Stanbic Bank
A member of Standard Bank Group

Stanbic Bank Limited (South Sudan Branch)

Annual Report and Financial Statements

For the year ended 31 December 2017

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Branch information

Principal place of business

Stanbic Bank Limited (South Sudan Branch)
P.O Box 630, Juba Town
Juba, South Sudan

Head office

Stanbic Centre
Chiromo Road, Westlands
P.O Box 72833
00200 Nairobi
Kenya

Company Secretary

Lillian Mbindyo
P.O Box 72833
00200 Nairobi
Kenya

Auditor

PricewaterhouseCoopers
PwC Tower
Waiyaki Way/Chiromo Road
P.O Box 43963
00100 Nairobi
Kenya

Corporate information

The Directors submit their report and the audited financial statements for the year ended 31 December 2017 which show the state of the Branch's affairs.

Principal activity

The Branch is engaged in the business of banking and related services.

Directors

The Directors of Stanbic Bank Limited who served during the year and to the date of this report were:

Chairman:	Fred N. Ojiambo, MBS, SC
Chief Executive:	Philip Odera (Outgoing: 31 December 2017) Charles Mudiwa*** (Incoming: 1 January 2018)
Chief Executive of Stanbic Holdings Plc	Greg Brackenridge*
Non-Executive Directors:	Kitili Mbathi Rose Kimotho Edward W. Njoroge Ruth T. Ngobi Peter N. Gethi Christopher J. Blandford – Newson** Rose B. Osoro (Appointed 25 September 2017) Dorcas Kombo (Appointed 12 January 2018) Mike Blades** (Resigned 23 February 2017)

* South African
** South African and British
*** Zimbabwean

Directors' responsibility statement

The directors accept responsibility for the preparation of financial statements for each financial year that gives a true and fair view of the state of affairs of the Branch as at the end of the financial year and of its profit or loss. The directors are also responsible for ensuring that the Branch keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Branch. They are also responsible for safeguarding the assets of the Branch.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Branch and of its profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

These financial statements were approved by the board of directors on 02 March 2018 and signed on its behalf by:

....
Chairman

....
Director

....
Chief Executive

Independent auditor's report to the shareholders of Stanbic Bank Limited (South Sudan Branch)

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Stanbic Bank Limited (South Sudan Branch), (the "Branch") as set out on pages 7 to 64, which comprise the statement of financial position as at 31 December 2017, income statement, statements of other comprehensive income, changes in equity, statement of changes in head office accountand cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of Stanbic Bank Limited- South Sudan Branch at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Branch in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent auditor’s report to the shareholders of Stanbic Bank Limited (South Sudan Branch) (continued)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Branch’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Branch or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Branch’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent auditor's report to the shareholders of Stanbic Bank Limited (South Sudan Branch) (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kang'e Saiti – Practising Certificate No. 1652.

Certified Public Accountants
Nairobi **2 March 2018**

Income statement

	Note	Year ended 31 December 2017 SSP '000	2016 (Restated) SSP'000
Interest income	6	1,630	7,935
Interest expense	7	(4,888)	-
Net interest income		**(3,258)**	**7,935**
Impairment losses on loans and receivables	8	**350,625**	**(847,998)**
Net interest income after loan impairment charges		**347,367**	**(840,062)**
Fees and commission income	9	830,916	809,388
Fees and commission expense	10	(7,238)	(49,981)
Net fees and commission income		**823,678**	**759,407**
Trading income	11	649,565	2,946,226
Other operating income		(7)	185
Net trading and other income		**649,558**	**2,946,411**
Net operating income		**1,820,603**	**2,865,756**
Employee benefits expense	12	(395,765)	(682,512)
Depreciation	20	(8,067)	(14,243)
Amortisation of intangible assets	21	(348)	(866)
Finance costs	13	(57,188)	(52,129)
Administration and general expenses	14	(552,886)	(799,067)
Total operating expenses		**(1,014,254)**	**(1,548,817)**
Profit before monetary adjustment		**806,349**	**1,316,939**
Loss on net monetary position	13	(291,511)	(2,381,083)
Profit/(loss) before income tax		**514,838**	**(1,064,145)**
Income tax expense	15(a)	(36,813)	(24,886)
Profit/(loss) for the year		**478,025**	**(1,089,031)**

The notes set out on pages 12 to 64 form an integral part of these financial statements.

Statement of other comprehensive income

	Note	2017 SSP'000	2016 (Restated) SSP'000
		For the year ended 31 December	
Profit / (loss) for the year		**478,025**	**(1,089,031)**
Other comprehensive income		**-**	**-**
Items that will be reclassified to profit or loss			
Revaluation reserve – available-for-sale securities		**(191)**	**191**
Total comprehensive income for the year		**477,834**	**(1,088,840)**

The notes set out on pages 12 to 64 form an integral part of these financial statements.

Statement of financial position

	Note	As at 31 December 2017 SSP'000	2016 (Restated) SSP'000
Assets			
Cash and balances with Bank of South Sudan	16	5,958,353	6,569,792
Financial investments – available-for-sale	17	-	9,186
Loans and advances to banks	18	11,323,026	5,029,668
Loans to customers	19	6,664	20,366
Other assets	23	81,507	241,294
Property and equipment	20	86,920	103,654
Intangible assets	21	1,787	3,127
Current income tax	15(b)	27,342	48,855
Total assets		**17,485,599**	**12,025,942**
Capital employed and liabilities			
Liabilities			
Customer deposits	24	11,314,880	7,008,902
Amounts due to other banks	25	1,154,807	844,665
Other liabilities	26	1,157,332	931,392
Deferred income tax	22	47,888	11,075
Total liabilities		**13,674,907**	**8,796,034**
Equity			
Revaluation reserve – available-for-sale securities		-	191
Regulatory credit risk reserves		103	808
Retained earnings		1,114,232	505,835
Total equity		**1,114,335**	**506,834**
Head office account			
Transfer from Head office		2,696,357	2,723,074
Total Head office account		**2,696,357**	**2,723,074**
Total capital employed		**3,810,692**	**3,229,908**
Total capital employed and liabilities		**17,485,599**	**12,025,942**

The notes set out on pages 12 to 64 form an integral part of these financial statements

The financial statements on pages 7 to 64 were approved for issue by the Board of Directors on 02 March 2018 and signed on its behalf by:-

Chairman

Chief Executive

Director

Company Secretary

Statement of changes in equity

At 31 December 2017	Retained earnings SSP'000	Regulatory risk reserve SSP'000	Available for sale reserve SSP'000	Total SSP'000
At start of year	**505,835**	**808**	**191**	**506,834**
Regulatory credit risk reserves	705	(705)	-	**-**
Revaluation reserve – available-for-sale securities	-	-	(191)	**(191)**
Hyperinflation adjustment	129,667	-	-	**129,667**
Profit for the year	478,025	-	-	**478,025**
At end of year	**1,114,232**	**103**	**-**	**1,114,335**

At 31 December 2016	Retained earnings SSP'000	Regulatory risk reserve SSP'000	Available for sale reserve SSP'000	Total SSP'000
At start of year	**118,241**	**43**	**(3)**	**118,281**
Adjustment for hyperinflation	588,428	484	(34)	588,878
At start of year	**706,669**	**527**	**(37)**	**707,159**
Regulatory credit risk reserves	75	(75)	-	**-**
Revaluation reserve – available-for-sale securities	(32)	-	144	**112**
Translation reserve	48	-	-	**48**
Loss for the year	(423,668)	-	-	**(423,668)**
Hyperinflation adjustment	222,743	356	84	**223,183**
At end of year	**505,835**	**808**	**191**	**506,834**

The notes set out on pages 12 to 64 form an integral part of these financial statements.

Statement of changes in head office account

	Year ended 31 December	
	2017	2016
	SSP'000	SSP'000
At start of year	**2,723,074**	**1,073,000**
Adjustment for hyperinflation	**-**	(888,000)
At start of year	**2,723,074**	**185,000**
Transfers from/ the head office	-	700,206
Foreign exchange movement	(26,717)	638,772
Hyperinflation adjustment	-	1,199,096
At end of year	**2,696,357**	**2,723,074**

The notes set out on pages 12 to 64 form an integral part of these financial statements.

Statement of cash flows

	Note	Year ended 31 December 2017 SSP'000	2016 (Restated) SSP'000
Cash flows from operating activities	28(a)	**814,763**	**1,332,047**
Income tax paid	15(b)	-	(81,954)
Cash flows from operating activities before changes in operating assets and liabilities		814,763	1,250,093
Changes in operating assets and liabilities:			
Cash reserve with Bank of South Sudan		43,329	(292,344)
Loans and advances to customers		13,702	24,741
Other assets		159,787	(189,185)
Customer deposits		4,305,974	(6,231,379)
Other liabilities		225,939	(519,048)
Net cash generated / (used in) from operating activities		**5,563,494**	**(5,957,103)**
Investing activities			
Purchase of investment		(5,141)	-
Sale of investments		-	9,806
Purchase of property and equipment	20	(28,419)	(10,737)
Purchase of intangible assets	21	-	(3,450)
Net cash generated from/ (used in) investing activities		**(33,560)**	**(4,381)**
Net increase / (decrease) in cash and cash equivalents		**5,529,934**	**(5,961,494)**
Movement in hyper inflation		(114,833)	(1,251,477)
Cash and cash equivalents at the beginning of the year		6,338,997	13,551,968
Cash and cash equivalents at the end of the year	28(b)	**11,754,101**	**6,338,997**

The notes set out on pages 12 to 64 form an integral part of these financial statements.

