LIABILITIES** | 14,459,077,680.67 | 13,393,147,451.43 |
| **NET ASSETS** | 1,994,290,474.40 | 1,945,962,544.76 |
| **SHAREHOLDERS FUNDS** | | |
| Capital | 10,000,000.00 | 10,000,000.00 |
| Income Surplus | 725,802,725.78 | 863,931,814.14 |
| Asset Revaluation Reserve | 115,522,405.31 | 115,522,405.31 |
| General Reserves | 28,760,218.07 | 28,760,218.07 |
| Other Reserves | 1,114,205,125.24 | 927,748,107.24 |
| **Total Shareholders Funds** | 1,994,290,474.40 | 1,945,962,544.76 |

Note: The figures in this Balance Sheet have not been audited

## GENERAL INFORMATION

| | |
|---|---|
| BOARD OF DIRECTORS | Mr. K. B. Amissah-Arthur (Chairman/Governor)<br>Dr. Henry A. Kofi Wampah (1st Deputy Governor)<br>Mr. Millison K. Narh (2nd Deputy Governor)<br>Dr. Sydney Laryea (Non-Executive Director)<br>Mrs. Diana Ayettey (Non-Executive Director)<br>Mrs. Lily Esther Nkansah (Non-Executive Director)<br>Dr. D. Obu Andah ((Non-Executive Director)<br>Mr. Sam Appah (Non-Executive Director)<br>Togbe Afede XIV (Non-Executive Director)<br>Mr. Kwaku Bram-Larbi (Non-Executive Director)<br>Mr. Seth Terkper (Non-Executive Director) |
| REGISTERED OFFICE | 1 Thorpe Road<br>P. O. Box GP 2674<br>Accra, Ghana. |
| AUDITORS | Ernst & Young<br>Chartered Accountants<br>G15, White Avenue<br>Airport Residential Area<br>P. O. Box KA 16009<br>Airport, Accra, Ghana. |
| SECRETARY | Mr. Andrew Boye-Doe<br>Bank of Ghana<br>Head Office, 1 Thorpe Road<br>P. O. Box GP 2674<br>Accra, Ghana |

REPORT OF THE DIRECTORS
TO THE MINISTER OF FINANCE AND ECONOMIC PLANNING

The directors have pleasure in presenting the financial statements of the Bank and the Group.

MISSION STATEMENT

The mission of the Bank is to pursue sound monetary and financial policies aimed at price stability and create an enabling environment for sustainable economic growth.

The primary objective of the Bank is to maintain stability in the general level of prices and, without prejudice to this primary objective, promote economic growth and an effective and efficient banking and credit system. The Bank is engaged in the business of central banking. There was no change in the nature of the business of the Bank during the 2011 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 year, which give a true and fair view of the state of affairs of the Bank as at the end of the accounting year, and of the surplus or deficit of the Bank for the period.

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

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

Accordingly, the financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002 (Act 612), the Financial Administration Act, 2003 (Act 654) of Ghana and the Companies Act, 1963 (Act 179).

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

SIGNIFICANT DEVELOPMENTS

The Bank commenced the construction of a state-of-the-art currency processing centre at the General Services Complex, Accra. The construction has progressed steadily and it is expected to be completed in 2013.

The Bank instituted a new Fixed Assets Replacement and Depreciation policy for implementation in 2012.

BOARD OF DIRECTORS

The composition of the Board did not change during the year.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LEGISLATION AND ACCOUNTING FRAMEWORK

The financial statements, including comparative year information, are prepared in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2003 (Act 654), International Financial Reporting Standards (IFRS) and the Companies Act, 1963 (Act 179) except where the application of the Bank of Ghana Act, 2002 (Act 612) leads to non-compliance with IFRS. The directors have reviewed the accounting policies and disclosures in the financial statements and have indicated areas where the provisions of the Bank of Ghana Act 2002 (Act 612) are not entirely consistent with requirements of IFRS as follows:

(a) Departure from IFRS

The application of the Bank of Ghana Act, 2002 (Act 612) has led to a departure from the requirements of the IFRS as follows:

- Treatment of net foreign exchange difference; and
- Net foreign exchange differences on holdings of Gold, Special Drawing Rights or Foreign Securities which have been treated in accordance with the Bank's accounting policy and presented under notes 3(f, g and j)

Details of this departure are presented under note 33. Management has reviewed this treatment and has concluded that the departure from the requirements of IFRS is necessary to achieve a fair presentation of the Bank's financial position, financial performance and cash flows taken within the context of the provisions of the Bank of Ghana Act, 2002 (Act 612).

(b) Specific Non-Compliance with Provisions of IFRS

Provision for Pension Liability

The Bank operates a pension scheme for qualifying members of staff based on final pensionable pay for which the Bank is required to make annual charges based on actual pensions paid and provisions to cover future period as required by IAS 19. The Bank has so far made a provision of GH¢ 465.09 million in respect of its obligation to the scheme as set by actuarial valuation of GH¢ 599.27 million at 31 December 2011.

SUBSIDIARY COMPANIES

The Bank owns 51 per cent 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 per cent shares of Ghana Interbank Payment and Settlement Systems Limited, a company incorporated in Ghana which carries on the business of setting up and operating a national payments system.

Bank of Ghana also owns 100 per cent shares of the Central Securities Depository Limited, a company incorporated in Ghana to carry out the business of immobilisation and dematerialisation of securities.

Chairman (Governor)
Date: 11 April, 2012

Director
Date: 11 April, 2012

INDEPENDENT AUDITORS' REPORT
TO THE HONOURABLE MINISTER OF FINANCE AND ECONOMIC PLANNING

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Ghana, (the Bank) and its subsidiaries (together, the Group) which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended of the Bank; together with the consolidated statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the years then ended of the Group; and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 1 to 69.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act 2002 (Act 612) and the Financial Administration Act, 2003 (Act 654), 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.

Auditors' Responsibility

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

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

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

*Basis for Qualified Opinion*

The Bank operates a defined benefit pension scheme for qualifying members of staff based on final pensionable pay. The Bank employed the services of an actuarial consultant to conduct the valuation of the Bank's pension liability in accordance with IAS 19 Employee Benefits. The actuarial valuation, as contained in the report of the actuarial consultant, set the bank's obligation at GH¢599.27 million at 31 December 2011. A provision of GH¢465.09 million has been made in the financial statements in respect of the Bank's obligation to the scheme as at 31 December 2011. IAS 19 Employee Benefits requires that the present value of defined benefit obligations and the fair value of any plan assets be determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

*Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2011, and of their financial performance and their cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 33 of the financial statements which contains disclosure regarding the Bank of Ghana's departure from IAS 21 to achieve compliance with the Bank of Ghana Act. The disclosure includes the reason as well as the impact of this departure on the financial statements as required by IAS 1 "Presentation of Financial Statements".

ERNST & YOUNG

Chartered Accountants
Accra, Ghana

Date: 11 April, 2012

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

| | Note | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and Amounts due from Banks | 12 | 886,444 | 1,650,021 | 88,129 | 1,283,190 |
| Gold | 13 | 680,043 | 578,356 | 680,043 | 578,356 |
| Balances with IMF | 14 | 1,550,897 | 1,495,006 | 1,550,897 | 1,495,006 |
| Securities | 16 | 9,100,014 | 5,318,689 | 9,346,070 | 5,121,302 |
| Loans and Advances | 15 | 1,167,664 | 1,058,367 | 2,619,245 | 2,241,600 |
| Other Assets | 17 | 753,168 | 842,907 | 766,029 | 858,502 |
| Property, Plant and Equipment | 18 | 184,890 | 167,038 | 213,594 | 194,698 |
| Development Loans and Investments | 19 | 157,823 | 120,346 | 56,186 | 54,595 |
| Deferred Tax | 11(iii) | - | - | 459 | 178 |
| **TOTAL ASSETS** | | 14,480,943 | 11,230,730 | 15,320,652 | 11,827,427 |
| **LIABILITIES** | | | | | |
| Currency in Circulation | 20 | 4,244,268 | 3,262,719 | 4,244,268 | 3,262,719 |
| Allocations of Special Drawing Rights | | 845,003 | 801,194 | 845,003 | 801,194 |
| Deposits | 21 | 4,570,720 | 3,316,662 | 5,227,019 | 3,771,742 |
| Liabilities to IMF | 22 | 1,754,123 | 1,411,902 | 1,754,123 | 1,411,902 |
| Taxation | | - | - | 4,030 | 4,031 |
| Liabilities under Money Market Instruments | 23 | 1,134,024 | 941,879 | 1,132,478 | 939,484 |
| Other Liabilities | 24 | 659,509 | 475,406 | 694,852 | 508,272 |
| **TOTAL LIABILITIES** | | 13,207,648 | 10,209,762 | 13,901,773 | 10,699,344 |
| **SHAREHOLDERS' FUNDS** | | | | | |
| Stated Capital | 25 | 10,000 | 10,000 | 10,000 | 10,000 |
| Asset Revaluation Reserve | 26 | 115,522 | 115,436 | 115,522 | 117,799 |
| Statutory Reserve | 27 | 28,760 | 28,760 | 28,760 | 28,760 |
| Other Reserve | 28 | 1,119,013 | 866,772 | 1,151,054 | 866,764 |
| Retained Earnings | | - | - | 50,011 | 46,637 |
| Total Equity Attributable to Equity Holders of the Bank | | 1,273,295 | 1,020,968 | 1,355,347 | 1,069,960 |
| NON-CONTROLLING INTEREST | | - | - | 63,532 | 58,123 |
| **TOTAL EQUITY** | | 1,273,295 | 1,020,968 | 1,418,879 | 1,128,083 |
| **TOTAL LIABILITIES AND EQUITY** | | 14,480,943 | 11,230,730 | 15,320,652 | 11,827,427 |

The attached notes 1 to 34 form an integral part of these financial statements

Chairman (Governor)

Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

| | | The Bank | | The Group | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| **Operating Income** | | | | | |
| Interest and Similar Income | 6(i) | 367,324 | 249,001 | 380,518 | 261,086 |
| Fee and Commission Income | | 40,993 | 25,644 | 51,397 | 34,042 |
| Other Operating Income | 6(iii) | 18,964 | 20,443 | 38,687 | 45,904 |
| Exchange Differences | 6(iv) | 320,181 | 165,592 | 333,878 | 165,592 |
| Dividend Income | | 5,267 | 3,673 | 5,267 | 3,673 |
| Total Operating Income | | 752,729 | 464,353 | 809,747 | 510,297 |
| **Operating Expenses** | | | | | |
| Interest Expense and Similar Charges | 6(ii) | (154,487) | (147,959) | (157,009) | (149,873) |
| Administration | 7 | (168,744) | (130,198) | (190,422) | (148,414) |
| Premises and Equipment Expenses | 8 | (20,793) | (18,676) | (25,957) | (23,030) |
| Currency and Issue Expenses | 9 | (27,288) | (60,884) | (27,288) | (60,884) |
| Direct Expenses | | - | - | (4,837) | (4,146) |
| Total Operating Expenses | | (371,312) | (357,717) | (405,513) | (386,347) |
| Net Impairment Reversal | 10 | 4,960 | 3,326 | 4,307 | 3,283 |
| Profit before Taxation | | 386,377 | 109,962 | 408,541 | 127,233 |
| Taxation | 11(iii) | - | - | (8,169) | (5,767) |
| Operating Profit for the Year | | 386,377 | 109,962 | 400,372 | 121,466 |

The attached notes 1 to 34 form an integral part of these financial statements

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2011

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| **Other Comprehensive Income** | | | | |
| Asset Revaluation Reserve | - | 56,506 | - | 58,869 |
| Foreign Currency Translation Reserve | - | - | (462) | 793 |
| Other Comprehensive Income for the Year | - | 56,506 | (462) | 59,662 |
| Total Comprehensive Income for the Year net of Tax | - | 56,506 | (462) | 181,128 |
| Surplus attributed to: | | | | |
| Equity Shareholders of the Bank | 386,377 | 109,962 | 389,751 | 112,672 |
| Non-Controlling Interest | - | - | 10,621 | 8,794 |
| | 386,377 | 109,962 | 400,372 | 121,466 |
| Total Comprehensive Income attributed to: | | | | |
| Equity Shareholders of the Bank | - | - | (236) | 30,428 |
| Non-Controlling Interest | - | - | (226) | 29,234 |
| | - | - | (462) | 59,662 |

The attached notes 1 to 34 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

The Bank 2011

| | Stated Capital | Retained Earnings | Asset Revaluation Reserve (note 26) | Statutory Reserve (note 27) | Other Reserve (note 28) | Total |
|---|---|---|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Balance as at 1 January 2011 | 10,000 | - | 115,436 | 28,760 | 866,772 | 1,020,968 |
| Retrospective Correction of Error (note 34) | - | - | - | - | (200,000) | (200,000) |
| Restated Balance as at 1/1/2011 | 10,000 | - | 115,436 | 28,760 | 666,772 | 820,968 |
| Profit for the Year | - | 386,377 | - | - | - | 386,377 |
| Other Comprehensive Income | - | - | - | - | - | - |
| Price/Exchange Movements in Gold & Other Foreign Assets | - | - | - | - | 65,950 | 65,950 |
| Transfer from Other Reserve | - | - | 86 | - | (86) | - |
| Transfer to Other Reserve | - | (386,377) | - | - | 386,377 | - |
| Balance at 31 December 2011 | 10,000 | - | 115,522 | 28,760 | 1,119,013 | 1,273,295 |

