NATIONAL AUDIT CHAMBER
REPUBLIC OF SOUTH SUDAN

BANK OF SOUTH SUDAN
BSS

Deloitte.

REPORTS OF THE AUDITOR GENERAL & THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

ANNUAL REPORT
&
FINANCIAL STATEMENT
FOR THE YEAR ENDED
31 DECEMBER 2017

31 DECEMBER 2017

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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BANK OF SOUTH SUDAN

GOVERNOR'S FOREWORD

The report is against the backdrop of a very challenging environment both globally and domestically. The world economic activity was subdued in 2017 even though signs of gaining momentum became visible in the second half of the year.

The global economy was estimated to have grown by some per cent in 2017. The advanced economies were largely responsible for the slow growth while the emerging and developing markets remained resilient in the face of rising economic and political uncertainties.

The year 2017 was marked by a number of events, which indicated elevated geo-political uncertainty in the global economy including the Brexit vote outcome. The US presidential election outcome was a reflection of this rising anti-globalization sentiment. Similar dissenting voices are emerging in a number of European countries political discourses. Central to these are the dissatisfaction about the distribution of benefits accruing from trade, regaining national sovereignty, and tightening immigration and border controls.

Domestically, the economy is coming out of a very difficult year characterized by severe conflict and rising food prices in 2016. The effects of these were propagated into 2017 with the food prices and other commodities. Strategy execution is monitored vigilantly by the Executive Committee and the Board and much work continues to put it in the hearts to support the economy, the heads and the hands of everyone in the Bank so as not to lose sight of where we are all going.

The core work of formulating and executing monetary policy, supervising and regulating the financial sector, developing financial markets and financial markets infrastructure and reserves management continued with vigour during the reporting period. The Bank is embarking on the programme of improving the supervision and regulation of the non-bank financial institutions with the support of the World Bank, International Monetary Fund and East Africa Community.

Bank supervision framework is also being updated to Basel II.5. The Bank was engaged in advisory, advocacy and awareness work during the reporting period. In addition to mandatory presentations and reporting to the Minister of Finance and Planning, the Bank had the audience of varied stakeholders including the Public Accounts Committee and the Parliament as well as the private sector too.

Growing scope of functions has necessitated response through growing the human resources headcount and the infrastructure. The assurance and governance structures of the Bank are strong and robust. These have translated into deepening responsibility and accountability at all levels. I am convinced that the Bank is on course towards being a model institution, with model professionals.

In 2017, the Bank of South Sudan was seized with putting in place measures to strengthen the banking sector as well as restoring confidence in the economy. In this regard, the Bank implemented policies geared towards increasing domestic output and productivity, necessitating increased oil export earning capacity for the economy. As part of measures to restore confidence in the banking system, the Bank implemented a number of measures aimed at improving the economy of the country.

Hon. Dier Tong Ngor
Governor
Bank of South Sudan

GOVERNOR
BANK OF SOUTH SUDAN
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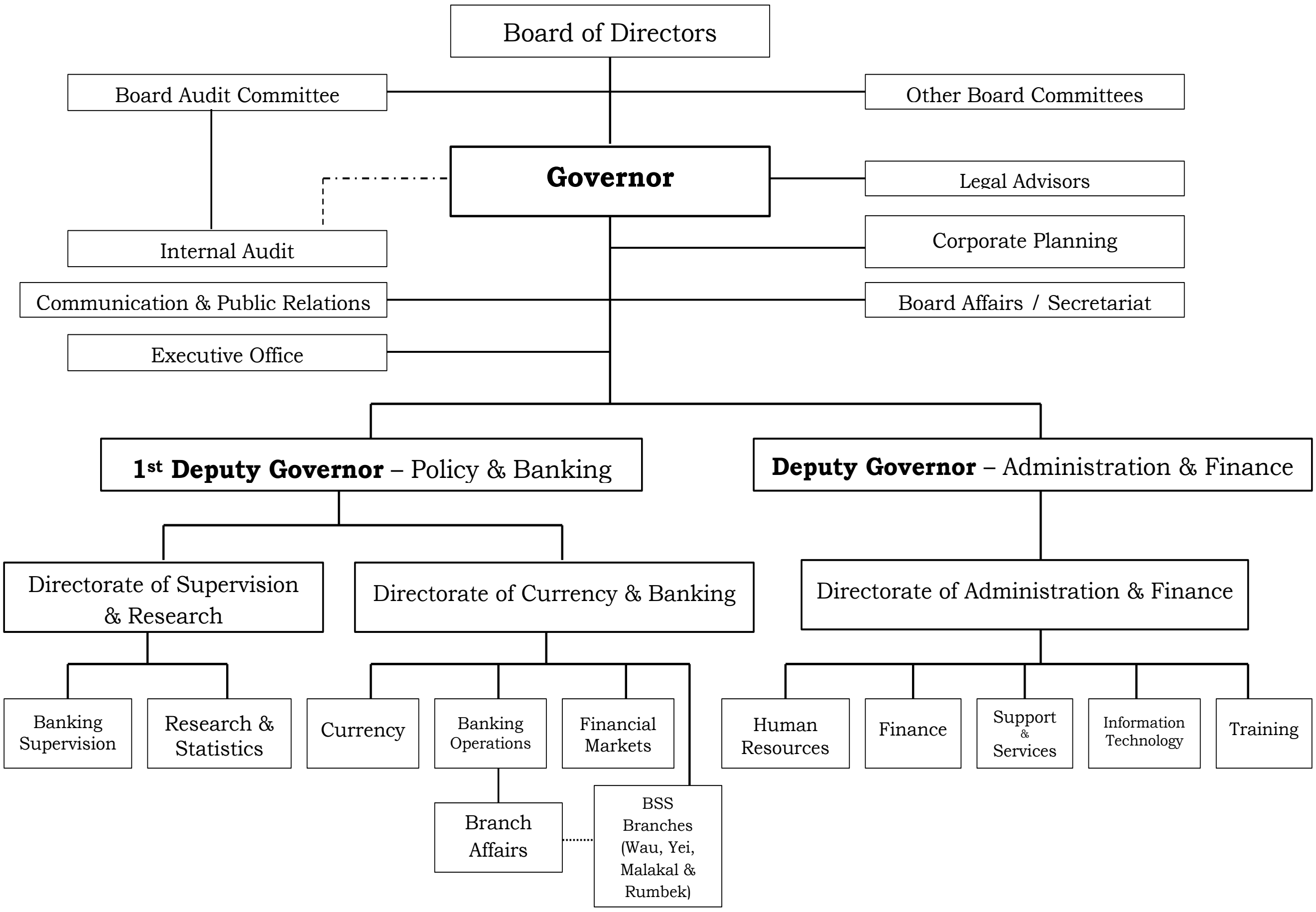
ORGANIZATIONAL STRUCTURE OF BANK OF SOUTH SUDAN



BOARD OF DIRECTORS

Seated (L-R) : **HON. JOHNNY OHISA DAMIAN** (1st Deputy Governor & Deputy Chairman)
HON. DIER TONG NGOR, (Governor and Chairman),
HON. DANIEL KECH PUOC & HON. JOHN MACIEK ACUOTH

Standing (L-R) : **HON. DR. TABITHA ELIABA KENYI**
HON. WEITUY LUONG BABOUTH,
HON. PROF. NYIEL GORDON KUOL
HON. WANI BUYU DYORI
HON. DR. ADIL ATANASIO

BOARD OF DIRECTORS

Hon. Dier Tong Ngor
Governor, Chairman

Hon. Johnny Ohisa Damian
1st Deputy Governor

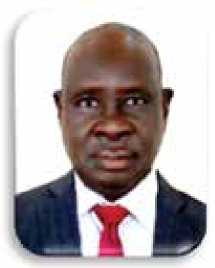
Hon. Daniel Kech Puoc
2nd Deputy Governor

Hon. Dr. Adil Atanasio Surur
Member of the Board

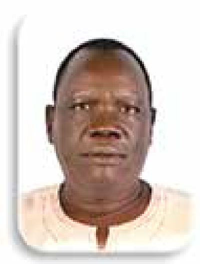
Hon. John Maciek Acuoth
Member of the Board

Hon. Prof. Nyiel Gordon Kuol
Member of the Board

Hon. Dr.Tabitha Eliaba Kenyi
Member of the Board



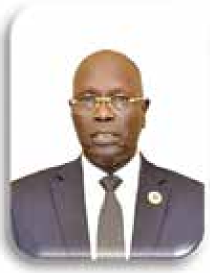
Hon. Wani Buyu Dyori
Member of the Board



Hon. Weituy Luony Babouth
Member of the Board

Mr. Chol Atem Diing
Secretary

TOP & SENIOR MANAGEMENT



Hon. Dier Tong Ngor
Governor

Hon. Johnny Ohisa Damian
1st Deputy Governor-Policy & Banking

Hon. Daniel Kech Puoc
2nd Deputy Governor-Administration & Finance

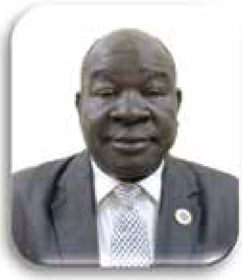
Moses Makur Deng
Director General for Supervision & Research

Yeni Samuel Costa
Director General for Currency & Banking Operation

Samuel Yanga Mikaya
Director General for Administration & Finance

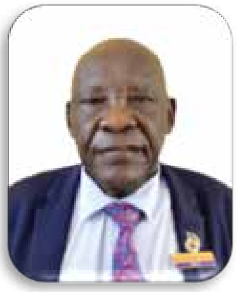
Abugo Charles Joseph Abate
Director of Supervision & Statistics

Bedpiny Tipo Kur
Director of Currency Department



Awad Balingo Donglia
Director of Finance

TOP & SENIOR MANAGEMENT (CONTINUE)



Daniel Gwagwe Lomuja
Director for Training Centre

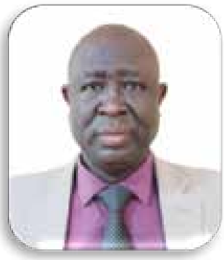
David Manyoun Nak
Director of Human Resource

Deng Aru Bol
Director of Banking Operations

Dr. Majok Kuol Mading
Director of Corporate Planning

Gan Samuel Bwogo
Director of Support & Services

James Luba Samuel
Director of Information Technology



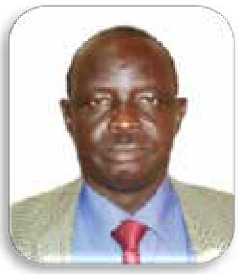
John Bullen Andrago
Director for Yei Branch

Majok Nikodemo Arou
Director of Communication & Public Relationship

Marial Mabeny Bawuor
Director of Financial Markets

Ronan Dak Amum
Director Malakal Branch

Deng NgorThuom
Director for Rumbek Currency Centre



Tong Akec Deng
Director Wau Branch

Dongolia Balingo Dongolia
Acting Director of Banking Supervision

BANK OF SOUTH SUDAN

BANK OF SOUTH SUDAN MANDATE, MISSION, VISION AND CORE VALUES

MANDATE

Bank of South Sudan, the Central Bank of the Republic of South Sudan is a wholly owned by the Government of the Republic of South Sudan. The Bank of South Sudan was established under the Bank of South Sudan Act, 2011. The Bank operates in 3 branches, Yei, Wau and Malakal.

BANK'S MISSION

The Bank's mission is: To foster price stability, sustainable economic growth, and sound financial system in the Republic of South Sudan through excellent regulatory framework, monetary and exchange rate operations, advisory and banking services.

BANK'S VISION

The vision of the Bank is: "Aspiring to be credible Central Bank in fostering and ensuring price and financial system stability by 2028".

BANK'S CORE VALUES

The Bank embraces the following core values:

- Transparency: we make our decisions and actions clear to customers and stakeholders and scrutiny
- Accountability: we take responsibility for our decisions and actions
- Professionalism: we strive to be skilful and competent and deliver quality results with integrity
- Efficiency: We deliver quality results on time and on budget
- Teamwork: We work in cooperation and synergy and share skills, knowledge, and experience

Overview

The world output has grown to average of 3.7 percent in 2017 according to IMF World Economic Outlook (WEO, January 2018 updates) supported by increase in investment, manufacturing, and trade as well as the expected impact of the recently approved U.S. tax policy changes. In advanced economies, uncertainties are expected to play both positive and negative role particularly with regard to the U.S. economic policies, countries are weight on the effects of the recent US trade protections' policies. In sub-Saharan Africa, slight recovery is realized in 2017 after the initial contraction in 2016 because of disruptions in the oil sector coupled with foreign exchange volatility, fuel shortages in some of the major countries in the region. Growth is projected to rise to 2.7 percent in 2017 and 3.3 percent in 2018, largely driven by specific factors in the largest economies according to the IMF. Global outlook for oil looks bright, however, geopolitical tensions in the Middle East especially Syria exerted pressures on oil prices which rose by about 23 per cent in 2017 from a decline of about 15 percent in 2016.

The Republic of South Sudan is facing enormous challenges which started immediately after attaining independence. Although the country weathered a number of serious economic shocks, the July 2016 crises swiftly spread into previously peaceful agriculture areas causing massive internal displacement of the population and refugees to neighboring countries as well as disrupting all economic activities up to now. As such, the Bank of South Sudan forecast South Sudan to enter recession in 2017 as Real GDP is estimated to decline to -4 per cent from a limited recovery of 0.32 per cent in 2016, with the highest inflation in the east African region of about 126 percent at the end of the fourth quarter of 2017.

In the Republic of South Sudan, the overall macroeconomic outlook remained worrisome. Almost all macroeconomic fundamentals are imbalanced, mainly attributed to the successive internal and external shocks. The country is experiencing a high inflation rate which is still unabated. The annual inflation rate recorded 117.67% in the fourth quarter of 2017 compared to 20% in fourth quarter 2016.

The South Sudan Pound (SSP) is steadily depreciating against the US dollar. The currency has depreciated by 316% from 59.45% in December 2016 to SSP in December 2017. Meanwhile, over the last three months, the South Sudanese pound lost about 27.16 points and 5.07 points in parallel and official foreign exchange markets respectively. The international reserves of the country dropped sharply to less than one month of import cover in December 2017 compared to 5 months of import cover, in the East African region threshold.

This rapid decline in GDP is associated with the sharp decline in crude oil production as well as the plummeting of the oil prices in the international market which has significantly subdued the engine of our only foreign currency earner.

The total amount of money in the economy (also known as money supply) grew significantly from SSP 41.42 billion in December 2016 to SSP 69.42 billion in December 2017, mainly driven by the Bank of South Sudan credit to government. The Net Credit to Government (NCG) has considerably increased by 47.0 percent in January 2016 compared to 33.14 percent December 2017.

International and Regional Outlook

International Outlook

Global economic activity has continued to pick up which is supported by broad base in Europe and Asia. The recovery is supported by increase in investment, manufacturing, and trade as well as the expected impact of the recently approved U.S. tax policy changes. As a result, global output is expected to rise to 3.7 percent in 2017 mainly due to stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity[1] prices recover from their weak performance in the early 2016.

According to the IMF (WEO, January 2018), among the advanced economies[2], growth in the fourth quarter of 2017 was higher than projected in the second quarter of 2017. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted third-quarter growth stronger than the forecasts of the second quarter of 2017. World trade has grown strongly in recent months, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia in the run up to the launch of new smartphone models[3]. Purchasing managers' indices indicate firm manufacturing activity ahead, consistent with strong consumer confidence pointing to healthy final demand.

[1] Commodity prices such as crude oil price which was weak since the beginning of 2016
[2] Which include Germany, Japan, Korea, and the United States in this case
[3] The leading producers in this category are Samsung of south Korea and Apple of United States of America

However, the improved growth momentum means that fiscal policy should increasingly be designed with an eye on medium-term goals to ensuring fiscal sustainability and bolstering potential output. Multilateral cooperation remains vital for securing the global recovery. Geopolitical factors remained a treat to this global recovery and may continue to be held back growth in parts of the Middle East mainly in Syria, and the refuges crisis of Rohingya. Table 1 bellow shows the recent global economic development.

