REPORTS OF THE AUDITOR GENERAL & THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL REPORT
&
FINANCIAL STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

31 DECEMBER 2018

BANK OF SOUTH SUDAN

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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BANK OF SOUTH SUDAN

GOVERNOR'S FOREWORD

The Bank of South Sudan takes immense pleasure and privilege to submit its Annual Report for the year 2018 to Minister of Finance & Planning. The Annual Report 2018 contains an analysis and review of the global economic developments, domestic output growth, employment situation, inflationary conditions, public finance, monetary & banking developments, financial markets, balance of payments, and the macroeconomic outlook. The South Sudan economy witnessed financial crises for the second year in a row during 2018, after coming out of crises in 2016.

Although the decline was recorded across all major economic activities, the petroleum activities contributed majorly to the growth due to a significant surge in oil prices. Nominal GDP grew in 2018 with the petroleum and non-petroleum activities expanding at respectively. The diversification efforts continued to nurture non-petroleum activities and private sector-led growth in order to reduce the dependence of the economy on the oil sector for development and employment.

The fiscal position also improved bit small during 2018 mainly because of a reasonable recovery in oil prices. The revenues enlarged substantially, while the non- revenue also witnessed some incremental growth though there are substantial impact. The expenditure rationalization, however, was constrained by socio-economic and geo-political priorities and increasing committed expenditure. Notwithstanding a considerable mark-up in expenditure, the fiscal deficit increased.

The fiscal deficit was funded largely through external borrowings to avoid crowding out of private investment. However, a small portion of the fiscal deficit was also financed through domestic market borrowings with an intended objective of domestic debt market development and financial deepening.

The overall balance of payments was in deficit, leading to in the country's foreign assets. The inflationary conditions, which are conditioned largely by imported inflation. Notwithstanding improvement, the deficits continue to pose a macroeconomic challenge and hence, require a concerted and sustained policy response. The policy measures to pursue policies and implement measures that support growth in the economy. Adequate liquidity was ensured in the banking system so that credit availability remains supportive of productive activities.

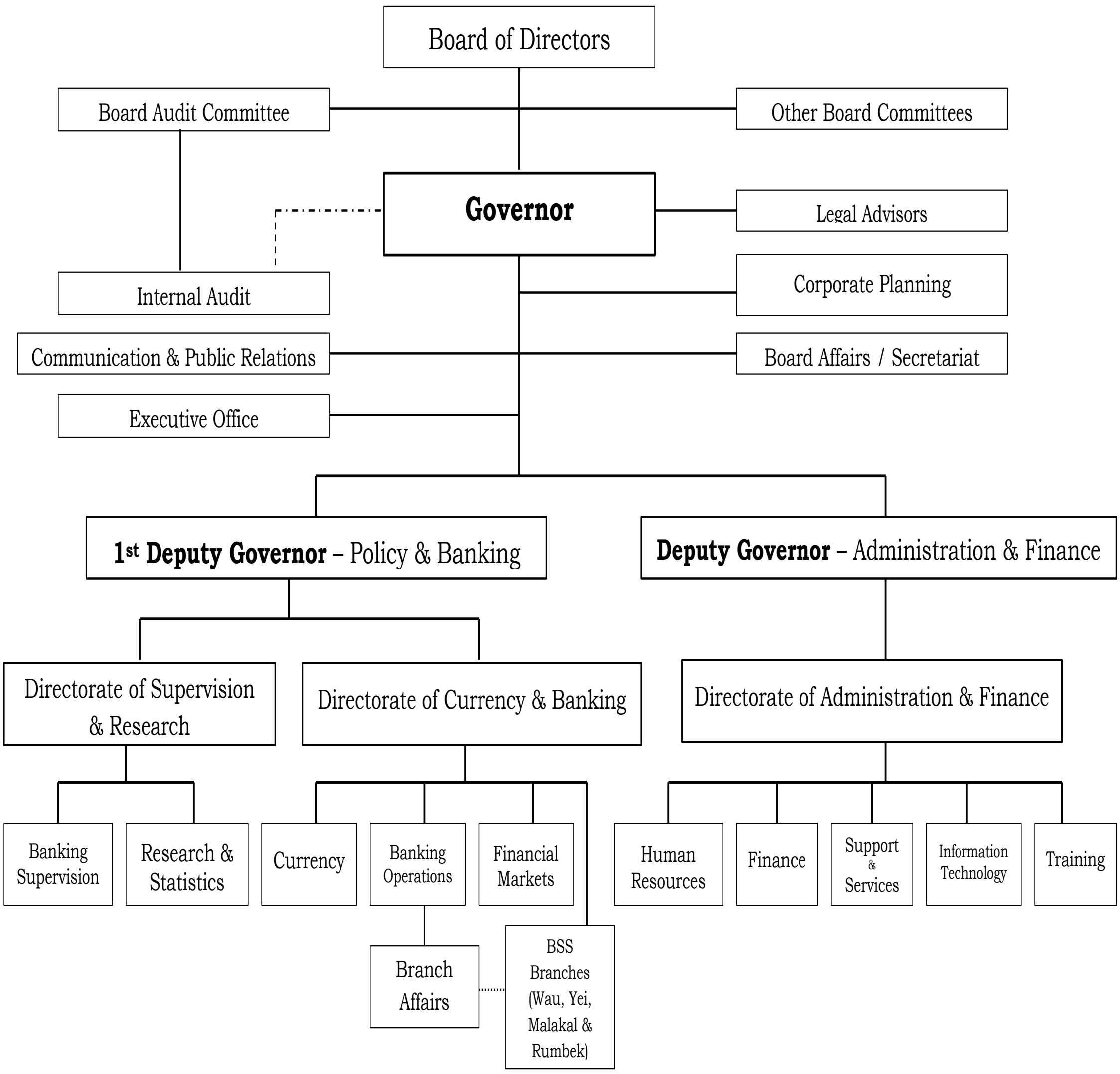
The BSS also relaxed some regulatory requirements to create additional space for credit with banks. The banking sector remained resilient and unhealthy with an adequate capital, low delinquency rate, and sufficient liquid assets, supporting financial stability on a sustainable basis.

It is acknowledged with great appreciation that the BSS received unstinted cooperation and support from the government, commercial banks, and other institutions in discharging various responsibilities efficiently. The high level of commitment and quality output from the management and staff of the Bank, which facilitated smooth and efficient functioning of the BSS, also deserve deep appreciation.

Hon. Dier Tong Ngor
Governor
Bank of South Sudan

GOVERNOR
BANK OF SOUTH SUDAN
BSS
BANK OF SOUTH SUDAN

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

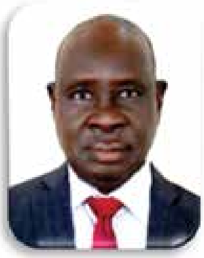
Hon. Daniel Kech Puoc
2nd Deputy Governor

Hon. Dr. Adil Atanasio Surur
Member of the Board

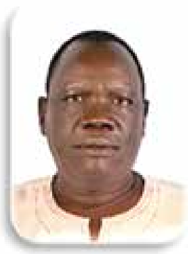
Hon. John Maciek Acuoth
Member of the Board

Hon. Prof. Nyiel Gordon Kuol
Member of the Board

Hon. Dr.Tabitha Eliaba Kenyi
Member of the Board

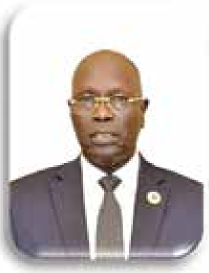


Hon. Wani Buyu Dyori
Member of the Board



Hon. Weituy Luony Babouth
Member of the Board

Mr. Chol Atem Diing
Secretary



Hon. Dier Tong Ngor
Governor

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

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

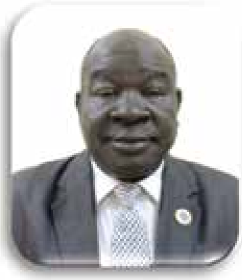
Moses Makur Deng
Director General for Supervision & Research

Yeni Samuel Costa
Director General for Currency & Banking Operation

Samuel Yanga Mikaya
Director General for Administration & Finance

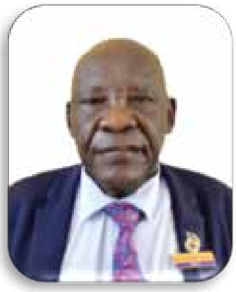
Abugo Charles Joseph Abate
Director of Supervision & Statistics

Bedpiny Tipo Kur
Director of Currency Department



Awad Balingo Donglia
Director of Finance

TOP & SENIOR MANAGEMENT (CONTINUE)



Daniel Gwagwe Lomuja
Director for Training Centre

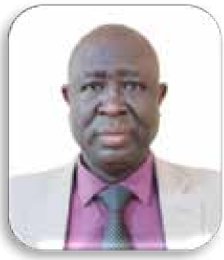
David Manyoun Nak
Director of Human Resource

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



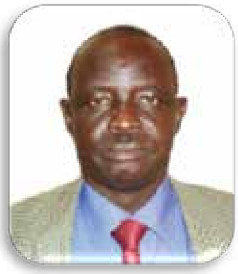
John Bullen Andrago
Director for Yei Branch

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 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

Executive summary

Global output expansion has shown signs of weakening at the end of the fourth quarter of 2018. The weaker than expected growth was partly due to the negative effects of tariff increases enacted in the United States and China, new fuel emission standards in Germany, natural disasters in Japan, concerns over a US government shutdown, weakening financial market sentiments in large economies and other triggers such as a "no-deal" withdrawal of the United Kingdom from the European Union has affected global economy. As a result, the IMF estimated global output to average 3.7 per cent in 2018, to slow down further to 3.5 per cent in 2019. GDP growth for most of the East African member states has remained robust towards the end of the fourth quarter of 2018 supported by the high demand due to low oil prices, moderate drought condition and expansionary fiscal policies. As a result, the IMF projected output to average about 6.8 per cent in Tanzania, 6.5 per cent in Rwanda, 5.5 per cent in Kenya, 5.2 per cent in Uganda and 0.1 per cent Burundi at the end of the year 2018.

South Sudan macroeconomic outlook at the end of the fourth quarter 2018 was featured by a number of varying developments among which includes the resumption of oil production in some parts of the country, the launching of South Sudan National Development Strategy (NDS) Agenda 2040 with the main strategy of guiding government investment in areas that will consolidate peace and macroeconomic stabilization focusing on agriculture, livestock, petroleum, security sector reform, and basic services. As result, government revenue is anticipated to improve in the short and medium run.

Nevertheless, the government of South Sudan is still facing challenges of budget execution. There is need to continue with reforms enacted earlier at the beginning of the fiscal year 2017/2018 to restore macroeconomic stability. The underperformance of the non-oil sector especially local agricultural production, the weak performance of the private sector as manifested by minimal ratios of loans to total deposits by the commercial banks and the high none performing loans in the country has signalled low output at the end of the year 2018. Consequently, the Bank of South Sudan projected GDP to decline by about negative 3.24 per cent at the end of the year 2018 while inflation has dropped to around 40 per cent at the same period supported partly by liquidity tightening by the Monetary Authorities.