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

The Bank 2010

| | Stated Capital GH¢'000 | Retained Earnings GH¢'000 | Asset Revaluation Reserve GH¢'000 | General Reserve GH¢'000 | Other Reserve GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| Balance at 1 January 2010 | 10,000 | - | 58,930 | 28,760 | 653,465 | 751,155 |
| Retrospective Correction of Error (note 34) | - | - | - | - | (25,000) | (25,000) |
| Restated Balance at 1 January 2010 | 10,000 | - | 58,930 | 28,760 | 628,465 | 726,155 |
| Profit for the Year | - | 109,962 | - | - | - | 109,962 |
| Other Comprehensive Income | - | - | 56,506 | - | - | 56,506 |
| Price/Exchange Movements In Gold & Other Foreign Assets | - | - | - | - | 128,345 | 128,345 |
| Transfer to Other Reserve | - | (109,962) | - | - | 109,962 | - |
| Balance at 31 December 2010 | 10,000 | - | 115,436 | 28,760 | 866,772 | 1,020,968 |

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

The Group 2011

| | Note | Stated Capital GH¢'000 | Retained Earnings GH¢'000 | Asset Revaluation Reserve (note 26) GH¢'000 | Statutory Reserve GH¢'000 | Other Reserve GH¢'000 | Foreign Currency Translation Reserve GH¢'000 | Total GH¢'000 | Non-controlling interest GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2011 | | 10,000 | 46,637 | 117,799 | 28,760 | 834,349 | 32,415 | 1,069,960 | 58,123 | 1,128,083 |
| Retrospective Correction of Error (note 34) | | - | - | - | - | (200,000) | - | (200,000) | - | (200,000) |
| Restated Balance as at 1/1/2011 | | 10,000 | 46,637 | 117,799 | 28,760 | 634,349 | 32,415 | 869,960 | 58,123 | 928,083 |
| Profit for the Year | | - | 389,751 | - | - | - | - | 389,751 | 10,621 | 400,372 |
| Other Comprehensive Income | | - | - | - | - | - | - | - | - | - |
| Dividend Paid | | - | - | - | - | - | - | - | (5,212) | (5,212) |
| Foreign Currency Translation Reserve | | - | - | - | - | - | (462) | (462) | - | (462) |
| Price & Exchange Movement in Gold, and Other Foreign Assets | 2(j) | - | - | - | - | 98,375 | - | 98,375 | - | 98,375 |
| Transfer to Other Reserve | | - | (386,377) | (2,277) | - | 386,377 | - | (2,277) | - | (2,277) |
| Balance at 31 December 2011 | | 10,000 | 50,011 | 115,522 | 28,760 | 1,119,101 | 31,953 | 1,355,347 | 63,532 | 1,418,879 |

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

The Group 2010

| | Stated Capital GH¢'000 | Retained Earnings GH¢'000 | Asset Revaluation Reserve GH¢'000 | General Reserve GH¢'000 | Other Reserve GH¢'000 | Translation Reserve GH¢'000 | Total GH¢'000 | Non-Controlling Interest GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2010 | 10,000 | 38,093 | 58,930 | 28,760 | 636,880 | 33,120 | 805,783 | 52,822 | 858,605 |
| Retrospective Correction of Error (Pension Fund) note 34 (a) | - | - | - | - | (25,000) | - | (25,000) | - | (25,000) |
| Retrospective Correction of Error note 34 (b) | - | 5,041 | - | - | - | - | 5,041 | - | 5,041 |
| Restated balance as at 1/1/2010 | 10,000 | 43,134 | 58,930 | 28,760 | 611,880 | 33,120 | 785,824 | 52,822 | 838,646 |
| Profit for the Year | - | 112,672 | - | - | | | 112,672 | 8,794 | 121,466 |
| Other Comprehensive Income | | 793 | 58,869 | | | (705) | 58,957 | - | 58,957 |
| Dividend Paid | - | - | - | - | - | - | - | (3,406) | (3,406) |
| Price & Exchange Movement in Gold, and Other Foreign Assets | - | - | - | - | 112,507 | - | 112,507 | (87) | 112,420 |
| Transfer to Other Reserve | - | (109,962) | - | - | 109,962 | - | - | - | - |
| Balance at 31 December 2010 | 10,000 | 46,637 | 117,799 | 28,760 | 834,349 | 32,415 | 1,069,960 | 58,123 | 1,128,083 |

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

| | Note | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|---|
| Cash Outflows from Operating Activities | 32 | (2,177,323) | (19,435) | (2,627,689) | (412,012) |
| **Cash Flows from Investing Activities** | | | | | |
| Increase in Development Loans and Investments | | (37,476) | (12,083) | (1,591) | (4,432) |
| Proceeds from Disposal of PPE | | 23 | - | 102 | - |
| Property, Plant & Equipment Purchased | 18 | (30,593) | (6,909) | (35,274) | (12,302) |
| Net Cash Used in Investing Activities | | (68,046) | (18,992) | (36,763) | (16,734) |
| Tax Paid | | - | - | (8,915) | (3,933) |
| **Cash Flows from Financing Activities** | | | | | |
| Dividend Paid to Non-controlling Interest | | - | - | (5,212) | (3,406) |
| Change in Bank of Ghana Instruments | | 192,145 | 151,642 | 192,995 | 149,247 |
| Change in Currency in Circulation | | 981,549 | 918,921 | 981,549 | 918,920 |
| Change in Allocation of SDRs | | 43,809 | 4,141 | 43,809 | 4,140 |
| Change in Enhanced Structural Adjustment Facility | | (55,892) | 209,700 | (55,891) | 209,700 |
| Net Cash from Financing Activities | | 1,161,611 | 1,284,404 | 1,157,250 | 1,278,601 |
| Net Change in Cash and Cash Equivalents | | (1,083,758) | 1,245,977 | (1,516,117) | 845,922 |
| **Analysis of Changes in Cash and Cash Equivalents during the Year** | | | | | |
| Balance at 1 January | | 1,650,021 | 257,200 | 1,283,190 | 281,676 |
| Net Foreign Exchange Difference | | 320,181 | 146,844 | 321,056 | 155,592 |
| Net Cash Inflow | | (1,083,758) | 1,245,977 | (1,516,117) | 845,922 |
| Balance at 31 December | 12 | 886,444 | 1,650,021 | 88,129 | 1,283,190 |

The attached notes 1 to 35 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 1. STATUTE AND PRINCIPAL ACTIVITIES

Bank of Ghana (the Bank) is wholly owned by the Government of Ghana, and operates as Ghana's central bank. Its operations are governed by the Bank of Ghana Act, 2002 (Act 612).

The 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 shall, in summary:

- Formulate and implement monetary policy;
- Promote stabilisation of the currency by monetary measures, and institute measures favourable to the balance of payments, state of public finance and general national economic development;
- Undertake prudential supervision of the banking sector and ensure smooth operation of the financial sector;
- Promote, regulate and supervise the payments system;
- Issue and redeem currency notes and coins;
- Ensure effective maintenance and management of Ghana's external financial relations;
- License, regulate, promote and supervise non-bank financial intermediaries;
- Act as banker and financial adviser to the Government;
- Promote and maintain relations with international banking and financial institutions and perform all other functions incidental or conducive to the functions under the Bank of Ghana Act or any other enactment.

The consolidated financial statements of the Bank for the year ended 31 December 2011 comprise the Bank and its subsidiaries, together referred to as "The Group".

## 2. BASIS OF PREPARATION

### a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Bank of Ghana Act 2002 (Act 612), the Financial Administration Act, 2003 (Act 654) and the International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) except where the application of the Act leads to non-compliance with IFRS. Material departures in the financial statements from the provisions of IFRS as a result of compliance with the provisions of the Act have been disclosed under note 33.

### b. Changes In Accounting Policy and Disclosures

New and Amended Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

IAS 24 *Related Party Disclosures (Amendment)* effective 1 January 2011
IAS 32 *Financial Instruments: Presentation (Amendment)* effective 1 February 2010
IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)* effective 1 January 2011
Improvements to IFRSs (May 2010).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

2. BASIS OF PREPARATION (CONTINUED)

The adoption of the standards or interpretations is described below:

IAS 24 *Related Party Transactions* (Amendment)
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 *Financial Instruments: Presentation (Amendment)*
The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these types of instruments.

IFRIC 14 *Prepayments of a Minimum Funding Requirement* (Amendment)
The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Group is not subject to minimum funding requirements in Euroland, therefore the amendment of the interpretation has no effect on the financial position nor performance of the Group.

Improvements to IFRSs
In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- IFRS 3 *Business Combinations*: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- IFRS 7 *Financial Instruments – Disclosures*: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- IAS 1 *Presentation of Financial Statements*: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

- Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

2. BASIS OF PREPARATION (CONTINUED)

- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 *Consolidated and Separate Financial Statements*
- IAS 34 *Interim Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

c. Basis of Measurement

These consolidated financial statements are presented in Ghana cedis, which is the Bank's functional currency, rounded to the nearest thousand.

They are prepared on the historical cost basis except for the 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.

d. Use of Estimates and Judgement

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 consolidated 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.

*Impairment of Non-Financial Assets*
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 2. BASIS OF PREPARATION (CONTINUED)

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

*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.

*Impairment Losses on Loans and Advances*
The bank reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, management judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears), and judgements to the effect of concentrations of risks and economic data.

*Fair Value of Financial Instruments*
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow 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. The 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been approved by the Board and have been applied consistently to all periods presented in these financial statements by the Bank and its subsidiaries in dealing with items that are considered material in relation to the Bank's financial statements.

### a. Basis of Consolidation

#### (i) Subsidiaries

Subsidiaries are all entities including special purpose entities over which the Bank has the power to directly or indirectly govern their financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

A change in the ownership interest of a subsidiary without a change of control is accounted for as an equity transaction. Losses are attributed to the non-controlling interest even if that results in a deficit balance. Subsidiaries are consolidated from the date on which the Bank effectively obtains control until the date that control ceases.

#### (ii) Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date at fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(iii) 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.

b. Revenue Recognition

Dividends Received

Dividends are recognised in the profit or loss when the Bank's right to receive payment is established.

c. 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 the 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 and is not revised subsequently. 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 in the period they arise.

d. Fees and Commissions

Fees and commission income and expenses that are an integral part to the effective interest rate on financial instruments are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement and arrangement fees and syndication fees are recognised as the related services are performed.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

e. Other Operating Income

Other operating income comprises other income including gains or losses arising on fair value changes in trading assets and liabilities, derecognised available-for-sale financial assets, and foreign exchange differences.

f. 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 the following:

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 are recognised directly into Revaluation account in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612).

(ii) Financial Statements of Foreign Operations

The Bank considers its subsidiary Ghana International Bank (GIB)as a foreign entity. Accordingly, the assets and liabilities of the foreign operation, including any goodwill and fair value adjustments arising on acquisition are translated into Ghana cedis at the foreign exchange rates ruling at the reporting date. The revenues and expenses of the subsidiary are translated to Ghana cedis at the average rate for the year. Foreign exchange differences arising on these translations are recognised directly into equity, being foreign currency translation reserve.

When a foreign operation is disposed off, in part or full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

The following were the average and closing rates for the year ended 31 December 2011.

| Currency | Average Rate GH¢ | Closing Rate GH¢ |
|---|---|---|
| US Dollar | 1.51105 | 1.55030 |
| GBP | 2.41754 | 2.40725 |
| EURO | 2.09692 | 2.01140 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((CONTINUED)

g. 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 3 (f) above.

h. 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.

i. Financial Assets and Liabilities

(i) Classification of Financial Assets and Liabilities

The Group classifies its financial assets in the following categories: financial assets held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or other financial liabilities. Management determines the categorisation of its financial assets and liabilities on initial recognition.

(ii) Held-to-Maturity

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

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

This category has two sub-categories: financial assets and liabilities held for trading, and those designated as at fair value through profit or loss at inception. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short-term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

(iv) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit making.

(v) Available-for-Sale Financial Assets

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

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

(vi) Financial Liabilities Measured at Amortised Cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

(vii) Initial Recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on trade date (the date the Group commits to the contractual provisions of the instrument). Loans and receivables are recognised when cash is advanced to customers or borrowers.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction cost except for those that are at fair value through profit or loss.

(viii) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value with the resultant fair value changes recognised in other comprehensive income. The fair value changes on available-for-sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or derecognised as well as impaired.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ((CONTINUED)

g. 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 3 (f) above.

h. 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.

i. Financial Assets and Liabilities

(i) Classification of Financial Assets and Liabilities

The Group classifies its financial assets in the following categories: financial assets held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Financial liabilities are classified as either held at fair value through profit or loss, or other financial liabilities. Management determines the categorisation of its financial assets and liabilities on initial recognition.