Table 1: Overview of the World Economic Outlook *(in percent change unless indicated)*

	2014	2015	2016	2017
World	3.4	3.1	3.1	3.7
Advanced economies	1.9	2.1	1.7	2.3
Euro area	1.1	2.0	1.8	2.8
Major advanced economies (G7)	1.7	1.9	2.2	2.1
Other advanced economies (Advanced economies excluding G7 and euro area)	2.8	2.3	2.7	2.9
European Union	1.5	1.9	1.9	2.0
Emerging market and developing economies	4.6	4.0	4.4	4.7
Commonwealth of Independent States	1.1	-2.8	0.4	2.2
Emerging and developing Asia	6.8	6.6	6.4	6.5
ASEAN-5	4.6	4.6	4.5	5.3
Emerging and developing Europe	2.8	3.6	3.2	5.3
Latin America and the Caribbean	1.0	0.0	-0.7	1.3
Middle East, North Africa, Afghanistan, and Pakistan	2.7	2.3	4.9	2.5
Middle East and North Africa	2.6	2.3	3.8	4.1
Sub-Saharan Africa	5.0	3.8	1.4	2.7

Source: IMF World Economic Outlook database (WEO 2017)

Growth in the **U.S. economy** picked up as the U.S. tax policy changes are expected to stimulate activity, with the short-term impact in the United States mostly driven by the investment response to the corporate income tax cuts. The effect on U.S. growth is estimated to be positive through 2018 according to the IMF. However, due to the temporary nature of some of its provisions, the tax policy package is projected to lower growth for a few years from 2022 onwards (IMF, WEO January 2018). Firms continue to grow more confident about future demand, and inventories started contributing positively to growth. As a result, the IMF estimate United States GDP to grow by an average of 2.3 in 2017 up from 1.6 per cent in the fourth quarter of 2016 (WEO, January 2018).

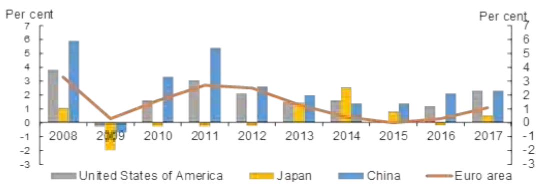
Growth in the **Chinese economy** has also remained strong, reflecting the stronger-than-expected outturn in the first half of the year underpinned by previous policy easing and supply-side reforms. It is expected that the communist party will maintain a sufficiently expansionary policy mix[4] to meet their long-term target of doubling real GDP between 2010 and 2020. Growth rates for 2019 have similarly been revised upward by 0.2 percentage point, on average, reflecting the assumed delay in withdrawing stimulus. Delay comes at the cost of further large increases in debt, however, so downside risks around this baseline have also increased. continued policy support after recovering from the spillover of weak performance in other countries especially USA in the fourth quarter of 2016, prompting the IMF to project China's annual GDP growth rate to average around 6.8 per cent in fourth quarter of 2017 (Figure 1).

Euro Area, in the euro area and Japan, stronger private consumption, investment, and external demand bolstered overall growth momentum in the first half of the year. Growth in most of the other advanced economies, with the notable exception of the United Kingdom, picked up in the first half of 2017 mainly due to both domestic and external demand. There is strong economic performance in Japan due to strong net exports, as well as in Germany and Spain. The IMF therefore, has projected Japan's GDP to grow by 1.8 per cent in the fourth quarter of 2017 up from 0.9 per cent in 2016, while the overall GDP for the Euro Area increased to at 2.4 per cent in fourth quarter of 2017 (WEO updates, January 2018).

Global Inflation

Global consumer price has started to pick up due to the increase in the commodity prices especially the retail prices of gasoline and other energy related products. The uptick has been strong for advanced economies where the year on year consumer prices in the first quarter (2017) has moved above 1.7 per cent in the fourth quarter of 2017 from 0.8 percent in 2016 (WEO updates 2018). However, core inflation has remained moderate well below Central Banks targets in almost all advanced economies (Fig 1). In euro area, inflation is also projected to pick up from 0.2 per cent in 2016 to 1.5 per cent in this quarter 2017, mostly reflecting higher energy prices and the ongoing cyclical recovery in demand. But underlying inflation remains stubbornly low and wage growth subdued amid still-high unemployment in some countries (WEO updates 2018). Figure 2 illustrates annual inflation in some selected countries and the Euro Area.

Figure 1: Annual Inflation Rate for Euro Area and Some Selected Countries



Source: IMF World Economic Outlook database (WEO report, October 2017)

Risk to the International Outlook

Inward-looking policies threaten global economic integration and the cooperative global economic order, which have served the

[4] Especially through high public investment

world economy, especially emerging market and developing economies, well. A faster-than-expected pace of interest rate hikes in the United States could tighten financial conditions elsewhere, with potential further U.S. dollar appreciation due to the recent tax policy shift will continue to strain emerging market economies with exchange rate. More generally, confidence could tighten financial conditions and exacerbate existing vulnerabilities in a number of emerging market economies, including China—which faces daunting challenge of reducing its reliance on credit growth. A dilution of financial regulation may lead to stronger near-term growth but may imperil global financial stability and raise the risk of costly financial crises down the road. In addition, the threat of deepening geopolitical tensions persists, especially in the Middle East and North Africa.

A range of additional factors continue to influence the global outlook in various regions - for example, the drought in East and Southern Africa; civil war and domestic conflict in parts of the Middle East and Africa; the unfolding migrant situation in Jordan, Lebanon, Turkey, Uganda, Kenya and Europe; multiple acts of terror worldwide; the Southern United States, and Southeast Asia. Each of these factors still continues to inflict both immeasurable humanitarian and direct economic costs.

Recurrent civil conflicts that spread to other regions and a worsening public health crisis could collectively take a large toll on market sentiments, with negative repercussions for demand and economic activity.

Regional Outlook

Sub-Sahara Africa

In sub-Saharan Africa, recovery is expected in 2017 after contracting by 1.5 per cent in 2016 mainly because some of the major economies including Nigeria are emerging out of recession. Growth is projected to rise to 2.7 per cent in 2017 and 3.3 percent in 2018, largely driven by specific factors in the largest economies. Output in Nigeria is projected to grow by 0.8 per cent in 2017 as a result of a recovery in oil production, continued growth in agriculture, and higher public investment according to the IMF. In South Africa, a modest recovery is expected, with growth forecasted at 0.8 percent also in 2017 as commodity prices rebound, drought conditions ease, and electricity capacity expands. Angola's growth is also expected to turn positive in 2017 (to 1.3 per cent), driven by an expansion in the non-oil sector because of higher public spending and better terms of trade. The outlook for the region, however, remains uncertain. Output growth is expected only moderately to exceed population growth over the forecast horizon, having fallen short in 2016. Many commodity exporters, mainly the oil exporting countries still need to adjust fully to the lower crude oil prices (WEO, 2017 and WEO updates, January 2018).

Table 2: Economic Outlook for Sub-Saharan Africa *(in percent change*)

		Projections	
	2016	2017	2018
Sub-Sahara Africa	1.4	2.7	3.3
Nigeria	-1.5	0.8	2.1
South Africa	0.3	0.9	0.9

Source: IMF World Economic Outlook database (WEO report, October 2017 and WEO updates, 2018)

East African Community (EAC)

The GDP growth rates of some major trading partners of South Sudan such as Uganda and Kenya has continued to maintain stability.

The **Rwandan** economy grew by 4.6 percent, on average, in the first three quarters of 2017 largely on the account of improved agricultural performance mainly linked to good weather conditions. Leading indicators of economic activities evidence a continuation of good economic performance in fourth quarter of 2017, evolving towards attaining or even surpassing the projected annual growth of 5.2 percent by the end of 2017.

In Tanzania, the year-on-year real gross domestic product growth was 6.8 percent in the third quarter of 2017 compared with 6.6 per cent in the corresponding quarter in 2016. Main drivers of the growth were construction; transport and storage; manufacturing; mining and quarrying; and information and communication; altogether contributing about 67.4 percent of the growth.

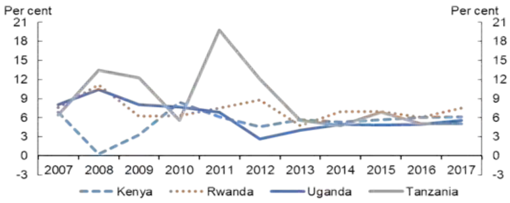
In **Uganda** real GDP[5] estimates for the domestic economy for FY 2016/17 were revised upwards to 4.0 per cent from 3.9 per cent, on account of stronger activity in the agriculture sector, specifically in the coffee sub sector and higher than expected activity in the services sector, especially trade and repairs and commercial banks activity.

Kenya's economy remained resilient in the period despite the adverse effects of the drought witnessed in the first quarter of 2017 on agricultural sector performance, a prolonged election period which had implications on investment decisions, and the effects of interest rate capping on credit growth

[5] The GDP estimates for Uganda are in fiscal year
Note: FY denotes Financial Year

particularly to the Micro, Small and Medium Enterprises (MSMEs). The economy grew by 4.8 percent in the first half of 2017 compared to 5.8 percent in the first half of 2016. Growth was mainly supported by the services sector, the Government continued efforts to implement measures[6] aimed at improving the business environment, including infrastructure development. As a result, the IMF forecast Kenya's GDP to grow moderately by around 6 per cent in 2017 (Figure 2).

Figure 2: GDP Growth Rate for Selected EAC Member Countries



Source: IMF World Economic Outlook database (WEO Updates, January 2018)

Exchange Rate Developments in Some Selected East African Countries

South Sudan depends on imports especially from its East African Community partner's states. A change in prices level in any of the EAC trading partners' affects prices in South Sudan as the impact is transmitted through the import of goods and services.

Table 3: Exchange Rates of Some Selected East African Countries

Items	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4
USD/Ksh	102.49	103.00	102.87	103.12	103.10
USD/Ugx	3,610.50	3,614.20	3,590.90	3,603.08	3,635.08
USD/SSP	79.20	109.80	117.01	117.86	126.28

Source: Bank of South Sudan[7], Bank of Uganda, Central Bank of Kenya

Tanzanian shilling was fairly stable towards the end of 2017 supported by the continued efforts by the Bank of Tanzania participating in the market on selling side to meet seasonal demand, the shilling recorded a slight depreciation against the US dollar trading at an average rate of TZS 2,246.7 per US dollar in the fourth quarter of 2017 from TZS 2,242.2 per US dollar in the preceding third quarter of 2017.

During the quarter ended November 2017, the **Uganda Shilling** stood at an average midrate of Shs. 3,625.5 per US Dollar, a depreciation of 0.7 per cent and 4.8 per cent on quarterly and annual basis, respectively Notably the weakening of the Uganda Shilling during the quarter was concentrated in the month of October when the currency recorded heightened pressures arising from elevated uncertainty surrounding the political environment both locally and in neighboring Kenya.

In **Kenya**, the foreign exchange market remained relatively stable supported by strong diaspora remittances which increased to an average of USD 166 million per month in the fourth quarter 2017, resilient tea and horticultural exports, and the continued recovery in tourism (Table 3).

Inflation in Some Selected East African Countries

In **Uganda** inflation continued to moderate further, with annual average core and headline inflation falling to 3.7 per cent and 4.7 per cent respectively during the end of the fourth quarter 2017. Overall decline in inflation was mainly driven by the fall in annual food inflation (table 4). In **Kenya**, month-on-month overall inflation fell gradually up to the beginning of the fourth quarter of 2017 reflecting decreases in food prices following improved weather conditions and the impact of Government measures. Prices of key food items fell significantly following the zero-rating of taxes on maize and bread and allowing of duty free imports of maize and sugar to address the adverse effects of the drought experienced in the first and second quarter of 2017 (Table 4). In **Rwanda** there was improvement in weather conditions especially during the second half of 2017, which made food prices to drop to 9.8 percent in 2017 from. Inflation in 2017 grew by 4.6 percent, on average; other downward pressures on inflation in Rwanda came from the ease in exchange rate pressures (Table 4). In **Tanzania**, the twelve-month headline inflation eased to an average of 4.5 percent in the fourth quarter 2017 from 4.8 per cent in the corresponding quarter in 2016, on account of a decrease in non-food inflation[8]. with exception of South Sudan, inflation in most of the EAC countries remained subdued and in line with the EAC and SADC convergence criteria of not more than 8.0 per cent and between 3 and 7 per cent, respectively.

[6] The measures are part of government efforts to facilitate private sector-led growth

[7] The exchange rates for South Sudan shown on the table reflects the official rates

[8]The inflation rate of Tanzania, Kenya, Uganda and Rwanda are all in line with the EAC and SADC convergence criteria of not more than 8.0 per cent.

Table 4: Quarterly Inflation Rate for Selected EAC Members Countries

	2017			
Countries	**Q1**	**Q2**	**Q3**	**Q4**
Rwanda	5.4	4.0	3.8	0.7
Tanzania	6.4	5.4	5.3	4.0
Uganda	6.4	6.4	5.3	3.3
Kenya	10.28	8.13	8.4	7.98
South Sudan	304.6	361.90	101.90	117.67

Source: National Bank of Rwanda Bank of Tanzania Bank of Uganda Central Bank of Kenya Bank of South Sudan

Note: Figures are annual end of period for each quarter.

Risks to the Outlook of the East African

Countries

In Tanzania, uncertainty in the business environment, combined with stalling private-sector credit growth could hinder private-sector investment according to the African Development Bank (AFDB). In Uganda major external risks to economic performance include low commodity prices and demand for the country's exports in major markets, appreciation of the U.S. dollar due to expected monetary tightening by the United States, tightening of global financing conditions that could discourage foreign direct investment (FDI) and development assistance, adverse spillover shocks from fragile regional neighbors[9].

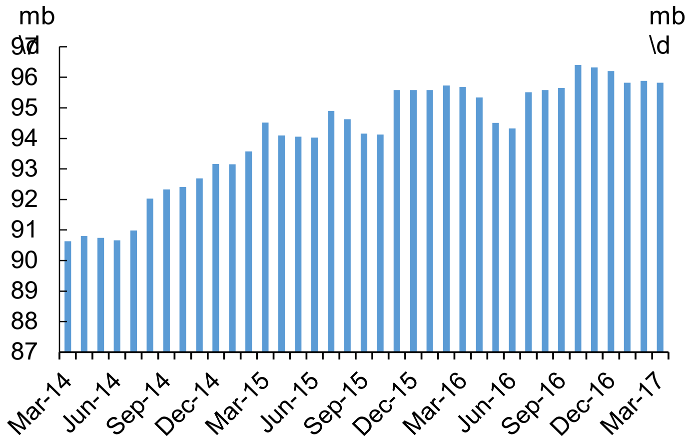
This coupled with the fragility of South Sudan could exert upward pressure on the exchange rates of some member countries and especially Uganda. The current account deficit of South Sudan is likely to widen further in the face of unstable macroeconomic conditions, volatile commodity prices, higher import content of government expenditures and the expected decline in exports.

Outlook for Oil

Global Oil Supply

Preliminary data indicates that the world's oil supply decreased by 0.23 mb/d m-o-m to average 95.82 mb/d in the first quarter of 2017 (OPEC). The main reasons for the decline was due to the continued agreement between OPEC and non-OPEC member countries to cut down production by about 2 mb/d to stabilize market. Other reasons include political instability in the Middle East, reduced investment in the US and bad weather in China that led to reduced production. Non-OPEC oil supply is projected to grow by 0.58 mb/d, following a 0.18 mb/d upward revision, led by higher growth in the US and a lower decline in Colombia and China, to average 57.89 mb/d.

Figure 3: Global Crude Oil Production



Source: International Energy Agency (IEA) and OPEC Quarterly Bulletin April 2017

Note: Data based on secondary source

United States of America

According to the Energy Information Administration's (EIA) Petroleum Supply Monthly, crude oil production in the US averaged 10.04 mb/d in November 2017, an increase of 384 tb/d from a month earlier. In November, crude oil output rose by 1.16 mb/d y-o-y, surpassing the historical high of 10 mb/d seen in the 1970s. Crude oil production increased m-o-m in North Dakota (+14 tb/d) to average 1,178 tb/d, Oklahoma (+24 tb/d) to average 491 tb/d, Texas (+114 tb/d) to average 3,891 tb/d, Colorado (+13 tb/d) to average 416 tb/d, remained steady in Alaska at an average of 0.49 mb/d. Crude output in the Gulf of Mexico (GoM) recovered following the impact of the hurricanes, adding 209 tb/d m-o-m to average 1,666 tb/d. (Figure 4).