Notes

1.	**General information**
	Stanbic Bank Limited South Sudan (the "Branch"), is a branch of Stanbic Bank Limited, a Kenyan company incorporated under the Kenya Companies Act as a limited liability company and domiciled in Kenya. The Branch was licensed by the Bank of South Sudan on 25 April 2012 and started operations in April 2012. The Branch provides banking services in South Sudan. The Branch's address in South Sudan is as follows: Stanbic Bank P.O Box 630, Juba Town Juba, South Sudan The Branch's head office is in Kenya and its address is as follows: Stanbic Centre Chiromo Road, Westlands P.O Box 72833 00200 Nairobi
2.	**Summary of significant accounting policies**
	The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.
a)	**Basis of preparation**
	The annual financial statements (AFS) are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and the South Sudan Companies Act. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position: • Available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and liabilities for cash-settled and equity-settled share-based payment arrangements (accounting policy 2f) The following principle accounting policy elections in terms of IFRS have been made, with reference to the detailed accounting policies shown in brackets: • purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2f) • property and equipment and intangible assets are accounted for using the cost model (accounting policy 2i) • the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 2f) • Hyperinflation-The South Sudan economy has been considered to be hyperinflationary. Accordingly, the results, cash flows and financial position, have been expressed in terms of the measuring unit prevailing at the reporting date (accounting policy 2r)
b)	**Functional and presentation currency**
	The annual financial statements are presented in South Sudanese Pounds (SSP) which is the functional and presentation currency of the Branch. All amounts are stated in thousands of South Sudanese Pounds (SSP 000), unless indicated otherwise. Items included in the financial statements of each of the Branch are measured using the currency of the primary economic environment in which the entity operates which is South Sudan Pound (SSP) for South Sudan operations.

Notes (continued)

2	**Summary of significant accounting policies (continued)**
c)	**Changes in accounting policies and disclosures**
i)	***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Branch. The Branch's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* (IFRS 9) will replace the existing standard dealing with the accounting treatment for financial instruments IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) from 1 January 2018.

IFRS 9 consists of the following key areas which represent changes from that of IAS 39:
- Revised requirements for the classification and measurement of financial assets and consequential changes in the classification and measurement of financial liabilities, mainly relating to the recognition of changes in fair value due to changes in own credit risk on fair value designated financial liabilities in OCI as opposed to the income statement
- An expected credit loss (ECL) impairment model
- Revised requirements and simplifications for hedge accounting

IFRS 9 is required to be adopted retrospectively from 1 January 2018, with the exception of IFRS 9's hedge accounting requirements where the standard permits an entity to choose as its accounting policy to continue to apply with IAS 39 hedge accounting requirements instead of the requirements in Chapter 6 of IFRS 9.

The Branch has elected not to restate its comparative financial statements. Accordingly, the difference between the previous (IAS 39) and new (IFRS 9) carrying values will be recognised in the Branch's opening retained earnings as at 1 January 2018.

IFRS 9 requirements

The following is a summary of IFRS 9's key requirements and the estimated impact on the Branch (It should be noted that the Bank's final transition impact was, at the time of the preparation of these financial statements, being determined. Accordingly, the estimated impact set out below, which were determined using the September 2017 hard close results, may change as a result of changes in the Branch's size and nature of its assets and liabilities as well as changes in the risk rating and expected loss input variables (including forward looking macroeconomic factors) of its assets):

Classification of financial assets and liabilities
IFRS 9 requires all financial assets to be classified and measured on the basis of the entity's business model for managing the financial assets and its contractual cash flow characteristics.

The accounting for financial assets differs in various other areas to existing requirements such as embedded derivatives and the recognition of fair value adjustments in OCI.

All changes in the fair value of financial liabilities that are designated at fair value through profit or loss due to changes in own credit risk will be required to be recognised in OCI with no subsequent recognition in the income statement.

Notes (continued)

2	**Summary of significant accounting policies (continued)**
c)	**Changes in accounting policies and disclosures (continued)**
i)	***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch* (continued)**

Expected credit loss (ECL) impairment model
IFRS 9's ECL impairment model's requirements will represent the most material IFRS 9 impact.

The IASB developed the IFRS 9 ECL impairment model with the objective of transitioning from an incurred loss approach to an expected loss model which will require entities to recognise impairment losses in advance of an exposure having objective evidence of impairment. The ECL model will apply to financial assets measured at either amortised cost or at fair value through OCI, as well as loan commitments when there is present commitment to extend credit (unless these are measured at fair value through profit or loss).

With the exception of purchased or originated credit impaired financial assets, expected credit losses are required to be measured through a loss allowance at an amount equal to either 12-month expected credit losses or full lifetime expected credit losses. A loss allowance for full lifetime expected credit losses is recognised for a financial asset where the credit risk of that financial asset increased significantly since initial recognition (unless the financial asset is exposed to a low level of credit risk) as well as for certain contract assets and trade receivables or where the exposure is classified as in default. For all other financial instruments, expected credit losses are measured at an amount equal to 12-month expected credit losses.

Significant increase in credit risk or low credit risk
The assessment of significant increase in credit risk for the Branch's PBB exposures will be based on changes in a customer's credit score and for the Branch's CIB exposures on changes in internal credit ratings, together with the expected outlook for the specific sector and industry and other relevant available information. For both the Branch's PBB and CIB exposures, the determination will be set to identify significant deterioration in credit risk before the exposure reaches a past due status of 30 days. Exposures for which there is a significant increase in credit risk but for which the credit risk is low remain in stage one. Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions are unlikely to reduce the exposure's ability to fulfil its contractual obligations.

Forward-looking information
In determining whether there has been a significant increase in credit risk and in determining the expected credit loss calculation, IFRS 9 requires the consideration of forward-looking information. The determination of significant increase in credit risk is required to include consideration of all reasonable and supportable information available without undue cost or effort. This information will typically include forward-looking information based on expected macro-economic conditions and specific factors that are expected to impact individual portfolios.

The incorporation of forward-looking information represents a significant change from existing accounting requirements which are based on observable events. The use of such forward-looking information will increase the use of management judgement and is expected to increase the volatility of impairment provisions as a result of continuous changes in future expectations. The forward-looking framework will be based on the Branch's economic expectations, industry and sub-sector-specific expectations, as well as expert management judgement.

Default
While default is not specifically defined by IFRS 9, the Branch has aligned the determination of default with its existing internal credit risk management definitions and approaches. Default is determined as occurring at the earlier of:

- when either, based on objective evidence, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter without recourse to actions such as realisation of security; or
- when the counterparty is past due for more than 90 days (or, in the case of overdraft

Notes (continued)

2 .	**Summary of significant accounting policies (continued)**
c)	**Changes in accounting policies and disclosures (continued)**
i)	***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch* (continued)**

Impact on reserves

The IFRS 9's requirements noted above are expected to reduce the Branchs's reserves. As at 1 January 2018, The IFRS 9's requirements noted above, subject to ongoing refinements and reviews by the Bank's governance frameworks, is an overall reduction in core capital within the range of 0% and 1%. This adjustment arises from IFRS 9's ECL requirements.The following table details the key drivers:

IFRS 9 ECL Driver	Reason
Stage one (12-month expected loss)	PBB' existing emergence period is between three to six months and for CIB exposure is 12 months. The change to a 12 month expected loss requirement for exposures will hence result in an increase in impairments for PBB.
Stage two (lifetime expected loss for items for which there is a significant increase in credit risk)	IFRS 9 will require a lifetime loss to be recognised for items for which there has been a significant increase in credit risk. This requirement will affect both PBB and CIB's credit impairments.
Stage three (lifetime expected loss for credit impaired exposures)	Whilst IFRS 9 contains similar requirements to that of existing accounting requirements, an increase in impairment provisions will be recognised as a result of the requirement to include the probability of multiple lifetime defaults.
Off-balance sheet exposures	The IFRS 9 requirement for impairments for off-balance sheet facilities results in the requirement for additional credit impairments for both PBB and CIB.
Forward-looking information	The inclusion of forward-looking economic information could increase the level of provisions as a result of the possible consequence of deteriorating economic conditions.

Hedge accounting

The revised general hedge accounting requirements are better aligned with an entity's risk management activities and provide both additional opportunities to apply hedge accounting and various simplifications in achieving hedge accounting. The Branch's date of adoption of the IFRS 9 revised hedge accounting requirements will be based on further IFRS developments with respect to the IASB's macro hedge accounting project or on the Bank deeming it opportune to adopt the revised requirements. The Branch has elected to continue with IAS 39's hedge accounting requirements, but will implement IFRS 9's revised hedge accounting disclosures.

IFRS 9 *Financial Instruments* amendment

On 12 October 2017, IASB issued an amendment to IFRS 9 (the amendment). This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortised cost or at fair value through other comprehensive income. The amendment is required to be applied retrospectively. The amendment is not expected to have a material impact on the Branch. Effective date 1 January 2019 earlier application permitted.

IFRS 2 (amendment) Share-based Payment

The amendments are intended to eliminate diversity in practice in three main areas of the classification and measurement of share- based payment transactions are:

- the effects of vesting conditions on the measurement of a cash-settled share based payment transaction
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations the accounting where a modification to

Notes (continued)

2	**Summary of significant accounting policies (continued)**
c)	**Changes in accounting policies and disclosures (continued)**
i)	***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch*** **(continued)**

IFRS 16 *Leases*

This standard will replace the existing standard IAS 17 Leases as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.

The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) asset together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently done in terms of IAS 17. In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The standard will be applied retrospectively. The impact on the annual financial statements has not yet been fully determined. However, the Branch has formed an IFRS 16 working Branch and detailed project plan, identifying key responsibilities and milestones of the project. The Bank is in the process of determining the estimated impact as well as discussing the system requirements to accommodate IFRS 16's principles.The new standard is effective on 1 January 2019 and earlier application is permitted.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

The IFRIC provides guidance on how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The IFRIC will be applied retrospectively or prospectively. The Branch has identified and reviewed the contracts and transaction that are within the scope of this interpretation which indicate that this IFRIC will not materially impact the annual financial statements.The new interpretation is effective on 1 January 2018 and earlier application is permitted.Management has performed an assesement of IFRIC 22 and the impact is not significant.