(ii) Held-to-Maturity

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

Held-to-maturity investments are carried at amortised cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

This category has two sub-categories: financial assets and liabilities held for trading, and those designated as at fair value through profit or loss at inception. A financial asset or liability is classified as held for trading if acquired principally for the purpose of selling in the short-term.

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis, or a group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis.

(iv) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are loans and receivables created by the Group providing money to a debtor other than those created with the intention of short-term profit making.

(v) Available-for-Sale Financial Assets

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

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

(vi) Financial Liabilities Measured at Amortised Cost

This relates to all other liabilities that are not designated at fair value through profit or loss.

(vii) Initial Recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and liabilities are recognised on trade date (the date the Group commits to the contractual provisions of the instrument). Loans and receivables are recognised when cash is advanced to customers or borrowers.

Financial assets and liabilities are initially recognised at fair value plus directly attributable transaction cost except for those that are at fair value through profit or loss.

(viii) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value with the resultant fair value changes recognised in other comprehensive income. The fair value changes on available-for-sale financial assets are recycled to profit or loss when the underlying asset is sold, matured or derecognised as well as impaired.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value with the resultant fair value changes recognised in profit or loss.

Loans and receivables, held-to-maturity instruments and other liabilities are subsequently carried at amortised cost using the effective interest method.

(ix) Derecognition

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

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expires.

(x) Fair Value Measurement

The determination of fair values of quoted financial assets and financial liabilities in active markets are based on quoted market prices or dealer price quotations. If the market for a financial asset or financial liability is not active, the Group establishes fair value by using valuation techniques.
These techniques include the use of arms' length transactions, discounted cash flow analysis, and valuation models and techniques commonly used by market participants.

For complex instruments such as swaps, the Group uses proprietary models, which usually are developed from recognised valuation models. Some or all of the inputs into these models may derive from market prices or rates or are estimates based on assumptions.

The value produced by a model or other valuation technique may be adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xi) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(xii) Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(xiii) Identification and Measurement of Impairment

The Group assesses at each reporting whether there is objective evidence that a financial asset or group of financial assets not carried at fair value through profit or loss is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan and other observable data that suggests adverse changes in the payment status of the borrowers.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan and receivable has been incurred, the amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xiii) Identification and Measurement of Impairment (continued)

*Available-for-Sale Financial Assets*

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

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss - is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

- *Impairment of Non-Financial Assets*

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversal is recognised in profit or loss

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(xiv) Designation at Fair Value through Profit or Loss

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Note 29 sets out the amount of each class of financial asset or liability that has been designated at fair value through profit or loss.

j. Gold

Gold is held by the Group as part of its foreign reserves and is classified as available-for-sale for the purposes of measurement. 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 arising from price changes are recognised directly in equity as part of other reserves.

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 Revaluation Account in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612). Refer to note 3(f).

k. Loans and Advances

Loans and advances originated by the Bank are classified as loans and receivables. Loans and advances are stated in the statement of financial position at the estimated recoverable amounts in accordance with note 3 i(iv).

The recoverable amounts of loans and advances are the present value of expected future cash flows, discounted at the instruments' original effective interest rate.

l. Securities

- *Domestic Securities*

Domestic securities consist of Government of Ghana redeemable, negotiable and interest bearing securities. These securities are classified as held to maturity and are stated in the statement of financial position at amortised cost.

- *Foreign Securities*

This represents interest bearing short-term instruments with fixed maturities held with correspondent banks. These securities are stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 recognised in the Revaluation Account in accordance with section 7 of the Bank of Ghana Act, 2002. The interest bearing and non-interest bearing components of these securities are stated at amortised cost to fairly present the substance of these securities.

m. Equity Shares and Participation Interests

Equity investments are classified as available-for-sale financial assets and measured at fair value after initial recognition. Where the fair value of these investments cannot be reliably measured, they are stated at cost less provision for Impairments.

n. Property, Plant and Equipment

(i) Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and Impairment losses.

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 and loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an 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 generally in use for the current and comparative year are as follows:

| | % |
|---|---|
| Buildings | 2-4 |
| Plant and Equipment | 10 - 33 1/3 |
| Motor Vehicles | 33 1/3 |
| Furniture and Fittings | 10-20 |

Capital work-in-progress is recorded at cost. Land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 equals its revalued amount. Where assets carrying amount is increased as a result of revaluation, the increase is credited to other comprehensive income under the heading of Asset Revaluation Reserve. However, the increase is recognised in profit or loss account to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Conversely, where the carrying amount is decreased as a result of revaluation, the decrease shall be recognised in profit and loss. However, the decrease shall be debited directly to other comprehensive income under the heading Asset Revaluation Reserve to the extent of any credit balance existing in the Asset Revaluation Reserve in respect of that asset.

o. Intangible Assets

Software

Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

Amortisation methods and useful lives are reassessed and adjusted prospectively if necessary at the reporting date.

An intangible asset 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.

p. Deposits

This is mainly made up of customer, government, commercial banks and other financial institutions' deposit accounts. They are categorised as other financial liabilities carried in the statement of financial position at amortised cost. Interest bearing deposits are stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q. 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.

(ii) Defined Benefit Plans

The Bank of Ghana operates a defined benefit scheme which provides benefits based on final pensionable pay. The Bank's obligation for contribution to the scheme is recognised as an expense in the income statement.

The Bank's net obligation in respect of defined benefit pension plans is to be calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs. The discount rate is the yield at the reporting date on a long-dated instrument on the Ghana market. The calculation is performed by a qualified actuary using the projected unit credit method. Changes in the present value of the plan liabilities are to be recognised in profit or loss.

When the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised actuarial losses, unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The Group however accounts for the pension fund liability by making annual allocation towards the fund liability determined by the valuer.

(iii) Termination Benefits

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.

r. Capital and Reserves

Stated capital represents non-distributable capital of the Bank.

With respect to the distribution of surplus for the year, the Bank of Ghana Act provides that after allowing for specified provisions, surplus for the year is distributed as follows:

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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.

Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

s. 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, Central Securities Depository (CSD) 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.

t. 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:

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 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 with 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.

u. 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.

v. 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.

w. Provisions

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

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.

x. Financial Guarantees

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, 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 present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

4. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital Expenditure Commitment

The Group had capital expenditure commitments of GH¢38,668,532 not provided for in the financial statements as at 31 December 2011 (2010: GH¢993,719).

(b) Pending Legal Claims

There are contingent liabilities in respect of pending legal suits against the Group amounting to GH¢1,503.17 million. (2010: GH¢1,527.00 million).

(c) Documentary Credits

Contingent liabilities in respect of documentary credits held with Ghana International Bank Plc amounted to GH¢ 16.328 million (2010: GH¢86.35 million). Total commitments outstanding at 31 December 2011 was GH¢ 311.182 million (2010: 286.35 million)

5. EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets at 31 December 2011 and 2010 were in the following ranges:

| | 2011<br>GH¢'000 | 2010<br>GH¢'000 |
|---|---|---|
| Assets | | |
| Securities - Government | 0%- 14% | 0 %- 22.70% |
| External | 0.04% - 4.55 % | 0.13% - 4.72% |
| Loans and Advances | 12.5% - 13.5% | 13.5% - 18% |
| Liabilities | | |
| Deposits | 0% | 0% |
| Liabilities under Money Market Operations | 11.70% - 11.99% | 11.65% - 18.25% |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 6(i). INTEREST AND SIMILAR INCOME

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| Interest on Overnight Lending, Government Securities, Medium/Long-Term Notes and Bonds | 257,027 | 181,271 | 270,221 | 193,356 |
| Interest on Foreign Correspondent Accounts and Foreign Investments | 37,780 | 43,368 | 37,780 | 43,368 |
| Total Interest Income | 294,807 | 224,639 | 308,001 | 236,724 |
| Discount on Treasury Bill Operations | 72,517 | 24,362 | 72,517 | 24,362 |
| | 367,324 | 249,001 | 380,518 | 261,086 |

## 6(ii). INTEREST EXPENSE AND SIMILAR CHARGES

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| IMF & SDR Allocations[1] | 690 | 408 | 690 | 408 |
| Foreign Loans and Credits | 2 | - | 2 | - |
| Forex Deposits | - | - | - | 469 |
| Interest on Money Market Instruments | 85,452 | 109,143 | 88,009 | 109,143 |
| Repo Expense and Other Commissions Paid | 68,343 | 38,408 | 68,308 | 38,408 |
| | 154,487 | 147,959 | 157,009 | 149,873 |

[1] These are charges relating to transactions with IMF.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

6(iii) OTHER OPERATING INCOME

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Other Income | 18,964 | 20,443 | 38,687 | 45,904 |
| | 18,964 | 20,443 | 38,687 | 45,904 |

6(iv) Exchange Difference

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Transactional Exchange Difference | 57,972 | 18,748 | 71,669 | 18,748 |
| Exchange Rate Equalisation | 262,209 | 146,844 | 262,209 | 146,844 |
| | 320,181 | 165,592 | 333,878 | 165,592 |

Exchange Difference comprises of the sum of gains and losses made by the Bank on foreign exchange denominated transactions whilst Exchange Rate Equalisation represents the sum of gains and losses on daily revaluation of assets and liabilities denominated in foreign currency.

7. ADMINISTRATIVE EXPENSES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Personnel Cost | 111,341 | 91,283 | 124,372 | 102,474 |
| Foreign and Domestic Travel | 3,690 | 4,191 | 4,652 | 4,261 |
| Motor Vehicle Maintenance/Running | 6,584 | 4,482 | 6,584 | 4,540 |
| Communication Expenses | 2,711 | 2,993 | 2,711 | 2,993 |
| Banking Colleges and Monetary Institutes | 704 | 708 | 704 | 708 |
| Computer Related Expenses | 1,397 | 2,348 | 1,397 | 2,348 |
| Banking Supervision Expenses | 1,564 | 451 | 1,564 | 451 |
| Auditors' Remuneration | 163 | 141 | 374 | 299 |
| Directors' Remuneration | 1,056 | 865 | 3,377 | 2,551 |
| Expense on Foreign Currency Importation | 93 | 63 | 93 | 63 |
| Depreciation - Motor Vehicles | 3,068 | 3,447 | 3,092 | 3,575 |
| Others | 36,371 | 19,226 | 41,502 | 24,151 |
| | 168,744 | 130,198 | 190,422 | 148,414 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

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

| | The Bank 2011 | 2010 | The Group 2011 | 2010 |
|---|---|---|---|---|
| Directors | 11 | 11 | 33 | 29 |
| Staff | 1,529 | 1,536 | 1,634 | 1,633 |
| | 1,540 | 1,547 | 1,667 | 1,662 |

## 8. PREMISES AND EQUIPMENT EXPENSES

| | The Bank 2011 GH¢'000 | 2010 GH¢'000 | The Group 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Rent and Rates | 1,051 | 512 | 1,075 | 512 |
| Electricity, Water and Conservancy | 2,384 | 2,122 | 2,384 | 2,350 |
| Repairs and Renewals | 7,980 | 4,427 | 7,980 | 4,427 |
| Insurance - Premises and Equipment | 166 | 73 | 166 | 73 |
| Depreciation - Premises & Equipment | 7,233 | 9,786 | 11,388 | 13,760 |
| Generator Running Expenses | 128 | 67 | 128 | 67 |
| Other Premises and Equipment Expenses | 1,851 | 1,689 | 2,836 | 1,841 |
| | 20,793 | 18,676 | 25,957 | 23,030 |

## 9. CURRENCY AND ISSUE EXPENSES

| | The Bank 2011 GH¢'000 | 2010 GH¢'000 | The Group 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Agency Fees | 738 | 430 | 738 | 430 |
| Notes Printing | 25,799 | 58,793 | 25,799 | 58,793 |
| Coin Minting | - | 622 | - | 622 |
| Other Currency Expenses | 751 | 1,039 | 751 | 1,039 |
| | 27,288 | 60,884 | 27,288 | 60,884 |

## 10. IMPAIRMENT LOSSES

| | The Bank 2011 GH¢'000 | 2010 GH¢'000 | The Group 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Balance at 1 January | 14,510 | 17,840 | 15,667 | 18,950 |
| Impairment Loss Recognised/(Reversal) | (4,960) | (3,326) | (4,307) | (3,283) |
| Balance at 31 December | 9,550 | 14,514 | 11,360 | 15,667 |

This is in respect of impairment made on loans and advances, other assets and development loans and investments, disclosed in notes 15, 17 and 19 respectively whose recoverability has become doubtful.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

11. TAXATION

(i) Income Tax Payable

(a) The Bank

The Bank is exempt from payment of income taxes. Consequently, no provisions have been made in respect of income and deferred taxes.