Russia

According to OPEC's month on month report December 2017, Russian oil output in December averaged 11.16 mb/d. The average liquids output of Russia in 2017 – based on eleven months of secondary sources and official data for the month of December shows annual estimated growth of 0.09 mb/d, year-on-year Crude oil output grew 55 tb/d to average 10.35 mb/d. Recently launched projects showed healthy growth, including Gazprom Neft's Novy Port and Prirazlomnoye, Lukoil's Filanovskogo, Rosneft's Suzunskoye, and the East Messoyakha field owned on a parity basis by Rosneft and Gazprom Neft. Rosneft also managed to significantly increase production by its Yuganskneftegas subsidiary. According to Nefte Compass; the only greenfield that saw a dramatic decline was the 1 billion-barrel Trebs and Titov group of fields operated by Bashneft-Polyus, a joint venture between Bashneft, now owned by Rosneft, and Lukoil (Figure 4).

[9] Especially South Sudan, Burundi and Democratic Republic of Congo

Saudi Arabia

According to the financial times, Saudi Arabia has produced oil slightly above its oil production target for the first time since output curbs were introduced in January 2017. The cartel's[10] monthly report on Wednesday showed that the desert kingdom, which has led efforts to end the three-year-old oil glut, raised output and directed it towards power plants to meet soaring air conditioning demand in the summer months. The move by Saudi Arabia is not expected to signal it has abandoned attempts to tighten the market but may attract scrutiny from others in the 14-member cartel it has pushed hard to adhere to the cuts.

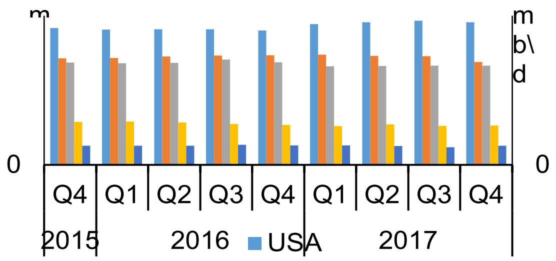
China

China's oil supply dropped by 0.05 mb/d in December 2017 to average 3.94 mb/d, which includes 3.76 mb/d of crude oil production, according to data released by the Chinese National Bureau of Statistics. Average crude oil production in 2017 declined by 0.14 mb/d y-o-y, much less than the contraction seen in 2016. The decline was largely attributed to the production cut in the Daqing and Shengli oilfields, as well as the Bohai and eastern South China seas. In 2017, CNPC, Sinopec and CNOOC resumed the growth in planned upstream investment – at a rate of 10 per cent, 32 per cent and 33 per cent respectively, indicating that the domestic oil and gas exploration and development industry has started to recover (Figure 4).

Norway

Norway's production in 2017 averaged 1.97 mb/d, lower on the y-o-y measure by 0.02 mb/d. At the same time, crude oil output also decreased by 0.03 mb/d y-o-y to average 1.59 mb/d for the year. Oil production in Norway has not reported an annual decline since 2014. Natural declines from brown fields and several outages owing to maintenance in platforms as well as the unexpected outage at the new Goliat field offset growing output from other fields (Figure 4).

Figure 4: Crude Oil Production, USA, Russia, Saudi Arabia, China and Norway.



Source: International Energy Agency (IEA) and OPEC Monthly Bulletin December 2017

World Oil Price

Global oil prices were lifted by the recovery of the global economy and the continued agreement to cut down on global crude oil production by mainly the OPEC member countries. The Dar Blend price which is the vital benchmark for South Sudan is around USD 54.78 per barrel in the fourth quarter of 2017 (Table 5): -

Table 5: Selected Crude Oil Prices, US$/b

Items	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Brent Price	51.59	49.37	57.55	64.37
Dar Blend	41.59	36.37	47.55	54.78
Discount	10.00	10.00	10.00	10.00

Source: Bank of South Sudan, WEO Updates, January 2018

Domestic Outlook

Prices and Output

[10] Cartel referred to Organisation of Petroleum Exporting Countries

Overview

South Sudan GDP is forecasted to have shapely declined by around 4.4 and 15 per cent in 2017 and 2018 respectively after a limited recovery of around 0.32 per cent in 2016. Meanwhile, inflation is now among the highest in the world, and is the highest in the short history of South Sudan.

Inflation Developments

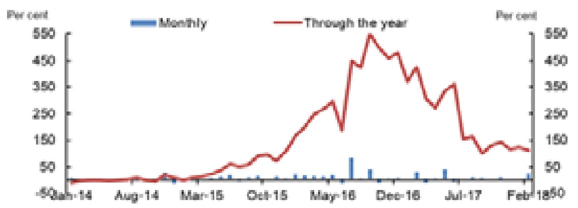
The South Sudan National Bureau of Statistics collects data on the prices of goods and services across the country through the Consumer Price Index (CPI) focusing on the three regional capitals of Juba, Malakal and Wau. Data from Malakal have not been collected since November 2013 because of the conflict.

The Bank of South Sudan relies on the National Bureau of Statistics releases of month-on-month and through-the-year official inflation releases for its macroeconomic analysis. The Bank also forecasts inflation one month ahead, using the parallel exchange rate and food price data from neighboring countries.

Inflation in South Sudan has been accelerating since the beginning of 2015. This reflects the strong growth in the money supply and the steady depreciation of the South Sudanese Pound on the parallel exchange market which made imports very expensive.

Inflation increased in the fourth quarter of 2017 by 164.97 per cent up from 117.67 per cent in the third quarter of 2017. Figure 12 represents the month-on-month and the annual inflation changes in South Sudan.

Figure 5: Monthly and through-the-year Inflation

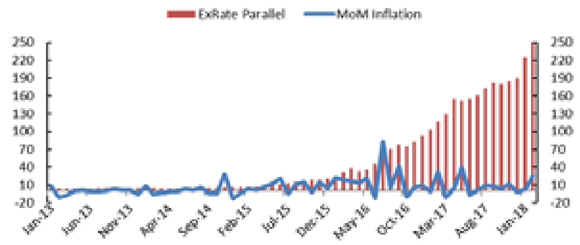


Source: South Sudan National Bureau of Statistics and Bank of South Sudan calculation

Note: June 2011 =100

Food inflation plays a major role in determining the overall inflation outlook in South Sudan because food accounts for about 70 per cent of the overall Consumer Price Index. Most of the food items consumed in South Sudan are imported from East African countries mainly from Uganda, so food inflation reflects the combination of the depreciation of the exchange rate. Any increase in food prices in Uganda usually impacts on South Sudanese food prices with a short lag. Figure 13 below illustrates the effect of the exchange rate on inflation in South Sudan.

Figure 6: monthly Inflation and the Parallel Exchange Rate



Source: National Bureau of statistics and Bank of South Sudan calculation

Food price growth in neighboring countries has been moderate, so the increase in inflation in South Sudan can be attributed partly to monetization of the ever-growing fiscal deficit and the consequent increase in the money supply and the undeveloped domestic production capacity. As the value of the currency fell against the Ugandan Shilling on the parallel market, the price of food in South Sudan increases. This completes the link between the monetization of the deficit and increasing prices in South Sudan. If the Government continues to fund the deficit by expanding the money supply, prices will continue to get higher.

GDP Performance

South Sudan computes its GDP on an annual basis. The mandate to prepare and produce annual GDP growth rates lies with the South Sudan's National Bureau of Statistics.

GDP measures the value of all final goods and services produced in the country over a given period of twelve months. Nominal GDP is measured at current prices and Real GDP is deflated at constant 2009 prices. The nominal GDP of South Sudan in 2017 was forecasted to be **519,352** million South Sudanese Pounds. The Bank of South Sudan also projects GDP growth though there is a data limitation. Real GDP is forecasted to decline to 4.4 per cent in the year end 2017. Table 4 shows the National Accounts Aggregates at the 2009 constant prices.

Table 6: Main National Accounts Aggregates - Constant 2009 prices

	2012	2013	2014	2015	2016	Proj.201

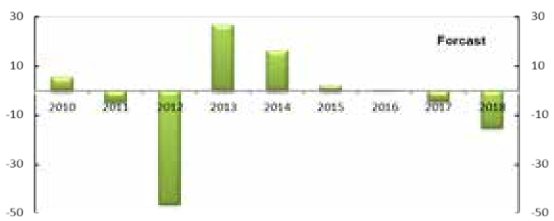
						7
GDP (SSP million)	13,662	17,792	21,749	22,848	22,921	21,915
Annual changes, per cent	-46.1	26.7	16.1	2	0.32	-4.4
GDP Per capita (SSP)	1,397	1,747	2,055	2,077	2,006	1,842
Population (millions)	9.8	10.2	10.6	11.0	11.4	11.9

Source: National Bureau of Statistics and Bank of South Sudan

The petroleum sector still remains the major sector in terms of its contribution to GDP. Crude oil production has remained the same since the decline in the oil production brought about by well shutdown due the 2013 conflict outbreak in the country.

The agriculture sector and animal husbandry are the dominant sectors that employ majority of labor force in the country according to South Sudan National Bureau of Statistics; however, these sectors are performing poorly due to insecurity in some parts of the country. It is likely that the availability of both domestic agricultural output and imported inputs to agriculture will keep declining if appropriate policies are not put into place to address this challenge. Figure 7 below illustrates the real GDP growth.

Figure 7: Real GDP Growth Rate



Source: National Bureau of Statistics and Bank of South Sudan

Monetary Sector

Overview

The ongoing monetization due to the enlarging fiscal deficit has led to an increase in money supply and rising inflation in the country. An annual net credit to the Central Government has also increased from SSP 14.07 billion in the Second quarter of 2016 to about SSP 18.17 billion in the Second quarter of 2017.

Money Supply

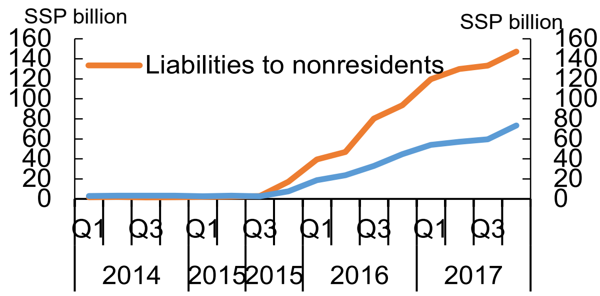
The money supply (M2) has increased from SSP 59.75 billion in the third quarter 2017 to SSP 69.42 billion in the fourth quarter 2017 (around 16.18 per cent increase). This increase largely reflects the continued growth in net credit to the Central Government and is the main cause of high inflation and the depreciation of the South Sudanese Pound.

Net Foreign Assets

Net Foreign Assets (NFA) at the end of the third quarter 2017 was negative SSP 73.69 billion while the fourth quarter 2017 was negative SSP 73.82 billion. The liabilities to non-residents have exceeded the assets claim on non-residents, which resulted in the fall of NFA. The Liabilities to non-residents had increased by 10.41 per cent (from SSP 133.32 billion in the third quarter 2017 to SSP 1,147.68 billion in the fourth quarter 2017).

Therefore, the Net Foreign Assets (Figure 8) shows the two years and an half of quarter movement of NFA components, claims on non-residents and liabilities to non-residents from second quarter 2013 to second quarter 2017.

Figure 8: NFA Components

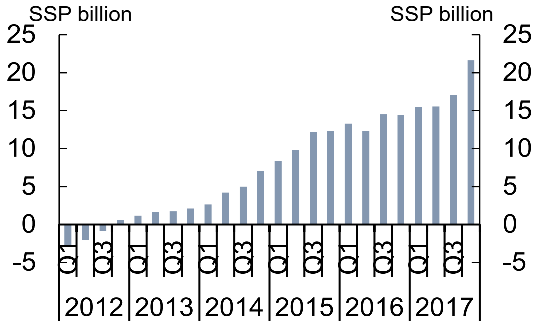


Source: Bank of South Sudan

National Debt

The national debt consists of domestic and foreign borrowings by the Central Government. But over the fourth quarter 2017, the part of national debt of domestic (net claims on central Government) has increased by 18.04 per cent (from SSP 18.23 Billion in the third quarter 2017 to SSP 21.52 billion) in the fourth quarter 2017.

Figure 9: Net Credit to the Government



Source: Bank of South Sudan

Monetary Base

The monetary base (high powered money) consists of currency in circulation (currency held by the public and cash in the vaults of the ODCs), commercial bank's reserves and the deposits of other sectors with the Bank of South Sudan. The monetary base has increased by 14.36 per cent in the fourth quarter of 2017. The growth in the monetary base components include 31.17 per cent growth in currency in circulation, 7.87 per cent increase in ODCs Liabilities, and liabilities to other sectors has increased by 20.46 per cent.

Lending and Deposit Interest Rate

There is a noticeable decline in the rate of interest, but the spread between the lending and deposit rate of to the private sector remained significantly widening. For example, the average interest rate on deposits has decreased from 0.77 per cent in the first quarter 2017 to 0.55 per cent in second quarter 2017. And the average interest rates the banks charge on loans also decreased from 10.41 per cent in the first quarter 2017 to 9.68 per cent in the second quarter 2017. Table 7 shows average interest rate and the spread.

Table 7: Average Lending and Deposit Interest Rates

In percentage points	2017	2017	Change
	Q3	Q4	Q4-Q3
Interest rate on deposit	0.53	1.00	0.48
Interest rate on loans	9.84	10.59	0.75
Interest rate spread	9.31	9.02	-0.29

Source: Bank of South Sudan

Credit to the Private Sector

The level of commercial banks intermediation in South Sudan is low. Although credit to the private sector increased from SSP 4.32 billion in the third quarter of 2017 to 5.01 SSP billion in the fourth quarter 2017, or 15.76 per cent increase in the loans portfolio, this only represent 0.012 percent of the total deposits. Table 8 shows the loans to the private sector by economic activity.

Table 8: ODCs Loans to the Private Sector per Economic Activities 2017

	2017			
Sector (million SSP)	**Q1**	**Q2**	**Q3**	**Q4**
Agriculture	2.67	2.43	52.34	59.57
Manufacturing	483.10	502.83	290.02	270.77
Building and Construction	136.03	145.66	256.55	239.51
Real Estate	1,075.31	687.25	684.75	732.60
Energy and Water	5.85	11.81	9.92	9.27
Mining and quarrying	0.00	0.00	0.00	0.05
Domestic Trade, Restaurants & Hotel	1,553.98	1,943.07	2,035.43	2,417.80
Foreign Trade	136.43	352.19	512.70	780.26
Transport and Communication	231.92	224.48	233.58	243.40
Financial Services	100.11	8.47	12.47	7.34
Household Services	235.48	263.24	236.09	244.86
Total	**3,960.86**	**4,141.44**	**4,323.86**	**5,005.42**

Source: Bank of South Sudan

External Sector

Overview

The Republic of South Sudan's current account balance was a surplus of 356.22million in fourth quarter of 2017; it increased from a surplus of 347.6million in third quarter 2017. The deficit in fourth quarter equated to 15.23% of gross domestic product (GDP) at current market prices, down from 14.52% in third quarter 2017.

Table 9: Current Account Balance (Million Dollars)

Period	**2017**	**2017**
Item	**Q3**	**Q4**
Current Account Balance	347.60	356.22
Capital Account Balances	29.82	59.74
CAB + KAB	377.42	415.96

Source: Bank of South Sudan

Trade Balance

Table 10: Trade in Goods and Services Balances (Million Dollars)

Items	2017 Q3	2017 Q4
1. Trade in Goods Balance	371.29	378.27
2. Trade in Services Balance	-14.14	-28.66
3. Primary income	19.13	42.88
4. Secondary income	-28.69	-36.27

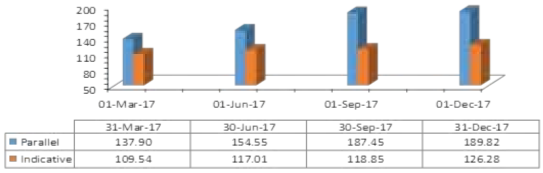
Source: Bank of South Sudan

Table 10: above show balances in trade of goods and services, the primary and the secondary incomes. The trade in goods surplus widened from 371.29 million in third quarter 2017, to 378.27 million in fourth quarter 2017. This was primarily due to a 42.88 million widening in the trade in goods surplus partially offset by a deficit of 28.66 million from trade in services. The primary income surplus was 42.88 million in fourth quarter 2017, from surplus of 19.13 million in third quarter 2017. This was due to an increase in direct investment payments. The deficit on secondary income widened from 28.69 million in third quarter 2017 to 36.27 million in fourth quarter 2017. This was due to increased out-flow through transfers of worker's remittances and the in-kind payments to Sudan.