IFRIC 23 *Uncertainty over Income Tax Treatments*

This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This Interpretation addresses: whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The IFRIC will be applied retrospectively

2	**Summary of significant accounting policies (continued)**
c)	**Changes in accounting policies and disclosures (continued)**
i)	***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Branch*** **(continued)**
	IFRS 15 Revenue from Contracts with Customers This standard will replace the existing revenue standards and their related interpretations. The standard sets out the requirements for recognising revenue that applies to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts or financial instruments). The core principle of the standard is that revenue recognised reflects the consideration to which the company expects to be entitled in exchange for the transfer of promised goods or services to the customer. The standard incorporates a five-step analysis to determine the amount and timing of revenue recognition. The effective date is 1 January 2018.Management has performed an assesement of IFRS 15 the impact is not significant. *Annual improvements 2015-2017 cycle* The IASB has issued various amendments and clarifications to existing IFRS, none of which is expected to have a significant impact on the Bank's annual financial statements.
d)	**Translation of foreign currencies**
	(i) Functional and presentation currency Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'), which is also the presentation currency. *(ii) Transactions and balances* Foreign currency transactions are translated into the respective Functional Currencies of bank entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss (except when recognised in OCI as part of qualifying cash flow hedges and net investment hedges). Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as available-for-sale financial assets are recognised in the available-for-sale reserve in OCI (profit or loss) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

2.	**Summary of significant accounting policies (continued)**
e)	**Interest income and expense**
	Interest income and expense for all interest-bearing financial instruments are recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Branch estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.
f)	**Fees and commission income**
	Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Branch has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionment basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
g)	**Financial assets and liabilities**
	1) Financial assets
	The Branch classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans and advances; and available-for-sale assets. Management determines the appropriate classification of its financial assets at initial recognition. The Branch uses trade date accounting for regular way contracts when recording financial asset transactions.
	(ii) Loans and advances
	Loans and advances and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the Branch intends to sell immediately or in the short term, which are classified as held for trading, and those that the Branch upon initial recognition designates as at fair value through profit or loss; (b) those that the Branch upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration. Loans and advances are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method.

	(iii) Available-for-sale financial assets
	Available-for-sale financial assets are financial assets that 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 or that are not classified as loans and advances, held-to-maturity investments or financial assets at fair value through profit or loss. Due to lack of an available active secondary market in South Sudan available-for-sale financial assets are carried at amortised cost.
	2) Financial liabilities
	The Branch's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.
	3) Determination of fair value
	For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes quoted debt instruments on major exchanges. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions. For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, London Interbank Offered Rate yield curve, foreign exchange rates, volatilities and counterparty spreads) existing at the reporting date.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
g)	**Financial assets and liabilities (continued)**
	3) Determination of fair value (continued)

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

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

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

4) Derecognition

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Branch tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

5) Reclassification of financial assets

The Branch may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Branch may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Branch has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.On reclassification of a financial asset out of the ‘at fair value through profit or loss’ category, all embedded derivatives are re-assessed and, if necessary, separately accounted for.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
h)	**Impairment of financial assets**
	(i) Assets carried at amortised cost

The Branch assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Branch uses to determine that there is objective evidence of an impairment loss include:

a) significant financial difficulty of the issuer or obligor;

b) a breach of contract, such as a default or delinquency in interest or principal payments;

c) the lender, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

(i) adverse changes in the payment status of borrowers in the portfolio; and

(ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

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

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Branch may measure impairment on the basis of an instrument’s fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
h)	**Impairment of financial assets (continued)**
	(i) Assets carried at amortised cost (continued)
	The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Branch's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk 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 period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Branch and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Branch to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in 'Net gains/ (losses) on investment securities'. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.
	(ii) Available for sale financial assets
	Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have a negative impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is considered to be impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from OCI to profit or loss. If, in a subsequent period, the amount relating to impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. Any reversal of an impairment loss in respect of an available-for-sale equity instrument is recognised directly in OCI.
i)	**Offsetting financial instruments**
	Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
j)	**Furniture and equipment**
	All furniture and equipment is initially stated at cost and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are charged to profit or loss during the financial period in which they are incurred. Furniture and fittings -13 years Motor vehicles - 5 years Other computer equipment - 5 years Laptops and personal computers - 5 years Office equipment -13 years The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The Branch assesses at each reporting date whether there is any indication that any item of furniture and equipment is impaired. If any such indication exists, the Branch estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposal of furniture and equipment are determined by reference to their carrying amount and are included in profit or loss. Repairs and renewals are charged to profit or loss when the expenditure is incurred.
k)	**Income tax**
	Current income tax
	The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. The current income tax charge is calculated on the basis of Business Profit Tax Act enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
k)	**Income tax (continued)**
	Deferred income tax
	Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.
l)	**Cash and cash equivalents**
	Cash and cash equivalents includes cash in hand, deposits held at call with other banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with the Bank of South Sudan, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of South Sudan.
m)	**Leases**
	Leases are divided into finance leases and operating leases.
	(i) With the Branch as lessee
	1) Operating lease Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease. The total payments made under operating leases are charged to 'other operating expenses' on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place. 2) Finance lease Leases of assets where the Branch has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in deposits from banks or deposits from customers depending on the counter party. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The leases entered into by the Branch are primarily operating leases.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
n)	**Sale and repurchase agreements**
	Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in deposits from banks or deposits from customers as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.
o)	**Acceptances and letters of credit**
	Acceptances and letters of credit are accounted for as off-statement of financial position transactions and disclosed as contingent liabilities.
p)	**Impairment of non-financial assets**
	Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.
q)	**Provisions**
	Provisions are recognised when the Branch has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.
r)	**Employee benefits**
	(i) Defined contribution plan
	The majority of the Branch's employees are eligible for retirement benefits under a defined contribution plan. A defined contribution plan is a retirement benefit plan under which the Branch pays fixed contributions into a separate entity. The Branch has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Branch and employees. The Branch's contributions to the defined contribution schemes are charged to the income statement in the year in which they fall due.
	(ii) Other entitlements
	The estimated expected monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

Notes (continued)

2.	**Summary of significant accounting policies (continued)**
s)	**Hyperinflation**
	The South Sudan economy has been classified as hyperinflationary from 1 January 2016. Accordingly, the results, cash flows and financial position of Stanbic South Sudan branch have been expressed in terms of the measuring unit current at the reporting date. The results, cash flows and financial position have also been expressed in terms of the measuring unit current at the reporting date. At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose to the date of initial application. Non-monetary assets and liabilities are also restated at the date of initial application by applying to their cost and accumulated depreciation a general price index from the date the items were acquired to the date of initial application. The resulting adjustments determined at the beginning of the period are recognised directly in equity as an adjustment to opening retained earnings. From the date of initial application and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. Items in the statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its cost and accumulated depreciation the change in the general price index calculated from the later of the beginning of the reporting period and the date of acquisition up to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount. Restated retained earnings are derived from all other amounts in the restated statement of financial position. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred. Gains or losses on the net monetary position are recognised in profit or loss within trading income. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.
3.	**Critical accounting estimates and judgements in applying accounting policies**
	The Branch makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and directors' judgements for certain items are especially critical for the Branch's results and financial situation due to their significance.
(a)	**Impairment losses on loans and advances**
	The Branch reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the income statement, the Branch makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. 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 experience.

Notes (continued)

3.	Critical accounting estimates and judgements in applying accounting policies (continued)
b)	**Fair value of financial instruments**
	The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.
c)	**Hyperinflation**
	The Branch exercises significant judgement in determining the onset of hyperinflation and whether the functional currency of is the currency of a hyperinflationary economy. Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether: • the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency; • Prices are quoted in a relatively stable foreign currency; • Sales or purchase prices take expected losses of purchasing power during a short credit period into account; • Interest rates, wages and prices are linked to a price index; and • the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Following management's assessment, the Bank's branch, Stanbic South Sudan has been accounted for as an entity operating in a hyperinflationary economy. The results, cash flows and financial position have been expressed in terms of the measuring units' current at the reporting date and the results and financial position.

The general price indices used in adjusting the results, cash flows and financial position of the branch is set out below:

The general price index used as published by the National Bureau of Statistics of South Sudan is as follows;

Date	Base year	General price index	Inflation rate
30.09.2017	2016	2,178.73	78.68%

Date	Base year	General price index	Inflation rate
31.12.2016	2015	1,219.33	480.19%

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2017 SSP'000	2016 (Restated) SSP'000
Increase in revenue	192,429	1,684,822
Net monetary loss	291,511	2,381,083
Decrease in profit after tax	(220,214)	(1,411,525)

Notes (continued)

4. Financial risk management

By their nature, the Branch activities are principally related to the use of financial instruments including derivatives. The Branch accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Branch seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Branch's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Branch regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out centrally under policies approved by the Board of Directors. The Treasury department evaluates and hedges financial risks in close co-operation with the Branch's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important types of risk are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest rate and other price risk.

The Branch also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Branch also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Branch also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

(a) Capital management

The Branch's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulator, Bank of South Sudan;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Branch monitors the adequacy of its capital using ratios established by the Bank of South Sudan, which ratios are broadly in line with those of the Bank for International Settlements (BIS). These ratios measure capital adequacy by comparing the Branch's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The risk-based approach applies to both on and off-statement of financial position items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

Notes (continued)

4.	Financial risk management (continued)
(a)	**Capital management (continued)** The assets are weighted according to broad categories, each being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Four categories of risk weights (0%, 20%, 50%, and 100%) are applied.
	The Branch is required at all times to maintain: ▪ A core capital (tier 1) of not less than 8% of total risk weighted assets plus risk weighted off-statement of financial position items; and ▪ A total capital (tier 1 + tier 2) of not less than 12% of its total risk weighted assets plus risk adjusted off statement of financial position items. ▪ The Bank of South Sudan (BOSS) requires minimum paid up capital deposit of USD 30 million. The Branch has already paid USD 30 million to BOSS.
	Off-balance sheet credit related commitments and forwards are converted to credit risk equivalents using credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.
	Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Branch's term subordinated debt and regulatory loan loss reserves and cannot exceed tier 1 capital. Regulatory loan loss reserves qualifying as tier 2 capital cannot exceed 1.25% of the risk weighted assets total value.