(b) The Group

(i) Analysis of charge in the period

| Current Year Tax | 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|
| UK Corporation Tax for the Year | 7,923 | 6,804 |
| Prior Year Adjustment | 519 | (1,020) |
| | 8,442 | 5,784 |

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

| | 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|
| Profit on Ordinary Activities before Tax | 29,718 | 23,715 |
| Tax at 26.5 per cent (2010: 28%) | 7,909 | 6,640 |
| Expenses Disallowed (Bank Bonus) | 8 | - |
| Expenses Disallowed for Other Tax Purposes | - | 36 |
| Effect of Tax Rate Charge | 37 | 6 |
| Prior Year Adjustment | 215 | (915) |
| | 8,169 | 5,767 |

(ii) Deferred Tax

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 GH¢'000 | 2010 GH¢'000 | 2011 GH¢'000 | 2010 GH¢'000 |
| Capital Allowances | - | - | 459 | 178 |
| Total Deferred Tax Assets | - | - | 459 | 178 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 12. CASH AND AMOUNTS DUE FROM BANKS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Correspondent Bank Balances | 857,558 | 1,606,189 | 59,243 | 1,239,358 |
| Notes and Coins Holdings | 28,886 | 43,832 | 28,886 | 43,832 |
| | 886,444 | 1,650,021 | 88,129 | 1,283,190 |

## 13. GOLD

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Bank of England Gold set aside | 267,454 | 359,939 | 267,454 | 359,939 |
| Federal Reserve Bank NY Gold | 186,915 | 159,872 | 186,915 | 159,872 |
| UBS Gold Investment | 200,924 | 37,376 | 200,924 | 37,376 |
| Gold -Local Holdings | 24,750 | 21,169 | 24,750 | 21,169 |
| | 680,043 | 578,356 | 680,043 | 578,356 |

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

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Holdings | 669,762 | 659,553 | 669,762 | 659,553 |
| Quota | 881,135 | 835,453 | 881,135 | 835,453 |
| | 1,550,897 | 1,495,006 | 1,550,897 | 1,495,006 |

## 15. LOANS AND ADVANCES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government | 1,002,536 | 848,659 | 1,002,536 | 848,659 |
| Financial Institutions | 79,805 | 142,114 | 1,353,894 | 1,163,574 |
| Lending (note 15a) | 91,268 | 75,884 | 270,672 | 238,919 |
| Gross Amount | 1,173,609 | 1,066,657 | 2,627,102 | 2,251,152 |
| Less: Impairment Losses | (5,945) | (8,290) | (7,857) | (9,552) |
| Carrying Amount | 1,167,664 | 1,058,367 | 2,619,245 | 2,241,600 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

(a) Analysis of Lending (Sectoral)

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| Gross Lending is analysed as follows: | - | - | - | - |
| Commerce and Finance | | | | |
| Miscellaneous | 91,268 | 75,884 | 270,672 | 238,919 |
| | 91,268 | 75,884 | 270,672 | 238,919 |

(b) The Group

Loans and Advances at Amortised Cost

| | 2011 Gross Amount GH¢'000 | 2011 Impairment Amount GH¢'000 | 2011 Carrying Amount GH¢'000 | 2010 Gross Amount GH¢'000 | 2010 Impairment Amount GH¢'000 | 2010 Carrying Amount GH¢'000 |
|---|---|---|---|---|---|---|
| Government | 1,002,536 | | 1,002,536 | 848,659 | - | 848,659 |
| Financial Institutions | 1,353,894 | (7,857) | 1,346,037 | 1,163,574 | (9,552) | 1,154,022 |
| Other Secured Lending | 270,672 | - | 270,672 | 238,919 | - | 238,919 |
| | 2,627,102 | (7,857) | 2,619,245 | 2,251,152 | (9,552) | 2,241,600 |

(c) Reconciliation of Changes in Impairment

The Bank

| | Loans and Advances GH¢'000 | Other Assets GH¢'000 | Development Loans and Advances GH¢'000 | Total 2011 GH¢'000 | Total 2010 GH¢'000 |
|---|---|---|---|---|---|
| At 1/1/2011 | 8,290 | 5,330 | 889 | 14,509 | 17,835 |
| Reversal of Impairment Losses | (2,345) | (2,615) | - | (4,960) | (3,326) |
| At 31/12/2011 | 5,945 | 2,715 | 889 | 9,549 | 14,509 |

The Group

| | Loans and Advances | Other Assets | Development Loans and Advances | Total 2011 | Total 2010 GH¢'000 |
|---|---|---|---|---|---|
| At 1/1/2011 | 9,549 | 5,330 | 889 | 15,768 | 19,051 |
| Reversal of Impairment Losses | (1,692) | (2,615) | - | (4,307) | (3,283) |
| At 31/12/2011 | 7,857 | 2,715 | 889 | 11,461 | 15,768 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 16. SECURITIES

The Bank

| | 2011 Gross Amount GH¢'000 | Amortisation GH¢'000 | 2011 Carrying Amount GH¢'000 | 2010 Carrying Amount GH¢'000 |
|---|---|---|---|---|
| Long-Term Government Securities | 1,885,741 | - | 1,885,741 | 1,239,034 |
| Money Market instruments | 1,101,875 | - | 1,101,875 | 273,328 |
| Short-Term Securities | 6,112,398 | - | 6,112,398 | 3,806,327 |
| | 9,100,014 | - | 9,100,014 | 5,318,689 |
| **The Group** | | | | |
| Long-Term Government Securities | 1,885,741 | - | 1,885,741 | 1,239,034 |
| Money Market Instruments | 1,122,698 | - | 1,122,698 | 273,328 |
| Short-Term Securities | 6,112,397 | - | 6,112,397 | 3,569,577 |
| Others | 225,234 | | 225,234 | 39,363 |
| | 9,346,070 | - | 9,346,070 | 5,121,302 |

(i) Long-Term Government Securities

This represents interest and non-interest bearing securities which have been issued by the Government of Ghana to cover net exchange losses arising on gold, special drawing rights or foreign securities in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612).

(ii) Short-Term Securities

This represents fixed deposits held with correspondent banks and investments held with overseas fund managers.

## 17. OTHER ASSETS

| | The Bank 2011 GH¢'000 | 2010 GH¢'000 | The Group 2011 GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Items in Course of Collection | 140,354 | 141,751 | 140,354 | 141,751 |
| Revaluation Account | 48,248 | 26,509 | 48,528 | 26,509 |
| Others | 567,281 | 679,977 | 579,862 | 695,572 |
| | 755,883 | 848,237 | 768,744 | 863,832 |
| *Less:* Impairment Losses (note 15c) | (2,715) | (5,330) | (2,715) | (5,330) |
| | 753,168 | 842,907 | 766,029 | 858,502 |

The balance on the Revaluation Account represents net exchange gains/(losses) arising on translation of the Bank's holdings in gold, Special Drawing Rights and foreign securities in accordance with section 7 of the Bank of Ghana Act, 2002 (Act 612). The Act requires the Government of Ghana to issue redeemable and interest-bearing securities to cover the balance on the revaluation account.

Included in Others are Imprest, Inventory, Accounts receivable and Staff Provident Fund Investment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 18a. PROPERTY, PLANT AND EQUIPMENT

### The Bank

| | Land and Buildings GH¢'000 | Motor Vehicles GH¢'000 | Furniture and Fittings GH¢'000 | Plant and Equipment GH¢'000 | Work in Progress GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| **Gross Value** | | | | | | |
| At 1/1/11 | 145,038 | 9,283 | 1,753 | 12,831 | 42 | 168,947 |
| Additions | 4,517 | 84 | 645 | 12,513 | 12,834 | 30,593 |
| Disposals | - | (180) | - | - | - | (180) |
| Balance at 31/12/11 | 149,555 | 9,187 | 2,398 | 25,344 | 12,876 | 199,360 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | |
| At 1/1/11 | 691 | 513 | 57 | 647 | - | 1,908 |
| Charge for the Year* | 4,182 | 3,068 | 383 | 4,963 | | 12,596 |
| Disposals | - | (34) | - | - | - | (34) |
| Balance at 31/12/11 | 4,873 | 3,547 | 440 | 5,610 | - | 14,470 |
| **Carrying Amounts** | | | | | | |
| Balance at 31/12/11 | 144,682 | 5,640 | 1,958 | 19,734 | 12,876 | 184,890 |
| Balance at 31/12/10 | 144,347 | 8,769 | 1,695 | 12,185 | 42 | 167,038 |

### The Group

| | Land and Buildings GH¢'000 | Motor Vehicles GH¢'000 | Furniture and Fittings GH¢'000 | Plant and Equipment GH¢'000 | Work in Progress GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| **Gross Value** | | | | | | |
| At 1/1/11 | 150,640 | 10,605 | 2,816 | 41,288 | 42 | 205,392 |
| Additions | 4,664 | 300 | 889 | 13,552 | 15,869 | 35,274 |
| Disposals | - | (263) | - | - | - | (263) |
| Translation Adjustment | 189 | (713) | 16 | 211 | 661 | 363 |
| Balance at 31/12/11 | 155,493 | 9,929 | 3,721 | 55,051 | 16,572 | 240,766 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | |
| At 1/1/11 | 1,102 | 1,631 | 600 | 7,361 | - | 10,694 |
| Charge for the Year | 4,449 | 3,169 | 738 | 8,662 | - | 17,018 |
| Released on Disposal | - | (50) | - | - | - | (50) |
| Translation Adjustment | 115 | (721) | (8) | 124 | - | (490) |
| Balance at 31/12/11 | 5,666 | 4,029 | 1330 | 16,147 | - | 27,172 |
| **Carrying Amounts** | | | | | | |
| Balance at 31/12/11 | 149,827 | 5,900 | 2,391 | 38,904 | 16,572 | 213,594 |
| Balance at 31/12/10 | 149,539 | 8,974 | 2,217 | 33,294 | 43 | 194,698 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

18b. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Bank

| | Land and Buildings GH¢'000 | Motor Vehicles GH¢'000 | Furniture and Fittings GH¢'000 | Plant and Equipment GH¢'000 | Work In Progress GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| Gross Value | | | | | | |
| At 1/1/10 | 51,237 | 15,587 | 1,885 | 62,720 | 50,175 | 181,604 |
| Additions | 234 | 2,997 | 529 | 3,106 | 43 | 6,909 |
| Transfers from WIP | | | | 50,175 | (50,175) | - |
| Transfers[2] | (9,596) | (14,692) | (1,612) | (47,577) | | (73,477) |
| Revaluation additions** | 103,163 | 5,390 | 950 | (55,592) | - | 53,911 |
| Balance at 31/12/10 | 145,038 | 9,282 | 1,752 | 12,832 | 42 | 168,946 |
| Accumulated Depreciation & impairment Losses | | | | | | |
| At 1/1/10 | 7,931 | 12,550 | 1,398 | 41,021 | - | 62,900 |
| Charge for the Year* | 2,356 | 2,655 | 271 | 7,203 | | 12,485 |
| Transfers[1] | (9,596) | (14,692) | (1,612) | (47,577) | | (73,477) |
| Balance at 31/12/10 | 691 | 513 | 57 | 647 | - | 1,908 |
| Carrying Amounts | | | | | | |
| Balance at 31/12/10 | 144,347 | 8,769 | 1,695 | 12,185 | 42 | 167,038 |
| Balance at 31/12/09 | 43,306 | 3,037 | 487 | 21,699 | 50,175 | 118,704 |

The Group

| | Land and Buildings GH¢'000 | Motor Vehicles GH¢'000 | Furniture and Fittings GH¢'000 | Plant and Equipment GH¢'000 | Work In Progress GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| Gross Value | | | | | | |
| At 1/1/10 | 56,801 | 16,809 | 2,883 | 87,862 | 50,288 | 214,643 |
| Additions | 271 | 3,201 | 586 | 10,303 | 43 | 14,405 |
| Revaluation Additions | 103,163 | 5,404 | 964 | (55,360) | - | 54,172 |
| Write off | | | | (2,886) | - | (2,886) |
| Transfers | (9,583) | (14,692) | (1,612) | (47,690) | - | (73,576) |
| Transfer from WIP | | | | 50,288 | (50,288) | - |
| Disposals | | (116) | | (1,206) | | (1,322) |
| Translation Adjustment | (12) | (1) | (5) | (23) | - | (41) |
| Balance at 31/12/10 | 150,640 | 10,605 | 2,816 | 41,288 | 43 | 205,392 |

[2]Transfers relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued assets

*Charge for the year includes depreciation charge of assets up to the revaluation date.

**This represents the revaluation reserve recognised on the revaluation of the Groups property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 18b. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | 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 |
|---|---|---|---|---|---|---|
| Accumulated Depreciation and Impairment Losses | | | | | | |
| At 1/1/10 | 8,181 | 13,615 | 1,610 | 47,799 | | 71,205 |
| Charge for the Year | 2,625 | 2,825 | 589 | 10,598 | - | 16,637 |
| Released on Disposal | | (116) | | (908) | | (1,024) |
| Transfers | (9,583) | (14,692) | (1,612) | (47,690) | | (73,576) |
| Write Offs | (121) | | 13 | (2,424) | | (2,532) |
| Translation Adjustment | - | (1) | - | (14) | - | (15) |
| Balance at 31/12/10 | 1,102 | 1,631 | 600 | 7,361 | - | 10,694 |

## 19. DEVELOPMENT LOANS AND INVESTMENTS

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| Investments – Banks | 86,794 | 55,967 | 57,066 | 55,475 |
| Investments - Other Institutions | 71,918 | 65,268 | 9 | 9 |
| | 158,712 | 121,235 | 57,075 | 55,484 |
| Impairment Losses | (889) | (889) | (889) | (889) |
| | 157,823 | 120,346 | 56,186 | 54,595 |

Included in investments - Banks is GH¢29.7m representing 51 per cent equity holding in Ghana International Bank Plc, a commercial bank incorporated in the United Kingdom.