Exchange Rate Development

The exchange rates had shown a continuous increase throughout 2017. The indicative rate has increased by 6.26 per cent, from 118.85 SSP/USD in third quarter of 2017 to 126.28 SSP/USD in fourth quarter 2017, the Parallel market rate increased by 1.27 per cent from third quarter 2017 to fourth quarter 2017, from 187.45 SSP/USD to 189.45 SSP/USD respectively. The main reasons are the impact of the floating exchange rate regime, speculations, and inadequate hard currency due to drop in oil price which is the dominant source.

Figure 10: Quarterly Exchange Rate

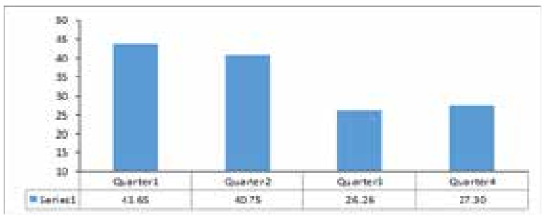


Source: Bank of South Sudan

International Reserves Position

The Gross Reserve Position of South Sudan slightly increased from 26.26 million in third quarter of 2017 to 27.30 million in fourth quarter of 2017, representing an increase of 3.96 per cent. The South Sudan international reserves fall far below the international standard requirement for 3 months minimum in imports cover. The main reasons could be attributed to low oil production and the drop of crude oil prices in the international market.

Figure 11: Quarterly Reserve Position



Source: Bank of South Sudan

BANK INFORMATION

Registered office

Bank of South Sudan Head Office
P.O. Box 136
Juba, Republic of South Sudan

Governor

Hon. Dier Tong Ngor
Bank of South Sudan, Head Office
P.O. Box 136
Juba, Republic of South Sudan

Secretary to the Bank

Mr. Chol Atem Diing
Bank of South Sudan Head Office
P.O. Box 136
Juba, Republic of South Sudan

Branches

Yei Branch
Bank of South Sudan Head Office
P.O. Box 136
Juba, Republic of South Sudan

Malakal Branch
Bank of South Sudan Head Office
P.O. Box 136
Juba, Republic of South Sudan

Wau Branch
Bank of South Sudan Head Office
P.O. Box 136
Juba, Republic of South Sudan

Principal Auditor

Auditor General
National Audit Chamber
P.O. Box 210
Juba, Republic of South Sudan

Delegated Auditors

Deloitte & Touche
3rd Floor, Aris House
Plot 152, Haile Selassie Road, Oysterbay
P.O. Box 1559
Dar es Salaam, Tanzania

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. INTRODUCTION

The Directors present this annual report together with the audited financial statements for the financial year ended 31 December 2017, which disclose the state of affairs of the Bank of South Sudan ("the Bank").

During the year, the Bank continued to implement its mandate as provided in the Bank of South Sudan Act, 2011. The Bank operated 3 branches in the country.

ESTABLISHMENT

The Bank of South Sudan was established under the Bank of South Sudan Act, 2011 ("the Act").

BANK'S VISION

The vision of the Bank is: "Aspiring to be credible Central Bank in fostering and ensuring price and financial system stability by 2028".

BANK'S MISSION

The Bank's mission is: To foster price stability, sustainable economic growth, and sound financial system in the Republic of South Sudan through excellent regulatory framework, monetary and exchange rate operations, advisory and banking services.

2. STATUTE AND PRINCIPAL ACTIVITIES

Bank of South Sudan, the Central Bank of the Republic of South Sudan is wholly owned by the Government of the Republic of South Sudan. Its operations are governed by the aforementioned Act.

The primary objective of the Bank is to maintain monetary and domestic price stability.

Other functions and objectives of the Bank are to:

- Foster the liquidity, solvency and effective functioning of a stable market based financial system, and to promote a safe, sound and efficient national payment system which aims to maintain stability of the financial system as a whole;
- Support general economic policies of the Government and promote sustainable economic growth;
- Adopt and implement policies designed to maintain monetary stability;
- Determine the features of banknotes and coins in consultation with the Minister of Finance and Planning and approval of the Council of Ministers, and the terms and conditions of any currency recall in accordance to requirements of the Act;
- Hold and manage the official foreign exchange reserves of the State;
- Oversee the development and sound functioning of the payment systems for transfers of securities issued by the Government or the Bank, and for the clearing and settlement of payment transactions and transactions in such securities;
- Establish and enforce minimum bank reserve requirements;
- Act as banker and adviser to, and as fiscal agent of, the Government, and to such public agencies as may be determined by law, provided, however, that any transaction carried out by the Bank that may serve to extend financial assistance to or for the benefit of the Government or any such public agency, may be undertaken only pursuant to Section 65 of the Act;
- Regulate and supervise commercial banks and such other regulated entities as shall be submitted to its oversight in accordance with relevant legislation;

2. STATUTE AND PRINCIPAL ACTIVITIES (CONTINUED)

- Receive deposits from, and maintain accounts on its books for, regulated entities, units of Government, foreign central banks and international financial institutions on such terms and conditions as may be prescribed by account agreement or regulation of the Bank;

- Undertake foreign exchange operations at the request of the Government and on the Bank's own behalf;

- Issue debt securities in accordance with policies approved by the Board;

- Collect economic and financial data related to its objectives and tasks under the requirement of the Act;

- Open and maintain on its books, accounts for the administration of funds provided by foreign parties to the Government or to a Government Agency in accordance with the terms and conditions set out in trust account agreements, provided that:

    - The assets and liabilities of any such account shall be segregated from the other assets and liabilities of the Bank;
    - The assets of each such account shall be available only to meet liabilities of that account;
    - No other assets of the Bank shall be available to meet liabilities of such accounts; and
    - The Bank shall charge fees for the administration of such accounts to cover its costs; and

- Represent the Republic of South Sudan in international affairs in accordance with the Act.

3. RESOURCES AND STRENGTH

Resources and strengths that facilitate the Bank's endeavour in achieving its strategic objectives include human, financial and technological resources.

In terms of human capital, the Bank has well-qualified and committed staff dedicated to a long-term career in the Bank. Likewise, the management adheres to good governance and promotes labour relations. From its strategic perspective, the Bank enhances its financial sufficiency by improving management of its resources through prioritization of initiatives, implementing initiatives within the available financial envelope and prudently managing its sources of income. On technological side, the Bank has made significant efforts of adopting modern technology to improve its day-to-day operations. Further, the Bank has strategically located Branches, which facilitate efficient banking services.

REPORT OF THE DIRECTORS (CONTINUED)

4. CORPORATE GOVERNANCE

The Board shall be composed of nine voting members, as follows:

a) The Governor as Chairman of the Board;

b) The two deputy Governors, who shall be designated by the Governor as 1st Deputy and 2nd Deputy Governor, respectively of the Board;

c) Six non-executive members, who shall not be employees of the Bank;

d) The Governor and Deputy Governors shall be appointed by the President; and

e) The Board shall be proposed by the Governor and appointed by the President.

The Directors at the date of this report and who served since 1 January 2017, except where otherwise stated, are:

No.	Name	Position	Date of appointment
1	Hon. Kornelio Koriom Mayik	Governor	Relieved in January 2017
2	Hon. Dier Tong Ngor	Governor	Appointed in November 2020
3	Hon. Othom Rago Ajak	Governor	Relieved in May 2018
4	Hon. Dier Tong Ngor	Governor	Relieved in May 2020
5	Hon. Gamal Abdallah Wani	Governor	Relieved in November 2020
6	Hon. Johnny Ohisa Domiano	First Deputy Governor	Appointed in May 2021
7	Hon. Maror Cyer Rehan	First Deputy Governor	Relieved in May 2021
8	Hon. Albino Dak Othow	First Deputy Governor	Relieved in May 2020
9	Hon. Dier Tong Ngor	First Deputy Governor	Relieved in May 2018
10	Hon. Daniel Kech Puoc	Second Deputy Governor	Appointed in March 2020
11	Hon. Odera Innocent Ochan	Second Deputy Governor	Relieved in August 2019
12	Hon. Joseph Ajuong Mayuol	Non-Executive Member	Relieved in March 2018
13	Hon. Dr. Abraham Matoc Dhal	Non-Executive Member	Relieved in August 2019
14	Hon. Charles Abdu Ngamunde	Non-Executive Member	Relieved in March 2018
15	Hon. Rogato Ohide Kusang	Non-Executive Member	Relieved in August 2019
16	Hon. Prof. Yithaya Ayuel Deng	Non-Executive Member	Relieved in March 2018
17	Hon. Agoyom Akomjo Musellam	Non-Executive Member	Relieved in May 2021
18	Hon. Hellen Pita Taban	Non-Executive Member	Relieved in May 2021
19	Hon. Prof. Samson Samuel	Non-Executive Member	Relieved in May 2021
20	Hon. Prof. Nyiel Gordon Kuol	Non-Executive Member	Appointed in November 2018
21	Hon. Dr. Adil Atanasio Surur	Non-Executive Member	Appointed in November 2018
22	Hon. John Maciek Acuoth	Non-Executive Member	Appointed in November 2018
23	Hon. Wani Buyu Dyori	Non-Executive Member	Appointed in May 2021
24	Hon. Weituy Louny Baboth	Non-Executive Member	Appointed in May 2021
25	Hon. Dr. Tabitha Eliaba Kenyi	Non-Executive Member	Appointed in May 2021

Bank of South Sudan ascribes to the highest standards of corporate governance. The Bank through the Board of Directors and Management upholds and practices the principles of sound corporate governance.

To this end, the Bank of South Sudan Act, 2011, has provided a framework for ensuring application of sound corporate governance principles and best practices by the Bank's Board of Directors and its Committee and Management in the course of managing the day to day affairs/operations of the Bank as summarized below:

(i) In terms of the provisions of Section 16(1) of the Bank of South Sudan Act, 2011, the Bank's Board of Directors shall be charged with the adoption of the principal policies of the Bank and the supervision of the administration and operation of the Bank.

(ii) In terms with provisions of Section 24(2) of the Bank of South Sudan Act, 2011 the Audit Committee shall assist the Board in fulfilling its oversight responsibilities for matters relating to the integrity of the Bank's financial statements; the Bank's compliance with legal and regulatory requirements; the annual external audit of the Bank; and the performance of the Bank's Internal Audit Department.

4. CORPORATE GOVERNANCE (CONTINUED)

The Audit Committee

Established under the provisions of Section 24(1) of the Bank of South Sudan Act, 2011, the Audit Committee consists of three non-executive voting members of the Board. The Audit Committee shall select one of its members to serve as Chairperson of the Audit Committee in accordance with the Charter of the Audit Committee approved by the Board. The Terms of Reference for the Audit Committee cover four major areas, namely, Internal Control, Financial Reporting, Internal Audit and External Audit.

The Audit Committee's mandate under Internal Control covers evaluation of control environment and culture; the adequacy of the internal control systems and compliance with IFRS in the preparation of financial statements; the overall effectiveness of the internal control and risk management framework; The Committee also reviews requests for write off/ back of items from the books of accounts and reviews the effectiveness of the system for monitoring compliance with laws and regulations.

The mandate relating to financial reporting requires the Audit Committee to review significant accounting and reporting issues and their impact on the financial reports and ensure current financial risk areas are being managed appropriately. The Committee also ensures the adequacy of the financial reporting process and reviews the Bank's annual accounts before approval and adoption by the Board.

With regard to external audit, the Audit Committee reviews and approves the external auditors' proposed audit scope, approach and audit deliverables, draft financial statements before submission to the External Auditors for audit; and also reviews and approves the proposed audit fee.

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function; effectiveness, standing and independence of internal audit function within the Bank; review of the internal audit plan; and follow up on implementation of internal audit findings and recommendations. The Audit Committee reports to the Board of Directors.

The Members of the Audit Committee at the date of this report and who served since 1 January 2015, except where otherwise stated, are:

No.	Name	Position	Discipline	Nationality
1	Hon. John Maciek Acuoth	Chairman	Accountant	South Sudanese[1]
2	Hon. Hellen Pita Taban	Member	Sociologist	South Sudanese[2]
3	Hon. Prof. Nyiel Gordon Kuol	Member	Economist	South Sudanese[1]
4	Hon. Agoyom Akomjo Musellam	Member	Lawyer	South Sudanese[1]
5	Hon. Joseph Ajuong Mayuol	Chairman	Accountant	South Sudanese[2]
6	Hon. Dr. Abraham Matoc Dhal	Member	Economist	South Sudanese[2]
7	Hon. Charles Abdu Ngamunde	Member	Accountant	South Sudanese[2]

KEY:
[1]Retired in November 2018
[2]In-office

5. MEETINGS

The Board held 4 meetings during the year ended 31 December 2017, 3 ordinary meetings and 1 extraordinary meeting. There were no committee meetings held during the year. All members of the Board were able to devote their time required for the Board and Audit Committee meetings.

6. MEETINGS (CONTINUED)

Below is a summary indicating the number of meetings attended by members of the Board from 1 January 2017 to 31 December 2017.

		Number of meetings		
		Board	**AC**	
No	**Number of meetings**			
	Names			
1	Hon. Kornelio Korium Mayik	4	Nil	
2	Hon. John Dor Majak	4	Nil	
3	Hon. Odera Innocent Ochan	4	Nil	
4	Hon. Joseph Ajoung	4	4	
5	Hon. Charles Abdu Ngamunde	4	4	
6	Hon. Dr. Abraham Matoc Dhal	4	4	
7	Hon. Rogato Ohide Kusang	4	4	
8	Hon. Prof. Yithaya Ayuel Deng	4	4	
9	Hon. Agoyom Akomjo Musellam	4	4	

KEY

Board: Board of Directors

AC: Audit Committee

The Board and its committees meet every quarter with additional meetings convened as and when necessary. During the year, the Board met to discuss and decide on various business activities.

7. INDEPENDENCE

All Non-executive Directors are considered by the Board to be independent both in character, judgment and free of relationships or circumstances, which could affect their judgment.

8. CAPITAL STRUCTURE

Section 33 of the Act provides the level of authorized capital of the Bank to be fifteen million South Sudanese Pounds. This amount may be increase as a result of allocations from net profits/losses pursuant to Section 36 and 37 of the Act. The capital of the Bank is subscribed and held only by the Government of the Republic of South Sudan.

Due to the nature of the Bank's business and statutory requirements the whole capital is held in the form of equity. Different classes of reserves have been prescribed under Section 34 of the Bank of South Sudan Act, 2011 and Note 25 to these financial statements. The movement of the capital during the year is reflected under the Statement of Changes in Equity.

9. RELATIONSHIP WITH STAKEHOLDERS

The Bank recognizes the importance of addressing the needs of its key stakeholders in order to add value, satisfy their needs and expectations to fulfill its mission. The Bank's key stakeholders include: the Government, banking institutions, other financial institutions, development partners, general public and staff. The Bank is committed to delivering value to its stakeholders through better services and good customer care while maintaining good relationship in its engagements.

Accordingly, the Bank fulfills its mandate by delivering the following services to meet its stakeholders' needs and expectations:

(a) Issuance of Notes and Coins: The Bank provides secure, adequate, durable and portable bank notes and coins; ensure prompt circulation of currency through its branch network throughout the country; and promote public awareness on the currency handling and security features.

(b) Banking Services: The Bank promptly facilitate payments, settlements and clearing of payment instruments for the Government and financial institutions. Further, the Bank provides safe deposit custody for the Government and financial institutions.

8. RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

(c) Price Stability: The Bank formulates and executes monetary policy that leads to stable domestic prices; provide policy advice to the Governments; disseminate economic reports; ensure stable exchange rates; and conduct Government securities auctions.

(d) Financial Stability: The Bank promotes the stability of the financial system through effective regulation and supervision of banking system; provide safe and efficient payment systems; and promote public access to the financial services.

(e) Internal Customer requirements: The Bank attracts and retains high caliber staff with integrity, competency and accountability and provides conducive working environment and career development opportunities to its staff.

10. MANAGEMENT

Section 14 of the Bank of South Sudan Act, 2011 vests the management of the Bank and the direction of its business and affairs to the Governor. The Governor is required to discharge such functions and direction, in conformity with the policies and other decisions made by the Board.

The law further provides that the Governor to be assisted by two Deputy Governors. The Deputy Governors head various functions under them.

11. RESULTS AND DIVIDENDS

During the year, the Bank operations registered a net loss of SSP 30,751 million (2016: net loss of SSP 31,072 million). The Bank did not pay any dividends to the Government during the year (2016: Nil).

