BUFFALO COMMERCIAL BANK
BCB Junction, BCB Plaza
Juba, Southern Sudan
www.buffalocommercial bank.com

Buffalo
Commercial Bank

Annual Report
2011

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BCB BOARD OF DIRECTORS

Chairman	Hon. Dr. Lual A.L. Deng
Members	Mr. Benjamin Bol Mel, Deputy Chairman
	Madam Sidonia Arek Edward Mou
	Mr. Pieng Deng Kuol
	Mr. Ayuen Alier Jongroor
	Mr. Kiir Garang de Kuek
	Rev. Bartholomayo Bol Deng
	Mr. Alemu Aberra
Secretary of the Board	Mr. Andrew Mayen Akuak
Legal Advisors	Law Offices of Dengtiel Ayuen Kuur & Associates
External Auditors	Tesfaye Teferi & Co. Chartered Certified Accountants **(UK)**

BCB MANAGEMENT

Mr. Alemu Aberra	Managing Director
Mr. Andrew Mayen Akuak	Deputy General Manager
Mr. Eskinder Yishak Mena	Head, Finance Department
Mr. Wossen Alemeye Liyew	Head, IT Department
Mr. Ermias Tsegaye	Manager, Main Branch
Mr. Fasika Alemu	Manager, Market Branch
Mr. Abraham Mekonnen	Manager, Wau Branch

CHAIRMAN'S MESSAGE

As Chairman of the Board of Directors of Buffalo Commercial Bank (BCB), it is with great pleasure that I submit to share holders the Annual Report of the Bank for the financial year that ended on December 31, 2011. Because of political, social and economic changes that swept throughout the Republic of South Sudan, things were hectic in 2011. The Board and Management have steered the bank on course in spite of the turbulence encountered.

When we look back to 2011 and beyond, we realize a lot has happened in our country. In our 2010 annual Report we had stated:

> "While writing this report, 2011 has already set in and people are waiting for the future with excitement. All was quiet and peaceful. The people of South Sudan are close to grasp their age long desire for which they struggled and sacrificed a lot – independence. As the people through referendum decide on their freedom, the economic growth of the country and thereafter the growth of domestic financial institutions is also believed to be given special attention as their growth means the economic growth of the country".[1]

The age long bloody struggle of the people of South Sudan was concluded by attaining Independence on 9th July 2011. With independence there was a natural joy and excitement period in the lives of the people followed by start of a meaningful economic reconstruction and nation building. Buffalo Commercial Bank, as an indigenous bank, has fully participated in the economic reconstruction effort of the new nation by mobilizing resources and deploying same in short term loans for working capital purpose by lending to companies that are engaged in production, trade, import and other services.

[1] BCB 2010 Annual Report, p.1

As a result, the Bank expanded its operational activities benefiting the economy at large and the shareholders in particular. To this end, I am pleased to state that compared to 2010, the Bank has increased its loan portfolio by 80%, net profit by 140%, and that its other operational activities also have shown respectful growth level.

This achievement was attained in spite of non-supportive economic environment in the international financial markets. The general economic condition both in Europe and USA was not supportive. Europe was scrambling to bailout members that were in danger of collapse and was out to protect the Euro that went downhill during the second half of 2011. The high unemployment rate in USA and all time low interest rate were other factors that were not conducive for growth. Both continents had their own problems that depressed the world economy at large.

All these factors in one way or another have affected the growth opportunity of developing countries like ours. In spite of lack of conducive atmosphere for growth, our bank has remained profitable and made a modest contribution to the economic growth of South Sudan. In the local market we had to compete with experienced foreign banks that had all the support from their parent banks. As an indigenous bank we had no support from any quarter in times of difficulties. We had to stand on our own all the time in a market where there was no level play ground.

It should be a matter of concern for policy makers to come out with a mechanism to support and strengthen indigenous institutions, if these institutions are expected to play a role in the economy where they are a part. The only concrete support that we had was from our esteemed customers who patronized us. Of course, I appreciate the guidance and support received from the Regulator, Central Bank of South Sudan.

I therefore take this opportunity to express my heartfelt "Thank you" to our customers who continued to patronage us throughout 2011. I also extend my appreciation to Management and all staff members of our bank for their hard work and dedicated service.