Provisional figures show that the South Sudan current account is in surplus of about USD 275.42 million mainly due to low imports and high exports especially from the oil sector. However, these numbers should be used with caution because the Bank of South Sudan believes that imports into the country may have been underestimated. The South Sudanese Pound has depreciated by about 17 per cent from SSP 211.78/USD in the third quarter of 2018 to about SSP 247.97/USD at the end of the fourth quarter of 2018 in the parallel market, reflecting high demand for foreign currencies by traders and holidays makers during the Christmas season, and the gross international reserves of South Sudan has dropped by about 7 per cent at the end of fourth quarter of 2018.

International and Regional Outlook

Global Outlook

Global expansion has shown signs of weakening at the end of the fourth quarter 2018. The weaker than expected growth was partly due to the negative effects of tariff increases enacted in the United States and China, new fuel emission standards in Germany, natural disasters in Japan and the weakening financial market sentiments that have all weighed on activity in large economies. As a result, the IMF estimated global output to average 3.7 per cent in 2018, to slow down further to 3.5 per cent in 2019. Concerns over a US government shutdown further weighed on financial sector sentiments towards the end of the fourth quarter 2018, other triggers such as a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China has also weighed down growth in the world economy. The IMF estimated growth in advanced economies to average about 2.3 per cent in 2018 before slowing down to 2.0 per cent in 2019. Growth in emerging markets and developing economies is expected to decline further to 4.6 per cent in 2018 from 4.7 per cent in 2017 as shown in table 1 below, while growth in the euro area is expected to decline to 1.8 per cent in 2018 from 2.4 per cent in 2017 (WEO January, 2019).

Table 1: Global GDP Growth Rate

	2016	2017	Estimates 2018	Projections 2019
World	**3.2**	**3.8**	**3.7**	**3.5**
Advanced Economies	**1.7**	**2.4**	**2.3**	**2.0**
United States	1.5	2.2	2.9	2.5
Euro Area	1.8	2.4	1.8	1.6
Japan	0.9	1.9	0.9	1.1
Emerging & developing economies	**4.4**	**4.7**	**4.6**	**4.5**
China	6.7	6.9	6.6	6.2
India	7.1	6.7	7.3	7.5
Sub-Saharan Africa	**1.4**	**2.9**	**2.9**	**3.5**
Nigeria	-1.6	0.8	1.9	2.0
South Africa	0.6	1.3	0.8	1.4

Source: IMF World Economic Outlook database (WEO, January 2019)

The **US economy** maintained strong growth with current growth still remaining above potential growth, this is boosted by increase in private sector activity, the sizable fiscal stimulus and strong domestic demand. As a result, the IMF has estimated US output to average about 2.9 per cent at the end of the year 2018, up from 2.2 per cent in 2017 (WEO January 2019).

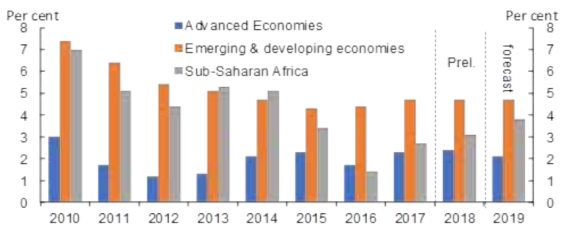
Growth in **China** and a number of Asian Economies have also been revised downward due to the combined influence of needed financial regulatory tightening and trade tension with the US Administration. The IMF projected output growth in the Chinese economy to decline to 6.6 per cent in 2018 from 6.9 per cent in 2017 reflecting weak external demand growth (table 1 above).

Sub-Saharan Africa

Economic recovery in the Sub-Sahara region continues but at a slower pace than expected due to downward growth revisions in the three largest economies (Nigeria, South Africa, and Angola) according to the World Bank, 2018. On the supply side, the moderate recovery in some of the sub-Sahara countries reflected higher oil prices and better agricultural conditions following ease of drought conditions. On the demand side, growth was supported by consumer spending amid eased inflation and public investment—especially among non-resource-rich countries. For example, **Nigeria's** economic recovery faltered in 2017, mainly due to decline in oil production brought about by closure of some pipelines for maintenance and a decline in agriculture output due to internal conflicts which disrupted crop production, as a result the Nigeria's GDP declined to an average of 0.8 per cent in 2018. However, the IMF estimates that output will rebound to about 1.9 per cent at the end of 2018 mainly due to recovery in crude oil prices in the international market. Economic activity in **South Africa** is expected to remain subdued, as high unemployment and slow credit growth weigh on household demand, and fiscal consolidation limits government spending and as a result output was estimated to average about 0.8 per cent in 2018 compared to 1.3 in 2017 (IMF, January 2019).

Inflation is expected to fluctuate from one region to the other at the end of the year 2018. The IMF projects inflation to average about 2.4 per cent in the group of advanced economies, 4.7 per cent for the group of emerging markets and developing economies and about 3.1 per cent in the group of sub Saharan African countries by the end of 2018 (figure 1 below).

Figure 1: Annual Inflation Rate for Some Selected Regions



Source: IMF World Economic Outlook database (WEO January 2019)

The reasons for this dynamics in inflation according to the IMF (January 2019) is the tightening of monetary policy that ensures expectations remain well anchored especially in the USA and tightening of regulatory measures in China, the cautious process taken by most central banks especially in Euro area due to the uncertainty created by trade deals, the dispersion of inflation in Sub-Saharan Africa reflecting variation in cyclical positions, anchoring of inflation expectations, and inflation targets in a number of countries (WEO, January 2019).

Risks to global outlook

Some of the key sources of risks to the global economy are the outcome of trade negotiations and the direction of financial condition it will take in the medium run. Failure to resolve differences and a resulting increase in tariff barriers would lead to higher costs of imported intermediate and capital goods and higher final goods prices for consumers. Beyond these direct impacts, higher trade policy uncertainty and concerns over escalation and retaliation would lower business investment, disrupt supply chains, and slow productivity growth according to the IMF. In addition, civil wars and domestic conflicts in parts of the Middle East and Africa still continue to weigh down on global economic activity. Intensification of conflicts in the Middle East and Africa would have large negative domestic consequences on both macroeconomic developments and humanitarian consequences, in addition to the vulnerability of many economies to the humanitarian costs of extreme weather conditions and other natural disasters may continue to pose challenges to the global economy.

Outlook for Oil

World Oil Price

Crude oil prices were pressured by concerns surrounding global oversupply and softening oil demand, amid high uncertainty about global economic growth. The risk to global output discussed earlier are weighing into oil prices. The rolling down of measures in Germany to phase out fuel vehicles in favour of electric cars are affecting demand for oil in the short and medium run. As a result, crude oil prices are expected to flat at the USD 50 per barrel for quite a long time according to OPEC and the IMF.

Table 2: Selected Crude Oil Prices, US$/b

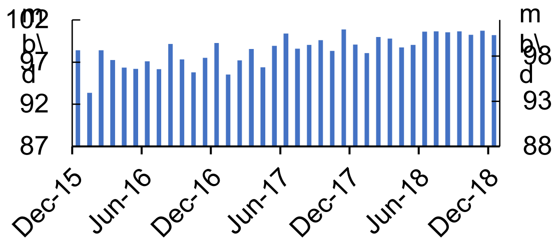
Crude oil price *(US$/b)*	2017 Q4	2018 Q1	Q2	Q3	Q4
UK Brent Price	64.37	66.02	74.41	78.89	58.82
Dar Blend price	60.44	59.61	67.22	74.71	53.0
Discount	3.93	6.41	7.19	4.18	4.38

Source: Ministry of Petroleum and Bank of South Sudan

Oil Supply

Global oil supply decreased in the fourth quarter of 2018 to average 100.02 mb/d. The decline was mainly driven by decrease in OPEC supply especially in Saudi Arabia as demand declined. While oil production in Non-OPEC including the State of Qatar continues to grow and is expected to average 62.06 mb/d at the end of the year 2018. The US, Canada, Russia and Kazakhstan are seen to be the main growth drivers for the Non-OPEC oil supply growth, while Mexico and Norway are estimated to show the largest declines. OPEC estimates growth in Non-OPEC oil supply growth in 2019 to increase by 2.10 mb/d to average 64.16 mb/d at the end of the year 2019. US, Brazil, Russia and the UK are projected to be the main drivers for 2019 growth in oil supply, while Mexico and Norway are expected to see sizeable declines. OPEC crude oil production decreased by 751 tb/d to average 31.58 mb/d, according to OPEC month on month report January 2019 (Figure 2).

`Figure 2: Global Crude Oil Production



Source: US Energy International Agency (EIA) and OPEC Monthly Bulletin, September 2018

The table below shows quarterly crude oil production by some selected countries, most of the countries in the table are Non-OPEC member countries (Table 3 below).

Table 3: Selected Crude Oil producing Countries

Crude oil production (million barrels per day)	2017	2018			
	Q4	**Q1**	**Q2**	**Q3**	**Q4**
USA	10.04	10.46	10.70	11.07	11.54
Russia	11.17	11.19	11.28	11.57	11.61
Saudi Arabia	10.06	10.05	10.42	10.52	10.02
China	0.33	0.37	0.37	0.38	0.39
Norway	1.94	1.91	1.86	1.86	1.85
Global Crude oil Output	**99.08**	**99.78**	**100.61**	**100.66**	**100.2**

Source: US Energy International Agency (EIA) and OPEC Monthly Bulletin, September 2018

US crude oil output (including lease condensate) showed an increase to average 11.54 mb/d at the end of the year 2018. The main increase came from North Dakota (PADD 2), from New Mexico and from the state of Texas. Crude oil output in Colorado, Oklahoma and Alaska also increased while oil output from the Gulf of Mexico (GoM) declined by 29 tb/d.
Oil production in GoM dropped by 178 tb/d since its peak in August 2018 as the region was affected mainly by shut-in production due to tropical storm Gordon as well as the less-affected production due to Hurricane Michael. However, oil production is expected to increase in the medium run following production ramp-ups coming from Big Foot, which started up in November 2018, as well as from Shell's Appomattox project.

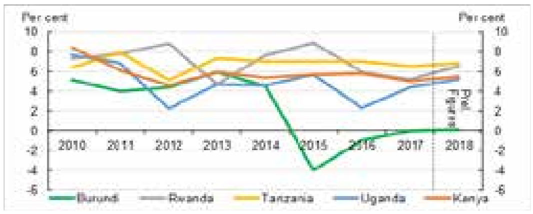
In **Norway**, oil supply is estimated to decline at the end the year 2018 to average 1.85 mb/d due to limited new field start-ups, the shutdown of the Sture oil terminal following the return of production from maintenance. **Russia's** preliminary liquids supply stood at 11.65 mb/d in December 2018. Oil supply hit a new post-Soviet record at 11.65 mb/d in December 2018, according to OPEC. Consequently, Russia's oil supply for the fourth quarter 2018 has been revised up by 59 tb/d to average 11.61 mb/d.