The Branch's capital adequacy level was as follows:

	2017 SSP'000	2016 (Restated) SSP'000
Tier 1 Capital (Core Capital)		
Head office account	2,696,357	2,723,074
Retained earnings	1,114,232	505,835
Total Tier 1 capital (Core capital)	**3,810,589**	**3,228,909**
Tier 2 capital		
Regulatory credit risk reserve	103	808
Revaluation reserve – available-for-sale securities	-	191
Total Tier 2 capital	**103**	**999**
Total capital (Tier 1 + Tier 2)	**3,810,692**	**3,229,908**
Risk - weighted assets		
On-balance sheet	3,060,356	1,374,370
Off-balance sheet	69,410	75,236
Total risk - weighted assets	**3,129,766**	**1,449,606**

Capital adequacy ratios	**2017 %**	**2016 %**
Core capital / total risk - weighted assets	122	223
Minimum regulatory requirement	8	8
Total capital / total risk - weighted assets	122	223
Minimum regulatory requirement	12	12

Notes (continued)

4. Financial risk management (continued)

(b)	**Credit risk**
	The Branch takes on exposure to credit risk, which is the risk that a counter-party will cause a financial loss for the Branch by failing to discharge an obligation in full when due. Impairment provisions are provided for losses that have been incurred at the statement of financial position date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Branch's portfolio, could result in losses that are different from those provided for at the reporting date. Management therefore carefully manages its exposure to credit risk. The Branch structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and are subject to annual or more frequent review. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.
	The exposure to any one borrower including banks is further restricted by sub-limits covering on - and off- statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.
	Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.
(i)	**General approach to managing credit risk** Policy guidelines are set by the Board Credit Risk Committee (BCRC), the Executive Committee (EXCO), and Standard Bank Africa Credit. Credit risk management is governed by the group's overall credit policy guidelines. Respective Credit Risk Management Divisions, which report into the BCRC, are responsible for the implementation of these guidelines, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. Limits on facilities to counter-parties are governed by internal restraints, which restrict large exposures in relation to the Branch's capital.
(ii)	**Management reporting** A number of reports are prepared as management information on credit risk. Various analysis of the data are done and a variety of reports are prepared on a monthly and quarterly basis. Some of these reports include: ▪ Monthly BCRC Report ▪ Quarterly Board Audit Report ▪ Quarterly Board Risk Report

Notes (continued)

4.	**Financial risk management (continued)**
(b)	**Credit risk (continued)**
(ii)	**Management reporting (continued)** ▪ Regulatory returns ▪ Half-year results ▪ Annual financial statements These reports are distributed to Standard Bank Group controlling divisions, regulators and are available for inspection by authorised personnel.
(iii)	**Credit risk measurement**
	(a) Loans and advances
	In measuring credit risk of loans and advances to customers and to banks at a counter-party level, the Branch reflects three components: (i) the 'probability of default' by the client or counter-party on its contractual obligations; (ii) current exposures to the counter-party and its likely future development, from which the Branch derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default'). These credit risk measurements, which reflect expected loss (the 'expected loss model') and are required by the Basel Committee on Banking Regulations and the Supervisory Practices, are embedded in the Branch's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses. The Branch assesses the probability of default of individual counter-parties using internal rating tools tailored to the various categories of counter-party. They have been developed by the Standard Bank Group and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Branch are segmented into five rating classes. The Branch's rating scale reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Branch regularly validates the performance of the ratings and their predictive power with regard to default events.
	(b) Collateral
	The Branch employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Branch implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are: • Mortgages over residential properties; • Charges over business assets such as premises, inventory and accounts receivable; • Charges over financial instruments such as debt securities and equities. Longer-term finance and lending to corporate entities is generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise possible credit loss the Branch seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Notes (continued)

4. Financial risk management (continued)
(b) Credit risk (continued)
(iii) Credit risk measurement (continued)

(c) Lending limits for derivatives

The Branch maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Branch (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Branch requires margin deposits from counter-parties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counter-party to cover the aggregate of all settlement risk arising from the Branch's market transactions on any single day.

(d) Financial covenants (for credit related commitments and loan books)

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Branch will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Branch on behalf of a customer authorising a third party to draw drafts on the Branch up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Branch is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Branch monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

(iv) Impairment and provisioning policy

The internal and external rating systems described in Note 4 (b) (iii (a)) focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment (see Note 2(f)). Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes. The difference between the two methodologies is captured in the statutory reserve in equity.

The impairment provision shown in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two grading (doubtful and loss categories).

The internal rating tool assists management to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Branch:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (e.g. equity ratio, net income percentage of sales);

Notes (continued)

4.	**Financial risk management (continued)** **(b) Credit risk (continued)**
(iv)	**Impairment and provisioning policy (continued)**
	• Breach of loan covenants or conditions; • Initiation of bankruptcy proceedings; • Deterioration of the borrower's competitive position; • Deterioration in the value of collateral. The Branch's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collectively assessed impairment allowances are provided for: (i) portfolios of homogenous assets that are individually below materiality thresholds; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques. The Branch has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Branch considers three components: (i) the 'probability of default' (PD) by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Branch derives the 'exposure at default' (EAD); and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default') (LGD). The models are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness. These credit risk measurements, which reflect expected loss (the 'expected loss model'), are required by the Basel Committee on Banking Regulations and the Supervisory Practices (the Basel Committee) and are embedded in the Branch's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the reporting date (the 'incurred loss model') rather than expected losses. a) Probability of default ("PD") The Branch assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical historical analysis of loan loss roll rates. They are validated, where appropriate, by comparison with externally available data. The rating methods are subject to a periodic validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults. b) Exposure at default ("EAD") EAD is based on the amounts the Branch expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Branch includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. c) Loss given default/loss severity ("LGD") Loss given default or loss severity represents the Branch's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

Notes (continued)

4. Financial risk management (continued)

(v) Maximum exposure to credit risk before collateral held or other credit enhancements

1% of the total maximum exposure is derived from loans and advances to banks and customers; 2% represents investments in debt securities.

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Branch resulting from both the loan and advances portfolio and debt securities based on the following:

- 100% of the loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 100% of the loans and advances portfolio are considered to be neither past due nor impaired; and
- 100% of all the debt securities, which the Branch has invested in, are issued by the Bank of South Sudan

(vi) Valuation of collateral

The Branch has a panel of valuers who undertake valuation of property and other assets to be used as collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. All the valuers on the panel provide the Branch with professional indemnity to cover the Branch in case of negligence. The Branch ensures that all properties used as collateral are adequately insured during the term of the loan. Valuation reports on properties are valid for three years after which the property and equipment is revalued.

The Branch holds the following types of collateral as security and other credit enhancements in respect to credit risk exposure.

Personal and Business Banking

Mortgage lending	First ranking legal over the property financed
Instalment sales	Joint registration of vehicles
Other loans and advances	Debentures over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Corporate and Investment Banking

Corporate lending	All assets debenture over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Notes (continued)

4. Financial risk management (continued)
(b) Credit risk (continued)
(vii) Credit quality

The credit quality of financial assets is managed by the Branch using the Branch's internal credit rating system. The credit rating system utilises both quantitative and qualitative information in arriving at the credit rating. Financial information is used and is key in arriving at the credit rating of individual borrowers. The qualitative information used in generating the credit rating includes quality of management, account operation and the industry in which the customer operates. The key consideration though remains the ability of the customer to meet its financial obligation from its cash flow.

The table below shows the credit quality by class of loans and advances, based on the Branch's credit rating system:

Year ended 31 December 2017			Performing loans			
			Neither past due nor specifically impaired		Not specifically impaired	
	Total Loans and Advances to Customers 2017 SSP'000	Balance sheet impairments for performing loans 2017 SSP'000	Normal monitoring 2017 SSP'000	Close monitoring 2017 SSP'000	Early arrears 2017 SSP'000	Non-performing 2017 SSP'000
Personal and Business Banking	-	-	-	-	-	-
Personal lending	6,664	-	6,664	-	-	-
Total recognised loans and advances to customers	**6,664**	**-**	**6,664**	**-**	**-**	**-**
Percentage of total book (%)	**100%**	**-**	**100%**	**-**	**-**	**-**

Year ended 31 December 2016 (Restated)			Performing loans			
			Neither past due nor specifically impaired		Not specifically impaired	
	Total Loans and Advances to Customers 2016 SSP'000	Balance sheet impairments for performing loans 2016 SSP'000	Normal monitoring 2016 SSP'000	Close monitoring 2016 SSP'000	Early arrears 2016 SSP'000	Non-performing 2016 SSP'000
Personal and Business Banking	-		-	-	-	-
Personal lending	20,366		20,366			
Total recognised loans and advances to customers	**20,366**		**20,366**			
Percentage of total book (%)	**100%**		**100%**			

Notes (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

(viii) Credit quality per class of financial assets

	Normal 2017 SSP'000	Watch 2017 SSP'000	Neither past due nor impaired 2017 SSP'000	Past due but not impaired 2017 SSP'000	Total performing 2017 SSP'000	Impaired Balances 2017 SSP'000	Total Loans 2017 SSP'000
Balances with Bank of South Sudan	5,582,048		-	-	5,582,048	376,305	5,958,353
Other assets	81,507	-	-	-	81,507	-	81,507
Loans and advances to banks	11,323,026	-	-	-	11,323,026	-	11,323,026
Loans and advances to customers	6,664	-	-	-	6,664	-	6,664
Personal and Business Banking							
Personal lending	6,664	-	-	-	6,664	-	6,664
Total recognised financial instruments	**16,993,245**	**-**	**-**	**-**	**16,993,245**	**376,305**	**17,369,550**
Performance guarantees	69,410	-	-	-	69,410	-	69,410
Total unrecognised financial instruments	**69,410**	**-**	**-**	**-**	**69,410**	**-**	**69,410**
Total	**17,062,655**	**-**	**-**	**-**	**17,062,655**	**376,305**	**17,438,960**