Also, included in Investments – Other Institutions is an amount of GH¢68,909,209 representing 100 per cent holdings in GhIPSS, a company incorporated in Ghana, and an amount of GH¢ 3,000,000 representing 100 per cent in CSD, a company incorporated in Ghana. These amounts have been eliminated in the consolidated financial statements.

The Bank disposed of GH¢20 million of it's preference shareholdings in the National Investment Bank Limited (NIB) to the government in March 2012.

## 20 (a) CURRENCY IN CIRCULATION

| | The Bank 2011 GH¢'000 | The Bank 2010 GH¢'000 | The Group 2011 GH¢'000 | The Group 2010 GH¢'000 |
|---|---|---|---|---|
| Notes and Coins Issued | 7,052,805 | 5,676,542 | 7,052,805 | 5,676,542 |
| Less: Cash Account & Agencies | (2,808,537) | (2,413,823) | (2,808,537) | (2,413,823) |
| | 4,244,268 | 3,262,719 | 4,244,268 | 3,262,719 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

20 (b). CURRENCY IN CIRCULATION BY DENOMINATION

| | The Bank | | The Group | |
|---|---|---|---|---|
| DENOMINATION | 2011 | 2010 | 2011 | 2010 |
| Notes in Circulation | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| GH¢50 | 622,312 | 666,557 | 622,312 | 666,557 |
| GH¢20 | 1,109,268 | 583,913 | 1,109,268 | 583,913 |
| GH¢10 | 1,036,278 | 875,477 | 1,036,278 | 875,477 |
| GH¢5 | 978,751 | 659,059 | 978,751 | 659,059 |
| GH¢2 | 179,805 | 178,227 | 179,805 | 178,227 |
| GH¢1 | 203,987 | 189,779 | 203,987 | 189,779 |
| Total Notes in Circulation | 4,130,401 | 3,153,012 | 4,130,401 | 3,153,012 |
| Coins in Circulation | | | | |
| GH¢1 | 20,663 | 22,239 | 20,663 | 22,239 |
| 50GP | 26,899 | 26,368 | 26,899 | 26,368 |
| 20GP | 22,552 | 19,526 | 22,552 | 19,526 |
| 10GP | 13,338 | 11,267 | 13,338 | 11,267 |
| 5GP | 7,186 | 6,741 | 7,186 | 6,741 |
| 1GP | 832 | 806 | 832 | 806 |
| Total Coins in Circulation | 91,470 | 86,947 | 91,470 | 86,947 |
| New currency in Circulation | 4,221,871 | 3,239,959 | 4,221,871 | 3,239,959 |
| Old currency in Circulation | 22,397 | 22,760 | 22,397 | 22,760 |
| Total Currency in Circulation | 4,244,268 | 3,262,719 | 4,244,268 | 3,262,719 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 21 DEPOSITS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government | 1,709,889 | 1,069,368 | 1,709,889 | 1,069,368 |
| Financial Institutions/Banks | 1,789,400 | 1,361,563 | 2,048,660 | 1,368,427 |
| Others | 1,071,431 | 885,731 | 1,468,470 | 1,333,947 |
| | 4,570,720 | 3,316,662 | 5,227,019 | 3,771,742 |

## 22. LIABILITIES TO IMF

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| (i) IMF Currency Holdings | | | | |
| IMF No. 1 | 46,142 | 49,383 | 46,142 | 49,383 |
| IMF No. 2 | 10 | 9 | 10 | 9 |
| IMF Securities | 834,993 | 786,070 | 834,993 | 786,070 |
| (ii) IMF Facilities | | | | |
| Poverty Reduction and Growth Facility | 872,978 | 576,440 | 872,978 | 576,440 |
| | 1,754,123 | 1,411,902 | 1,754,123 | 1,411,902 |

Ghana has been a member of the International Monetary Fund (IMF) since 20 September 1957. The Bank is a designated fiscal agent and the depository for the IMF's holdings of local currency. The IMF's holdings of local currency amounted to the equivalent of SDR 372 million at December 31, 2011 (2010: SDR 372 million). IMF currency holdings equivalent to SDR 19.32 million (2010: SDR 21.81 million) and SDR 4,171 (2010: SDR 4,171) are held in the IMF's No.1 and No. 2 accounts respectively. These are deposit accounts of the IMF with the Bank.

## 23. LIABILITIES UNDER MONEY MARKET OPERATIONS

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Bank of Ghana Instruments | 1,134,024 | 941,879 | 1,132,478 | 939,484 |

These are securities (treasury bills carrying a fixed rate of interest) issued by the Bank for monetary policy purpose and are shown as a liability of Bank of Ghana to the buyers.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 24. OTHER LIABILITIES

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Accruals and Account Payable | 25,878 | 12,531 | 30,268 | 39,750 |
| Defined Pension Fund Liability (note 24a) | 527,758 | 279,387 | 527,758 | 279,387 |
| Others | 105,873 | 183,488 | 136,826 | 189,135 |
| | 659,509 | 475,406 | 694,852 | 508,272 |

### 24 (a) Pension Fund Liability

| | | | | |
|---|---|---|---|---|
| Balance at 1 January | 279,387 | 109,096 | 279,387 | 109,096 |
| Allocations | 200,000 | 25,000 | 200,000 | 25,000 |
| Pension payment | (13,765) | (11,073) | (13,765) | (11,073) |
| Re-instatement | - | 125,000 | - | 125,000 |
| Interest on Treasury bills | 62,136 | 31,364 | 62,136 | 31,364 |
| Balance at 31 December | 527,758 | 279,387 | 527,758 | 279,387 |

The actuarial valuation, as contained in the report of the actuarial consultant, set the Bank's obligation at GH¢599.27 million at 31 December 2011. A provision of GH¢ 465.09 million (2010: GH¢265.09 million) has so far been made in the financial statements in respect of the Bank's obligation to the scheme of which GH¢310.00 million have been invested in treasury bills.

## 25. STATED CAPITAL

| | Number of Shares | | Proceeds | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | '000 | '000 | GH¢'000 | GH¢'000 |
| Registered Number of Shares | 700,000 | 700,000 | | |
| Issued | | | | |
| For Cash Consideration | 100 | 100 | 10 | 10 |
| Other than 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.

## 26. ASSET REVALUATION RESERVE

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

## 27. STATUTORY RESERVE

The Statutory Reserve represents portions of surplus for the years that have been set aside in accordance with section 6 of the Bank of Ghana Act, 2002 (Act 612).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 28. OTHER RESERVES

The Bank 2011

| | Price & Exchange Movement GH¢'000 | Transfer from Surplus GH¢'000 | Transfer to Other Reserve GH¢'000 | 2011 GH¢'000 |
|---|---|---|---|---|
| Balance at 1 January | 756,810 | 109,962 | - | 866,772 |
| Retrospective Correction of Error (note 34) | - | (200,000) | - | (200,000) |
| Restated balance at 1 January 2011 | 756,810 | (90,038) | - | 666,772 |
| (Decrease)/Increase in the Year | 65,950 | 386,377 | (86) | 452,241 |
| Balance at 31 December | 822,760 | 296,339 | (86) | 1,119,013 |

The Bank 2010

| | Price & Exchange Movement GH¢'000 | Transfer from Surplus GH¢'000 | Transfer to other Reserve GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Balance at 1 January | 653,465 | - | - | 653,465 |
| Retrospective Correction of Error (note 34) | (25,000) | - | - | (25,000) |
| Restated balance at 1 January 2010 | 628,465 | | | 628,465 |
| (Decrease)/Increase in the Year | 128,345 | 109,962 | - | 238,307 |
| Balance at 31 December | 756,810 | 109,962 | - | 866,772 |

28. The Group 2011

| | Price & Exchange Movement GH¢'000 | Translation Reserve GH¢'000 | Transfer From Surplus GH¢'000 | 2011 GH¢'000 |
|---|---|---|---|---|
| Balance at 1 January | 724,387 | 32,415 | 109,962 | 866,764 |
| Retrospective Correction of Error (note 34) | - | - | (200,000) | (200,000) |
| Restated balance at 1 January | 724,387 | 32,415 | (90,038) | 666,764 |
| (Decrease)/Increase in the Year | 98,375 | (462) | 386,377 | 484,290 |
| Balance at 31 December | 822,762 | 31,953 | 296,339 | 1,151,054 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

## 28. OTHER RESERVES (CONTINUED)

The Group 2010

| | Price & Exchange Movement GH¢'000 | Translation Reserve GH¢'000 | Transfer from Surplus GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|
| Balance at 1 January | 636,880 | 33,120 | - | 670,000 |
| Retrospective Correction of Error (Note 34) | (25,000) | - | - | (25,000) |
| Restated balance at 1 January | 611,880 | 33,120 | - | 645,000 |
| (Decrease)/Increase in the Year | 112,507 | (705) | 109,962 | 221,764 |
| Balance at 31 December | 724,387 | 32,415 | 109,962 | 866,764 |

Other reserve represents the unrealised gains and losses on revaluation of gold holdings as a result of the change in the spot market price. The balance also includes amounts set aside from surplus for the year to support specific operational expenses in accordance with *Section 6* of the Bank of Ghana Act, 2002 (Act 612).

## 29. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY

Financial instruments are classified between four (4) recognition principles: held to maturity, held at fair value through profit and loss (comprising held for trading and designated), available-for-sale, and loans and receivables. These categories of financial instruments have been combined for presentation on the face of the balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

29. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONTINUED)

Assets

I. The Bank 2011

| | Note | Held for Trading | Held to Maturity | Designated at Fair Value through P&L | Available-for-Sale | Loans & Receivables | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Cash and Balances with Correspondent Banks | 12 | - | - | - | - | 886,444 | 886,444 | 886,444 |
| Government Securities | 16 | - | 1,885,741 | - | - | - | 1,885,741 | 1,885,741 |
| Money Market Instruments | 16 | - | 1,101,875 | - | - | - | 1,101,875 | 1,101,875 |
| Short-Term Securities | 16 | 917,152 | 5,195,245 | - | - | - | 6,112,397 | 6,112,397 |
| Loans and Advances | 15 | - | - | - | - | 1,167,664 | 1,167,664 | 1,167,664 |
| Total at 31/12/11 | | 917,152 | 8,182,861 | - | - | 2,054,108 | 11,154,121 | 11,154,121 |

Assets

II. The Bank 2010

| | Note | Held for Trading | Held to Maturity | Designated at Fair Value Through P&L | Available-for-Sale | Total Loans & Receivables | Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Cash and Balances with Correspondent Banks | 12 | - | - | - | - | 1,650,021 | 1,650,021 | 1,650,021 |
| Government Securities | 16 | - | 1,239,034 | - | - | - | 1,239,034 | 1,239,034 |
| Money Market Instruments | 16 | - | 273,268 | - | - | - | 273,328 | 273,328 |
| Short-Term Securities | 16 | - | 3,806,327 | - | - | - | 3,806,327 | 3,806,327 |
| Loans and Advances | 15 | - | - | - | 50,000 | 1,008,367 | 1,058,367 | 1,058,367 |
| Total at 31/12/10 | | - | 5,318,689 | - | 50,000 | 2,658,388 | 8,027,077 | 8,027,077 |

*NOTES TO THE FINANCIAL STATEMENTS*
31 DECEMBER 2011

29. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONTINUED)

Assets

i. The Group 2011

| | Note | Trading | Held to Maturity | Designated at Fair Value through P&L | Available-for-Sale | Loans & Receivables | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 |
| Cash and Balances with Correspondent Banks | 12 | - | - | - | - | 88,129 | 88,129 | 88,129 |
| Government Securities | 16 | - | 1,885,741 | | | | 1,885,741 | 1,885,741 |
| Money Market Instruments | 16 | - | 1,101,875 | - | - | | 1,101,875 | 1,101,875 |
| Short-Term Securities | 16 | 917,167 | 5,195,244 | - | 9 | | 6,112,420 | 6,112,420 |
| Loans and Advances | 15 | - | - | - | - | 2,619,245 | 2,619,245 | 2,619,245 |
| Total at 31/12/11 | | 917,167 | 8,182,860 | - | 9 | 2,707,374 | 11,807,410 | 11,807,410 |

Assets

ii. The Group 2010

| | Note | Held for Trading | Held to Maturity | Designated at Fair Value through P&L | Available for Sale | Loans & Receivables | Total Carrying | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 | GH¢000 |
| Cash and Balances with Correspondent Banks | 12 | - | 1,239,034 | - | - | 1,283,190 | 1,283,190 | 1,283,190 |
| Government Securities | 16 | - | 273,328 | | | | 1,239,034 | 1,239,034 |
| Money Market Instruments | 16 | - | 3,608,940 | - | - | | 273,328 | 273,328 |
| Short-Term Securities | 16 | - | - | - | - | | 3,608,940 | 3,608,940 |
| Loans And Advances | 15 | - | - | - | - | 2,241,600 | 2,241,600 | 2,241,600 |
| Total at 31/12/09 | | - | 5,121,302 | - | - | 3,534,790 | 8,646,092 | 8,646,092 |