Regional outlook

East African Community (EAC)

GDP growth for most of the East African member states has remained robust towards the end of the fourth quarter of 2018 supported by the high demand due to low oil prices, moderate drought conditions and expansionary fiscal policies. As a result, the IMF projected output to average about 6.8 per cent in Tanzania, 6.5 per cent in Rwanda, 5.5 per cent in Kenya, 5.2 per cent in Uganda and 0.1 per cent in Burundi at the end of the year 2018. Figure 3 below shows the growth rates of GDP for five EAC partner states.

Figure 3: GDP Growth Rate for the rest of EAC Member States



Source: National Bank of Rwanda, Bank of Tanzania, Bank of Uganda, Central Bank of Kenya, National Bank of Burundi and the IMF October 2018 forecast

Inflation in most of the East African member states has remained stable over the fourth quarter of 2018 supported partly by low oil prices. However, seasonal fluctuations caused by the festive season has created temporary inflationary pressures in Uganda and Kenya as the demand for foreign currency by traders went up. In South Sudan, inflation has recorded a steady decline from a record high of 161.2 per cent in the first quarter of 2018 to about 40.1 per cent in the fourth quarter of 2018 (refer to table 4 below). These positive developments are backed-up by high expectations from both the citizens and investors as the country is more likely to return to stability following the signing of the Revitalized Peace Agreement.

Table 4: Inflation rate for some selected EAC member states

EAC Member States	2017 Q4	2018 Q2	2018 Q3	2018 Q4
Rwanda	2.00	1.60	1.60	1.4
Tanzania	4.00	3.40	3.30	3.0
Uganda	3.30	2.15	3.66	2.2
Kenya	7.98	4.28	5.70	5.7
South Sudan	117.67	88.53	49.06	40.1

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

The inflationary pressures that were created due to seasonal effects in some member states of the EAC are also due to the depreciation of the local currency against the United States Dollars as shown in table 5 below.

Table 5: Exchange rates for some selected EAC member states

	2018			
Selected EAC	Q1	Q2	Q3	Q4
Ksh/USD	100.85	101.05	101.46	101.85
Ugx/USD	3,686.89	3,879.54	3,822.14	3713.35
SSP/USD	133.27	138.75	145.84	153.32

Source: Bank of Uganda, Central Bank of Kenya and Bank of South Sudan

The effects of exchange rate pass through to domestic prices is high within the EAC member states, especially in South Sudan. Therefore, in order to have an effective monetary policy, exchange rate volatility must be taken into account. The depreciation of the EAC currencies are exacerbated further by the recent tightening of liquidity conditions in the US as the FED decided to raise the interest rate and the likely decline in FDI from China as it implements regulatory measures to counter the effects of trade disputes.

Domestic Outlook

Fiscal Outlook

The government of South Sudan launched its National Development Strategy (NDS) Agenda 2040 at the beginning of the fourth quarter 2018. The strategy is to guide the government to invest in areas that will consolidate peace and stabilize the economy, notably, agriculture and livestock, petroleum, security sector reform, and basic services. As a result, the FY 2018/19 budget was cited as the main and first instrument to actualize this strategy with alignment of the budget each year to the NDS priorities.

Revenue

Government revenue is anticipated to improve in the short and medium run owing to the resumption of production in some oil fields and restoration of security in the country. However, there are fluctuations in revenue collections in the fourth quarter 2018 (herein referred to as the second quarter in fiscal years), with revenue performing above and below targets in some sectors. Table 6 below shows summary of revenues outturns compared to fiscal budget estimates of 2018/2019.

Table 6: Summary of revenue outturns compared to fiscal budget estimates 2018/2019

SSP million	FY 2018/19	Quarterly Targets	Outturns Q2 2018
Net Oil Revenue	71,800	17,950	10,600
Non-Oil revenue	25,056	6,264	7,935
Of which:			
PIT	*13,138*	*3,284.50*	*3,768.48*
Sales Tax/VAT	*2,917*	*729.25*	*998.01*
Excise	*3,428*	*857.00*	*1,205.15*
Business Profit Tax	*1,375*	*343.75*	*1,960.48*
Customs	*1,866*	*466.50*	*0.92*
Other Revenue (fees, licenses, etc)	*2,332*	*583.00*	*2.31*
memorandum item			
Budget	81,590		

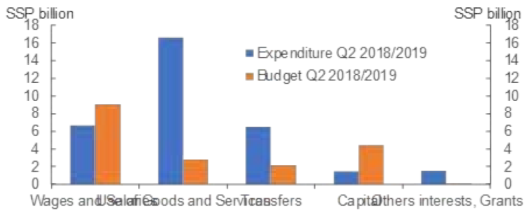
Source: RSS, Ministry of Finance and Planning, Ministry of Petroleum and BSS Calculations

Table 5 shows revenue performance in the fourth quarter 2018 visa-ve targets for the quarter 2018. It shows that oil revenues are SSP 7,350 million below targets. The low outturn could be attributed to payment of arrears and loans by the government during the quarter. While there is a positive performance of the non-oil revenues. Total of SSP 7,935 million were collected by the end of the same quarter of 2018 compared to the target of SSP 6,264 million for the quarter 2018. This represents a surplus of SSP 1,671 million for the quarter. It is also worth noting that this positive performance is recorded as the National Revenue Authority (NRA) is on the process of its full establishment.

Expenditures

Nevertheless, the government of South Sudan is still facing challenges of budget execution. Series of fiscal reforms including but not limited to trimming of off budget items such as medical costs, foreign travels, exemptions and others, require review. Figure 4 below shows expenditures for the second quarter of the fiscal year 2018/19 compared to the approved quarterly budget of the fiscal year 2018/19.

Figure 4: Quarterly Budget allocation and Outturns 2018/19



Source: Ministry of Finance and Planning, Bank of South Sudan

Figure 4 above shows that Budget for wages and salaries and capital expenditure performed well because actual expenditures for the fourth quarter, 2018 (referred to as Q2, 2018/19 in fiscal year accounts) is below budget. However, again this should be used with caution because civil servants' salaries are not being paid regularly especially when considering the performance of the budget for wages and salaries. Budget allocated for the use of goods and services, transfers, other interest payments and grant is already overspent in the second quarter of the fiscal year 2018/2019. For example, the budget for use of goods and services is overspent by more than SSP 13 billion. This could be attributed to implementation of the peace agreement. If the trend continues, it will continue to create significant challenges in terms of budget execution at the end of the fiscal year 2018/2019 (figure 5 above).

Government debts

There is no updated information on the position of external debt, the relevant agencies tasked to compile that information are still gathering all the necessary data. However, there is a grant from development partners that amount to about SSP 1 billion mainly to support local government projects at the end of the third quarter 2018. Table 7 summarizes the country's outstanding debts up to the end of the third quarter of 2018. This includes loans from the World Bank and African Development Bank (AfDB) which is concessional in nature, Payment to Sudan in form of Transitional Financial Arrangement (TFA), Loans from oil companies in form of oil advances and grants as shown in table 7 below.

Table 7: South Sudan Outstanding public debts

million USD	As of September, 2018	Interest
World Bank/AfDB Loans	223.16	0.75%
Transitional Financial Arrangement (TFA)	1,186.26	
loans from Oil Companies as Oil Advances	1,178	
Qatar National Bank and China EXIM	650	
Total	**3,237.78**	
Total Grants	**46.62**	
Grants	46.62	

Source: Ministry of Finance and Planning, Republic of South Sudan

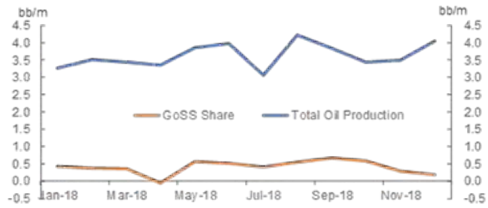
The information on debt position should be used with caution because the numbers keep on changing as the government meets its loan contractional obligations especially the numbers for TFA are believed to have declined significantly in the fourth quarter 2018. For a more comprehensive and latest data, interested parties should contact the Ministry of Finance and Planning, Debt Management Units (DMU).

Outlook for Oil

South Sudan Oil production

South Sudan total crude oil production has increased from 3.84 million barrels at the end of the third quarter 2018 to about 4.05 million barrels at the end of the fourth quarter 2018. This is partly because of the resumption of some oil fields that were closed during the civil strife. Production is expected to increase in the near future. Figure 6 below shows trend of oil production in South Sudan.

Figure 5: South Sudan Crude oil Production (millions of barrels)



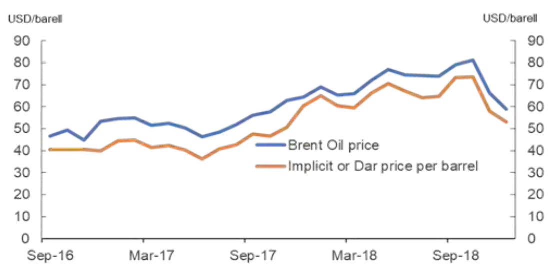
Source: Ministry of Petroleum, Republic of South Sudan

Figure 5 above shows the government of South Sudan share of the crude oil from total production. There is divergence especially at the end of the fourth quarter 2018, that is, as total production goes up, government of South Sudan share drops more likely because of payment of oil advances, TFA and other related loan obligations.

Crude Oil Prices

Crude oil prices are declining especially towards the end of the fourth quarter 2018 as shown in figure 7 below. This is because of increase in inventories in the international market from non- OPEC member countries. According to US Energy International Agency (January 2019), the United States is set to be the leading producer of crude oil in the world. The idiosyncratic measures rolled out in Germany to phase out the use of fuel car in favour of electric cars is also likely to affect crude oil prices in the future especially when copied by a significant number of countries. While in Africa, inventories are declining due to the closure of some oil fields for pipeline maintenance in Nigeria and Angola. Figure 7 shows developments in oil prices in international market.

Figure 6: Crude Oil Prices (USD)



Source: Ministry of Petroleum and the Bank of South Sudan

Monetary Sector

Overview

There has been significant increase in claims on central government mainly attributed to reclassification of Qatar National Bank (QNB) loan as liabilities to central government. As a result net credit to central government increased sharply from SSP 21.52 billion in the fourth quarter of 2017 to SSP 131.35 billion in the fourth quarter of 2018, the net foreign asset is at SSP -80 billion, and the credit to the private sector has declined by about 503 million from SSP 7,313.6 billion in the third quarter 2018 to SSP 6,809.68 billion at the end of the fourth quarter 2018.

Money Supply

Money supply (M2) has increased by about 14 per cent from SSP 91.51 billion in the third quarter 2018 to about SSP 105 billion in the fourth quarter 2018. This increase largely reflects the continued growth in currency outside depository corporations, transferable and other deposits which has potential to trigger increase in inflation and the depreciation of the South Sudanese Pound. Table 8 below shows developments in money supply and its components.