Notes (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

(viii) Credit quality per class of financial assets (continued)

	Normal 2016 SSP'000	Watch 2016 SSP'000	Neither past due nor impaired 2016 SSP'000	Past due but not impaired 2016 SSP'000	Total performing 2016 SSP'000	Impaired Balances 2016 SSP'000	Total Loans 2016 SSP'000
Balances with Bank of South Sudan	6,569,792	–	–	-	6,569,792	–	6,569,792
Financial Investments	9,186	–	–	-	9,186	–	9,186
Other assets	241,294	–	–	-	241,294	–	241,294
Loans and advances to banks	5,029,668	–	–	-	5,029,668	–	5,029,668
Loans and advances to customers	20,366	–	–	-	20,366	–	20,366
Personal and Business Banking	**20,366**	**–**	**–**	**-**	**20,366**	**–**	**20,366**
Personal lending	20,366	–	–	-	20,366	–	20,366
Total recognised financial instruments	**11,870,306**	**–**	**–**	**-**	**11,870,306**	**–**	**11,870,306**
Performance guarantees	75,235	–	–	-	75,235	–	75,235
Total unrecognised financial instruments	**75,235**	**–**	**–**	**-**	**75,235**	**–**	**75,235**
Total	**11,945,541**	–	–	**-**	**11,945,541**	–	**11,945,541**

Notes (continued)

4. Financial risk management (continued)

(b) Credit risk (continued)

(ix) Age analysis of past due but not impaired financial assets

Loans and advances less than 90 days past due are not considered impaired unless other information is available to indicate the contrary.

There were no financial assets that were past due at the reporting date but not impaired.

(c) Market risk

The Branch takes on exposure to market risks, which is the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by an adverse move in market variables such as equity, bond and commodity prices, currency exchange rates, interest rates, credit spreads, recovery rates, correlations and implied volatilities in all the above.

Market risk measurement techniques:

As part of the management of market risk, the Branch's major measurement technique is value at risk. The Branch applies 'value at risk' methodology (VAR) to its trading and non – trading portfolios, to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The ALCO sets limits on the value of risk that may be acceptable for the Branch, which are monitored on a daily basis by Head of Risk.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Branch might lose, but only to a certain level of confidence. The measurement of trading exposures under normal market conditions is based on VAR, being the 5^{th} percentile of the 1 day holding period profit and loss distribution calculated on a historical simulation basis with 250 days' worth of historical data updated at least quarterly.

The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitutes an integral part of the Branch's market risk control regime, VAR limits are established by the Asset and Liability Committee (ALCO) annually for all portfolios. Actual exposure against limits, together with a Bank-wide VAR, is reviewed daily by the Bank's Risk department.

The quality of the VAR model is continuously monitored by back-testing the VAR results for trading books. All back-testing exceptions and any exceptional revenues on the profit side of the VAR distribution are investigated.

(i) Foreign exchange risk

The Branch takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below indicates the extent to which the Branch was exposed to currency risk as at 31 December on its monetary assets and liabilities denominated in foreign currency. The table shows the sensitivity analysis for each currency to which the Branch has significant exposure and the effect of the change in exchange rate on the income statement.

Notes (continued)

4. Financial risk management (continued)
c) Market risk (continued)
(i) Foreign exchange risk (continued)

	Increase in currency rate in % 2017	Effect on profit before tax 2017 SSP'000	Effect on profit after tax 2017 SSP'000	Increase in currency rate in % 2016	Effect on profit before tax 2016 (Restated) SSP'000	Effect on profit after tax 2016 (Restated) SSP'000
Currency						
USD	0.82%	(16)	(12)	1.07%	2,498	1,874
GBP	2.92%	19	15	1.72%	-	-
EUR	1.93%	114	85	2.83%	-	-

	Decrease in currency rate in % 2017	Effect on profit before tax 2017 SSP'000	Effect on profit after tax 2017 SSP'000	Decrease in currency rate in % 2016	Effect on profit before tax 2016 SSP'000	Effect on profit after tax 2016 SSP'000
Currency						
USD	0.79%	(16)	(12)	1.05%	2,452	1,839
GBP	2.91%	19	14	1.89%	-	-
EUR	2.62%	154	116	2.76%	-	-

Notes (continued)

4. Financial risk management (continued)

(c) Market risk (continued)

(i) Interest rate risk

The Branch takes on exposures which are affected by the effects of fluctuations in the prevailing levels of interest rates.

The Branch measures, monitors and controls exposures arising from changes in interest rates. The changes in interest rates can have an adverse effect on both the Branch's net interest income and as well as on its economic value. Static repricing gap analysis and net interest income forecasting are used to assess banking book interest risk exposures.

The Asset and Liability Committee (ALCO) sets limits on the level of mis-match of interest rate repricing that may be undertaken, which is monitored by Risk department.

Static repricing gap analysis quantifies the impact of interest changes to accrued or reported earnings.

Interest rate sensitive assets, liabilities and off-balance sheet items are placed in time bands based on their repricing characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are placed in gap intervals based on management's judgement and statistical analysis. To estimate the earnings exposure, the liabilities in each time band are subtracted from the corresponding asset to produce a 'repricing' gap for that time band. This gap is multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income from such an interest rate movement.

In the case of the net interest income forecasting approach a dynamic forward looking net interest income forecast is used to quantify the Branch's anticipated interest rate exposure. This approach involves the forecasting of both changing balance sheet structures and interest scenarios to determine the effect these changes may have on future earnings.

Notes (continued)

4. Financial risk management (continued)

d) Liquidity risk

Liquidity risk is the risk that the Branch, although balance-sheet solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations in full as they fall due (as a result of funding liquidity risk) or can only do so at materially disadvantageous terms (as a result of market liquidity risk). Funding liquidity risk refers to the risk that the counterparties, who provide the Branch with funding, will withdraw or not roll-over that funding. Market liquidity risk refers to the risk of a generalised disruption in asset markets that make normally liquid assets illiquid and the potential loss through the forced-sale of assets resulting in proceeds being below their fair market value.

The Branch is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, and calls on cash settled contingencies. The Branch does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty.

The Asset and Liability Committee sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand. The Branch's liquidity management process, as carried out within the Branch and monitored by a separate team in Treasury, includes:

- Daily cash flow management which considers maturities and withdrawals that are forecasted at least 3 months in advance and management alerted to large outflows.;
- Maintaining minimum levels of liquid and marketable assets in accordance with Bank of South Sudan prudential requirements and that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Limiting the level of short term deposits that can be accepted from a single entity to reduce undue reliance on a single entity as a funding source and the actions to take where significant deposits from a single entity are held in the Branch;
- Setting limits on the local currency loan to deposits ratio and the foreign currency loan to deposits ratio to ensure that lending is undertaken only where there is sufficient levels of matched deposits to fund the assets;
- Treasury measures mismatches by assessing the mismatch between inflow and outflow of funds within different time bands on a maturity ladder. The Branch has set limits and guidelines on acceptable levels of mismatch that does not jeopardise the Branch's ability to meet its obligations.
- Stress and scenario testing with the Branch testing for a variety of short-term and protracted specific and market-wide stress scenarios to identify sources of potential liquidity strain and to ensure that the current exposures remain in accordance with the Branch's established risk tolerance. This is particularly critical in the uncertain environment that banks worldwide have been operating in over the last 24 months.
- To plan for adverse situations the Branch has put in place a liquidity contingency plan that clearly sets out the strategies for addressing liquidity shortfalls in emergency situations.

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, bank of South Sudan balances, items in the course of collection; loans and advances to banks; and loans and advances to customers. In addition, debt securities and treasury and other bills have been pledged to secure liabilities. The Branch would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

The table below presents the cash flows payable by the Branch under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Branch manages the inherent liquidity risk based on expected undiscounted cash inflows.

Notes (continued)

4. Financial risk management (continued)
(d) Liquidity risk (continued)

The table below presents the cash flows payable by the Branch under financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Branch manages the inherent liquidity risk based on expected undiscounted cash inflows.

	Carrying Value	Gross Nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing more than 5 years
	2017	2017	2017	2017	2017	2017	2017	2017
	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000	SSP'000
Financial assets								
Cash and balances to banks	5,958,353	5,958,353	5,958,353	-	-	-	-	-
Loans and advances to banks	11,323,026	11,323,026	11,323,026	-	-	-	-	-
Loans and advances to customers	6,664	7,700	-	169	844	1,013	4,408	1,266
Other assets	81,507	81,507	81,507	-	-	-	-	-
Financial liabilities					**-**	**-**	**-**	**-**
Deposits from banks	(1,154,807)	(1,154,807)	(789,494)	(365,313)				
Deposits from customers	(11,314,880)	(11,314,880)	(11,314,880)	-	-	-	-	-
Other liabilities	(1,157,332)	(1,157,332)	(1,157,332)	-	-	-	-	-
Total recognised financial instruments	**3,742,531**	**3,743,567**	**4,092,180**	**(365,144)**	**844**	**1,013**	**4,408**	**1,266**
Operating leases	242,526	242,526	-	-		145,516	97,010	
Performance guarantees	69,410	69,410	62,822	-	6,588	-	-	-
Total unrecognised financial instruments	**311,936**	**311,936**	**62,822**	**(365,144)**	**6,588**	**145,516**	**97,010**	**-**
Total	**4,054,467**	**4,055,503**	**4,155,002**	**(365,144)**	**7,432**	**146,529**	**101,418**	**1,266**

Notes (continued)

4. Financial risk management (continued)

(d) Liquidity risk (continued)