12. FINANCIAL PERFORMANCE FOR THE YEAR

12.1 Financial results

The performance of the Bank is measured on the basis of the achievements in implementing its core functions as detailed in the Act. The Bank needs to generate adequate resources in order to support its operations and maintain its independence.

In the course of its operations, the Bank made a registered a total comprehensive loss of SSP 30,751 million (2016: net loss of SSP 28,729 million). The reported loss is attributable to the loss arising from dealings in foreign currencies.

11.2 Financial position

The financial position of the Bank is as set out in the statement of financial position shown on page 27. During the year, total assets of the Bank increased by SSP 36,498 million. The increase in assets is attributed to the increase in advances to government amounting to SSP 7,026 million and net increase of assets held at International Monetary Fund amounting to SSP 28,204. At the same time there was also an increase in property and equipment by SSP 982 million.

On the other hand total liabilities increased by SSP 66,884 million. Major areas of increase include currency in circulation which increased by SSP 11,722 million and deposits from financial institutions amounting to SSP 14,252 million respectively. Moreover during the period, there was an increase with respect to liabilities due to International Monetary Fund amounting to SSP 40,053 million respectively.

13. SOLVENCY

The Board of Directors confirms that International Financial Reporting Standards (IFRS) applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank has adequate resources to continue carrying out its statutory activities for the foreseeable future.

13. EMPLOYEES WELFARE

(a) Management and employees relationship

The relationship between the Bank and its employees continued to be good. Employees complaints raised during the year were resolved mainly through the use of consultative meetings/forums involving the management, trade union and employees through workers council. As a result, healthy relationship continued to exist between management and the trade union.

Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. The Bank provides a number of facilities aiming at improving the working environment and living standards of its employees. Such facilities include medical services, transport to and from work, house allowance, employee training and development, leave travel assistance, long service awards for employees as stipulated in the Bank's Employees Terms of Service Regulation, 2012.

(b) Medical Assistance

All members of staff with a maximum number of five beneficiaries for each employee were availed with medical insurance guaranteed by the Bank. During the year ended 31 December 2017, these services were provided by BSS Empoyes Terms of Service as it was in 2012.

(c) Financial assistance to staff

The Bank provides various loans to employees in accordance with the Bank's Employees Terms of Service Regulation, 2012. These include house loans, motor vehicle loans and personal loans.

(d) Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned.

In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

(e) Gender parity

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2016 and 2016 the Bank had the following distribution of employees by gender.

Gender	**2017**	**%**	**2016**	**%**
Male	346	69%	395	71%
Female	158	31%	159	29%
Total	504	100%	554	100%

14. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 31 to these financial statements. The directors' emoluments and key management personnel have been disclosed in Note 31 to the financial statements.

15. SERIOUS PREJUDICIAL MATTERS

During the year ended 31 December 2017, there was no serious prejudicial matters to report (2016: Nil).

REPORT OF THE DIRECTORS (CONTINUED)

16. AUDITORS

The Auditor General is the statutory auditor for the Bank of South Sudan pursuant to the provisions of Section 75(1) of the Bank of South Sudan Act, 2011. Deloitte & Touche were appointed by the Auditor General to audit the Bank's financial statements on his behalf, pursuant to Section 27 (1) of the Southern Sudan Audit Chamber Act, 2011.

Approved by the Board of Directors on 30th June 2021, and signed on its behalf by:

Hon. Dier Tong Ngor
The Governor and Chairman of the Board

Hon. Daniel Kech Puoc
Deputy Governor for Administration and Finance

GOVERNOR
BANK OF SOUTH SUDAN
BSS
BANK OF SOUTH SUDAN

BANK OF SOUTH SUDAN

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and fair presentation of these inflation adjusted financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the requirements of the Bank of South Sudan Act, 2011, the Public Finance Management and Accountability Act, 2011 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for these inflation adjusted financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Bank of South Sudan Act, 2011 and the Public Finance Management and Accountability Act, 2011. The Directors are of the opinion that inflation adjusted financial statements give a true and fair view of the state of the financial affairs of the Bank and its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Directors on 30th June 2021, and signed on its behalf by:

Hon. Dier Tong Ngor	Hon. Daniel Kech Puoc
The Governor and Chairman of the Board	**Deputy Governor for Administration and Finance**

GOVERNOR
BANK OF SOUTH SUDAN
BSS
BANK OF SOUTH SUDAN

REPORT OF THE AUDITOR GENERAL ON THE INFLATION ADJUSTED FINANCIAL STATEMENTS OF BANK OF SOUTH SUDAN FOR THE YEAR ENDED 31 DECEMBER 2017

Report of the Auditor General to
The President of South Sudan
The Transitional National Legislative Assembly
The Board of Directors, Bank of South Sudan
P. O. Box 136, Central Equatoria State, Juba. South Sudan

I audited the accompanying inflation adjusted financial statements of the Bank of South Sudan (the "Bank") set out on pages 31 to 79 which comprise the inflation adjusted statement of financial position as at 31 December 2017, inflation adjusted statement of profit or loss and other comprehensive income, inflation adjusted statement of changes in equity and reserve, inflation adjusted statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I do not express an opinion on the accompanying inflation adjusted financial statements of the Bank. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these inflation adjusted financial statements.

Basis for Disclaimer of Opinion

(i) Cash and cash equivalents

Corresponding bank with a total balance amounting to SSP 4,713 million included in the cash and cash equivalent balance were not accurately reconciled against the Swift statements as at the year-end and I was unable to confirm the validity of the reconciling items included in the reconciliations. I also noted bank reconciliations contained invalid reconciling items. Furthermore, 2 out of 7 foreign banks that hold the Bank's NOSTRO accounts, did not independently confirm the balances with me as of year-end. Because of the significance of the above issues, I was unable to satisfy myself about the existence of corresponding foreign bank balances amounting to SSP 7,554 million included in the inflation adjusted statement of financial position of the Bank. Consequently, I was unable to determine if any adjustment would have been required to the balances.

(ii) Investment deposits with foreign banks

The Bank has reported investment deposits due from a foreign bank amounting to SSP 128 million that I am unable to verify its existence. I did not receive any response to my request of balance confirmation from the foreign bank and the Bank did not have appropriate documentation that would evidence existence of the investment. Consequently, I was unable to determine if any adjustment would have been required to the balance.

(iii) Loans and advances to staff and other receivables

I was not provided with the schedule showing the breakdown of loans and advances made to staff and other receivables amounting to SSP 42 million and SSP 1 million respectively, which agreed to the general ledger. As at 31 December 2017, Directors were unable to provide evidence to support existence and recoverability of these recorded balances. Consequently, I am unable to confirm or verify by alternative means the existence and recoverability of the other loans and receivables amounting to SSP 43 million.

(iv) Deposits from the Government and its agencies

Included in the inflation adjusted statement financial position are deposits amounting to SSP 3,286 million. A sample of items amounting to SSP 2,576 million was selected for testing. Of the sampled items, I was not availed with appropriate sufficient evidence to support existence, rights and obligations of sample items amounting to SSP 1,497 million. Since the procedure was performed on a sample, I was unable to determine extent of unsupported deposits in the remaining population. Consequently, I am unable to determine if adjustment would have been necessary to the deposits from the Government and its agencies for the year.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Basis for Disclaimer of Opinion (continued)

(v) Deposits from banks and financial institutions

Included in the inflation adjusted statement of financial position are deposits amounting to SSP 55,402 million. A sample of items amounting to SSP 30,064 million was selected for testing. Of the sampled items, I was not availed with appropriate sufficient evidence to support existence, rights and obligations of sample items amounting to SSP 25,610 million. Since the procedure was performed on a sample, I was unable to determine extent of unsupported deposits in the remaining population. Consequently, I am unable to determine if adjustment would have been necessary to the deposits from commercial banks and financial institutions for the year.

(vi) Currency in circulation

A total of SSP 23,798 million has been reported as the balance relating to currency in circulation. This balance is inherently affected by the opening balance which is carried from financial year 2011 when the Bank was incorporated. Due to material weaknesses in issuing, maintaining and managing currency, in all the years I have audited the Bank I was not able to determine accuracy and completeness of the currency in circulation balance recorded, consequently I am not able to determine if adjustment would have been required for this balance.

(vii) Other liabilities

I was unable to obtain sufficient appropriate audit evidence to support sundry payables amounting to SSP 18 million reported under other liabilities. I was not able to alternatively satisfy myself on the existence and rights and obligation relating to the balance, consequently I was unable to determine whether any adjustments were necessary in respect of other liabilities reported.

(viii) Commission income and expenses

In its inflation adjusted statement of profit or loss and other comprehensive income the Bank report commission income and commission expenses amounting to SSP 237 million and SSP 196 million respectively that Directors were unable to provide sufficient and appropriate evidence to support their accuracy and occurrence. Because of the significant deficiencies, in general information technology controls and controls around the business process I was unable to satisfy myself by any alternative procedures on the accuracy and occurrence of the reported income.

(ix) Losses arising from dealings in foreign currencies

The Bank reported foreign exchange losses amounting SSP 19,830 million for which Directors were unable to provide origination documentations that determine the computation of transactions making up the balance. Due to the significant deficiencies noted in general information technology controls and business process controls I was unable to satisfy myself on the occurrence, accuracy, and completeness of the reported loss by substantive procedures alone.

(x) Contingent liabilities

During the year 2015 the Bank entered a guarantee deed with Qatar National Bank S.A.Q on behalf of the Government of South Sudan in relation to letters of credit and documentary credit facilities. As of year-end the balance of these credit facilities payable to Qatar National Bank S.A.Q were in tune of USD 599 million (SSP 76,668 million) as at the end of this year. However due to absence of supporting documentations from the Bank that determine the extent and degree of the guarantees provided by the Bank and inherent weaknesses in Bank's control on tracking off-balance sheet items, I was not able to conclude on completeness and accuracy of contingent liabilities and other commitments, consequently I am not able to determine if any adjustment or additional disclosure would have been required for this balance.

Legal Basis

The audit was conducted pursuant to and in accordance with Section 186(7) of the Transitional Constitution of the Republic of South Sudan, the National Audit Chamber Act, 2011 and the Bank of South of Sudan Act, 2011.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Directors' responsibility for the inflation adjusted financial statements

The Directors are responsible for the preparation of the inflation adjusted financial statements that give true and fair view in accordance with International Financial Reporting Standards, the requirements of the Bank of South Sudan Act, 2011 and the Public Finance Management and Accountability Act, 2011. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of inflation adjusted financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor General

My responsibility is to express an opinion on this inflation adjusted financial statements based on conducting the audit in accordance with International Standards on Auditing and such other audit procedures I considered necessary in the circumstances. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Report on Other Legal Requirements

Compliance with Bank of South Sudan Act, 2011

In view of my responsibility to assess Bank's compliance with the Bank of South Sudan Act, 2011, I noted the following instances of non-compliance with the requirements of the Act:

1. Non-compliance with Section 65(2) (a) of the Act. which requires credit accommodations not to be in excess of 5% of the gross recurrent revenue of the Government and related entities. As at 31 December 2017, the credit accommodations amounting to SSP 24,964 million to the Government and related entities exceeded five percent of the gross recurrent revenue of SSP 28,085 million from the approved government budget;

2. Non-compliance with Section 65(3) (a) and (b) of the Act. Which requires all credit accommodations to have a credit period of 3 months (i.e. settled within 3 months) and be secured by negotiable securities issued by the Government and related entities. I noted that credit accommodations exceeded the tenure of 3 months and none of the credit accommodations were secured by negotiable securities issued by the Government and related institutions; and

3. Non-compliance with Section 65(4) of the Act, which requires for at least 6 months of every calendar year, there must be no outstanding liabilities of the Government to the Bank. I noted the credit accommodations kept on increasing.

NATIONAL AUDIT CHAMBER
AG OFFICE

Amb. Steven Kiliona Wondu
The Auditor General
Republic of South Sudan
15/7 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Inflation Adjusted 31 December 2017 SSP million	Inflation Adjusted 31 December 2016 SSP million	Historical Cost 31 December 2017 SSP million	Historical Cost 31 December 2016 SSP million
Interest income	5	21,485	5,738	703	602
Commission income	6	6,653	1,526	237	179
Commission expense	7	(5,577)	(1,214)	(196)	(138)
Net interest and commission income		22,561	6,050	744	643
Losses arising from dealings in foreign currencies		(745,615)	(532,439)	(19,830)	(31,207)
Other operating income		374	26,675	11	1,566
Income from donations and grants		-	135	-	8
Net operating loss		(722,680)	(499,579)	(19,075)	(28,990)
Operating expenses					
Personnel expenses	8	(13,002)	(2,109)	(460)	(247)
General and administrative expenses	9	(412,049)	(17,742)	(11,091)	(1,442)
Depreciation	19	(97)	(74)	(97)	(74)
Amortisation	18	-	(24)	-	(24)
Total operating expenses		(425,148)	(19,949)	(11,648)	(1,787)
Monetary gain		1,116,740	488,456	-	-
Net loss before tax		(31,088)	(31,072)	(30,723)	(30,777)
Income tax expense	24	-	-	-	-
Loss for the year		(31,088)	(31,072)	(30,723)	(30,777)
Revaluation gain on property, plant, and equipment	19	337	2,343	337	2,343
Total comprehensive loss for the year		(30,751)	(28,729)	(30,386)	(28,434)

BANK OF SOUTH SUDAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	Inflation Adjusted 31 December 2017 SSP million	Inflation Adjusted 31 December 2016 SSP million	Historical Cost 31 December 2017 SSP million	Historical Cost 31 December 2016 SSP million
Assets					
Cash and cash equivalents	11	4,713	4,687	4,713	4,687
Holding of Special Drawing Rights (SDR's)	12	256	91	256	91
Quota of International Monetary Fund (IMF)	12	38,861	10,822	38,861	10,822
Government securities	13	1,917	1,917	1,917	1,917
Advances to the government	14	24,964	17,938	24,964	17,938
Advances to commercial banks	15	19	20	19	20
Other loans and receivables	16	43	69	43	69
Deferred currency cost	17	353	65	353	65
Property and equipment	19	3,344	2,363	3,344	2,363
Total assets		74,470	37,972	74,470	37,972
Liabilities					
Currency in circulation	20	23,798	12,076	23,798	12,076
Deposits from the government and its agencies	21	3,286	3,318	3,286	3,318
Deposits from banks and financial institutions	22	55,402	41,150	55,402	41,150
Other liabilities	23	1,286	397	1,286	397
IMF related liabilities	12	38,861	10,822	38,861	10,822
Allocation of Special Drawing Rights (SDR's)	12	16,651	4,637	16,651	4,637
Total liabilities		139,284	72,400	139,284	72,400
Equity					
Capital account	25	675	310	15	15
Revaluation reserve		2,493	2,255	2,493	2,255
General reserve		(67,982)	(36,993)	(67,322)	(36,698)
Total equity and reserves		(64,814)	(34,428)	(64,814)	(34,428)
Total equity and liabilities		74,470	37,972	74,470	37,972

The financial statements on page 29 to 77 were approved and authorised for issue by the Board of Directors on ……30th June……2021 and signed on its behalf by:

Hon. Dier Tong Ngor
The Governor and Chairman of the Board

Hon. Daniel Kech Puoc
Deputy Governor for Administration and Finance

GOVERNOR BANK OF SOUTH SUDAN BSS BANK OF SOUTH SUDAN

BANK OF SOUTH SUDAN

STATEMENT OF CHANGES IN EQUITY AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2017

Inflation Adjusted

Details	**Capital account SSP million**	**General reserve SSP million**	**Revaluation reserve SSP million**	**Total SSP million**
At 1 January 2016	15	(6,009)	-	(5,994)
IAS 29 adjustment (Note 26)	295	-	-	295
Net loss for the year	-	(31,072)	-	(31,072)
Revaluation gain on property, plant and equipment	-	-	2,343	2,343
Transfer of excess depreciation on Property, Plant & Equipment	-	88	(88)	-
At 31 December 2016	310	(36,993)	2,255	(34,428)
At 1 January 2017	310	(36,993)	2,255	(34,428)
IAS 29 adjustment (Note 26)	365	-	-	365
Net loss for the year	-	(31,088)	-	(31,088)
Revaluation gain on property, plant and equipment	-	-	337	337
Transfer of excess depreciation on Property, Plant & Equipment	-	99	(99)	-
At 31 December 2017	675	(67,982)	2,493	(64,814)