Table 8: Money Supply and its Components

SSP billion	2017	2018			
	Q4	Q1	Q2	Q3	Q4
Money Supply	**69.42**	**74.89**	**89.20**	**91.51**	**105.11**
Currency outside depository corporations	20.97	23.99	27.14	30.02	36.41
Transferable deposits	40.95	43.47	53.44	55.78	61.97
Other deposits	7.50	7.42	8.62	5.71	6.73
In percentage (Quarterly Growth)					
Money Supply	***16.18***	***7.88***	***19.11***	***2.59***	***14.86***
Currency outside depository corporations	*28.91*	*14.45*	*13.10*	*10.63*	*21.26*
Transferable deposits	*13.45*	*6.14*	*22.95*	*4.37*	*11.11*
Other deposits	*1.51*	*-1.00*	*16.08*	*-33.77*	*17.91*

Source: Bank of South Sudan

Net Foreign Asset

South Sudan Net Foreign Assets (NFA) is negative, meaning that liabilities to non-residents have exceeded the assets claim on non-residents. In terms of growth, the liabilities to non-residents has decreased to 6.18 per cent in the fourth quarter 2018 from 7.73 per cent in the third quarter 2018, that is, from

SSP 174.41 billion in the third quarter 2018 to about SSP 185.18 billion in the fourth quarter 2018.

Therefore, the Net Foreign Assets (table 9) shows the quarterly movements of NFA and its components from the third quarter of 2017 to the fourth quarter of 2018.

Table 9: Net foreign assets components

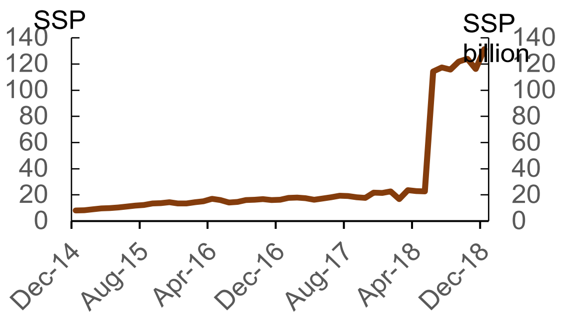
billions SSP	2017		2018		
	Q3	Q4	Q2	Q3	Q4
Net foreign assets	- **73.70**	- **72.81**	- **74.89**	- **82.66**	- **80.50**
Claims on nonresidents	59.62	74.38	87.00	91.75	104.68
Less: Liabilities to nonresidents	133.32	147.19	161.89	174.41	185.18
In percentage (Quarterly change)					
Net foreign assets	*1.21*	*-1.20*	*-5.04*	*10.36*	*-2.61*
Claims on nonresidents	*4.46*	*24.76*	*14.54*	*5.46*	*14.09*
Less: Liabilities to nonresidents	*2.64*	*10.41*	*4.57*	*7.73*	*6.18*

Source: Bank of South Sudan

National Debt

The national debt consists of domestic and foreign borrowings by the Central Government. As indicated in figure 8 below, domestic debt has increased by more than 280 per cent at the end of the fourth quarter 2018 compared to the first quarter of 2018 due to the reclassification of QNB to trade credit and advances to the central government. But over the fourth quarter 2018, the domestic component of national debt (net claims on central Government) has increased by 7.84 per cent from SSP 121.81 billion in the third quarter 2018 to SSP 131.35 billion in the fourth quarter of 2018 as shown in Figure 7 and Table 10 below.

Figure 7: Net Credit to the government



Source: Bank of South Sudan

Table 10: Composition of Net Claim on Central Government

SSP billion	2017	2018			
	Q4	Q1	Q2	Q3	Q4
NCG	**21.52**	**23.50**	**114.17**	**121.81**	**131.35**
CG (BSS)	21.61	23.81	26.78	27.45	32.16
CG (ODCs)	-0.10	-0.31	87.40	94.36	98.03

Source: Bank of South Sudan

Monetary Base

The monetary base has increased by 9.41 per cent in the fourth quarter of 2018 from growth rate of about 3.35 per cent in the third quarter of 2018. This growth is driven by growth in currency in circulation which increased by 24.40 per cent and liabilities to other sectors that expanded by about 21 per cent in the fourth quarter of 2018 (Table 11).

Table 11: Monetary Base and its Components

billions SPP	2017	2018			
	Q4	Q1	Q2	Q3	Q4
Monetary base	**79.94**	**83.83**	**89.46**	**92.45**	**101.15**
Currency in circulation	23.74	26.51	30.47	33.37	41.52
Liabilities to ODCs	53.11	54.58	56.03	56.73	56.77
Liabilities to other sectors	3.09	2.75	2.96	2.35	2.86
In Percentage (Quarterly Change)					
Monetary base	***14.36***	***4.87***	***6.71***	***3.35***	***9.41***
Currency in circulation	*31.17*	*11.64*	*14.95*	*9.53*	*24.40*
Liabilities to ODCs	*7.87*	*2.76*	*2.65*	*1.25*	*0.08*
Liabilities to other sectors	*20.46*	*-11.02*	*7.88*	*-20.69*	*21.73*

Source: Bank of South Sudan

Lending and Deposit Interest Rate

There is a big spread between the interest rate charged by South Sudan's depository corporations on loans that they extent to the private sector, and the interest rate paid on deposits. For example, the average interest rate on deposits has decreased from 0.05 per cent in the third quarter 2018 to 0.03 per cent in fourth quarter 2018. The decrease could be because of the fact that most deposits are in demand/current account an account category that always yields low interest rate. The average interest rate on the banks loans has decreased from 16.92 per cent in the third quarter 2018 to 15.83 per cent in the fourth quarter 2018 and this could be attributed to inadequate collateral securities to be presented to the banks and the general volatile business environment in the country (Table 12).

The average interest rate spread between lending and deposits has also decreased from 16.87 per cent in the third quarter 2018 to 15.80 per cent in the fourth quarter 2018. The overall change of interest rates from third quarter 2018 to fourth quarter 2018 was due to a decrease in the interest rate on deposits and lending as shown in the Table 12 below.

Table 12: Average lending and deposit interest rates

In percentage points	2017	2018			Change
	Q4	Q2	Q3	Q4	(Q4-Q3)
Interest rate on deposit	0.09	0.07	0.05	0.03	-0.12
Interest rate on loans	13.38	17.82	16.92	15.83	-1.03
Interest rate spread	13.30	17.75	16.87	15.80	-1.01

Source: Bank of South Sudan

Developments in Credit to Private Sector

Credit to the private sector has decreased by about 8.0 per cent of the total deposits in other depository corporations from SSP 7.31 billion in the third quarter 2018 to about SSP 6.8 billion in the fourth quarter 2018. The loan value to the private sector is still small compared to deposit. Commercial banks are therefore encouraged to lend to the private sector in order to promote economic activities in the country. Table 13 below shows the loans to the private sector by economic activity.

Table 13: Private Sector Credit by Economic Activities

Sector (*million SSP*)	2017 Q4	2018 Q1	Q2	Q3	Q4
Agriculture	59.6	58.9	54.9	58.4	41.71
Manufacturing	270.8	314.8	314.8	364.1	451.42
Building and Construction	239.5	238.7	306.3	439.9	471.95
Real Estate	732.6	813.9	861.5	1,387.0	827.44
Energy and Water	9.3	7.3	20.3	21.2	15.00
Mining and quarrying	0.0	0.1	0.0	22.2	22.24
Domestic Trade, Restaurants & Hotel	2,417.8	2,025.9	2,713.2	3,613.9	3048.13
Foreign Trade	780.3	856.8	831.9	824.4	996.88
Transport and Communication	243.4	358.2	260.4	268.3	397.27
Financial Services	7.3	9.8	78.7	121.0	84.66
Household Services	244.9	144.9	153.2	193.1	452.98
Total	**5,005.4**	**4,829.3**	**5,595.1**	**7,313.6**	**6,809.68**

Source: Bank of South Sudan

Prices and Output

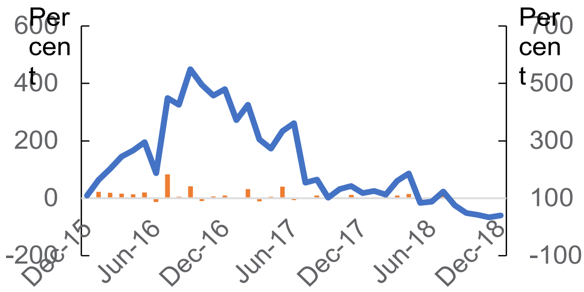
Overview

South Sudan output is expected to remain low at the end of 2018 due to weak performance of the non-oil sector especially local agricultural production. As a result, the Bank of South Sudan projected GDP to decline by a negative of 3.24 per cent, remaining unchanged from the third quarter forecast and inflation drop down to around 40 per cent at the end of the fourth quarter of 2018, supported by liquidity tightening by the Monetary Authorities.

Inflation Developments

Inflation has significantly reduced from triple digits in 2017 to a lower mid double digit in 2018. In the period under review, annual inflation decreased from over 49.06 per cent in the third quarter of 2018 down to around 40.06 per cent in the fourth quarter of 2018. Figure 8 represents the month-on-month and the annual inflation changes in South Sudan.

Figure 8: Monthly and through-the-year Inflation

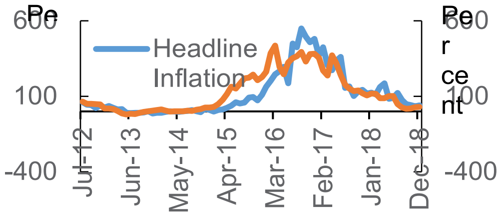


Source: South Sudan National Bureau of Statistics and Bank of South Sudan calculation

Note: June 2011 =100

Overall inflation outlook in South Sudan is highly driven by food as it accounts for over 70 per cent of the overall Consumer Price Index because most of the foods commodities consumed in South Sudan are imported from the East African countries, and mainly from Uganda. As a result, inflation reflects the combination of both the depreciation of the exchange rate in Uganda and in the Republic of South Sudan. Any increase in food prices in Uganda usually impacts on South Sudanese food prices with a short lag. Figure 9 below illustrates the co-movement of the exchange rates and inflation in South Sudan.

Figure 9: Co movement of exchange rate and inflation in South Sudan



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

Food price growth in neighbouring countries has been moderate, so any short-term increase in inflation in South Sudan can be attributed partly to the volatility of exchange rate against major currencies and the inadequate domestically produced consumer and tradable goods.