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

29. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONTINUED)

Liabilities

i. The Bank 2011

| | Note | Trading | Designated at Fair Value through P&L | Financial Liabilities at Amortised Cost | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government Deposits | 21 | - | | 1,709,889 | 1,709,889 | 1,709,889 |
| Due to Banks and Financial Institutions | 21 | - | | 1,789,400 | 1,789,400 | 1,789,400 |
| Other Short-Term Deposits | 21 | - | | 1,070,431 | 1,070,431 | 1,070,431 |
| Money Market Instruments | 23 | - | - | 1,134,024 | 1,134,024 | 1,134,024 |
| Total at 31/12/11 | | - | - | 5,703,744 | 5,703,744 | 5,703,744 |

Liabilities

ii. The Bank 2010

| | Note | Trading | Designated at Fair Value through P&L | Financial Liabilities at Amortised Cost | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government Deposits | 21 | - | - | 1,069,368 | 1,069,368 | 1,069,368 |
| Due to Banks and Financial Institutions | 21 | - | - | 1,361,563 | 1,361,563 | 1,361,563 |
| Other Short-Term Deposits | 21 | - | - | 885,731 | 885,731 | 885,731 |
| Money Market Instruments | 23 | - | - | 941,879 | 941,879 | 941,879 |
| Total at 31/12/10 | | - | - | 4,258,541 | 4,258,541 | 4,258,541 |

I. The Group 2011

| | Note | Trading | Designated at Fair Value through P&L | Financial Liabilities at Amortised Cost | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government Deposits | 21 | - | - | 1,709,889 | 1,709,889 | 1,709,889 |
| Due to Banks and Financial Institutions | 21 | - | - | 2,048,660 | 2,048,660 | 2,048,660 |
| Other Short-Term Deposits | 21 | - | - | 1,468,470 | 1,468,470 | 1,468,470 |
| Money Market Instruments | 23 | - | - | 1,132,478 | 1,132,478 | 1,132,478 |
| Total at 31/12/2011 | | - | - | 6,359,497 | 6,359,497 | 6,359,497 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

## 29. FINANCIAL INSTRUMENTS CLASSIFICATION AND SUMMARY (CONTINUED)

Liabilities

ii) The Group 2010

| | Note | Trading | Designated at Fair Value through P&L | Financial Liabilities at Amortised Cost | Total Carrying Amount | Fair Value |
|---|---|---|---|---|---|---|
| | | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Government Deposits | 21 | - | - | 1,069,368 | 1,069,368 | 1,069,368 |
| Due to Banks and Financial Institutions | 21 | - | - | 1,368,427 | 1,368,427 | 1,368,427 |
| Other Short-Term Deposits | 21 | - | - | 1,333,947 | 1,333,947 | 1,333,947 |
| Money Market Instruments | 23 | - | 939,484 | - | 939,484 | 939,484 |
| Other Liabilities | 24 | - | - | 508,272 | 508,272 | 508,272 |
| Total at 31/12/10 | | - | 939,484 | 4,280,014 | 5,219,498 | 5,219,498 |

- Determination of Fair Value and Fair Value Hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of financial assets and liabilities disclosed above approximate their carrying values.

## 30. RELATED PARTY TRANSACTIONS

Transactions with Government of Ghana/IMF

The Bank and the Government of Ghana have borrowings from the IMF, which have been undertaken through the Bank. The Government's IMF borrowings, as shown on the statements of financial position of the Bank, have been matched by a receivable from the Government. These are as disclosed in notes 14 and 22 respectively.

In order for the Bank to eliminate foreign exchange risk in this regard, the Government receivable is denominated in SDRs.

Interest on such borrowings is the responsibility of, and payable by, the Government. Accordingly no interest revenue is included in these accounts for the receivable nor is interest expense included on the Government's portion of the IMF borrowings.

IMF quota is supported by promissory notes jointly signed by the Bank and the Government.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

Key management personnel compensation for the period comprised

| The Bank | 2011 | 2010 |
|---|---|---|
| | GH¢'000 | GH¢'000 |
| Short-Term Employee Benefits | 770 | 624 |
| Termination Benefit | 331 | 276 |
| Post-Employment Benefits | 149 | 124 |
| | 1,250 | 1,024 |

31. RISK MANAGEMENT DISCLOSURES

The Bank maintains active trading positions in non-derivative financial instruments. To carry out its functions, the Bank carries an inventory of money market instruments and maintains access to market liquidity by dealing with other market makers. As dealing strategies adopted by the Bank depend on its specific function as a central bank, its positions are managed in concert to maximise net trading income by defining acceptable risk levels and endeavouring to maximise income at those levels.

The Bank manages its activities by type of risk involved and on the basis of the categories of investments held. The discussion below sets out the various risks to which the Bank is exposed as a result of its operational activities, and the approach taken to manage those risks. Further details of the steps taken to measure and control risk are set out in the Bank's risk management and control procedures.

- Credit Risk

1. The Group is subject to credit risk through its lending and investing activities and in cases where it acts as an intermediary on behalf of customers or other third parties or issues guarantees.

2. Credit risk associated with trading and investing activities is managed through the Group's credit risk management process.

3. 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. To manage the level of credit risk, the Bank deals with counter parties of good credit standing.

4. Concentrations of credit risk (whether on or off statements of financial position) that arise from financial instruments exist for banks and 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

31. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Exposure to Credit Risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risks at the reporting date was:

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| ASSETS | | | | |
| Cash and Amounts due from Banks | 886,444 | 1,650,021 | 88,129 | 1,283,190 |
| Gold | 680,043 | 578,356 | 680,043 | 578,356 |
| Balances with IMF | 1,550,897 | 1,495,006 | 1,550,897 | 1,495,006 |
| Securities | 9,100,014 | 5,318,689 | 9,346,070 | 5,121,302 |
| Loans and Advances | 1,167,664 | 1,058,367 | 2,619,245 | 2,241,600 |
| Development Loans and Investments | 157,823 | 120,346 | 56,186 | 54,595 |
| TOTAL ASSETS | 13,542,885 | 10,220,785 | 14,340,570 | 10,774,049 |

No financial assets are past due nor impaired.

- 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 Bank 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 liabilities:

The Bank 2011

| | Amount | 3 months or less | 3 to 6 months |
|---|---|---|---|
| | GH¢'000 | GH¢'000 | GH¢'000 |
| Non-Derivative Financial Liabilities | 1,709,889 | 1,709,889 | - |
| Government Deposits | 1,789,400 | 1,789,400 | - |
| Deposits by Banks and Financial Institutions | 1,070,431 | 1,070,417 | - |
| Other Short-Term Deposits | 1,134,024 | 697,309 | 436,715 |
| Money Market Instruments | | | |
| Balance at 31/12/11 | 5,703,744 | 5,267,015 | 436,715 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

31. RISK MANAGEMENT DISCLOSURES (CONTINUED)

The Bank 2010

| | Amount GH¢'000 | 6 months or less GH¢'000 | 3 to 6 months GH¢'000 |
|---|---|---|---|
| Non-Derivative Financial Liabilities | | | |
| Government Deposits | 1,069,368 | 1,069,368 | - |
| Deposits by Banks and Financial Institutions | 1,361,563 | 1,361,563 | - |
| Other Short-Term Deposits | 885,731 | 885,731 | - |
| Money Market Instruments | 941,879 | 365,675 | 576,204 |
| Balance at 31/12/10 | 4,258,541 | 3,682,337 | 576,204 |

The Group 2011

| Non-Derivative Financial Liabilities | Amount GH¢'000 | 3months or less GH¢'000 | 3 to 6 months GH¢'000 |
|---|---|---|---|
| Government Deposits | 1,709,889 | 1,709,889 | - |
| Deposits by Banks and Financial Institutions | 2,048,660 | 2,048,660 | - |
| Other Short-Term Deposits | 1,467,454 | 1,467,454 | - |
| Money Market Instruments | 1,132,478 | 697,763 | 436,715 |
| Balance at 31/12/11 | 6,358,481 | 5,923,766 | 436,715 |

The Group 2010

| Non-Derivative Financial Liabilities | Amount GH¢'000 | 3months or less GH¢'000 | 3 to 6 months GH¢'000 |
|---|---|---|---|
| Government Deposits | 1,069,368 | 1,069,368 | |
| Deposits by Banks and Financial Institutions | 1,368,427 | 1,368,427 | |
| Other Short-Term Deposits | 1,333,947 | 1,333,947 | |
| Money Market Instruments | 939,484 | 363,280 | 576,204 |
| Balance at 31/12/10 | 4,711,226 | 4,135,022 | 576,204 |

- Market Risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable. The instruments are recognised at fair value, and all changes in market directions directly affect net trading income.

The Bank manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

31. RISK MANAGEMENT DISCLOSURES (CONTINUED)

Cash Flow Sensitivity Analysis for Variable Rate Instruments

A change of 100 basis points in interest rates at the reporting date will have increased/decreased profit or loss 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 2010.

| Effects In Cedis | 100bp Increase GH¢'000 | 100bp Decrease GH¢'000 |
|---|---|---|
| The Bank 2011 | | |
| Average for the Period | (11,808) | 11,808 |
| Maximum for the Period | (7,347) | 7,347 |
| Minimum for the Period | (16,504) | 16,504 |
| The Bank 2010 | | |
| Average for the Period | (8,430) | 8,430 |
| Maximum for the Period | 6,908 | (6,908) |
| Minimum for the Period | (10,345) | 10,345 |

- Interest Rate Risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest bearing liabilities mature or re-price at different times or in differing amounts.

In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference between re-pricing characteristics of the various floating rate indices, such as the savings rate and six months LIBOR and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Group's strategies.

Asset-liability risk management activities are conducted in the context of the Group's sensitivity to interest rate changes. The actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted dates and variations in interest rate sensitivity within re-pricing periods and amongst currencies.

The rates below show the extent to which the Bank's interest rate exposures on assets and liabilities are matched. These are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and maturity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONT'D)

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Bank 2011

| | Up to 1 month GH¢ 000 | B/n 1 & 3. months GH¢'000 | B/n 3 months & 1 yr GH¢'000 | B/n 1 yr & 5 yrs GH¢'000 | 5years GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Cash and Amounts due from Banks | 886,444 | - | - | - | - | 886,444 |
| Gold | 24,750 | 655,293 | - | - | - | 680,043 |
| Balances with International Monetary Fund | 669,762 | 881,135 | - | - | - | 1,550,897 |
| Securities | 6,013,359 | 309,352 | 450,141 | 1,333,871 | 993,291 | 9,100,014 |
| Loans and Advances | 1,167,664 | - | | | | 1,167,664 |
| Development Loans and Investments | 1,828 | - | - | - | 155,995 | 157,823 |
| Total | 8,763,807 | 1,845,780 | 450,141 | 1,333,871 | 1,149,286 | 13,542,885 |
| LIABILITIES | | | | | | |
| Currency in Circulation | - | - | - | - | 4,244,268 | 4,244,268 |
| Allocations of Special Drawing Rights | 845,003 | - | - | - | - | 845,003 |
| Deposits | 4,570,720 | - | - | - | - | 4,570,720 |
| Liabilities to IMF | - | - | - | 872,978 | 881,145 | 1,754,123 |
| Liabilities under Money Market Operations | 697,309 | - | - | 436,716 | - | 1,134,025 |
| Other Liabilities | 659,509 | - | - | - | - | 659,509 |
| Total | 6,772,541 | - | - | 1,309,694 | 5,125,413 | 13,207,648 |
| Maturity Surplus/Shortfall | 1,991,266 | 1,845,780 | 450,141 | 24,177 | -3,976,127 | 335,237 |

The Bank 2010

| | Up to 1 month GH ¢'000 | B/n 1 & 3 months GH¢'000 | B/n 3 months & 1 yr GH¢'000 | B/n 1 yr & 5 yrs GH¢'000 | 5years GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | |
| Currency in Circulation | - | - | - | - | 3,262,719 | 3,262,719 |
| Allocations of Special Drawing Rights | 801,194 | - | - | - | - | 801,194 |
| Deposits | 3,316,662 | - | - | - | - | 3,316,662 |
| Liabilities to IMF | - | - | - | 1,411,902 | - | 1,411,902 |
| Liabilities under Money Market Operations | - | - | - | 941,879 | 835,462 | 1,777,341 |
| Total | 4,117,856 | - | - | 2,353,781 | 4,098,181 | 10,569,818 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONTINUED)