	Carrying Value	Gross Nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing more than 5 years
	2016	**2016**	**2016**	**2016**	**2016**	**2016**	**2016**	**2016**
	SSP'000	**SSP'000**	**SSP'000**	**SSP'000**	**SSP'000**	**SSP'000**	**SSP'000**	**SSP'000**
Financial assets								
Cash and balances to banks	6,569,792	6,569,792	6,569,792	-	-	-	-	-
Loans and advances to banks	5,029,668	5,029,668	5,029,668	-	-	-	-	-
Loans and advances to customers	20,366	23,502	-	507	2,534	3,039	13,345	4,078
Other assets	241,294	241,294	241,294	-	-	-	-	-
Financial liabilities								
Deposits from banks	(844,665)	(844,665)	(844,665)	-	-	-	-	-
Deposits from customers	(7,008,902)	(7,008,902)	(7,008,902)	-	-	-	-	-
Other liabilities	(931,392)	(931,392)	(931,392)	-	-	-	-	-
Total recognised financial instruments	**3,076,161**	**3,079,297**	**3,055,795**		**2,534**	**3,039**	**13,345**	**4,078**
Operating leases	1,385,123	1,385,123	-	-	-	168,204	1,216,919	-
Perfomance guarantees	75,236	75,236	8,630	-	21,036	45,569	-	-
Total unrecognised financial instruments	**1,460,359**	**1,460,359**	**8,630**	**-**	**21,036**	**213,773**	**1,216,919**	**-**
Total	**4,536,520**	**4,539,656**	**3,064,425**	**507**	**23,570**	**216,812**	**1,230,264**	**4,078**

Notes (continued)

5. Segment information

An operating segment is a component of the Branch engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Identification of segments and the measurement of segment results is based on the Branch's internal reporting to management.

Management has determined the operating segments based on the reports reviewed by the Managing Director with the assistance of Executive Committee (EXCO) and Asset and Liability Committee (ALCO) that are used to make strategic decisions. Management considers the business from client turnover perspective.

The Branch's operations have only two segments, Corporate and Investment Banking (CIB) and Personal and Business Banking (PBB).

Corporate and Investment Banking (CIB)

CIB provides commercial and investment banking services to larger corporates, financial institutions and international counter-parties. The products offered include:

- Global Markets – includes foreign exchange and debt securities trading.
- Transactional products and services – includes transactional banking and investor services.
- Investment Banking – includes project finance, advisory, structured finance, structured trade finance, corporate lending, primary markets and property finance.

Personal and Business Banking (PBB)

PBB provides banking and other financial services to individual customers and small to medium sized enterprises. The products offered include:

- Mortgage lending – provides residential accommodation loans to individual customers.
- Instalment sales and finance leases – comprises two areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.
- Card products – provides card facilities to individuals and businesses.
- Transactional and lending products – transactions in products associated with the various points of contact channels such as ATMs, Internet, and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

Major customers

The Branch does not have any one major customer that contributes more than 10 percent of the Branch's revenues. However the Branch has one major customer whose deposits contribute 10% percent of total deposits as at December 2017 (2016: 10%).

All of the business is carried out in South Sudan. There is therefore no secondary (geographical) segment reporting.

Notes (continued)

5. Segment information (continued)

The segment financial results for year 2017 are as follows:

Income statement	**Total SSP'000 2017**	**Total SSP'000 2016 (Restated)**	**CIB SSP'000 2017**	**CIB SSP'000 2016 (Restated)**	**PBB SSP'000 2017**	**PBB SSP'000 2016 (Restated)**
Interest income	1,630	7,935	1,630	7,226	-	709
Interest expense	(4,888)	-	(4,888)	-	-	-
Net interest income	**(3,258)**	**7,935**	**(3,258)**	**7,226**	**-**	**709**
Impairment losses on loans and advances	350,625	(847,998)	350,625	(847,998)	-	-
Net interest income after loan impairment charges	**347,367**	**(840,062)**	**347,367**	**(840,772)**	**-**	**709**
Fees and commission income	830,916	809,388	830,916	732,307	-	77,081
Fees and commission expense	(7,238)	(49,981)	(7,238)	(49,115)	-	(866)
Net fees and commission income	**823,678**	**759,407**	**823,678**	**683,192**	**-**	**76,215**
Trading income	649,565	2,946,226	649,565	2,692,465	-	253,761
Net other operating income	(7)	185	(7)	170	-	15
Net trading and other income	**649,558**	**2,946,411**	**649,558**	**2,692,635**	**-**	**253,776**
Employee benefits expense	(395,765)	(682,512)	(395,765)	(442,361)	-	(240,151)
Depreciation and amortisation expense	(8,415)	(15,109)	(8,415)	(5,169)	-	(9,940)
Administrative expenses	(901,585)	(3,232,279)	(873,413)	(3,013,569)	-	(218,710)
Profit/(Loss) before tax	**514,838**	**(1,064,145)**	**543,010**	**(926,044)**	**-**	**(138,101)**
Income tax expense	(36,813)	(24,886)	(36,813)	24,452	-	(49,338)
Profit/(Loss) before tax	**478,025**	**(1,089,031)**	**506,197**	**(901,592)**	**-**	**(187,439)**

Notes (continued)

5. Segment information (continued)

Statement of financial position

	Total SSP'000	Total SSP'000		CIB SSP'000	CIB SSP'000		PBB SSP'000	PBB SSP'000
Assets	**2017**	**2016 (Restated)**		**2017**	**2016 (Restated)**		**2017**	**2016 (Restated)**
Cash and balances with Bank of South Sudan	5,958,353	6,569,792		5,958,353	5,404,907		-	1,164,885
Financial investments	-	9,186		-	9,186		-	-
Loans and advances to banks	11,323,026	5,029,668		11,323,026	5,029,668		-	-
Loans and advances to customers	6,664	20,366		6,664	7,581		-	12,785
Property and equipment	86,920	103,654		86,920	91,086		-	12,568
Intangible assets	1,787	3,127		1,787	3,127		-	-
Current income tax	27,342	48,855		27,342	48,180		-	675
Other assets	81,507	241,294		81,507	221,032		-	20,262
Total assets	**17,485,599**	**12,025,942**		**17,485,599**	**10,814,767**		**-**	**1,211,175**
Liabilities							-	-
Customer deposits	11,314,880	7,008,902		11,314,880	5,498,560		-	1,510,342
Amount due to other banks	1,154,807	844,665		1,154,807	844,665		-	-
Current income tax	-	11,075		-	8,066		-	3,009
Deferred income tax	47,888	-		47,888	-			-
Other liabilities	1,157,332	931,392		1,157,332	401,025		-	530,367
Total liabilities	**13,674,907**	**8,796,034**		**13,681,703**	**6,752,316**		**-**	**2,043,718**
Equity							-	
Revaluation reserve-available-for-sale securities	-	191		-	191		-	-
Regulatory credit risk reserves	103	808		103	808		-	-
Retained earnings	1,114,232	505,835		1,114,232	496,324		-	9,511
Total equity	**1,114,335**	**506,834**		**1,114,335**	**497,323**		**-**	**9,511**
Head office account							-	-
Transfer from head office	2,696,357	2,723,074		2,696,357	2,723,074		-	-
Total head office account	**2,696,357**	**2,723,074**		**2,696,357**	**2,723,074**		**-**	**-**
Total capital employed	**3,810,692**	**3,229,908**		**3,810,692**	**3,220,397**		**-**	**9,511**
Funding	**-**	**-**		**-**	**842,054**		**-**	**(842,054)**
Total capital employed and liabilities	**17,485,599**	**12,025,942**		**17,485,599**	**10,814,767**		**-**	**1,211,175**
Other information								
Additions to property and equipment	28,419	4,892		28,419	4,892		-	-
Additions to intangible assets	-	-		-	-		-	-

Effective 01 July 2016 Personal and Business Banking pulled out of South Sudan Market

Notes (continued)

		2017	2016 (Restated)
		SSP' 000	SSP' 000
6	**Interest income**		
	Loans and advances to customers	1,508	6,020
	Interest on financial investments	122	1,915
		1,630	**7,935**
7	**Interese expense**		
	Loans and advances from banks	4,888	-
8	**Impairment losses**		
	Loans impairment for performing bank loans	328,625	(680,196)
	Hyperinflation adjustment	22,000	(167,802)
	Net impairment charge on loans and advances	**350,625**	**(847,998)**

The above impairment losees have been held against Balances with Bank of South Sudan (see credit guality note 4 (b) (viii)).

9	**Fee and commission revenue**		
	Points of representation transaction fees	823,451	793,752
	Documentation and administration fees	-	2,439
	Electronic banking fees	1,088	933
	Foreign service fees	14	-
	Other bank related fees and commission	6,363	12,264
		830,916	**809,388**
10	**Fee and commission expense**		
	Points of representation transaction fees expense	(7,238)	(49,981)
11	**Trading income**		
	Foreign exchange gain	649,565	2,946,226

Foreign exchange rate at 31 December 2017 1 USD = SSP 145.75 (2016: SSP 83.38)

		2017	2016 (Restated)
12	**Employee benefits expense**	SSP' 000	SSP' 000
	Salaries and wages	394,747	677,235
	Retirement benefit costs	1,018	5,277
		395,765	**682,512**
	Included in retirement benefit costs are:		
	- Defined contribution scheme	1,018	3,650
	- National Social Security Fund	-	1,627
		1,018	**5,277**

Notes (continued)

13 Finance cost

	2017 SSP'000	2016 (Restated) SSP'000
Bank charges	57,188	52,129
Loss in monetary value	291,511	2,381,083
	348,699	**2,433,213**

14 Administration and general expenses

Audit fees	3,941	17,520
Information technology	69,856	67,959
Communication expenses	20,545	29,029
Premises costs	265,358	355,789
Professional fees	36,900	90,484
Travel and entertainment costs	26,997	43,223
Stationery and printing costs	2,587	5,110
Marketing and advertising costs	4,285	1,442
Insurance costs	53,403	59,736
Administration and membership fees	596	1,008
Training expenses	2,798	3,270
Security expenses	48,377	62,311
Other operating costs	17,243	62,186
	552,886	**799,067**

15 Income tax

(a) Income tax expense

Current income tax	-	11,774
Deferred income tax charge (Note 22)	36,813	13,112
	36,813	**24,886**

Reconciliation of tax expense to expected tax base based on accounting profit.