Table 14: South Sudan Quarterly Inflation

	2017	2018			
Consumer Price Index(CPI)	Q4	Q1	Q2	Q3	Q4
Headline	**4,502.21**	**6,349.07**	**6,270.98**	**5,942.90**	**6,305.98**
Core	5,242.77	8,820.55	7,762.10	7,174.93	8,028.33
Food	4,002.46	4,951.33	5,307.25	5,032.35	5,172.58
		Inflation (%, eop)			
Headline	***117.67***	***161.20***	***88.53***	***49.06***	***40.06***
Core	*172.99*	*287.06*	*116.40*	*50.30*	*53.13*
Food	*83.57*	*92.23*	*68.29*	*43.65*	*29.23*
Monthly inflation (headline)	*-1.86*	*9.75*	*-4.62*	*-7.80*	*2.97*

Source: Bank of South Sudan

Core inflation has also declined significantly from about 287 per cent in the first quarter of 2018 to about 53 per cent at the end of the fourth quarter 2018.

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 a country over a given period. Nominal GDP is measured at current prices and Real GDP is deflated at constant 2009 prices. The nominal GDP of South Sudan in 2018 is forecasted to be 840,945 million South Sudanese Pounds.
Real GDP is projected to have declined down by -3.24 per cent in the year 2018. Table below shows the National Accounts Aggregates at the 2009 constant prices.

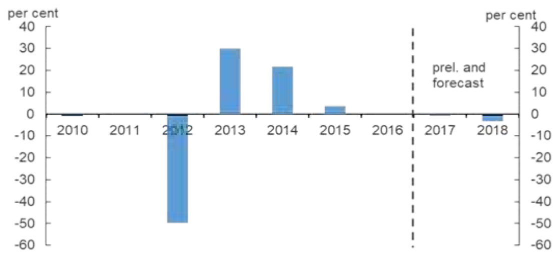
Table 15: Summary of some Key National Accounts Aggregates

National Accounts Aggregates 2009 constant prices	2015	2016	prel[1]. 2017	forecast 2018
Gross Domestic Product	**3.43**	**0.33**	**-0.69**	**-3.24**
Oil sector	-1.38	-17.00	-8.92	-2.28
Non-oil GDP	5.39	6.92	1.73	-3.49
Memorandum Item				
Population (million)	11	11.4	11.9	12.4

Source: National Bureau of Statistics and Bank of South Sudan staffs forecast

The oil sector still remains the major sector in terms of its contribution to GDP. Nevertheless, the agriculture sector which employs about 70 percent of labor force in the country (according to South Sudan National Bureau of Statistics 2012 baseline survey) is significantly hit hard by refugees' crisis and internal displacement over the last 3 years. Figure 10 below illustrates the real GDP growth since independence.

Figure 10: Real GDP growth Rate



Source: National Bureau of Statistics and Bank of South Sudan

External Sector

Overview

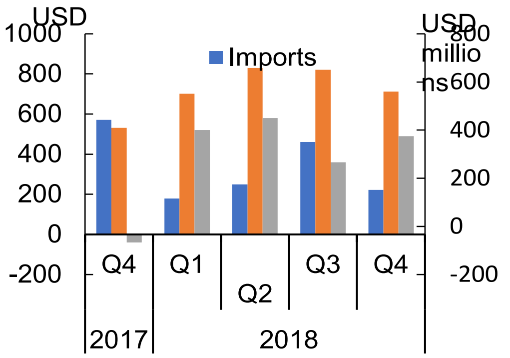
Provisional figures show that the South Sudan current account is in surplus of about USD 275.42 million mainly due to low imports and high exports especially from the oil sector. However, these numbers should be used with caution because the Bank of South believes that imports into the country may have been underestimated. The South Sudanese Pounds has depreciated by about 17 per cent from SSP 211.78/USD in the third quarter of 2018 to about SSP 247.97/USD at the end of the fourth quarter 2018 in the parallel market, reflecting high demand for foreign currencies for holidays makers at the Christmas season, and the Gross International reserves of South Sudan dropped by about 7 per cent at the end of the fourth quarter 2018.

[1] 2017 are preliminary estimates from the National Bureau of Statistics

South Sudan Trade Preliminary Statistics

Preliminary figures presented in Figure 11 below show that South Sudan trade balance recorded a surplus of about USD 489.68 million at the end of the fourth quarter 2018. This shows a significant increase of about 130 million from the third quarter of 2018.

Figure 11: South Sudan Preliminary Trade Statistics (2018)



Source: Bank of South Sudan

Current Account Developments

South Sudan current account balance recorded a surplus in the last three quarters of 2018, except in quarter one. This is probably attributed to two factors; firstly, there was a considerable improvement in oil export receipts particular in the second and third quarters respectively. And secondly, there was a remarkable drop in the imports bills most likely due to under coverage. The table below shows detailed developments in the current account balance.

Table 16: South Sudan Provisional Current Account Components (USD millions)

Period	2017	2018			
	Q4	Q1	Q2	Q3	Q4
CAB	**-79.01**	**-96.56**	**173.33**	**33.87**	**275.42**
Trade in goods	152.48	299.69	661.4	529.72	598.07
Trade in Services	-76.22	-82.56	-122.34	-168.62	-106.88
Primary Income	-35.43	-179.75	-215.39	-207.8	-81.02
Secondary Income	-119.84	-133.94	-150.33	-119.42	-134.75

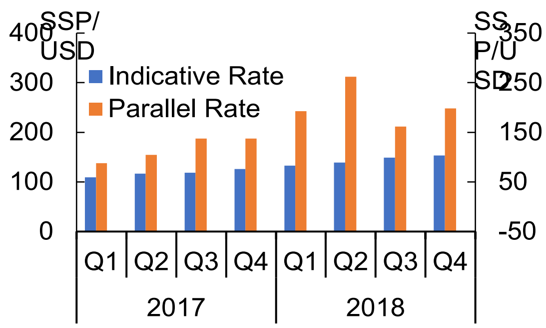
Source: Bank of South Sudan

Table 16 above shows developments in the current account and its components. Trade in goods recorded a surplus of about USD 598 million at the end of the fourth quarter 2018 while trade in services account recorded a deficit of about USD 106.88 in the fourth quarter of 2018. Primary income registered negative balances of about USD 81 million while the secondary income shows USD -134 million at the end of the fourth quarter of 2018. These developments could be due to South Sudan's ongoing fulfilment of its obligations to Sudan in form of payment of TFA, transportation charges and other related to oil production charges (table 15).

Exchange Rate Development

The South Sudanese Pound depreciated by 2.8 per cent at the official rate against the US dollars at the end of the fourth quarter 2018 from SSP 149.15/USD in the third quarter 2018 to 153.32/USD at the end of the fourth quarter 2018.
In the parallel market, the pound depreciated by about 17 per cent on a quarterly basis from SSP 211.78/USD in the third quarter of 2018 to SSP 247.97/USD in fourth quarter of 2018. The indicative rate on the other hand has always been insensitive to developments in the parallel market rate. These recent pressures to on the South Sudanese pound could be due to high demand of foreign currencies by traders to import goods for the festive season and foreign travels by the holiday's makers. These developments are shown in Figure 12 below.

Figure 12: Quarterly Exchange rate (2017-2018)



Source: Bank of South Sudan

Consequently, the spread between the parallel and the indicative rate expanded further by about SSP 94/USD at the end of the fourth quarter 2018 from an average of about SSP 62/USD at the third quarter of 2018 as shown in Table 17 below.

Table 17: Exchange rate Dynamics

Exchange rate	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Indicative rate	126.28	132.93	138.86	149.15	153.32
Parallel rate	187.45	242.29	312.21	211.78	247.97
Spread	63.54	109.36	173.35	62.63	94.65
In percentage (Quarterly Change)					
Indicative rate	6.25	5.27	4.46	7.41	2.80

Parallel rate	0.00	29.26	28.86	-32.17	17.09
Spread	-7.38	72.11	58.51	-63.87	51.13

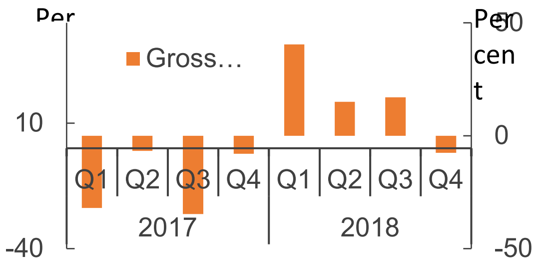
Source: Bank of South Sudan

Gross International Reserve Position

The gross international reserve position represents the country's foreign currency reserves with the correspondent banks, and are denominated in special drawing rights (SDR) and in three different

currencies; Euro, Sterling/Pound, and US Dollars. The foreign reserve asset is for the external financing of the balance of payment. South Sudan foreign reserves dropped on average by 7.6 per cent from 16 per cent in the third quarter of 2018. The figure below shows the development over the last two years.

Figure 13: Gross International Reserves 2017-2018



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	**Delegated Auditors**
Auditor General National Audit Chamber P.O. Box 210 Juba, Republic of South Sudan	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 2018

1. INTRODUCTION

The Directors present this annual report together with the audited financial statements for the financial year ended 31 December 2018, 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.

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.

REPORT OF THE DIRECTORS (CONTINUED)

4. CORPORATE GOVERNANCE (CONTINUED)

The Directors at the date of this report and who served since 1 January 2018, 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. Joseph Ajuong Mayuol	Chairman	Accountant	South Sudanese[1]
2	Hon. Dr. Abraham Matoc Dhal	Member	Economist	South Sudanese[1]
3	Hon. Charles Abdu Ngamunde	Member	Accountant	South Sudanese[1]
4	Hon. John Maciek Acuoth	Chairman	Accountant	South Sudanese[2]
5	Hon. Hellen Pita Taban	Member	Sociologist	South Sudanese[2]
6	Hon. Prof. Nyiel Gordon Kuol	Member	Economist	South Sudanese[2]
7	Hon. Agoyom Akomjo Musellam	Member	Lawyer	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 2018, 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.

5. MEETINGS (CONTINUED)

Below is a summary indicating the number of meetings attended by members of the Board from 1 January 2018 to 31 December 2018:-

		Number of meetings		KEY
		Board	AC	**Board:** Board of Directors
No	**Number of meetings**			
	Names			**AC:** Audit Committee
1	Hon. Othom Rago Ajak	4	Nil	
2	Hon. Dier Tong Ngor	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	2	2	
7	Hon. Rogato Ohide Kusang	2	2	
8	Hon. Prof. Yithaya Ayuel Deng	2	2	
9	Hon. Agoyom Akomjo Musellam	2	2	
10	Hon. Hellen Pita Taban	2	2	
11	Hon. Prof. Samson Samuel	2	Ni	
12	Hon. Prof. Nyiel Gordon Kuol	2	2	
13	Hon. Dr. Adil Atanasio Surur	2	Ni	

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.

6. 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.

7. 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.

8. 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.

9. 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.

10. RESULTS AND DIVIDENDS

During the year, the Bank operations registered a net loss of SSP 12,118 million (2017: SSP 31,088 million). The Bank did not pay any dividends to the Government during the year (2017: Nil).

11. FINANCIAL PERFORMANCE FOR THE YEAR

11.1 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 total comprehensive loss of SSP 11,894 million (2017: SSP 30,751 million). The reported loss is attributable to the loss arising from dealings in foreign currency.