MATURITY PROFILE ANALYSIS-Liquidity Risk

The Group 2011

| | Up to 1 month GH¢'000 | B/n 1 month & 3 months GH¢'000 | B/n 3 months & 1 yr GH¢'000 | B/n 1 yr & 5 yrs GH¢'000 | >5years GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Amounts due from Banks | 886,444 | - | - | - | - | 886,444 |
| Gold | -24,750 | -655,293 | - | - | - | 680,043 |
| Balances with IMF | -669,762 | -881,135 | - | - | - | 1,550,897 |
| Securities | -6,013,359 | -309,352 | 450,141 | 1,333,871 | 993,291 | 9,100,014 |
| Loans and Advances | -1,167,664 | - | - | - | - | 1,167,664 |
| Development Loans and Investments | 1,828 | - | - | - | 155,995 | 157,823 |
| TOTAL | 8,763,807 | 1,845,780 | 450,141 | 1,333,871 | 1,149,286 | 13,542,885 |
| LIABILITIES | | | | | | |
| Currency in Circulation | - | | | | 4,244,268 | 4,244,268 |
| Allocations of Special Drawing Rights | 845,003 | - | - | - | - | 845,003 |
| Deposits | 4,826,715 | 324,574 | 75,730 | - | - | 5,227,019 |
| Liabilities to IMF | - | - | - | 872,978 | 881,145 | 1,754,123 |
| Provision for Corporation Tax | - | - | - | 4,030 | - | 4,030 |
| Liabilities under Money Market Operations | 697,308 | - | - | 435,170 | - | 1,132,478 |
| Total | 6,369,026 | 324,574 | 75,730 | 1,312,178 | 5,125,413 | 13,206,921 |
| | 2,394,781 | 1,521,206 | 374,411 | 21,693 | (3,976,127) | 335,964 |

The Group 2010

| | Up to 1 month GH¢'000 | B/n 1 month & 3 months GH¢'000 | B/n 3 months & 1 yr GH¢'000 | B/n 1 yr & 5 yrs GH¢'000 | >5years GH¢'000 | Total GH¢'000 |
|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | |
| Currency in Circulation | | | | | 3,262,719 | 3,262,719 |
| Allocations of Special Drawing Rights | 801,194 | - | - | - | - | 801,194 |
| Deposits | 3,204,014 | 493,283 | 74,445 | - | - | 3,771,742 |
| Liabilities to IMF | - | - | | 576,440 | 835,462 | 1,411,902 |
| Liabilities under Money Market Operations | - | - | - | 4,031 | - | 4,031 |
| Other Liabilities | 8,275 | 10,365 | - | 920,844 | - | 939,484 |
| Deferred Income | 3,550 | 49,135 | - | 7,722 | 447,865 | 508,272 |
| Total | 4,017,033 | 552,783 | 74,445 | 1,509,037 | 4,546,046 | 10,699,344 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONT'INUED)

INTEREST RATE REPRICING ANALYSIS

| The Bank 2011 | 3 months or less GH¢'000 | B/n 3 & 12 months GH¢'000 | Over 1 yr GH¢'000 | Non-Interest bearing GH¢'000 | Total GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Amounts due from Banks | 857,558 | | | 28,886 | 886,444 | 1,650,021 |
| Gold | | 387,840 | | 292,203 | 680,043 | 578,355 |
| Balances with IMF | | 1,550,897 | | | 1,550,897 | 1,495,006 |
| Securities | 6,112,990 | 5,188 | 2,870,187 | 111,648 | 9,100,014 | 5,318,689 |
| Loans and Advances | | | | 1,167,664 | 1,167,664 | 1,058,367 |
| Other Assets | | | | 753,168 | 753,168 | 842,907 |
| Property, Plant and Equipment | | | | 184,890 | 184,890 | 167,039 |
| Development Loans and Investments | - | - | - | 157,823 | 157,823 | 120,346 |
| Total Assets | 6,970,548 | 1,943,925 | 2,870,187 | 2,696,282 | 14,480,943 | 11,230,730 |
| LIABILITIES | | | | | | |
| Currency in Circulation | | | | 4,244,268 | 4,244,268 | 3,262,719 |
| Allocations of Special Drawing Rights | | | | 845,003 | 845,003 | 801,194 |
| Deposits | | | | 4,570,720 | 4,570,720 | 3,316,662 |
| Liabilities to IMF | | 1,754,123 | | | 1,754,123 | 1,411,902 |
| Liabilities under Money Market Operations | | 1,134,024 | | | 1,134,025 | 941,879 |
| Other Liabilities | - | - | - | 659,509 | 659,509 | 475,406 |
| Total Liabilities | | 2,888,147 | - | 10,319,500 | 13,207,648 | 10,209,762 |
| Assets-Liability Gap | 6,970,548 | 944,222 | 2,870,187 | 7,623,217 | 1,273,295 | 1,020,969 |

| The Bank 2010 | 3 months or less GH¢'000 | B/n 3 & 12 months GH¢'000 | Over 1 yr GH¢'000 | Non-Interest bearing GH¢'000 | Total GH¢'000 | 2009 GH¢'000 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Amounts due from Banks | 1,606,189 | | | 43,832 | 1,650,021 | 257,200 |
| Gold | | 197,247 | | 381,108 | 578,355 | 441,828 |
| Balances with IMF | | 1,495,006 | | | 1,495,006 | 1,487,700 |
| Securities | 3,836,619 | 118,583 | 1,014,746 | 348,740 | 5,318,689 | 4,800,998 |
| Loans and Advances | | | | 1,058,367 | 1,058,367 | 1,530,936 |
| Other Assets | | | | 842,907 | 842,907 | 300,529 |
| Property, Plant and Equipment | | | | 167,039 | 167,039 | 118,704 |
| Development Loans and Investments | - | - | - | 120,346 | 120,346 | 108,263 |
| Total Assets | 5,442,809 | 1,810,835 | 1,014,746 | 2,962,340 | 11,230,730 | 9,046,158 |
| LIABILITIES | | | | | | |
| Currency in Circulation | - | - | - | 3,262,719 | 3,262,719 | 2,343,798 |
| Allocations of Special Drawing Rights | - | - | - | 801,194 | 801,194 | 797,054 |
| Deposits | - | - | - | 3,316,662 | 3,316,662 | 2,895,699 |
| Liabilities to IMF | - | 1,411,902 | - | - | 1,411,902 | 1,202,202 |
| Liabilities under Money Market Operations | - | 941,879 | - | - | 941,879 | 790,237 |
| Other Liabilities | - | - | - | 475,406 | 475,406 | 266,013 |
| Total Liabilities | - | 2,353,781 | - | 7,855,981 | 10,209,762 | 8,295,003 |
| Assets-Liablity Gap | 5,442,809 | (542,946) | 1,014,746 | (4,893,641) | 1,020,968 | 257,200 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONTINUED)

INTEREST RATE REPRICING ANALYSIS

The Group 2011

| | 3 months or less GH¢'000 | B/n 3 & 12 months GH¢'000 | Over 1 yr GH¢'000 | Non-Interest Bearing GH¢'000 | Total GH¢'000 | 2010 GH¢'000 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Amounts due from Banks | 59,303 | | | 28,886 | 88,189 | 1,283,190 |
| Gold | | 387,840 | | 292,203 | 680,043 | 578,355 |
| Balances with IMF | | 1.550,897 | | | 1,550,897 | 1,495,006 |
| Securities | 6,227,297 | 57,989 | 2,928,313 | 111,648 | 9,325,247 | 5,121,303 |
| Loans and Advances | 1,147,976 | 139,616 | 163,988 | 1,167,664 | 2,619,245 | 2,241,599 |
| Other Assets | - | - | - | 758,192 | 758,192 | 858,502 |
| Property, Plant and Equipment | - | - | - | 184,890 | 184,890 | 194,698 |
| Development Loans and Investments | - | - | - | 95,678 | 95,676 | 54,595 |
| Deferred Tax Assets | - | - | - | 60,181 | 60,181 | 179 |
| Total Assets | 7,434,576 | 2,136,342 | 3,092,301 | 2,699,342 | 15,362,560 | 11,827,427 |
| LIABILITIES | | | | | | |
| Currency in Circulation | - | - | - | 4,244,268 | 4,244,268 | 3,262,719 |
| Allocations of Special Drawing Rights | - | - | - | 845,003 | 845,003 | 801,194 |
| Deposits | 488,068 | 75,962 | - | 4,663,221 | 5,227,019 | 3,771,742 |
| Liabilities to IMF | - | 1,754,123 | - | - | 1,754,123 | 1,411,902 |
| Provision for Corporation Tax | - | 1,134,024 | - | - | 1,134,024 | 4,031 |
| Liabilities under Money Market Operations | - | - | - | - | - | 939,484 |
| Other Liabilities | - | - | - | 694,852 | 694,852 | 508,272 |
| Deferred Income | - | - | - | 30,346 | 30,346 | - |
| Total Liabilities | 488,068 | 2,964,109 | - | 10,477,690 | 13,929,635 | 10,699,344 |
| Assets-Liability Gap | 6,946,508 | (827,767) | 3,092,301 | (7,778,348) | 1,432,925 | 1,128,083 |

The Group 2010

| | 3 months or less GH¢'000 | B/n 3 & 12 months GH¢'000 | Over 1 yr GH¢'000 | Non-Interest bearing GH¢'000 | Total GH¢'000 | 2009 GH¢'000 |
|---|---|---|---|---|---|---|
| ASSETS | | | | | | |
| Cash and Amounts due from Banks | 1,206,109 | | | 77,081 | 1,283,190 | 281,676 |
| Gold | | 197,247 | | 381,108 | 578,355 | 441,828 |
| Balances with IMF | | 1,495,006 | | | 1,495,006 | 1,487,700 |
| Securities | 3,522,796 | 205,255 | 1,044,512 | 348,740 | 5,121,303 | 5,021,178 |
| Loans and Advances | 945,774 | 123,322 | 114,136 | 1,058,367 | 2,241,599 | 2,542,520 |
| Other Assets | | | | 858,502 | 858,502 | 312,642 |
| Property, Plant and Equipment | | | | 194,698 | 194,698 | 143,557 |
| Development Loans and Investments | | | | 54,595 | 54,595 | 50,163 |
| Deferred Tax Assets | - | - | - | 179 | 179 | 162 |
| Total Assets | 5,674,679 | 2,020,830 | 1,158,648 | 2,973,270 | 11,827,427 | 10,281,426 |
| LIABILITIES | | | | | | |
| Currency in Circulation | - | - | - | 3,262,719 | 3,262,719 | 2,343,798 |
| Allocations of Special Drawing Rights | - | - | - | 801,194 | 801,194 | 797,054 |
| Deposits | 394,709 | 68,760 | - | 3,308,272 | 3,771,742 | 3,999,702 |
| Liabilities to IMF | | 1,411,902 | - | | 1,411,902 | 1,202,202 |
| | | | | 4,031 | 4,031 | 1,505- |
| Liabilities under Money Market Operations | - | 939,484 | - | - | 939,484 | 790,237 |
| Other Liabities | - | - | - | 508,272 | 508,272 | 285,862 |
| Deferred Income | - | - | - | - | - | 2,461 |
| Total Liabilities | 394,709 | 2,420,146 | - | 7,884,488 | 10,699,344 | 9,422,821 |
| Non-Controlling | | | | | | |
| Total Liabilities and NCI | | | | | | |
| Assets-Liability Gap | 5,279,970 | (399,316) | 1,158,647 | (4,911,218) | 1,128,083 | 858,605 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONTINUED)

INTEREST RATE RE-PRICING ANALYSIS

- **Currency Risk**

The Bank is exposed to currency risk through transactions in foreign currencies. It owns a foreign subsidiary and therefore it is also exposed to foreign currency conversion risk.

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

The Bank'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 3(f).

The foreign currency exposures are as follows:

CURRENCY EXPOSURE ANALYSIS

The Bank

| | December 2011 | December 2010 |
|---|---|---|
| ASSETS | GH¢'000 | GH¢'000 |
| Cedi | 5,094,268 | 3,543,441 |
| US Dollar | 7,222,052 | 5,688,605 |
| Pound Sterling | 366,024, | 244,536 |
| Euro | 133,080 | 143,416 |
| Special Drawing Rights | 1,550,897 | 1,495,006 |
| Others | 114,622 | 115,726 |
| Total | 14,480,943 | 11,230,730 |
| LIABILITIES & EQUITY | | |
| Cedi | (11,003,226) | (8,328,745) |
| US Dollar | (1,531,825) | (1,097,632) |
| Pound Sterling | (59,737) | (47,590) |
| Euro | (82,015) | (41,310) |
| Special Drawing Rights | (1,726,148) | (1,636,656) |
| Others | (77,992) | (78,797) |
| Total | 14,480,943 | (11,230,730) |
| NET POSITION | | |
| Cedi | (5,908,958) | (4,785,304) |
| US Dollar | 5,690,227 | 4,590,973 |
| Pound Sterling | 306,287 | 196,946 |
| Euro | 51,065 | 102,106 |
| Special Drawing Rights | (175,250) | (141,650) |
| Others | 36,629 | 36,929 |
| Total | | |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONTINUED)

CURRENCY EXPOSURE ANALYSIS

The Group

| | December 2011 GH¢'000 | December 2010 GH¢'000 |
|---|---|---|
| ASSETS | | |
| Cedi | 5,094,268 | 3,535,931 |
| US Dollar | 7,222,052 | 5,688,605 |
| Pound Sterling | 366,024, | 848,743 |
| Euro | 133,080 | 143,416 |
| Special Drawing Rights | 1,550,897 | 1,495,006 |
| Others | 114,622 | 115,726 |
| Total | 14.480.943 | 11.827.427 |
| LIABILITIES & EQUITY | | |
| Cedi | (11,003,226) | (8,336,252) |
| US Dollar | (1,531,825) | (1,097,632) |
| Pound Sterling | (59,737) | (636,780) |
| Euro | (82,015) | (41,310) |
| Special Drawing Rights | (1,726,148) | (1,636,656) |
| Others | (77,992) | (78,797) |
| Total | 14,480,943 | (11.827.427) |
| NET POSITION | | |
| Cedi | (5,908,958) | (4,800,321) |
| US Dollar | 5,690,227 | 4,590,973 |
| Pound Sterling | 306,287 | 211,963 |
| Euro | 51,065 | 102,106 |
| Special Drawing Rights | (175,250) | (141,650) |
| Others | 36,629 | 36,929 |
| | — | — |

The following significant exchange rates applied during the year:

| Currency | Average Rate 2011 GH¢ | 2010 GH¢ | Closing Rate 2011 GH¢ | 2010 GH¢ |
|---|---|---|---|---|
| US Dollar | 1.51105 | 1.42340 | 1.55030 | 1.4699 |
| GBP | 2.41754 | 2.19166 | 2.40725 | 2.2929 |
| EURO | 2.09692 | 1.89176 | 2.01140 | 1.9688 |
| SDR | 2.38127 | 2.16930 | 2.38790 | 2.2524 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

RISK MANAGEMENT DISCLOSURES (CONTINUED)

Sensitivity Analysis

A 10 per cent strengthening of the Ghana Cedi against the following currencies at 31 December will have increased (decreased) 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 2010.

| 31 December 2011 | Profit or (Loss) GH¢'000 |
|---|---|
| US Dollar | (569,023) |
| GBP | (30,629) |
| EURO | (5,106) |
| SDR | (17,525) |

| 31 December 2010 | Profit or (Loss) GH¢'000 |
|---|---|
| US Dollar | (459,097) |
| GBP | (19,694) |
| EURO | (10,211) |
| SDR | 14,165 |

A 10 per cent 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 subsidiary's banking operations are directly supervised by its local regulators.