Historical Cost

Details	**Capital account SSP million**	**General reserve SSP million**	**Revaluation reserve SSP million**	**Total SSP million**
At 1 January 2016	15	(6,009)	-	(5,994)
Net loss for the year	-	(30,777)	-	(30,777)
Revaluation gain on property, plant and equipment	-	-	2,343	2,343
Transfer of excess depreciation on property, plant and equipment	-	88	(88)	-
At 31 December 2016	15	(36,698)	2,255	(34,428)
At 1 January 2017	15	(36,698)	2,255	(34,428)
Net loss for the year	-	(30,723)	-	(30,723)
Revaluation gain on property, plant and equipment	-	-	337	337
Transfer of excess depreciation on property, plant & equipment	-	99	(99)	-
At 31 December 2017	15	(67,322)	2,493	(64,814)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

		Inflation Adjusted		Historical Cost	
	Notes	**31 December 2017 SSP million**	**31 December 2016 SSP million**	**31 December 2017 SSP million**	**31 December 2016 SSP million**
Cash flows from operating activities					
Net loss before tax		(31,088)	(31,072)	(30,723)	(30,777)
Adjustment for:					
Depreciation	19	97	74	97	74
Amortisation	18	-	24	-	24
Income from donations and grants		-	(135)	-	(8)
Monetary loss		365	422	-	-
Operating profit before working capital		(30,626)	(30,687)	(30,626)	(30,687)
Changes in working capital					
Increase in advances to the government		(7,026)	(4,090)	(7,026)	(4,090)
Decrease in advances to commercial banks		1	8	1	8
Decrease/(increase) in other loans and receivables		26	(13)	26	(13)
Increase in deposits from banks and financial institutions		14,252	26,806	14,252	26,806
Decrease in deposits from the government and its agencies		(32)	(442)	(32)	(442)
Increase in deferred currency costs		(288)	(65)	(288)	(65)
Decrease in staff retirement benefit obligations		-	(5)	-	(5)
Increase in other liabilities		889	110	889	110
Net changes in working capital		7,822	22,309	7,822	22,309
Cash utilised in operations		(22,804)	(8,378)	(22,804)	(8,378)
Cash flows from investing activities					
Purchase of property and equipment	19	(741)	(7)	(741)	(7)
Increase in quota of International Monetary Fund (IMF)	12	(28,039)	(7,989)	(28,039)	(7,989)
Increase in holding of SDR's	12	(165)	(42)	(165)	(42)
Cash utilised in investing activities		(28,945)	(8,038)	(28,945)	(8,038)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Inflation Adjusted		Historical Cost	
	Notes	31 December 2017	31 December 2016	31 December 2017	31 December 2016
		SSP million	SSP million	SSP million	SSP million
Cash flows from financing activities					
Currency in circulation	20	11,722	7,291	11,722	7,291
Increase in IMF related liabilities	12	28,039	7,989	28,039	7,989
Increase in allocation of SDR's	12	12,014	2,209	12,014	2,209
Cash generated from financing activities		51,775	17,489	51,775	17,489
Net increase in cash and cash equivalents		26	1,073	26	1,073
Cash and cash equivalents:					
At the beginning of the year		4,687	3,614	4,687	3,614
At the end of the year		4,713	4,687	4,713	4,687

1. REPORTING ENTITY

The Bank of South Sudan (the "Bank") is the Central Bank of the Republic of South Sudan. Established in July 2011, by an Act of Parliament (The Bank of South Sudan Act, 2011), it replaced the now defunct branch of the Bank of Sudan, which had served as the branch of the Central Bank in Southern Sudan from February 2005 to July 2011. The Bank is fully owned by the Government of the Republic of South Sudan. It is headed by the Governor, assisted by two deputy governors, 1st Deputy Governor for Policy and Banking and 2nd Deputy Governor for Administration and Finance.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

(a) New standards and amendments to published standards effective for the year ended 31 December 2017

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Disclosure Initiative (Amendments to IAS 7)	Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities The amendment requires an entity to provide disclosures that enable users of financial statement to evaluate changes arising from financing activities, including both cash and non-cash changes.
Recognition of deferred tax assets for Unrealised Tax Assets (Amendments to IAS 12)	Amends IAS 12 Income Taxes to clarify the following aspects: Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
Annual Improvements 2014-2016 Cycle	The annual improvements 2014-2016 cycle made amendments to the following standard: • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

a) New standards and amendments to published standards effective for the year ended 31 December 2017 (continued)

The entity has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments (2014)	Effective for accounting periods beginning on or after 1 January 2018
IFRS 15 Revenue from Contracts with Customers	Effective for accounting periods beginning on or after 1 January 2018
IFRS 16 Leases	Effective for accounting periods beginning on or after 1 January 2019
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Effective for accounting periods beginning on or after 1 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	Effective for accounting periods beginning on or after 1 January 2019
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Effective for accounting periods beginning on or after 1 January 2018
Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)	Effective for accounting periods beginning on or after 1 January 2018
Transfers of Investment Property (Amendments to IAS 40)	Effective for accounting periods beginning on or after 1 January 2018
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Effective for accounting periods beginning on or after 1 January 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Effective for accounting periods beginning on or after 1 January 2019
Annual Improvements to IFRS Standards 2015 -2017 Cycle	Effective for accounting periods beginning on or after 1 January 2019

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

b) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2017

IFRS 9 Financial Instruments (2014)

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement**. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment**. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **Hedge accounting**. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

- **Derecognition**. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The Company has started the process of evaluating the potential effect of this standard but given the nature of the Company’s operations, this standard may not have a pervasive impact on the Company’s financial statements when effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2018 and is not expected to have significant impact on the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

b) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2017 (continued)

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 16 is effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021

IFRS 17 is effective for accounting periods beginning on or after 1 January 2021 and the Directors are still assessing the expected impact on the financial statements.

IFRIC 22 Foreign currency Transactions and Advance Consideration

The interpretation addresses foreign currency transactions or parts of transactions where:
There is consideration that is denominated or priced in a foreign currency; the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:
The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRIC 22 is effective for accounting periods beginning on or after 1 January 2018 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

IFRIC 23 Uncertainty over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

IFRIC 23 is effective for accounting periods beginning on or after 1 January 2019 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

b) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2017 (continued)

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.
The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date. The Directors do not anticipate that its adoption will result into material impact on the financial statements.

Transfers of Investment Property (Amendments to IAS 40)

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The list of examples of evidence in paragraph 57(a) - (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

IAS 40 is effective for accounting periods beginning on or after 1 January 2018 and is not expected to have significant impact on the financial statements

Prepayment Features with Negative Compensation (Amendments to IFRS 9)

Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments

Amendments to IFRS 9 are effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)

Clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments to IAS 28 are effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

b) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2017 (continued)

Annual Improvements to IFRS Standards 2015-2017 Cycle

Makes amendments to the following standards:

- **IFRS 3** and **IFRS 11** - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

- **IAS 12** - The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.

- **IAS 23** - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments to IFRS 13, IFRS 11, IAS 12 and IAS 23 are effective for annual periods beginning on or after 1 January 2018 and not expected to have a significant impact on the financial statements.

c) Early adoption of standards

The Bank did not early-adopt any new or amended standards in 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs); the requirements of the Bank of South Sudan Act, 2011; and the Public Finance Management and Accountability Act, 2011.

Basis of measurement

The financial statements have been prepared on a inflation adjusted basis except where otherwise stated or as required by International Financial Reporting Standards and Interpretations to those Standards for assets and liabilities to be stated at their fair value as disclosed in the accounting policies hereafter. Amounts in these financial statements are rounded to the nearest million (‘000,000) unless otherwise stated.

The financial statements are prepared to comply with International Accounting Standard (IAS) 29: Financial Reporting in Hyper Inflationary Economies effectively from 1 January 2016. As required by the standard, income and expenses, non-monetary assets and liabilities have been adjusted at current measuring unit.

The Bank adopted monthly South Sudan Consumer Price Indices (CPI) as the general price index to restate balances and transactions, with year 2011 being the base year for estimation of conversion factors from historical cost measurement to inflation adjusted measurement. All comparative figures have been restated to reflect the change in the CPI from the start of the reporting period to the end. Statement of Profit or Loss items have been restated by applying conversion factors applicable in the month when the transactions were processed in the Bank’s books. All items in the statement of cash flows are expressed based on the restated financial information for the period. A net monetary gain was recognized in the Statement of Profit or Loss and Comprehensive Income respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The conversion factors are obtained by dividing the average CPI for 2011 by the relevant month's CPI as shown below:

Month	CPI	Conversion factor
January 2017	2,058	17.05
February 2017	2,720	22.53
March 2017	2,431	20.13
April 2017	2,546	21.09
May 2017	3,576	29.62
June 2017	3,326	27.55
July 2017	3,355	27.78
August 2017	3,688	30.55
September 2017	3,987	33.02
October 2017	4,128	34.19
November 2017	4,587	37.99
December 2017	4,502	37.29

As a result of adopting the standard, the Bank has recorded a monetary gain amounting to SSP 1,116,740 million (2016: 488,456 million) in the adjusted statement of profit or loss for the year.

Functional and presentation currency

These financial statements are presented in South Sudanese Pounds ("SSP"), which is the Bank's functional currency and presentation currency.

Interest income

Interest income is recognized within the profit or loss basis using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Fees and commission income

Fees and commission income that is integral to the effective interest rate on a financial asset or financial liability is included in the measurement of the effective interest rate. Other fees and commission income - including account servicing fees, investment management fees, sales commission, placement fees and syndication fees are recognised as the related services are performed. If a loan commitment is not expected to result in the drawdown of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Gains arising from dealings in foreign currencies

Gains arising from dealings in foreign currencies comprises gains less losses related to trading assets and liabilities, and includes all realised fair value changes, interest, dividends and foreign exchange differences.

Other income

Other income is recognised in the period in which it is earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits including post-employment benefits

Short-term employment benefits such as salaries and overtime, allowances and staff training are recognized in profit or loss when they fall due.

Other employee benefits

The Bank provides free medical treatment to staffs and their dependants through medical insurance scheme. Exclusions are met by the Bank as medical expenses. The cost is charged to profit or loss. The estimated monetary liability for employees' earned but not taken leave entitlement at the end of the reporting period is recognized as an accrued expense.

Expenses

These are losses and other expenses that arise in the course of Bank's ordinary activities. They include interest and administrative expenses. Generally, expenses are recognised in the income statement when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

Interest expenses

Interest expense is the cost of debt that has accrued during a specified accounting period regardless of the time of spending the cash. These include interests on liquidity papers, repurchase agreements and IMF drawings.

Since interest on debt is not paid daily, the Bank passes adjusting entries periodically to recognise interest expense within the accounting period that the expense has been accrued. Interest expenses are recorded using the effective interest rate method**.**

Administrative expenses

This includes expenses that produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Such expenses are recognised immediately in the income statement in the accounting period that the cost has been incurred. These include maintenance, transport and travelling, meetings, conference and seminars, water and electricity, fees, rates and security expenses, telecommunication and postage, board expenses, audit fees, budget and annual accounts preparation, loss on disposal of property and equipment, hospitality, legal and investigation expenses.

In addition, administrative expenses include expenses whose economic benefits are expected to arise over several accounting periods and the association with benefit can only be broadly or indirectly determined. Such expenses are recognised in the income statement in the accounting period in which the economic benefits are consumed or have expired. They may include stationery and office supplies.

Other expenses

Other expenses are recognised in the income statement when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

Taxes

No provision for income tax was made in the Financial Statements as Section 9 of the Bank of South Sudan Act, 2011 exempts the Bank from paying all taxes and duties.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions (continued)

Where the Bank expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in South Sudanese Pounds, which is the Bank's functional and presentation currency and all values are rounded to the nearest thousands except where otherwise indicated.

Transactions and balances

Foreign currency transactions are translated into South Sudanese Pounds using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end are recognised in profit or loss.

Financial assets and financial liabilities

Recognition

The Bank initially recognises cash and cash equivalents, Government securities, loans and receivables, other assets, currency in circulation, deposits – Government and its agencies, Deposits – Banks and non-financial institutions, deferred grant and other liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets

The Bank classifies its financial assets into one of the following categories: at fair value through profit or loss; loans and receivables; held-to-maturity; and available-for-sale. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also recognized as held for trading.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial assets (continued)

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value'.

Held - to – Maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has positive intention and ability to hold to maturity. If the Bank was to sell other than an insignificant amount of held-to-maturity assets, the entire category would be reclassified as available for sale.

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Ministry of Finance and Planning on behalf of the Government of Republic of South Sudan. Treasury bills and bonds are classified as held to maturity and are stated at amortised cost.

Available-for-sale financial assets

Available-for-sale assets are financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans and receivables, or (c) financial assets held to maturity.

Available-for-sale investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date - the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are charged through profit or loss.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized as other comprehensive income.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit or loss. Currency in circulation, deposits of Government and its agencies, deposits from banks and non-financial institutions, other liabilities and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial liabilities and equity instruments

Currency in circulation

This represents South Sudan Pounds that have been issued into the South Sudanese economy by the Bank since inception. Currency in circulation is measured at the face value of notes and coins issued. Currency in circulation is determined by netting off notes and coins issued against the balance held in the Bank of South Sudan vaults. The currency in circulation is measured at amortized cost.

Deposits

Deposits from Government and its agencies and banks and non-financial institutions are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale and repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

Deposits from Government and its agencies and banks and non-financial institutions are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

Financial guarantee contracts liabilities

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this
amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recorded at the proceeds received, net of direct issue costs

De-recognition

Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial liabilities and equity instruments (continued)

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities

The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank has a legal right to set off the amounts and it intends either to settle them 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 under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial 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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial liabilities and equity instruments (continued)

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid. The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Identification and measurement of impairment

At each reporting date, the Bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security; or

- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Bank considers evidence of impairment for loans and advances and held-to-maturity Government securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event, occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The Bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when Bank Credit determines that there is no realistic prospect of recovery.

Valuation reserve account under the legal framework

In accordance with Section 36 and 37 of the Bank of South Sudan Act, 2011 unrealised gains or losses on foreign exchange are transferred to this reserve account. In accounting for unrealised gains or losses, the Bank complies with the requirements of both IFRS and the Bank of South Sudan Act, 2011. Pursuant to the requirements of the International Accounting Standard (IAS – 21) the Effects of Changes in Foreign Exchange Rates, all realised and unrealised foreign exchange valuations are taken to the profit or loss.

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

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property or equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

Derecognition

An item of premises and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of premises and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Bank will obtain ownership by the end of the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

The estimated useful lives of significant items of property and equipment are as follows:

Buildings	40 years
Furniture and fixtures	5 years
Vehicles	5 years
Office equipment	5 years
Other	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work in progress

Capital work in progress relates to property and equipment under construction. Cost includes materials, direct labour and any other direct expenses incurred in respect of the project less any recognised impairment losses. The amounts are transferred to the appropriate property and equipment categories once the project is completed and the asset is available for use.

Leased hold premises

Leased premises refurbishment represents costs incurred by the Bank in refurbishment of leased banking premises.

Intangible assets

Intangible assets consist of computer application software and computer application licence packages. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment at the reporting date to ascertain if there is an indication that the intangible asset may be impaired. Generally, cost associated with developing computer software programmes are recognised as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally developed intangible assets are not capitalised unless they meet certain criteria.

Impairment of non-financial assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than investment properties) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lease payments - lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding 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.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Lease assets - lessee

Assets held by the Bank under leases that transfer to the Bank substantially all of the risks and rewards of ownership are classified as finance leases. The leased asset is initially measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Bank's statement of financial position.

Capital grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released as income in equal instalments over the expected useful life of the related asset.

When the Bank receives non-monetary grants, the asset and the grant are recorded at gross amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by Governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional Government grants.

Other liabilities

Other liabilities are stated at their nominal value/cost, which approximates fair value due to the short-term nature of the obligation.

Loans, receivables, and other assets

These are measured at carrying amounts which approximates their fair value due to the short period between reporting date and settlements of these assets.

Cash and cash equivalents

Cash and cash equivalents comprise of demand and time deposit with central banks and commercial banks and holding of notes denominated in foreign currency. Cash and cash equivalent is carried at amortised cost in the statement of financial position. Due to their short-term nature, the carrying amount approximates the fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

International Monetary Fund (IMF) related balances

Relationship

The Bank is the fiscal and depository agent of Republic of South Sudan for transactions with the International Monetary Fund (IMF). Financial resources availed to South Sudan by the Fund are channelled through the Bank. Repayment of the IMF loans as well as charges is the responsibility of the Bank.