11.2 Financial position

The financial position of the Bank is as set out in the statement of financial position shown on page 16. During the year, total assets of the Bank increased by SSP 22,530 million. The increase in assets is attributed to the increase in advances to government amounting to SSP 11,129 million and net increase of assets held at International Monetary Fund amounting to SSP 9,216 million. At the same time there was also an increase in cash and cash equivalents by SSP 849 million.

On the other hand total liabilities increased by SSP 34,175 million. Major areas of increase include currency in circulation amounting to SSP 17,891 million and deposits from financial institutions amounting to SSP 3,306 million. Moreover during the period, there was an increase with respect to liabilities due to International Monetary Fund amounting to SSP 13,335 million respectively.

REPORT OF THE DIRECTORS (CONTINUED)

12. 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 2016, 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	**2018**	**%**	**2017**	**%**
Male	355	69%	346	69%
Female	158	31%	158	31%
Total	513	100%	504	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 2018, there was no serious prejudicial matters to report (2017: Nil).

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
The Governor and Chairman of the Board

Hon. Daniel Kech Puoc
Deputy Governor for Administration and Finance

REPUBLIC OF SOUTH SUDAN

NATIONAL AUDIT CHAMBER

OFFICE OF THE AUDITOR GENERAL

Head Office Juba

REPORT OF THE AUDITOR GENERAL ON THE INFLATION ADJUSTED FINANCIAL STATEMENTS OF BANK OF SOUTH SUDAN FOR THE YEAR ENDED 31 DECEMBER 2018

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

Disclaimer of Opinion

I audited the accompanying inflation adjusted financial statements of the Bank of South Sudan (the "Bank") set out on pages 33 to 89 which comprise the inflation adjusted statement of financial position as at 31 December 2018, 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 5,562 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 8 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 5,562 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 deposit due from a foreign bank amounting to SSP 58 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 39 million and SSP 749 million respectively. As at 31 December 2018, 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 788 million.

(iv) Deposits from the Government and its agencies

Included in the inflation adjusted statement financial position are deposits amounting to SSP 3,493 million. A sample of items amounting to SSP 3,410 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 2,364 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 financial position are deposits amounting to SSP 58,708 million. A sample of items amounting to SSP 33,149 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 31,151 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 41,689 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 399 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

The Bank reported commission income and commission expenses amounting to SSP 810 million and SSP 295 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 10,075 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 649 million (SSP 99,977 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 2018, the credit accommodations amounting to SSP 36,093 million to the Government and related entities exceeded five percent of the gross recurrent revenue of SSP 32,145 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.

Amb. Steven Kiliona Wondu
The Auditor General
Republic of South Sudan

……15/7……… 2021

NATIONAL AUDIT CHAMBER
AG - OFFICE

BANK OF SOUTH SUDAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		Inflation Adjusted		Historical Cost	
	Notes	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Interest income	5	147,511	21,485	2,845	703
Commission income	6	42,830	6,653	810	237
Commission expense	7	(15,249)	(5,577)	(295)	(196)
Impairment losses	16(b)	(45)	-	(45)	-
Net interest and commission income		175,047	22,561	3,360	744
Losses arising from dealings in foreign currencies		(526,273)	(745,615)	(10,075)	(19,830)
Other operating income		(89,558)	374	(1,715)	11
Net operating loss		(440,784)	(722,680)	(8,430)	(19,075)
Operating expenses					
Personnel expenses	8	(31,381)	(13,002)	(611)	(460)
General and administrative expenses	9	(137,084)	(412,049)	(2,623)	(11,091)
Depreciation	19	(138)	(97)	(138)	(97)
Total operating expenses		(168,603)	(425,148)	(3,417)	(11,648)
Monetary gain		597,269	1,116,740	-	-
Net loss before tax		(12,118)	(31,088)	(11,847)	(30,723)
Income tax expense	24	-	-	-	-
Loss for the year		(12,118)	(31,088)	(11,847)	(30,723)
Revaluation gain on property, plant, and equipment	18	224	337	224	337
Total comprehensive loss for the year		(11,894)	(30,751)	(11,623)	(30,386)

BANK OF SOUTH SUDAN

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	Inflation Adjusted		Historical Cost	
		31 December 2018 SSP million	**31 December 2017 SSP million**	**31 December 2018 SSP million**	**31 December 2017 SSP million**
Assets					
Cash and cash equivalents	11	5,562	4,713	5,562	4,713
Holding of Special Drawing Rights (SDR's)	12	138	256	138	256
Quota of International Monetary Fund (IMF)	12	48,195	38,861	48,195	38,861
Government securities	13	1,917	1,917	1,917	1,917
Advances to the government	14	36,093	24,964	36,093	24,964
Advances to commercial banks	15	-	19	-	19
Other loans and receivables	16	788	43	788	43
Deferred currency cost	17	434	353	434	353
Property and equipment	19	3,873	3,344	3,873	3,344
Total assets		97,000	74,470	97,000	74,470
Liabilities					
Currency in circulation	20	41,689	23,798	41,689	23,798
Deposits from the government and its agencies	21	3,493	3,286	3,493	3,286
Deposits from banks and financial institutions	22	58,708	55,402	58,708	55,402
Other liabilities	23	722	1,286	722	1,286
IMF related liabilities	12	48,196	38,861	48,196	38,861
Allocation of Special Drawing Rights (SDR's)	12	20,651	16,651	20,651	16,651
Total liabilities		173,459	139,284	173,459	139,284
Equity					
Capital account	25	946	675	15	15
Revaluation reserve		2,596	2,493	2,595	2,493
General reserve		(80,001)	(67,982)	(79,069)	(67,322)
Total equity and reserves		(76,459)	(64,814)	(76,459)	(64,814)
Total equity and liabilities		97,000	74,470	97,000	74,470

The financial statements on page 29 to 85 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

BANK OF SOUTH SUDAN

STATEMENT OF CHANGES IN EQUITY AND RESERVES
FOR THE YEAR ENDED 31 DECEMBER 2018

Inflation Adjusted

Details	**Capital account SSP million**	**General reserve SSP million**	**Revaluation reserve SSP million**	**Total SSP million**
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 and equipment	-	-	337	337
Transfer of excess depreciation on property and equipment	-	99	(99)	-
At 31 December 2017	675	(67,982)	2,493	(64,814)
At 1 January 2018	675	(67,982)	2,493	(64,814)
IAS 29 adjustment (Note 26)	271	-	-	271
IFRS 9 transition adjustment (Note 2)		(22)	-	(22)
Net loss for the year	-	(12,118)	-	(12,118)
Revaluation gain on property and equipment	-	-	224	224
Transfer of excess depreciation on property and equipment	-	121	(121)	-
At 31 December 2018	946	(80,001)	2,596	(76,459)

Historical Cost	**Capital account SSP million**	**General reserve SSP million**	**Revaluation reserve SSP million**	**Total SSP million**
At 1 January 2017	15	(36,698)	2,255	(34,428)
Net loss for the year	-	(30,723)	-	(30,723)
Revaluation gain on property and equipment	-	-	337	337
Transfer of excess depreciation on property and equipment	-	99	(99)	-
At 31 December 2017	15	(67,322)	2,493	(64,814)
At 1 January 2018	15	(67,322)	2,493	(64,814)
IFRS 9 transition adjustment (Note 2)	-	(22)	-	(22)
Net loss for the year	-	(11,847)	-	(11,847)
Revaluation gain on property and equipment	-	-	224	224
Transfer of excess depreciation on property and equipment	-	122	(122)	-
At 31 December 2018	15	(79,069)	2,595	(76,459)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Inflation Adjusted		Historical Cost	
		31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Cash flows from operating activities					
Net loss before tax		(12,118)	(31,088)	(11,847)	(30,723)
Adjustment for:					
Depreciation	19	138	97	138	97
IFRS 9 Transition adjustment	2	(22)	-	(22)	-
Monetary	26	271	365	-	-
Operating profit before working capital		(11,731)	(30,626)	(11,731)	(30,626)
Changes in working capital					
Increase in advances to the government		(11,129)	(7,026)	(11,129)	(7,026)
Decrease in advances to commercial banks		19	1	19	1
(Increase)/decrease in other loans and receivables		(745)	26	(745)	26
Increase in deposits from banks and financial institutions		3,306	14,252	3,306	14,252
Increase/(decrease) in deposits from the government and its agencies		207	(32)	207	(32)
Increase in deferred currency costs		(81)	(288)	(81)	(288)
Increase in other liabilities		(564)	889	(564)	889
Net changes in working capital		(8,987)	7,822	(8,987)	7,822
Cash utilised in operations		(20,718)	(22,804)	(20,718)	(22,804)
Cash flows from investing activities					
Purchase of property and equipment	19	(443)	(741)	(443)	(741)
Increase in quota of International Monetary Fund (IMF)	12	(9,334)	(28,039)	(9,334)	(28,039)
Increase in holding of SDR's	12	118	(165)	118	(165)
Cash utilised in investing activities		(9,659)	(28,945)	(9,659)	(28,945)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Inflation Adjusted		Historical Cost	
	Notes	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		SSP million	SSP million	SSP million	SSP million
Cash flows from financing activities					
Currency in circulation	19	17,891	11,722	17,891	11,722
Increase in IMF related liabilities	12	9,335	28,039	9,335	28,039
Increase in allocation of SDR's	12	4,000	12,014	4,000	12,014
Cash generated from financing activities		31,226	51,775	31,226	51,775
Net increase in cash and cash equivalent		849	26	849	26
Cash and cash equivalents:					
At the beginning of the year		4,713	4,687	4,713	4,687
At the end of the year		5,562	4,713	5,562	4,713

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 2018

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

Financial Instruments (IFRS 9)

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

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

The consequential amendments to IFRS 7 – Financial Instruments: Disclosures, have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

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

Set out overleaf are disclosures relating to the impact of the adoption of IFRS 9 on the Bank. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more details in Note 3 (h).

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

Financial Instruments (IFRS 9) (continued)

(a) New standards, amendments and interpretation adopted by the Bank(continued)

(i) Classification and measurement of financial instruments

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

	IAS 39		**IFRS 9**	
Financial assets	**Measurement category**	**Carrying amount SSP' 000**	**Measurement category**	**Carrying amount SSP' 000**
Treasury Bonds	Amortised cost	1,917,373	Amortised cost	1,917,018
Investment deposits with foreign banks	Amortised cost	128,608	Amortised cost	128,501
Advances made to government	Amortised cost	24,969,000	Amortised cost	24,964,373
Advances to commercial banks	Amortised cost	18,643	Amortised cost	2,249
Loans and advances to staff	Amortised cost	41,473	Amortised cost	41,191

There were no changes to the classification and measurement of the Bank's financial liabilities.