The tax on the profit before tax differs from the theoretical amount using the statutory income tax rate as follows:

	2017 SSP’000	2016 SSP’000
Profit before income tax	**514,838**	**413,986**
Tax rate of 25% (2016: 25%)	128,709	(103,496)
Tax effect of:		
- Income not subjected to tax	(71,018)	(478,887)
- Expenses not deductible for tax purposes	(20,878)	412,880
- Previous year tax (under)/overprovision	-	10,272
- Hyperinflation adjustment	-	184,117
Income tax expense	**36,813**	**24,886**

Notes (continued)

15 Income tax (continued)

(b) Current Income tax payable/(recoverable)

	2017 SSP'000	2016 (Restated SSP'000
At start of year	48,855	4,528
Tax charge (Note 14(a))	-	10,272
Income tax paid	-	(81,954)
Income tax payable/(recoverable)	**48,855**	**(67,154)**
Hyperinflation adjustment	21,513	116,009
Current Income tax (recoverable)/payable	**27,342**	**48,855**

16 Cash and balances with Bank of South Sudan

Cash and bank balances	138,154	221,610
Balances with Bank of South Sudan-Free balance	1,535,186	2,405,210
Loan impairment for performing bank loans	(87,458)	(472,825)
Balances with Bank of South Sudan-Restricted balance	4,372,471	4,415,797
	5,958,353	**6,569,792**

17 Financial investments – available-for-sale

Debt securities – at fair value:		
unlisted	-	9,186
Comprising:		
Treasury bills	-	9,186

The weighted average effective interests yield on available-for-sale investment securities at 31 December 2017 was 7% (2016 7%).

Maturity analysis	2017 SSP'000	2016 SSP'000
Maturing after 6 months but within 12 months	**-**	**9,186**

Dated financial investment securities had no redemption value at 31 December 2017 (2016: SSP 5,141,000).

The Branch's financial instruments resulted in the following income, expenses and gains and losses recognised in the statement of profit or loss.

	2017 SSP'000	2016 SSP'000
Interest income from debt investments held at available-for-sale	129	1,915

18 Loans and advances to banks

	2017 SSP'000	2016 SSP'000
Balances due from group companies (Note 29(a)	**11,323,026**	**5,029,668**

Notes (continued)

19 Loans and advances to customers

	2017 SSP'000	2016 (Restated) SSP'000
Mortgage lending	2,281	7,347
Overdraft and other demand lending	4,147	11,339
Term lending	236	1,680
Loans and advances to customers	**6,664**	**20,366**

Maturity analysis:		
Redeemable on demand	-	7,890
Maturing within 1 month	-	-
Maturing after 1 month but within 6 months	105	-
Maturing after 6 months but within 12 months	5	650
Maturing after 12 months but within 5 years	1,439	4,342
Maturing after 5 years	5,115	7,484
	6,664	**20,366**

20. Property and equipment

	Equipment furniture & fittings	Total
Year ended 31 December 2017	**SSP'000**	**SSP'000**
Opening net book amount	**103,654**	103,654
Opening hyperinflation adjustment	(45,644)	(45,644)
Additions	28,419	28,419
Depreciation charge	(8,067)	(8,067)
Hyperinflation adjustment on cost	11,030	11,030
Hyperinflation adjustment on accumulated depreciation	(2,472)	(2,472)
Closing net book value	**86,920**	**86,920**
At 31 December 2017		
Cost	105,566	105,566
Accumulated depreciation	(18,646)	(18,646)
Net book amount	**86,920**	**86,920**

Notes (continued)

20. Property and equipment (continued)

	Equipment furniture & fittings	Motor vehicles	Work-in-progress	Total
Year ended 31 December 2016	**SSP'000**	**SSP'000**	**SSP'000**	**SSP'000**
Opening net book amount	**77,897**	**1,227**	**640**	**79,764**
Additions	10,737	-	-	10,737
Transfer from WIP	1,143	-	(1,143)	**-**
Depreciation charge	(13,626)	(617)	-	(14,243)
Hyperinflation adjustment on cost	40,876	1,729	503	43,108
Hyperinflation adjustment on accumulated depreciation	(13,373)	(2,339)		(15,712)
Closing net book value	**103,654**	**-**	**-**	**103,654**
At 31 December 2016				
Cost	194,544	7,942	-	202,486
Accumulated depreciation	(90,890)	(7,942)	-	(98,832)
Net book amount	**103,654**	**-**	**-**	**103,654**

As at 31 December 2017 and 31 December 2016 there were no items of property and equipment pledged by the Branch to secure liabilities. There were no fully depreciated property and equipment items.

No items of property and equipment were obtained from borrowed funds hence no capitalization of borrowing costs.

There was no property and equipment impairment charge recognised in 2017 and 2016.

Notes (continued)

21. Intangible assets

	Intangible assets	Total
Year ended 31 December 2017	**SSP'000**	**SSP'000**
Cost		
Balance as at 1 January	4,020	**4,020**
Hyperinflation adjustment on cost	(1,535)	**(1,535)**
Balance as at 31 December	**2,485**	**2,485**
Accumulated amortisation		
Balance as at 1 January	(500)	**(500)**
Amortisation charge	(348)	**(348)**
Hyperinflation adjustment on accumulated amortisation	150	**150**
Balance as at 31 December 2017	**(698)**	**(698)**
Net book amount At 31 December 2017	**1,787**	**1,787**

	Intangible assets	Work-in-progress	Total
Year ended 31 December 2016	**SSP'000**	**SSP'000**	**SSP'000**
Cost			
Balance as at 1 January	-	1,143	**1,143**
Additions	3,450	-	**3,450**
Transfer from WIP	570	(570)	**-**
Hyperinflation adjustment on cost	-	(573)	**(573)**
Balance as at 31 December	**4,020**	**-**	**4,020**
Accumulated amortisation			
Balance as at 1 January	-	-	**-**
Amortisation charge	(866)	-	**(866)**
Hyperinflation adjustment on accumulated amortisation	(27)	-	**(27)**
Balance as at 31 December 2016	**(893)**	**-**	**(893)**
Net book amount At 31 December 2016	**3,127**	**-**	**3,127**

The total amount disclosed as intangible assets is non-current and relates to Work in progress of computer software which had not been completed as at year end.

Notes (continued)

22. Deferred tax (asset)/liability

	2017 SSP'000	2016 SSP'000
At start of year	11,075	2,581
Charge to income statement	36,813	9,981
Hyperinflation adjustment	-	(1,487)
At end of year	**47,888**	**11,075**

Year ended 31 December 2017	**1.01.2017 SSP'000**	**Hyper Inflation adjustment SSP,000**	**Charged to Income statement SSP'000**	**31.12.2017 SSP'000**
Arising from:				
Property and equipment	21,059	-	4,016	**25,075**
Other provisions	(11,627)	-	(5,720)	**(17,347)**
Hyper inflation	1,643	-	-	**1,643**
Accrued leave and gratuity	-	-	75	**75**
Tax loss	-	-	(43,714)	**(43,714)**
Loan Impairment	-	-	82,156	**82,156**
Net deferred income tax liability/(asset)	**11,075**	**-**	**36,813**	**47,888**

Year ended 31 December 2016	**1.1.2016 SSP'000**	**Hyper Inflation adjustment SSP'000**	**Charged to income statement SSP'000**	**31.12.2016 SSP'000**
Arising from:				
Property and equipment	436	-	20,623	21,059
Other provisions	(985)	-	(10,642)	(11,627)
HyperInflation adjustment	3,130	(1,487)	-	1,643
Net deferred income tax liability/(asset)	**2,581**	**(1,487)**	**9,981**	**11,075**

Notes (continued)

23. Other assets

	2017 SSP'000	2016 SSP'000
Prepayments	61,613	226,821
Off market loan adjustment	5,008	4,405
Other receivables	14,886	10,068
	81,507	**241,294**

24 Customer deposits

Current accounts	**11,314,880**	**7,008,902**

25 Amounts due to other banks

Deposits from banks	1,138,826	18,027
Deposits from group banks (Note 29(b))	15,981	826,638
	1,154,807	**844,665**

26. Other liabilities

Accruals	6,279	49,482
Un-presented bank drafts	13,283	34,473
Amounts due to related parties (Note 29(c))	948,178	608,689
Sundry creditors	189,592	238,748
	1,157,332	**931,392**

Notes (continued)

27. Fair value of financial instruments

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels have been defined as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets measured at fair value on a recurring basis

At 31 December 2016	Note	Total SSP'000	Total SSP'000
Assets			
Financial investments	17	9,186	9,186
Comprising:			
Available-for-sale	17	9,186	9,186

The fair value hierarchy for financial assets not measured at fair value is as shown in the table below:

	Level 1 SSP'000	Level 2 SSP'000	Level 3 SSP'000	Fair value SSP'000	Carrying value SSP'000
At 31 December 2017					
Assets					
Cash and balances with BOSS	5,958,353	-	-	5,958,353	5,958,353
Loans and advances to banks	11,323,026	-	-	11,323,026	11,323,026
Loans and advances to Customers	-	-	5,635	5,635	6,664
	17,281,379	**-**	**5,635**	**17,287,014**	**11,288,043**
Liabilities					
Deposits from banks	206,575	-	363,259	569,834	571,848
Deposits from customers	-	-	11,314,880	11,314,880	11,314,880
	206,575	**-**	**11,678,139**	**11,884,714**	**11,896,728**

Notes (continued)