Currency of Transactions with the IMF

Borrowings from and repayments to the IMF are denominated in Special Drawings Rights (SDRs). The SDR balances in IMF accounts are translated into SSP and any unrealised gains or losses are accounted for in profit and loss account in accordance with IAS 21 – Effects of changes in foreign exchange rates.

Quota in IMF, Interest and Charges

Borrowings from the related South Sudan’s quota are non-interest bearing with no stated maturity, while borrowings from the General Resources Account of the IMF bears interest at rates set by the IMF on a weekly basis and are repayable according to the repayment schedules of the agreement.

4. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going 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 most significant use of judgement and estimates are as follows:

(a) Going concern

The Bank's Directors has made an assessment of the Bank's ability to continue as a going concern. Directors are satisfied that the Bank has resources to continue in operation for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

(b) Impairment of assets carried at amortised cost

Impairment losses on items in cash and cash equivalents, Government securities, loans and receivables and other assets.

The Bank reviews its financial assets measured at amortised cost at each reporting date to assess whether an impairment loss should be recognised in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the impairment.

The Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

(c) Impairment of other financial assets

The Bank adopted an incurred loss approach to impairment. Impairment losses are incurred only if there is objective evidence of impairment as a result of occurrence of one or more past events since initial recognition.

Impairment exists when the carrying amount exceeds its recoverable amount and the asset is written down to the recoverable amount. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGMENT AND ESTIMATES (CONTINUED)

(d) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is 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 liquidity and model inputs such as correlation and volatility for longer dated derivatives and discount rates. Details have been provided under Note 24 to these accounts.

(e) Useful lives of property and equipment

Pursuant to the requirements of IAS 16 (Property, Plant and Equipment) the Bank makes accounting estimation of the useful lives of assets based on the expected pattern of consumption of the future economic benefits.

(f) Contingent liabilities

The Bank has provided for the liabilities arising out of contractual obligations. Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgments than other types of provisions. When cases are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases. Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgments and estimates as appropriate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
5. INTEREST AND SIMILAR INCOME				
Interest income	21,485	5,738	703	602
6. COMMISSION INCOME				
Commission from foreign transactions	6,653	1,526	237	179
7. COMMISSION EXPENSES				
Foreign bank charges	1,558	461	55	52
Other banking charges and commission expenses	4,019	753	141	86
	5,577	1,214	196	138
8. PERSONNEL EXPENSES				
Salaries	3,256	650	115	76
Allowances	6,047	1,338	214	157
Training	3,699	121	131	14
	13,002	2,109	460	247
9. GENERAL AND ADMINISTRATIVE EXPENSES				
Staff travelling	2,142	248	58	20
Power and electricity	850	106	23	9
Currency and related expenses (Note 10)	149,805	15,459	4,032	1,256
Repair and maintenance	1,886	94	51	8
Communication	129	21	3	2
Director's remuneration	767	83	21	7
Printing and stationary	496	36	13	3
Entertainment	169	22	5	2
Donations	368	6	10	-
Library, books, and periodicals	31	4	1	-
Rent and fuel expenses	2,244	135	60	11
Posters and public awareness	39	2	1	-
Audit fees	775	12	21	7
Other expenses	252,348	1,514	6,792	117
	412,049	17,742	11,091	1,442

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CURRENCY AND RELATED EXPENSES

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Cost of currency issued in circulation	148,975	15,278	4,010	1,242
Currency transportation and insurance	799	115	21	9
Other currency expenses	31	66	1	5
	149,805	15,459	4,032	1,256

11. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Cash in hand	2,959	516	2,959	516
Balances with foreign banks	1,754	4,171	1,754	4,171
	4,713	4,687	4,713	4,687

12. INTERNATIONAL MONETARY FUND (IMF) RELATED BALANCES

	31 December 2017		31 December 2016	
	SDR '000	Equivalent SSP million	SDR '000	Equivalent SSP million
Assets				
Holdings of SDR's	1,619	256	2,079	91
Quota in IMF	246,001	38,861	246,001	10,822
	247,620	39,117	248,080	10,913
Liabilities				
IMF Account No.1	9	1	31	1
IMF Account No.2	-	-	1	-
IMF Securities Account	6,657	1,053	23,905	1,052
CVA Account	239,335	37,808	222,064	9,769
IMF related liabilities	246,001	38,861	246,001	10,822
Allocation of SDR's	105,406	16,651	105,406	4,637

13. GOVERNMENT SECURITIES

	Inflation Adjusted		Historical Cost	
	31 December 2016 SSP million	31 December 2015 SSP million	31 December 2016 SSP million	31 December 2015 SSP million
Interest bearing bond	1,917	1,917	1,917	1,917

13. GOVERNMENT SECURITIES (CONTINUED)

This bond was issued by South Sudan Treasury and purchased by the Bank as part of the Capital Restoration Plan as approved by the Council of Ministers of the Republic of South Sudan - Resolution No. 211/2012 dated 7 December 2012. Under the Resolution, various assets with a record value of SSP 1,917,373,490 were transferred from the Bank to the Ministry of Finance and Economic Planning in exchange for this interest-bearing bond of the same amount. This bond pay interest at the rate of 3%. Accrued interest with respect to the bond has been disclosed under Note 14.

14. ADVANCES TO THE GOVERNMENT

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Advances to the government	24,332	16,759	24,332	16,759
Interest receivable from advances to the government	292	897	292	897
Interest receivable from government securities	340	282	340	282
	24,964	17,938	24,964	17,938

These represent advances to the Government of South Sudan during the year. The advances are repayable in 6 months and attracts an interest rate of 3% and 8% per annum repayable in 6 months.

15. ADVANCES TO COMMERCIAL BANKS

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Advances to domestic banks	19	20	19	20

16. OTHER LOANS AND RECEIVABLES

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Loans and advances to staff	41	57	41	57
Other receivables	2	12	2	12
	43	69	43	69

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. OTHER ASSETS

The balance under the account represents deferred notes printing and coins minting expenses relating to costs of printed noted and minting coins that have not yet been released in circulation. During financial year 2017, the movement on deferred currency cost balance was as follows:

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	**31 December 2016 SSP million**	**31 December 2017 SSP million**	**31 December 2016 SSP million**
Balance at the beginning of the year	65	-	65	-
Add: Cost of currency received during the year	149,263	15,343	4,298	1,307
Less: Cost of currency issued in circulation	(148,975)	(15,278)	(4,010)	(1,242)
	353	65	353	65

18. INTANGIBLE ASSETS

	31 December 2017 SSP million	**31 December 2016 SSP million**
COST		
As at 1 January	34	34
Addition during the year	-	-
As at 31 December	34	34
AMORTISATION		
As at 1 January	(10)	(10)
Charge for the year	(24)	(24)
As at 31 December	(34)	(34)
NET BOOK VALUE	-	-

19. PROPERTY AND EQUIPMENT

	Land and buildings SSP million	Furniture and fixtures SSP million	Motor vehicles SSP million	Computer and IT equipment SSP million	Other office equipment SSP million	Work-in-progress SSP million	Total SSP million
COST							
At 01 January 2016	26	5	9	5	12	52	109
Additions	-	4	2	-	1	-	7
Transfers	-	-	-	-	1	(1)	-
Revaluation gain	2,060	39	74	39	109	-	2,321
At 31 December 2016	2,086	48	85	44	123	51	2,437
At 01 January 2017	2,086	48	85	44	123	51	2,437
Additions	-	11	16	7	37	670	741
Revaluation gain	230	6	9	5	13	-	263
At 31 December 2017	2,316	65	110	56	173	721	3,441
DEPRECIATION							
At 01 January 2016	(3)	(3)	(4)	(2)	(10)	-	(22)
Charge for the year	(14)	(9)	(17)	(9)	(25)	-	(74)
Eliminated on revaluation	3	3	4	2	10		22
At 31 December 2016	(14)	(9)	(17)	(9)	(25)	-	(74)
At 01 January 2017	(14)	(9)	(17)	(9)	(25)	-	(74)
Charge for the year	(15)	(13)	(22)	(11)	(36)	-	(97)
Eliminated on revaluation	14	9	17	9	25	-	74
At 31 December 2017	(15)	(13)	(22)	(11)	(36)	-	(97)
NET BOOK VALUE							
At 31 December 2017	2,301	52	88	45	137	721	3,344
At 31 December 2016	2,072	39	68	35	98	51	2,363

19. PROPERTY AND EQUIPMENT (CONTINUED)

During the year the Bank conducted fixed asset valuations for financial years by an external valuer Auditax International; resulting to a revaluation gain amounting SSP 337 million; this gain has been recognized in the statement of other comprehensive income.

20. CURRENCY IN CIRCULATION

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Total printed currency	12,754	6,774	12,754	6,774
Currency printed during the year	13,400	5,981	13,400	5,981
Bank notes ex-mint (unissued)	(871)	(385)	(871)	(385)
	25,283	12,370	25,283	12,370
Bank notes and coins at the vault of the bank	(1,427)	(294)	(1,427)	(294)
Currency destroyed	(58)		(58)	
Currency in circulation	23,798	12,076	23,798	12,076

Currency in circulation represents the face value of notes and coins in circulation. Notes and coins held by the Bank as cash in main vault, intermediary vault and cashier/teller at the end of financial year have been netted off against the liability for notes and coins in circulation because they do not represent currency in circulation.

21. DEPOSITS FROM GOVERNMENT AND ITS AGENCIES

Ministry of Finance and Economic Planning	1,153	2,561	1,153	2,561
Other Government institutions	2,133	757	2,133	757
	3,286	3,318	3,286	3,318
Total deposits from the Government and its agencies	3,286	3,318	3,286	3,318
Total advances to the Government (Note 14)	(24,964)	(17,938)	(24,964)	(17,938)
Net advance to the Government	21,678	14,620	21,678	14,620

As at 31 December 2017 the position of the Government of South Sudan accounts were overdrawn by SSP 21,678 million (2016: 14,620 million). Pursuant to provision of Section 65 of the Bank of South Sudan Act of 2011, a total of interest amounting to SSP 703 million (2015: 602 million) was charged during the year end 31 December 2017 as interest on advances to the Government. Government deposit balances are non-interest bearing.

22. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

Current accounts	36,512	28,833	36,512	28,833
Cash statutory reserves	18,890	12,317	18,890	12,317
	55,402	41,150	55,402	41,150

All balances are due to local banks and financial institutions and are non-interest bearing.

Cash statutory reserve balances are maintained by the commercial banks with the Bank as per the requirement of the Bank of South Sudan Act, 2011.

23. OTHER LIABILITIES

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017 SSP million	31 December 2016 SSP million
Sundry payables	18	3	18	3
Deferred current cost accrual	1,268	394	1,268	394
	1,286	397	1,286	397

24. TAXES

No provision for income tax was made in the financial statements as Section 9 of the Bank of South Sudan Act, 2011 exempts the Bank from paying all taxes and duties.

25. CAPITAL ACCOUNT

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2016 SSP million	31 December 2017	31 December 2016
Authorised and paid up capital	310	15	15	15
Allocation from the general reserve account	-	-	-	-
IAS 29 adjustment	365	295	-	-
	675	310	15	15

The capital account comprises the initial capital paid by the Government as per Article 33 of the Bank of South Sudan Act of 2011 (the Act). The Act states that, the authorised and paid up capital of the Bank is SSP 15 million. This capital is solely held by the Government of the Republic of South Sudan and shall not be transferable or subject to encumbrances.

In previous year, the Bank adopted IAS 29: Financial Reporting in Hyperinflationary Economies, the standard requires restatement of equity in each reporting period in accordance with prevailing conversion factors. As a result of this the Bank has recorded a monetary loss amounting to SSP 365 million.

26. RISK MANAGEMENT

26.1 Financial risks

(a) Credit risk

In its financial operations, the Bank is exposed to credit risk, defined as the probability of a complete or partial failure of a counterpart to fulfil its obligations arising from a financial transaction. Credit risk originates from the open market operations carried out in order to provide short-term liquidity to banks within the framework of monetary policy implementation and from the investments made during foreign exchange reserve management.

Total assets of the Bank exposed to credit risk as of 31 December 2017 and 31 December 2016 are presented in the table below:

26. RISK MANAGEMENT

26.1 Financial risks

(a) Credit risk

	31 December 2017 SSP million	%	31 December 2016 SSP million	%
Credit exposures				
Cash and cash equivalents	1,755	2%	4,171	12%
Holding of Special Drawing Rights (SDR's)	256	1%	233	1%
Quota of International Monetary Fund (IMF)	38,861	57%	10,822	30%
Government securities	1,917	2%	1,917	5%
Advances to the government	24,964	36%	17,938	50%
Advances to commercial banks	19	1%	20	1%
Other loans and receivables	43	1%	69	1%
	67,815	100%	35,170	100%

The above represents the worst-case scenario of credit exposure for both years, without taking account of any collateral held or other credit enhancements attached.

Credit quality per class of financial assets

The credit quality per class of financial assets is managed by the Bank using internal ratings. The table below shows the quality by class of asset for all financial assets exposed to credit risk, based on the Bank's credit rating system. The amount presented is gross of impairment allowances:-

	Total SSP million	Fully performing SSP million	Past due but not impaired SSP million	Past due and impaired SSP million
31 December 2017				
Cash and cash equivalents (excluding cash in hand)	1,755	1,755	-	-
Holding of Special Drawing Rights (SDR's)	256	256	-	-
Quota of International Monetary Fund (IMF)	38,861	38,861	-	-
Government securities	1,917	1,917	-	-
Advances to the government	24,964	-	24,964	-
Advances to commercial banks	19	-	19	-
Other loans and receivables	43	43		-
	67,815	42,832	24,983	-
31 December 2016				
Cash and cash equivalents (excluding cash in hand)	4,171	4,171	-	-
Holding of Special Drawing Rights (SDR's)	233	233	-	-
Quota of International Monetary Fund (IMF)	10,822	10,822	-	-
Government securities	1,917	1,917	-	-
Advances to the government	17,938	-	17,938	-
Advances to commercial banks	20	-	20	-
Other loans and receivables	69	69	-	-
	35,170	17,212	17,958	-

The Bank does not hold collateral for financial liabilities pledged as security.