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2018 (Continued)

(ii) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 (continued)

	Note	**IAS 39 carrying amount 31 December 2017** (Opening balance as at 1 January 2018) **SSP' 000**	**Re-measurements** (Allowance for expected credit loss) **SSP' 000**	**IFRS 9 carrying amount 1 January 2018** (Closing balance under IFRS 9) **SSP' 000**
Amortised Cost				
Treasury bonds	16	1,917,373	(355)	1,917,018
Investment deposits with foreign banks		128,608	(107)	128,501
Advances made to government	17	24,969,000	(4,627)	24,964,373
Advances to commercial banks	18	18,643	(16,394)	2,249
Loans and advances to staff	19	41,473	(282)	41,191
Total financial assets measured at amortised cost		27,075,097	(21,765)	27,053,332

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 2018 (continued)

IFRS 15 Revenue from Contracts with Customers	IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however the Standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Bank's accounting policies for its revenue streams are disclosed in detail in note 3 below. Apart from providing more extensive disclosures for the Bank's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Bank.
IAS 40 (amendments) Transfers of Investment Property	The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
Annual Improvements to IFRS Standards 2014 – 2016 Cycle Amendments to IAS 28 Investments in Associates and Joint Ventures	The amendments to IAS 28 included in the *Annual Improvements to IFRS Standards 2014–2016 Cycle* for the first time in the current year. The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.

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 2018 (Continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018

IFRS 16 Leases	Impact of the new definition of a lease The Bank will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has: • The right to obtain substantially all of the economic benefits from the use of an identified asset; and • The right to direct the use of that asset. In preparation for the first-time application of IFRS 16, the Bank has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Bank.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

IFRS 16 Leases

Impact on Lessee Accounting

Operating leases
IFRS 16 will change how the Bank accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. On initial application of IFRS 16, for all leases (except as noted below), the Bank will:

- Recognize right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognize depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement. Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognize a provision for onerous lease contracts. For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Bank will opt to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

IFRS 17 Insurance Contracts	The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach. The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees. The implementation of the Standard is likely to bring significant changes to an entity's processes and systems, and will require much greater co-ordination between many functions of the business, including finance, actuarial and IT. The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The directors of the Bank do not anticipate that the application of the Standard in the future will have an impact on the Bank's consolidated financial statements.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

Amendments to IFRS 9 Prepayment Features with Negative Compensation	The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI. The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9. The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.
Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures	The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	The *Annual Improvements* include amendments to four standards: IAS 12 *Income Taxes* The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. IAS 23 *Borrowing Costs* 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 capitalization rate on general borrowings. IFRS 3 *Business Combinations* The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. IFRS 11 *Joint Arrangements* The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation. All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement	The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income. The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. An entity will now be required to use the updated assumptions from this re-measurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as re-measured under IAS 19.99 with the discount rate used in the re-measurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset)). The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied. The amendments to IAS 19 must be applied to annual periods beginning on or after 1 January 2019, but they can be applied earlier if an entity elects to do so. The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.

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

b) New and revised IFRSs in issue but not yet effective for year ended 31 December 2018 (continued)

IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Bank anticipate that the application of these amendments may have an impact on the Bank's consolidated financial statements in future periods should such transactions arise.

The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a Bank; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - ✓ If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - ✓ If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The directors of the Bank do not anticipate that the application of the amendments in the future will have an impact on the Bank's consolidated financial statements.

c) Early adoption of standards

The Bank did not early-adopt any new or revised standards in 2018.

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.

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 2018	4,632	38.36
February 2018	5,785	47.92
March 2018	6,349	52.59
April 2018	7,298	60.45
May 2018	6,575	54.46
June 2018	6,271	51.94
July 2018	7,479	61.95
August 2018	6,446	53.39
September 2018	5,943	49.22
October 2018	5,853	48.48
November 2018	6,124	50.72
December 2018	6,306	52.23

As a result of adopting the standard, the Bank has recorded a monetary gain amounting to SSP 597,269 (2017: SSP1,116,740 million) in the inflation 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial assets (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial liabilities and equity instruments (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

Financial liabilities and equity instruments (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets and financial liabilities (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Recognition and measurement

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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 have 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.

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.

	Inflation Adjusted		Historical Cost	
	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
5. INTEREST AND SIMILAR INCOME				
Interest income	147,511	21,485	2,845	703
6. COMMISSION INCOME				
Commission from foreign transactions	42,830	6,653	810	237
7. COMMISSION EXPENSES				
Foreign bank charges	8,108	1,558	157	55
Other banking charges and commission expenses	7,141	4,019	138	141
	15,249	5,577	295	196
8. PERSONNEL EXPENSES				
Salaries	10,114	3,256	197	115
Allowances	10,917	6,047	212	214
Training	10,350	3,699	202	131
	31,381	13,002	611	460
9. GENERAL AND ADMINISTRATIVE EXPENSES				
Staff travelling	3,980	2,142	76	58
Power and electricity	7,603	850	145	23
Currency and related expenses (Note 10)	94,496	149,805	1,808	4,032
Repair and maintenance	3,670	1,886	70	51
Communication	154	129	3	3
Director's remuneration	2,397	767	46	21
Printing and stationary	1,726	496	33	13
Entertainment	260	169	5	5
Donations	981	368	19	10
Library, books, and periodicals	652	31	12	1
Rent and fuel expenses	1,163	2,244	23	60
Posters and public awareness	48	39	1	1
Audit fees	1,568	775	30	21
Other expenses	18,386	252,348	352	6,792
	137,084	412,049	2,623	11,091
10. CURRENCY AND RELATED EXPENSES				
Cost of currency issued in circulation	94,021	148,975	1,798	4,010
Currency transportation and insurance	412	799	8	21
Other currency expenses	63	31	2	1
	94,496	149,805	1,808	4,032

11. CASH AND CASH EQUIVALENTS

	Inflation Adjusted		Historical Cost	
	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Cash in hand	3,344	2,959	3,344	2,959
Balances with foreign banks	2,218	1,754	2,160	1,626
	5,562	4,713	5,562	4,713

12. INTERNATIONAL MONETARY FUND (IMF) RELATED BALANCES

	31 December 2018		31 December 2017	
	SDR '000	Equivalent SSP million	SDR '000	Equivalent SSP million
Assets				
Holdings of SDR's	708	138	1,619	256
Quota in IMF	246,001	48,195	246,001	38,861
	246,709	48,333	247,620	39,117
Liabilities				
IMF Account No.1	7	1	9	1
IMF Account No.2	-	-	-	-
IMF Securities Account	5,368	1,053	6,657	1,052
CVA Account	240,626	47,142	239,335	37,808
IMF related liabilities	246,001	48,196	246,001	38,861
Allocation of SDR's	105,406	20,651	105,406	16,651

13. GOVERNMENT SECURITIES

	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Interest bearing bond	1,917	1,917	1,917	1,917

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 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Advances to the government	34,821	24,332	34,821	24,332
Interest receivable from advances to the government	1,172	292	1,172	292
Interest receivable from government securities	107	340	107	340
Less: ECL Provision	(7)	-	(7)	-
	36,093	24,964	36,093	24,964

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 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Advances to domestic banks	59	19	59	19
Less: ECL Provision	(59)	-	(59)	-
	-	19	-	19

16. OTHER LOANS AND RECEIVABLES

	Inflation Adjusted		Historical Cost	
	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Loans and advances to staff	39	41	39	41
Other receivables	750	2	750	2
Less: ECL Provision	(1)	-	(1)	-
	788	43	788	43

16(b) Movement in expected credit losses:

As at 1 January	-	-	-	-
IFRS 9 transition adjustment (Note 2)	22	-	22	-
Change in expected credit losses during the year	45	-	45	-
Advances to government	2	-	2	-
Advances to commercial banks	42	-	42	-
Other loans and receivables	1	-	1	-
As at 31 December	67	-	67	-

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 2018, the movement on deferred currency cost balance was as follows:

	Inflation Adjusted		Historical Cost	
	31 December 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Balance at the beginning of the year	353	65	353	65
Add: Cost of currency received during the year	94,102	149,263	1,879	4,298
Less: Cost of currency issued in circulation	(94,021)	(148,975)	(1,798)	(4,010)
	434	353	434	353

18. INTANGIBLE ASSETS

	31 December 2018 SSP million	31 December 2017 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 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
At 31 January 2018	2,316	65	110	56	173	721	3,441
Additions	60	13	123	14	24	209	443
Revaluation gain	100	5	7	3	12	-	127
At 31 December 2018	2,476	83	240	73	209	930	4,011
DEPRECIATION							
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)
At 01 January 2018	(15)	(13)	(22)	(11)	(36)	-	(97)
Charge for the year	(16)	(17)	(48)	(15)	(42)	-	(138)
Eliminated on revaluation	15	13	22	11	36	-	97
At 31 December 2018	(16)	(17)	(48)	(15)	(42)	-	(138)
NET BOOK VALUE							
At 31 December 2018	2,460	66	192	58	167	930	3,873
At 31 December 2017	2,301	52	88	45	137	721	3,344

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 224 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 2017 SSP million	31 December 2017 SSP million	31 December 2017 SSP million
Total printed currency	26,154	12,754	26,154	12,754
Currency printed during the year	19,400	13,400	19,400	13,400
Bank notes ex-mint (unissued)	(2,375)	(871)	(2,375)	(871)
	43,179	25,283	43,179	25,283
Bank notes and coins at the vault of the bank	(1,407)	(1,427)	(1,407)	(1,427)
Currency destroyed	(83)	(58)	(83)	(58)
Currency in circulation	41,689	23,798	41,689	23,798

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

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2017 SSP million	31 December 2017 SSP million	31 December 2017 SSP million
Ministry of Finance and Economic Planning	2,104	1,153	2,104	1,153
Other Government institutions	1,390	2,133	1,390	2,133
Total deposits from the Government and its agencies	3,494	3,286	3,494	3,286
Total advances to the Government (Note 14)	(36,093)	(24,964)	(36,093)	(24,964)
Net advance to the Government	32,599	21,678	32,599	21,678

22. DEPOSITS FROM BANKS AND FINANCIAL INSTITUTIONS

	Inflation Adjusted		Historical Cost	
	31 December 2017 SSP million	31 December 2017 SSP million	31 December 2017 SSP million	31 December 2017 SSP million
Current accounts	38,849	36,512	38,849	36,512
Cash statutory reserves	19,859	18,890	19,859	18,890
	58,708	55,402	58,708	55,402

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 2018 SSP million	31 December 2017 SSP million	31 December 2018 SSP million	31 December 2017 SSP million
Sundry payables	420	18	420	18
Deferred current cost accrual	302	1,268	302	1,268
	722	1,286	722	1,286

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 2018 SSP million	31 December 2017 SSP million	31 December 2018	31 December 2017
Authorised and paid up capital	675	310	15	15
Allocation from the general reserve account	-	-	-	-
IAS 29 adjustment	271	365	-	-
	946	675	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 adjustment the Bank has recorded a monetary loss amounting to SSP 271 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 2018 and 31 December 2017 are presented in the table below:

	31 December 2018		**31 December 2017**	
Credit exposures	**SSP million**	**%**	**SSP million**	**%**
Cash and cash equivalents (excluding cash in hand)	2,218	5%	1,755	2%
Holding of Special Drawing Rights (SDR's)	138	1%	256	1%
Quota of International Monetary Fund (IMF)	48,195	51%	38,861	57%
Government securities	1,917	2%	1,917	2%
Advances to the Government	36,093	39%	24,964	36%
Advances to commercial banks	-	0%	19	1%
Other loans and receivables	788	2%	43	1%
	89,349	100%	67,815	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.