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.

The provisions of the Act seek to ensure that the Government of Ghana continues to own a hundred per cent stake to bear all financial risks and rewards.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

## 32. NOTES TO CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

### (a) The Bank

Reconciliation of Operating Profit to Net Cash Outflow from Operating Activities

| | 2011<br>GH¢'000 | 2010<br>GH¢'000 |
|---|---|---|
| Operating Profit for the Year | 386,377 | 109,962 |
| Change in Securities | (3,781,325) | (517,691) |
| Change In Deposit Accounts | 1,254,059 | 420,963 |
| (Decrease)/Increase in Advances | (109,297) | 472,569 |
| | (2,250,186) | 485,803 |
| Non-Cash Items Included In Profit Before Tax | | |
| Change in Other Assets | 89,739 | (542,378) |
| Change in Other Liabilities | 184,094 | 184,402 |
| Depreciation | 12,596 | 12,485 |
| Movement In Reserves | (134,041) | 130,931 |
| Price Change in Gold | (101,687) | (136,528) |
| Change In Balances with IMF | 342,221 | (7,306) |
| Effect of Exchange Rate Fluctuations on Cash Held | (320,181) | (146,844) |
| Loss on Disposal of PPE | 122 | - |
| Net Cash Outflows from Operating Activities | (2,177,323) | (19,435) |

### (b) The Group

Reconciliation of Operating Profit to Net Cash (Outflows) from Operating Activities

| | 2011<br>GH¢'000 | 2010<br>GH¢'000 |
|---|---|---|
| Operating Profit For The Year | 409,015 | 121,466 |
| Securities Purchased | (4,224,767) | (236,652) |
| Increase/(Decrease) In Deposit Accounts | 1,455,276 | (227,960) |
| Increase/(Decrease) In Advances | (377,645) | 300,920 |
| | (2,738,121) | (42,226) |
| Non-Cash Items Included In Profit Before Tax | | |
| Change In Other Assets | 92,473 | (545,860) |
| Change In Other Liabilities | 186,577 | 194,952 |
| Change In Reserves | (102,088) | 9,061 |
| Depreciation | 17,018 | 16,757 |
| Loss on Sale of Property, Plant & Equipment | 102 | 298 |
| Write Off | (3,129) | 6,103 |
| Price Change In Gold | (101,686) | 111,801 |
| Effect of Exchange Rate Fluctuations on Cash Held | (321,056) | (155,592) |
| Change In Balances with IMF | 342,221 | (7,306) |
| Net Cash (Outflows) from Operating Activities | (2,627,689) | (412,012) |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

## 33. DEPARTURES FROM IFRS

The following represent material departure from IFRS to comply with Bank of Ghana Act, 2002 (Act 612).

### (a) Treatment of Exchange Differences on Specified Balances

As discussed in note 3(f), net unrealised foreign exchange gain of GH¢65 million (2010: GH¢128 million) on gold, Special Drawing Rights (SDRs) with the International Monetary Fund or holdings of foreign securities were charged directly to other reserves under note 28 in accordance with requirement under Section 7 of the Bank of Ghana Act, 2002 (Act, 612) instead of profit or loss as required by IAS 21.

The impact of the departure stated above on the financial statements is shown below:

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Income Statement | | | | |
| Surplus for the Year | 386,377 | 109,962 | 389,751 | 121,466 |
| Exchange Gain/(Loss) Charged to Revaluation Account | 65,950 | 128,337 | 98,375 | 112,507 |
| Surplus/(Deficit)- for the Year Restated | 452.327 | 238.299 | 488.126 | 233.973 |
| Equity/Net Assets | | | | |
| Net Assets Reported | 1,273,295 | 1,020,968 | 1,355,347 | 1,069,960 |
| Restatements per above | 65,950 | 128.337 | 98.375 | 112.507 |
| Net Assets Re-stated | 1,339,245 | 1,149,305 | 1,453,722 | 1,182,467 |

## 34a. RETROSPECTIVE CORRECTION OF ERROR

The restatement in Other Reserves (note 28) represents additional provision for Pension Liability in the current year in respect of under provision in the prior years. As it is impracticable to determine the period's specific effect of this adjustment, this has been effected on the opening balance of Other Reserves for 2011.

The effect on the financial statement is summarised below:

| | The Bank | | The Group | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | GH¢'000 | GH¢'000 | GH¢'000 | GH¢'000 |
| Other Reserves | | | | |
| Other Reserves brought Forward | 816,772 | 841,772 | 866,764 | 841,764 |
| Additional Provision for Pension Fund | (200,000 | (25,000) | (200,000) | (25,000) |
| Restated balance at 1 January 2011 | 616,772 | 816,772 | 666,764 | 816,764 |
| | The Bank | | The Group | |
| | GH¢'000 | | GH¢'000 | |
| Other liabilities | | | | |
| Other Liabilities brought Forward | 475,406 | 266,013 | 508,272 | 285,862 |
| Additional Provision for Pension Fund Liability | 200,000 | 25,000 | 200,000 | 25,000 |
| Restated Balance at 1 January 2011 | 675,406 | 291,013 | 708,272 | 310,862 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

34b. RETROSPECTIVE CORRECTION OF ERROR (CONTINUED)

The amount relates to correction of misstatements in the 2009 accounts payable balances of Ghana Interbank Payment and Settlement System (GhIPSS), a 100% owned subsidiary of the Bank.

New and Amended Standards and Interpretations

Standards issued but not yet effective up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt those standards when they become effective. The Bank expects the adoption of these standards, amendments and interpretations, in most cases, not to have any significant impact on the Bank's financial position or performance in the period of initial application but additional disclosures will be required. In cases where it will have an impact, the Bank is still assessing the possible impact.

IAS 1 *Financial Statements Presentation - Presentation of Items in Other Comprehensive Income (Amendment)*
The amendment is effective for annual periods beginning on or after 1 January 2012 and requires that items of other comprehensive income be grouped in Items that would be reclassified to profit or loss at a future point and items that will never be reclassified. This amendment will affect the presentation in the financial statements.

IAS 12 *Income Taxes - Deferred Taxes: Recovery of Underlying Assets (Amendment)*
The amendment is effective for annual periods beginning on or after 1 January 2012 and introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be recognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis should be adopted. This amendment will have no impact on the Group after initial application as it has no investment properties or non-depreciable assets that are revalued.

IAS 19 *Post Employee Benefits (Revised)*
The amendments are effective for annual periods beginning on or after 1 January 2013. There are changes to post employee benefits in that pension surpluses and deficits are to be recognised in full (no more deferral mechanisms) and all actuarial gains and losses recognised in other comprehensive income as they occur with no recycling to profit or loss. Past service costs as a result of plan amendments are to be recognised immediately.
Short and long-term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. Management is still assessing the impact of this revision.

IAS 27 *Separate Financial Statements* (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group does not present separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. This will have no impact as investments are presented at cost.

IAS 28 *Investments in Associates and Joint Ventures* (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12,. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as the Bank does not have any investments in associates and interests in joint arrangements..

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

New and Amended Standards and Interpretations (Continued)

IFRS 1 *First-time Adoption of International Financial Reporting Standards (Amendment) - Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amendment)*
The amendment is effective for annual periods beginning on or after 1 July 2011. The IASB has provided guidance on how an entity should resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation. A further amendment to the standard is the removal of the legacy fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The standard now has these dates coinciding with the date of transition to IFRS. This had no impact on the Bank, as it has no operations in hyperinflationary economies.

IFRS 7 Financial *Instruments: Disclosures - Transfer of Financial Assets (Amendment)*
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where:

- Financial assets are derecognised in their entirety, but where the entity has a continuing involvement in them (e.g., options or guarantees on the transferred assets)
- Financial assets are not derecognised in their entirety - The amendments may be applied earlier than the effective date and this fact must be disclosed. Comparative disclosures are not required for any period beginning before the effective date.

This amendment will result in additional disclosures with regard to transfers of financial assets.

IFRS 10 *Consolidated Financial Statements.*
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model with a new definition of control that applies to all entities. The changes will require Management to make significant judgement to determine which entities are controlled and therefore required to be consolidated by the parent. Therefore, IFRS 10 may change which entities are within a Group.

IFRS 11 *Joint Arrangements*
IFRS 11 replaces IAS 31 and SIC-13. Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

Joint Operation – An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. Joint operations are accounted for by showing the party's interest in the assets, liabilities, revenues and expenses, and/or its relative share of jointly controlled assets, liabilities, revenue and expenses, if any.

Joint Venture – An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity accounting method.
The option to account for joint ventures (as newly defined) using proportionate consolidation has been removed. Under this new classification, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

New and Amended Standards and Interpretations (Continued)

This standard becomes effective for annual periods beginning on or after 1 January 2013 and will have no impact on the Bank as it is not party to any joint arrangements.

IFRS 12 *Disclosure of Involvement with Other Entities*
IFRS 12 includes all the disclosures that were previously required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities as well as a number of new disclosures. An entity is now required to disclose the judgments made to determine whether it controls another entity.

The Group will need to consider the new definition of control to determine which entities are controlled or jointly controlled and then to account for them under the new standards. IFRS 10, 11 and 12 will be effective for the Group on 1 July 2013.

IFRS 13 *Fair Value Measurement*
IFRS 13 establishes a single framework for all fair value measurement (financial and non-financial assets and liabilities) when fair value is required or permitted by IFRS. IFRS 13 does not change when an entity is required to use fair value but rather describes how to measure fair value under IFRS when it is permitted or required by IFRS. There are also consequential amendments to other standards to delete specific requirements for determining fair value. Clarifications on certain aspects are also provided.The Group will need to consider the new requirements to determine fair values going forward. IFRS 13 will be effective for the Group on 1 July 2013.

IFRS 9 *Financial Instruments: Classification and Measurement*
IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2015. In subsequent phases, the Board will address impairment and hedge accounting. The completion of this project is expected during 2013. The adoption of the first phase of IFRS 9 will primarily have an effect on the classification and measurement of the Group's financial assets but will potentially have no impact on classification and measurements of financial liabilities. The Group is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Group at the date of adoption, it is not practical to quantify the effect.

Financial Assets
All financial assets are measured at fair value at initial recognition. Debt instruments may, if the Fair Value Option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding

All other debt instruments are subsequently measured at fair value.
All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. However, entities have an irrevocable choice to recognise fair value changes in OCI by instrument for all other equity financial assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

New and Amended Standards and Interpretations (Continued)

Financial Liabilities
For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other IAS 39 classification and measurement requirements for financial liabilities have been carried forward into IFRS 9, including the embedded derivative separation rules and the criteria for using the FVO.

IAS 32 *Financial Instruments: Presentation (Amendment) – Offsetting Financial Assets and Financial Liabilities*
The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts". This means that the right of set-off:

- must not be contingent on a future event; and,
- must be legally enforceable in all of the following circumstances:
  - the normal course of business;
  - the event of default; and,
  - the event of insolvency or bankruptcy of the entity and of all the counterparties.

Early Adoption of Standards

The Group did not early-adopt any other new or amended standards and does not anticipate doing so in the future



PRINTED BY THE GHANA PUBLISHING COMPANY LIMITED, ASSEMBLY PRESS, BARNES ROAD, P.O. BOX 124, ACCRA, GHANA.
GPCL/A502/250/6/2012 Website:www.ghanapublishingcompany.com Email:info@ghanapublishingcompany.com