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (Continued)

(a) Credit risk (continued)

Credit quality per external credit rating agencies

Description	31 December 2017 Balance	31 December 2017 Share (%)	31 December 2016 Balance	31 December 2016 Share (%)
Cash and cash equivalents (excluding cash in hand)				
NR	1,755	2%	4,171	12%
Balances with IMF-NR				
Holding of Special Drawing Rights (SDR's)	256	1%	91	1%
Quota of International Monetary Fund (IMF)	38,861	57%	10,822	30%
Government securities				
NR	1,917	2%	1,917	5%
Loans and Advances to the Government				
NR	24,964	36%	17,938	50%
Advances to commercial banks				
NR	19	1%	20	1%
Other loans and receivables				
NR	43	1%	69	1%
Total	67,815	100%	35,028	100%

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(a) Credit risk (continued)

The sectoral classification of the Bank's credit exposure as at 31 December 2017 is as follows:

31 December 2017	Foreign Country Treasury SSP million	Supranational Institutions SSP million	Domestic Financial Institutions SSP million	Foreign Financial Institutions SSP million	Government of South Sudan SSP million	Others SSP million	Total SSP million
Cash and cash equivalents (excluding cash in hand)	-	-	-	1,755	-	-	1,755
Holding of Special Drawing Rights (SDR's)	-	256	-	-	-	-	256
Quota of International Monetary Fund (IMF)	-	38,861	-	-	-	-	38,861
Government securities	-	-	-	-	1,917	-	1,917
Advances to the Government	-	-	-	-	24,964	-	24,964
Advances to commercial banks	-	-	19	-	-	-	19
Other loans and receivables	-	-	-	-	-	43	43
Total	-	39,117	19	1,755	26,881	43	67,815

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(a) Credit risk (continued)

The sectoral classification of the Bank's credit exposure as at 31 December 2016 is as follows:

31 December 2016	Foreign Country Treasury SSP million	Supranational Institutions SSP million	Domestic Financial Institutions SSP million	Foreign Financial Institutions SSP million	Government of South Sudan SSP million	Others SSP million	Total SSP million
Cash and cash equivalents (excluding cash in hand)	-	-	-	4,171	-	-	4,171
Holding of Special Drawing Rights (SDR's)	-	91	-	-	-	-	91
Quota of International Monetary Fund (IMF)	-	10,822	-	-	-	-	10,822
Government securities	-	-	-	-	1,917	-	1,917
Advances to the government	-	-		-	17,938	-	17,938
Advances to commercial banks	-	-	20	-	-	-	20
Other loans and receivables	-	-	-	-	-	69	69
Total	-	10,913	20	4,171	19,855	69	35,028

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(a) Credit risk (continued)

Geographical analysis of concentrations of assets and liabilities of the Bank as at 31 December 2017 is as follows:

31 December 2017	South Sudan SSP million	USA SSP million	Other East African countries SSP million	European Countries SSP million	Other Countries SSP million	Total SSP million
Cash and cash equivalents (excluding cash in hand)	-	1,229	18	508	-	1,755
Holding of Special Drawing Rights (SDR's)	-	256	-	-	-	256
Quota of International Monetary Fund (IMF)	-	38,861	-	-	-	38,861
Government securities	1,917	-	-	-	-	1,917
Advances to the Government	24,964	-	-	-	-	24,964
Advances to commercial banks	19	-	-	-	-	19
Other loans and receivables	43	-	-	-	-	43
Total	26,943	40,346	18	508	-	67,815

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(a) Credit risk (continued)

Geographical analysis of concentrations of assets and liabilities of the Bank as at 31 December 2016 is as follows:

31 December 2016	South Sudan SSP million	USA SSP million	Other East African countries SSP million	European Countries SSP million	Other Countries SSP million	Total SSP million
Cash and cash equivalents (excluding cash in hand)	-	532	1,156	2,196	287	4,171
Holding of Special Drawing Rights (SDR's)	-	91	-	-	-	91
Quota of International Monetary Fund (IMF)	-	10,822	-	-	-	10,822
Government securities	1,917	-	-	-	-	1,917
Advances to the Government	17,938	-	-	-	-	17,938
Advances to commercial banks	20	-	-	-	-	20
Other loans and receivables	69	-	-	-	-	69
Total	19,944	11,445	1,156	2,196	287	35,028

(b) Liquidity risk

This arises from inability of the Bank to meet its own foreign exchange and government obligations without incurring huge price concession. The table below analyses the assets and liabilities of the Bank into relevant maturity based on the remaining period at statement of financial position date to contractual maturity date.

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(b) Liquidity risk

By contractual maturity analysis of financial instruments:

Details	Up to 1 Month SSP million	From 1 to 12 Months SSP million	From 1 to 5 Years SSP million	Over 5 Years SSP million	Total SSP million
31 December 2017					
Financial assets					
Cash and cash equivalents	4,713	-	-	-	4,713
Holding of Special Drawing Rights (SDR's)	256	-	-	-	256
Quota of International Monetary Fund (IMF)	38,861	-	-	-	38,861
Government securities	-	-	-	1,917	1,917
Advances to the Government	-	24,964	-	-	24,964
Advances to commercial banks	-	19	-	-	19
Other loans and receivables	-	43	-	-	43
Total	43,830	25,026	-	1,917	70,773
Financial liabilities					
Currency in circulation	23,798	-	-	-	23,798
Deposits from Government and its agencies	3,286	-	-	-	3,286
Deposits from banks and financial institutions	55,402	-	-	-	55,402
Other liabilities	1,286	-	-	-	1,286
IMF related liabilities	38,861	-	-	-	38,861
Allocation of Special Drawing Rights (SDR's)	16,651	-	-	-	16,651
Total liabilities	139,284	-	-	-	139,284
Net liquidity gap	(95,454)	25,026	-	1,917	(68,511)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(b) Liquidity risk (continued)

By contractual maturity analysis of financial instruments:

Details	Up to 1 Month SSP million	From 1 to 12 Months SSP million	From 1 to 5 Years SSP million	Over 5 Years SSP million	Total SSP million
31 December 2016					
Financial assets					
Cash and cash equivalents	4,171	-	-	-	4,171
Holding of Special Drawing Rights (SDR's)	91	-	-	-	91
Quota of International Monetary Fund (IMF)	10,822	-	-	-	10,822
Government securities	-	-	-	1,917	1,917
Advances to the Government	-	17,938	-	-	17,938
Advances to commercial banks	-	20	-	-	20
Other loans and receivables	-	69	-	-	69
Total	15,084	18,027	-	1,917	35,028
Financial liabilities					
Currency in circulation	12,076	-	-	-	12,076
Deposits from Government and its agencies	3,318	-	-	-	3,318
Deposits from banks and financial institutions	41,150	-	-	-	41,150
Other liabilities	397	-	-	-	397
IMF related liabilities	10,822	-	-	-	10,822
Allocation of Special Drawing Rights (SDR's)	4,637	-	-	-	4,637
Total liabilities	72,400	-	-	-	72,400
Net liquidity gap	(57,316)	18,027	-	1,917	(37,372)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(b) Market risk (continued)

i. Interest rate risk

The table below summarises the exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of either contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

Details	Up to 1 month SSP million	From 1 to 12 months SSP million	From 1 to 5 years SSP million	Over 5 years SSP million	Non-interest bearing SSP million	Total SSP million
31 December 2017						
Financial assets						
Cash and cash equivalents	-	-	-	-	4,713	4,713
Holding of Special Drawing Rights (SDR's)	-	-	-	-	256	256
Quota of International Monetary Fund (IMF)	-	-	-	-	38,861	38,861
Government securities	-	-	-	1,917	-	1,917
Advances to the Government	-	24,964	-	-	-	24,964
Advances to commercial banks	-	19	-	-	-	19
Other loans and receivables	-	43	-	-	-	43
Total	-	25,026	-	1,917	43,830	70,773
Financial liabilities						
Currency in circulation	-	-	-	-	23,798	23,798
Deposits from the Government and its agencies	-	-	-	-	3,286	3,286
Deposits from banks and financial institutions	-	-	-	-	55,402	55,402
Other liabilities	-	-	-	-	1,286	1,286
IMF related liabilities	-	-	-	-	38,861	38,861
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	16,651	16,651
Total liabilities	-	-	-	-	139,284	139,284

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(c) Market risk (continued)

i. Interest rate risk (continued)

Details	Up to 1 month SSP million	From 1 to 12 months SSP million	From 1 to 5 years SSP million	Over 5 years SSP million	Non-interest bearing SSP million	Total SSP million
31 December 2016						
Financial assets						
Cash and cash equivalents	-		-	-	4,171	4,171
Holding of Special Drawing Rights (SDR's)	-		-	-	91	91
Quota of International Monetary Fund (IMF)	-		-	-	10,822	10,822
Government securities	-		-	1,917	-	1,917
Advances to the Government	-	17,938	-	-	-	17,938
Advances to commercial banks	-	20	-	-	-	20
Other loans and receivables	-	69	-	-	-	69
Total	-	18,027	-	1,917	15,084	35,028
Financial liabilities						
Currency in circulation	-	-	-	-	12,076	12,076
Deposits from the Government and its agencies	-	-	-	-	3,318	3,318
Deposits from banks and financial institutions	-	-	-	-	41,150	41,150
Other liabilities	-	-	-	-	397	397
IMF related liabilities	-	-	-	-	10,822	10,822
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	4,637	4,637
Total liabilities	-	-	-	-	72,400	72,400

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (Continued)

(c) Market risk (Continued)

ii. Foreign exchange risk

The exchange rate risk (or currency risk) refers to the loss of the portfolio value or purchasing power of the portfolio occasioned by adverse foreign exchange rate movements. The Bank foreign reserves portfolio is denominated in a number of currencies whose exchange rates are subject to fluctuation on international foreign exchange market.

The currency positions of the Bank as of 31 December 2017 and 31 December 2016 that provides the Bank's assets, liabilities, and equity at carrying amounts, categorized by currency is summarized below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(c) Market risk (continued)

ii. Foreign exchange risk (continued)

The Bank's currency position:-

31 December 2017	**SSP** **SSP million**	**USD** **SSP million**	**GBP** **SSP million**	**EURO** **SSP million**	**UGX** **SSP million**	**SDR** **SSP million**	**Total** **SSP million**
Financial assets							
Cash and bank balances	1,943	2,006	166	463	135	-	4,713
Holding of Special Drawing Rights (SDR's)	-	-	-	-	-	256	256
Quota of International Monetary Fund (IMF)	-	-	-	-	-	38,861	38,861
Government securities	1,917	-	-	-	-	-	1,917
Advances to the Government	24,964	-	-	-	-	-	24,964
Loans and advances to banks	19	-	-	-	-	-	19
Other loans and receivables	43	-	-	-	-	-	43
Total	28,886	2,006	166	463	135	39,117	70,773
Financial liabilities							
Currency in circulation	23,798	-	-	-	-	-	23,798
Deposits from Government and its agencies	975	2,015	2	294	-	-	3,286
Deposits from banks and financial institutions	8,794	44,528	1,086	994	-	-	55,402
Other liabilities	1,286	-	-	-	-	-	1,286
IMF related liabilities	-	-	-	-	-	38,861	38,861
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	-	16,651	16,651
Total	34,853	46,543	1,088	1,288	-	55,512	139,284
Net exposure	(5,967)	(44,537)	(922)	(825)	135	(16,395)	(68,511)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(c) Market risk (continued)

ii. Foreign exchange risk (continued)

The Bank's currency position:-

	SSP SSP million	USD SSP million	GBP SSP million	EURO SSP million	UGX SSP million	SDR SSP million	Total SSP million
31 December 2016							
Financial assets							
Cash and bank balances	-	3,191	99	873	8	-	4,171
Holding of Special Drawing Rights (SDR's)	-	-	-	-	-	91	91
Quota of International Monetary Fund (IMF)	-	-	-	-	-	10,822	10,822
Government securities	1,917	-	-	-	-	-	1,917
Advances to the Government	17,938	-	-	-	-	-	17,938
Loans and advances to banks	20	-	-	-	-	-	20
Other loans and receivables	69	-	-	-	-	-	69
Total	19,944	3,191	99	873	8	10,913	35,028
Financial liabilities							
Currency in circulation	12,076	-	-	-	-	-	12,076
Deposits from Government and its agencies	640	2,508	1	168	-	-	3,318
Deposits from banks and financial institutions	7,076	32,931	541	603	-	-	41,150
Other liabilities	397	-	-	-	-	-	397
IMF related liabilities	-	-	-	-	-	10,822	10,822
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	-	4,637	4,637
Total	20,189	35,439	542	771	-	15,459	72,400
Net exposure	(245)	(32,248)	(443)	(102)	8	(4,546)	(37,372)

27. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. A summary of significant accounting policies in Note 3 describes how classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. During the year ended 31 December 2017 all the financial assets and liabilities were carried at amortized cost.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all-significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation technique includes net present value and discount cash flow model, comparison with similar instruments for which market observable price exist. Assumptions and inputs used in valuation technique include risk-free and benchmark interest rate, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation technique is to arrive at a fair value measurement that reflects the price that would be received to sell the assets or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Details	Level 1 SSP million	Level 2 SSP million	Level 3 SSP million	Total carrying amount SSP million
31 December 2017				
Assets				
Cash and cash equivalents	-	4,713	-	4,713
Holding of Special Drawing Rights (SDR's)	-	256	-	256
Quota of International Monetary Fund (IMF)	-	38,861	-	38,861
Government securities	-	1,917	-	1,917
Advances to the Government	-	24,964	-	24,964
Advances to commercial banks	-	19	-	19
Other loans and receivables		43	-	43
	-	70,773	-	70,773
Liabilities				
Currency in circulation	-	23,798	-	23,798
Deposits from Government and its agencies	-	3,286	-	3,286
Deposits from banks and financial institutions	-	55,402	-	55,402
Other liabilities	-	1,286	-	1,286
IMF related liabilities	-	38,861		38,861
Allocation of Special Drawing Rights (SDR's)	-	16,651	-	16,651
Total liabilities	-	139,284	-	139,284

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Details	Level 1 SSP million	Level 2 SSP million	Level 3 SSP million	Total carrying amount SSP million
31 December 2016				
Assets				
Cash and cash equivalents	-	4,687	-	4,687
Holding of Special Drawing Rights (SDR's)	-	91	-	91
Quota of International Monetary Fund (IMF)	-	10,822	-	10,822
Government securities	-	1,917	-	1,917
Advances to the Government	-	17,938	-	17,938
Advances to commercial banks	-	203	-	203
Other loans and receivables		69	-	69
	-	35,727	-	35,727
Liabilities				
Currency in circulation	-	12,076	-	12,076
Deposits from Government and its agencies	-	3,318	-	3,318
Deposits from banks and financial institutions	-	41,150	-	41,150
Other liabilities	-	397	-	397
IMF related liabilities	-	10,822		10,822
Allocation of Special Drawing Rights (SDR's)	-	4,637	-	4,637
Total liabilities	-	72,400	-	72,400

29. CONTINGENT LIABILITIES

Contingent liabilities arise in the normal course of the Bank's business activities. In order to meet the financial needs of the Government, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the inflationary adjusted statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

During the year 2015 the Bank entered a guarantee deed with Qatar National Bank S.A.Q on behalf of the Government of South Sudan in relation to a letter of credit and documentary credit facilities issued which as at the end of this year they were in the tune of USD 599 million. The matter is still in discussion with the International Centre for the Settlement of Investment Disputes due to uncertainty of settlement of the balances utilized from the credit facilities by the government.

30. OUTSTANDING COMMITMENTS

As at 31 December 2017, the Bank's capital commitments in respect of, Property and Equipment, Intangible Assets and major capital projects aggregated to SSP 1,035 million (2016: SSP 55 million). The major capital expenditure commitments item is as reflected herewith below:

	31 December 2017 SSP '000	31 December 2016 SSP million
Rumbek Currency Centre Project	1,035	1,035

The above commitments have been included and approved for payment in accordance with the 2016/2017 Budget Estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY DISCLOSURES

In the course of its operations, the Bank enters into transactions with related parties, which include the Government of the Republic of South Sudan, the ultimate shareholder of the Bank and key management personnel. The related party transactions during the year are as follows:

(a) Loans and emoluments to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank's key management personnel are the Governor, Deputy Governors', Non-Executive Directors and Directors.

The Bank extends loans facilities to the Governor, the Deputy Governors, and its members of staff. Loans and receivables (Note 14) included advances to employees that as at 31 December 2017 amounted to SSP 20 million (2016: SSP 15 million). The advances are granted at interest rates determined by the Bank over the period of the loan. The following is the breakdown of loans and emoluments granted to key management personnel except Non-Executive Directors.

		2017 SSP million	2016 SSP million
i	**Loans to Senior Management (i.e. Governor, Deputy Governors and Directors)**		
	At start of the year	15	8
	Loans granted during the year	5	8
	Loans repaid during the year	-	(1)
	Balance end of the year	20	15
ii	**Emoluments to Senior Management Personnel (Governor, Deputy Governors and Directors)**		
	Salaries, allowances, and benefits	11	6

In accordance with Section 18 of the Bank of South Sudan Act, 2011, remuneration of the Governor and Deputy Governors is determined by the Minister of Finance and Planning and Council of ministers of the Republic of South Sudan; plus an additional amount determined by a resolution of the non-executive Board members. As at 31 December 2017, the number of key management personnel was 6 (2016: 6).

(b) Directors' remunerations

During the year ended 31 December 2017, emoluments paid to the members of the Board amounted to SSP 11 million (2016: SSP 7 million). These emoluments include benefits of Non - Executive Directors. Non-Executive Directors are not entitled to loans and advances.

(c) Government of the Republic of South Sudan

Transactions entered into with the Government include:

Transactions entered into with the Government include:

(a) Financial accommodation on temporary short falls in Government revenue;
(b) Receipt of deposits from government bodies including ministries and agencies
(c) Other duties including agency of the Government as provided under the Bank of South Sudan Act, 2011.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

31. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Government of the Republic of South Sudan (continued)

Balances due from the government of Republic of South Sudan

	2017 SSP million	2016 SSP million
Government securities (note 13)	1,917	1,917
Advances to the Government (note 14)	24,964	17,939
	26,881	19,856

Balances due to the government of Republic of South Sudan

	2017 SSP million	2016 SSP million
Deposits from Ministry of Finance and Economic Planning (note 20)	1,153	2,561
Deposits from other Government institutions	2,133	757
	3,286	3,318

32. COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified to conform to changes in presentation in the current year

33. EVENTS AFTER THE REPORTING DATE

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Bank and results of its operations.