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(a) Credit risk (continued)

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: -

	ECL Staging				
31 December 2018	**Stage 1 SSP million**	**Stage 2 SSP million**	**Stage 3 SSP million**	**Not Credit Impaired SSP million**	**Total SSP million**
Cash and cash equivalents (excluding cash in hand)	-	-	-	2,218	2,218
Holding of Special Drawing Rights (SDR's)	-	-	-	138	138
Quota of International Monetary Fund (IMF)	-	-	-	48,195	48,195
Government securities	1,917	-	-	-	1,917
Advances to the Government	36,100	-	-	-	36,100
Advances to commercial banks	-	-	59	-	59
Other loans and receivables	788	-	-	-	788
Gross carrying amount	38,805	-	59	50,551	89,415
Less: ECL allowance					
Government securities	-	-	-	-	-
Advance to government	(7)	-	-	-	(7)
Advances to commercial banks	-	-	(59)	-	(59)
Other loans and receivables	-	-	-	-	-
Total ECL provision	(7)	-	(59)	-	(66)
Net financial assets	38,798	-	-	50,551	89,349

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (continued)

(b) Credit risk (continued)

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: -

	ECL Staging				
31 December 2017	**Stage 1 SSP million**	**Stage 2 SSP million**	**Stage 3 SSP million**	**Not Credit Impaired 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	24,987	-	-	-	24,987
Advances to commercial banks	-	-	19	-	19
Other loans and receivables	43	-	-	-	43
Gross carrying amount	26,947	-	19	40,872	67,838
Less: ECL allowance					
Government securities	-	-	-	-	-
Advance to government	(5)	-	-	-	(5)
Advances to commercial banks	-	-	(16)	-	(16)
Other loans and receivables	(1)	-	-	-	(1)
Total ECL provision	(6)	-	(16)	-	(22)
Net financial assets	26,941	-	3	40,872	67,816

26. RISK MANAGEMENT (CONTINUED)

26.1 Financial risks (Continued)

(a) Credit risk (continued)

Credit quality per external credit rating agencies

Description	31 December 2018 Balance	Share (%)	31 December 2017 Balance	Share (%)
Cash and cash equivalents (excluding cash in hand)				
NR	2,218	6%	1,755	2%
Balances with IMF-NR				
Holding of Special Drawing Rights (SDR's)	138	1%	256	1%
Quota of International Monetary Fund (IMF)	48,195	51%	38,861	57%
Government securities				
NR	1,917	2%	1,917	2%
Loans and Advances to the Government				
NR	36,093	39%	24,987	36%
Advances to commercial banks				
NR	-	-	19	1%
Other loans and receivables				
NR	788	1%	43	1%
Total	89,349	100%	67,838	100%

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 2018 is as follows:

31 December 2018	**Foreign Country Treasury SSP '000**	**Supranational Institutions SSP '000**	**Domestic Financial Institutions SSP '000**	**Foreign Financial Institutions SSP '000**	**Government of South Sudan SSP '000**	**Others SSP '000**	**Total SSP '000**
Cash and cash equivalents (excluding cash in hand)	-	-	-	2,218	-	-	2,218
Holding of Special Drawing Rights (SDR's)	-	138	-	-	-	-	138
Quota of International Monetary Fund (IMF)		48,195	-	-	-	-	48,195
Government securities	-	-	-	-	1,917	-	1,917
Advances to the Government	-	-	-	-	36,093	-	36,093
Advances to commercial banks	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	-	788	788
Total	-	48,333	-	2,218	38,010	788	89,349

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

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 2018 is as follows:

31 December 2018	South Sudan SSP '000	USA SSP '000	Other East African countries SSP '000	European Countries SSP '000	Other Countries SSP '000	Total SSP '000
Cash and cash equivalents (excluding cash in hand)	34	1,506	17	661	-	2,218
Holding of Special Drawing Rights (SDR's)	-	138	-	-	-	138
Quota of International Monetary Fund (IMF)	-	48,195	-	-	-	48,195
Government securities	1,917	-	-	-	-	1,917
Advances to the Government	36,093	-	-	-	-	36,093
Advances to commercial banks	-	-	-	-	-	-
Other loans and receivables	788	-	-	-	-	788
Total	38,798	49,839	17	661	-	89,349

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

(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 2018					
Financial assets					
Cash and cash equivalents	5,562	-	-	-	5,562
Holding of Special Drawing Rights (SDR's)	138	-	-	-	138
Quota of International Monetary Fund (IMF)	48,195	-	-	-	48,195
Government securities	-	-	-	1,917	1,917
Advances to the Government	-	36,093	-	-	36,093
Advances to commercial banks	-	-	-	-	-
Other loans and receivables	-	788	-	-	788
Total	53,895	36,881	-	1,917	92,693
Financial liabilities					
Currency in circulation	41,689	-	-	-	41,689
Deposits from Government and its agencies	3,493	-	-	-	3,493
Deposits from banks and financial institutions	58,708	-	-	-	58,708
Other liabilities	722	-	-	-	722
IMF related liabilities	48,196	-	-	-	48,196
Allocation of Special Drawing Rights (SDR's)	20,651	-	-	-	20,651
Total liabilities	173,459	-	-	-	173,459
Net liquidity gap	(119,564)	36,881	-	1,917	(80,766)

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 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)

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 reprising 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 2018						
Financial assets						
Cash and cash equivalents	-	-	-	-	5,562	5,562
Holding of Special Drawing Rights (SDR's)	-	-	-	-	138	138
Quota of International Monetary Fund (IMF)	-	-	-	-	48,195	48,195
Government securities	-	-	-	1,917	-	1,917
Advances to the Government	-	36,093	-	-	-	36,093
Advances to commercial banks	-		-	-	-	-
Other loans and receivables	-	788	-	-	-	788
Total	-	36,881	-	1,917	53,895	92,693
Financial liabilities						
Currency in circulation	-	-	-	-	41,689	41,689
Deposits from the Government and its agencies	-	-	-	-	3,493	3,493
Deposits from banks and financial institutions	-	-	-	-	58,708	58,708
Other liabilities	-	-	-	-	722	722
IMF related liabilities	-	-	-	-	48,196	48,196
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	20,651	20,651
Total liabilities	-	-	-	-	173,459	173,459

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 2017						
Financial assets						
Cash and bank balances	-		-	-	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
Due to the Government and its agencies	-	-	-	-	3,286	3,286
Due to 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	-	-	-	-	139,284	139,284

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 2018 and 31 December 2017 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 2018	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	1,756	2,843	188	758	17	-	5,562
Holding of Special Drawing Rights (SDR's)	-	-	-	-	-	138	138
Quota of International Monetary Fund (IMF)	-	-	-	-	-	48,195	48,195
Government securities	1,917	-	-	-	-	-	1,917
Advances to the Government	36,093	-	-	-	-	-	36,093
Loans and advances to banks	-	-	-	-	-	-	-
Other loans and receivables	788	-	-	-	-	-	788
Total	40,554	2,843	188	758	17	48,333	92,693
Financial liabilities							
Currency in circulation	41,689	-	-	-	-	-	41,689
Deposits from Government and its agencies	1,175	1,977	3	338	-	-	3,493
Deposits from banks and financial institutions	12,346	44,834	382	1,146	-	-	58,708
Other liabilities	722	-	-	-	-	-	722
IMF related liabilities	-	-	-	-	-	48,196	48,196
Allocation of Special Drawing Rights (SDR's)	-	-	-	-	-	20,651	20,651
Total	55,932	46,811	385	1,484	-	68,847	173,459
Net exposure	(15,378)	(43,968)	(197)	(726)	17	(20,514)	(80,766)

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)

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 2018 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 2018				
Assets				
Cash and cash equivalents	-	5,562	-	5,562
Holding of Special Drawing Rights (SDR's)	-	138	-	138
Quota of International Monetary Fund (IMF)	-	48,195	-	48,195
Government securities	-	1,917	-	1,917
Advances to the Government	-	36,093	-	36,093
Other loans and receivables	-	788	-	788
	-	92,693	-	92,693
Liabilities				
Currency in circulation	-	41,689	-	41,689
Deposits from Government and its agencies	-	3,493	-	3,493
Deposits from banks and financial institutions	-	58,708	-	58,708
Other liabilities	-	722	-	722
IMF related liabilities	-	48,196	-	48,196
Allocation of Special Drawing Rights (SDR's)	-	20,651	-	20,651
Total liabilities	-	173,459	-	173,459

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

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 tune of USD 649 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

CAPITAL COMMITMENTS

As at 31 December 2018, the Bank's capital commitments in respect of, Property and Equipment, Intangible Assets and major capital projects aggregated to SSP 500 million (2017: SSP 1,035 million). The major capital expenditure commitments item is as reflected herewith below:

	31 December 2018 SSP million	31 December 2017 SSP million
Rumbek Currency Centre Project	500	1,035

30. OUTSTANDING COMMITMENTS (CONTINUED)

CAPITAL COMMITMENTS (CONTINUED)

The above commitments have been included and approved for payment in accordance with the 2017/2018 Budget Estimates.

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 2018 amounted to SSP 55 million (2017: SSP 20 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.

		2018	2017
		SSP million	**SSP million**
i	**Loans to Senior Management (i.e. Governor, Deputy Governors and Directors)**		
	At start of the year	20	15
	Loans granted during the year	2	5
	Loans repaid during the year	-	-
	Balance end of the year	22	20
ii	**Emoluments to Senior Management Personnel (Governor, Deputy Governors and Directors)**		
	Salaries, allowances and benefits	11	11

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 2018, the number of key management personnel was 7 (2017: 6).

(b) Directors' remunerations

During the year ended 31 December 2018, emoluments paid to the members of the Board amounted to SSP 11 million (2017: SSP 11 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.

31. RELATED PARTY DISCLOSURES (CONTINUED)

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

Balances due from the government of Republic of South Sudan

	2018 SSP million	**2017 SSP million**
Government securities (note 12)	1,917	1,917
Advances to the Government (note 13)	24,964	24,964
	26,881	26,881

Balances due to the government of Republic of South Sudan

	2018 SSP million	**2017 SSP million**
Deposits from Ministry of Finance and Economic Planning (note 20)	2,103	1,153
Deposits from other Government institutions	1,390	2,133
	3,493	3,286

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.

During the year 2020 the cabinet of ministers of the government of South Sudan resolved to discontinue monetary financing of the fiscal deficit starting at the end of June 2021.