27. Fair value of financial instruments (continued)

	Level 1 SSP'000	Level 2 SSP'000	Level 3 SSP'000	Fair value SSP'000	Carrying value SSP'000
At 31 December 2016					
Assets					
Cash and balances with BOSS	6,569,792	-	-	6,569,792	6,569,792
Loans and advances to banks	5,029,668	-	-	5,029,668	5,029,668
Loans and advances to customers	-	-	17,120	17,120	20,366
	11,599,460	**-**	**17,120**	**11,616,580**	**11,619,826**
Liabilities					
Deposits from banks	844,665	-	-	844,665	844,665
Deposits from customers		-	7,008,902	7,008,902	7,008,902
	844,665	**-**	**7,008,902**	**7,093,567**	**7,093,567**

28. Notes to the cash flow statement

a) Cash flow from operating activities

	2017 SSP'000	2016 SSP'000
Reconciliation of profit before tax to cash flow from operating activities:		
Net income before taxation	514,838	(1,064,145)
Adjusted for:		
Depreciation on property and equipment (Note 20)	8,067	14,243
Amortisation on intangible assets (Note 21)	348	866
Loss on monetary value	291,511	2,381,083
Cash flow from operating activities	**814,763**	**1,332,047**

b) Analysis of cash and cash equivalents

	2017	2016
Cash and balances with Bank of South Sudan	1,585,882	2,153,994
Loans and advances to banks (Note 18)	11,323,026	5,029,668
Amounts due to other banks (Note 25)	(1,154,807)	(844,665)
Cash and cash equivalents	**11,754,101**	**6,338,997**

For the purpose of presentation of cash flow in the financial statements, the cash and cash equivalents include balances with Bank of South Sudan net of cash reserve ratio, net of balances from banking institutions with a maturity period of three months or less from the contract date.

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Notes (continued)

29. Related party transactions

The Branch is part of Stanbic Bank Limited, which is in turn a subsidiary of Stanbic Holdings Plc (SHPlc), incorporated in Kenya. The ultimate parent of the Branch is Standard Bank Group Limited, which is incorporated in South Africa.

In the normal course of business, nostro and vostro accounts are operated with the parent company. The relevant balances are as shown below;

a) Deposits from related parties

	2017 SSP'000	2016 SSP'000
Stanbic Bank Limited (Note 18)	11,323,026	5,029,668

b) Deposits due to related parties

Stanbic Bank Limited (Note 25)	15,981	826,638

There was no interest income/expense earned/incurred from/on these accounts since they are current accounts.

c) Amounts due to related companies

	2017 SSP'000	2016 SSP'000
Stanbic Bank Limited	670,175	389,271
Standard Bank South Africa Limited	278,003	219,418
	948,178	**608,689**

There were no amounts written off with respect to any related party.

Notes (continued)

31.Contingent liabilities

	2017 SSP'000	2016 SSP'000
Commitments with respect to:		
Guarantees	69,410	75,236
	69,410	**75,236**

a) Nature of contingent liabilities

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by the customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of customers' default.

An acceptance is an undertaking by the Bank to pay a bill of exchange drawn on a customer. The Bank expects most of the acceptances to be presented, and to be reimbursed by the customer almost immediately.

b) Segmental analysis of off-balance sheet liabilities

	2017 SSP'000	%	2016 SSP'000	%
Financial services	41,440	60	62,446	83
Construction	27,970	40	-	-
Energy	-	-	12,790	17
	69,410	**100**	**75,236**	**100**

32. Operating leases

The Branch has entered into a number of commercial leases for premises for its branch operations and office premises under operating leases. The leases have an average life of 6 years with renewal options included in the contracts

Operating lease rentals are payable as follows:

	2017 SSP'000	2016 SSP'000
Less than one year	145,516	168,204
Between one and five years	97,010	1,216,919
More than five years	-	-
	242,526	**1,385,123**

Notes (continued)

33. Nature and purpose of reserves

33.1 Revaluation reserve on available-for-sale financial assets

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised or impaired. The reserve is non-distributable.

33.2 Regulatory reserve

The regulatory reserve represents an appropriation from retained earnings to comply with the Prudential guidelines of the Bank of south Sudan on loan loss provisions. The balance represents the excess of impairment provisions determined in accordance with the Prudential guidelines over the impairment provisions recognised in accordance with the International Financial Reporting tandards. The reserve is non-distributable.

34. Restatement of 2016 balances

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the reporting date and that corresponding figures for previous periods be stated in the same terms to the latest statement of financial position date.

The South Sudan economy has been considered to be hyperinflationary and accordingly the Branch's financial performance, cash flows and financial position, have been expressed in terms of the measuring unit prevailing at the reporting date. Accordingly, the 2016 figures have been restated. The restatement has been calculated by means of conversion factors derived from South Sudan Consumer Price Index (CPI) compiled by the South Sudan National Bureau of Statistics. The conversion factors used to restate the financial statements at 31 December 2017, are as shown in note 3(c).

Notes (continued)

34.1 Income statement restatement

	Year ended 31 December		
	2016 (as previously reported) SSP'000	Hyperinflationary adjustment SSP'000	2016 (Restated) SSP'000
Interest income	3,087	4,848	7,935
Interest expense	-		-
Net interest income	**3,087**	**4,848**	**7,935**
Impairment losses on loans and receivables	**(329,898)**	**(518,100)**	**(847,998)**
Net interest income after loan impairment charges	**(326,811)**	**(513,251)**	**(840,062)**
Fees and commission income	314,806	494,582	809,388
Fees and commission expense	(19,444)	(30,537)	(49,981)
Net fees and commission income	**295,362**	**464,045**	**759,407**
Trading income	1,146,246	1,799,980	2,946,226
Other operating income	72	113	185
Net trading and other income	**1,146,318**	**1,800,093**	**2,946,411**
Net operating income	**1,114,869**	**1,750,886**	**2,865,755**
Employee benefits expense	(265,519)	(416,993)	(682,512)
Depreciation	(5,540)	(8,703)	(14,243)
Amortisation of intangible assets	(337)	(529)	(866)
Finance costs	(20,280)	(31,849)	(52129)
Administration and general expenses	(310,864)	(488,203)	(799,067)
Total operating expenses	**(602,540)**	**(946,277)**	**(1,548,817)**
Profit before monetary adjustment	**512,329**	**804,610**	**1,316,939**
Loss on net monetary position	(926,315)	(1,454,768)	(2,381,083)
Profit/(loss) before income tax	**(413,986)**	**(650,159)**	**(1,064,145)**
Income tax expense	(9,682)	(15,204)	(24,886)
Profit/(loss) for the year	**(423,668)**	**(665,363)**	**(1,089,031)**

An average hyperinflationary adjustment of 257% was applied to all the 2016 income statement balances to arrive at the restated balances.

Notes (continued)

34.2 Statement of financial position restatement

	As at 31 December		
	2016 (as previously reported) SSP'000	Hyperinflationary adjustment SSP'000	2016 (Restated) SSP'000
Assets			
Cash and balances with Bank of South Sudan	3,676,807	2,982,985	6,569,792
Financial investments – available-for-sale	5,141	4,045	9,186
Loans and advances to banks	2,814,871	2,214,797	5,029,668
Loans to customers	11,398	8,968	20,366
Other assets	135,041	106,253	241,294
Property and equipment	58,010	45,644	103,654
Intangible assets	1,750	1,377	3,127
Current income tax	27,342	21,513	48,855
Total assets	**6,730,360**	**5,295,582**	**12,025,942**
Capital employed and liabilities			
Liabilities			
Customer deposits	3,922,556	3,068,346	7,008,902
Amounts due to other banks	472,720	371,945	844,665
Other liabilities	521,257	410,135	931,392
Deferred income tax	6,198	4,877	11,075
Total liabilities	**4,922,731**	**3,873,303**	**8,796,034**
Equity			
Revaluation reserve – available-for-sale securities	107	84	191
Regulatory credit risk reserves	452	356	808
Translation reserve	48	38	86
Retained earnings	283,044	222,705	505,749
Total equity	**283,651**	**223,183**	**506,834**
Head office account			
Transfer from Head office	1,523,978	1,199,096	2,723,074
Total Head office account	**1,523,978**	**1,199,096**	
Total capital employed	**1,807,629**	**1,422,279**	**3,229,908**
Total capital employed and liabilities	**6,730,360**	**5,295,582**	**12,025,942**

A hyper-inflationary adjustment of 78.68% was applied to all the 2016 statement of financial position to arrive at the restated balances.

Notes (continued)

34.3 Statement of cash flows' restatement

	Year ended 31 December		
	2016 (as previously reported) SSP'000	Hyperinflationary adjustment SSP'000	2016 (Restated) SSP'000
Cash flows from operating activities	**518,206**	**924,312**	**1,332,047**
Income tax paid	(45,866)	(36,088)	(81,954)
Cash flows from operating activities before changes in operating assets and liabilities	472,340	777,753	1,250,093
Changes in operating assets and liabilities:			
Cash reserve with Bank of South Sudan	(163,611)	(128,733)	(292,344)
Loans and advances to customers	13,852	10,889	24,741
Other assets	(105,878)	(83,307)	(189,185)
Customer deposits	(3,487,411)	(2,743,968)	(6,231,379)
Other liabilities	(290,487)	(228,561)	(519,048)
Net cash generated / (used in) from operating activities	**(3,561,195)**	**(2,395,908)**	**(5,957,103)**
Investing activities			
Purchase of investments	5,488	4,318	9,806
Purchase of property and equipment	(6,009)	(4,728)	(10,737)
Purchase of intangible assets	(1,931)	(1,519)	(3,450)
Net cash generated from/ (used in) investing activities	**(2,452)**	**(1,929)**	**(4,381)**
Net increase / (decrease) in cash and cash equivalents	**(3,563,647))**	**(2,397,847)**	**(5,961,494)**
Movement in hyper inflation	(473,113)	(778,364)	(1,251,477)
Cash and cash equivalents at the beginning of the year	7,584,401	5,967,567	13,551,968
Cash and cash equivalents at the end of the year	**3,547,641**	**2,791,356**	**6,338,997**