Dr. Lual Acuek Lual Deng
Chairman Board of Director

Message from the Managing Director

In 2011, our bank operated in unstable international environment where currency volatility and world economic order was not supportive of small institutions like ourselves. The continued European Union attempt to rescue Greece and the resultant spillover of uncertainties over Island, Portugal and Spain had sent shockwave in Euro-zone markets and beyond. The EUR currency volatility affected us time and again as our small reserve of foreign currency was partly held in EURO.

The first half of the financial year under review was also surrounded by political uncertainty as South Sudan was poised to become independent and there was fear that the independence process could bring about unforeseen risk. Indeed the then local currency side SDG depreciated sharply against the USD to the tune of 30% on the eve of independence. As the country's imports were denominated in USD, price for imported goods shot up for some time during the 2011 mid year period. On July 9, 2011 the Country gained its independence peacefully.

The second half of the financial year, therefore was full of excitement and public euphoria. At the bank, we were excited because the country won its independence and we saw wide future economic development opportunities. We also felt that the country was in a position to chart its economic development suitable to its people. After independence, the Central Bank of South Sudan did not lose time in taking two major policy decisions. The first major decision was to introduce a new currency SSP that replaced the SDG. The second step was to let the SSP appreciate by about 30% that covered the lost ground by the SDG earlier.

The new local currency SSP started to stabilize after the intervention of the Central Bank of South Sudan that provided enough USD liquidity to satisfy the import requirement. These measures assisted strengthen the new currency, stabilize price in basic food and other commodity items, and instilled confidence in the market and in the minds of business operators. The local conditions in the hinterland, however, were different from the wider perspective. There appeared tribal strives and misguided individual elements that were concern to peace and stability.

In the international scene as stated above euro-zone instability, high unemployment rate in USA, and other negative factors around the world had adverse effects on our banking operational efforts. In spite of the challenges faced, 2011 financial year was a successful year for us. Our bank's strategy for 2011 was focused on a steady growth path with a low risk model to attain the projected profitability level. Indeed, at the end of the financial year when we took stock of operational results, we noted growth in the following areas.

✓	Total asset	135%
✓	Total deposit	156%
✓	Total loans	79.6%
✓	Total revenue	99%
✓	Profit	140%
✓	Total Expense	63%
✓	Total Shareholders fund	85%

The Board was monitoring the bank's budget performance quarterly. As a result, the Bank followed strict financial discipline to meet approved targets. Revenue grew by 99%, net profit was up by 140%, while total expense grew by 63%. In general the financial performance in terms of profit was above the budget by 93%.

The achievements mentioned herein were made possible by the dedicated staffs of the bank. New recruits were admitted to BCB family during the financial year. The necessary induction and on the job training was given to the new entrants.

The main challenges faced during 2011 were that of meeting the capital adequacy requirement which was a stumbling block to our financial growth. The bank’s liquidity position however remained strong and stable. 2011 was a unique financial year in many ways. The country was feared as a political risk because of confusion that was expected to arise after independence. However, when we visualize things in retrospect we say all was well.

Our partners in business, i.e. our clients have given us all the support and encouragement during the financial year. I therefore take this opportunity to sincerely thank all customers that patronized us and closely worked with us during the challenging financial year 2011.

Our staffs were instrumental in our success by offering dedicated service to all our clients. I therefore take this opportunity to thank all staff members who rendered efficient service to our clients throughout the financial year.

Alemu Aberra

Managing Director

Financial Summary

	2011	2010	2009	2008
Revenue	12,681,835.00	6,392,193.00	4,094,935.00	1,782,222.00
Total Expense	5,633,430.00	3,456,982.00	3,385,679.00	2,640,167.00
Total Asset	82,621,050.00	35,150,902.00	26,749,000.00	42,881,547.00
Total Equity	15,742,207.00	8,534,094.00	6,927,701.00	6,016,445.00
Return on Total Asset	9.10%	11%	1.75%	(2%)
Return on Equity	82.60%	42.40%	11.80%	(14.26%)
Customer's Deposits	65,015,103.00	26,616,808.00	19,821,299.00	36,865,102.00
Loans and Advances net of provision	13,476,516.00	7,503,604.00	3,512,914.00	498,676.00
Loan Deposit Ratio	21%	28.20%	17.70%	1.40%
Share holder's fund	15,742,207.00	8,534,094.00	6,927,701.00	6,016,445.00

***Unless otherwise specified all figures in the report are in SSP.**

OPERATIONAL HIGHLIGHTS

The following Balance Sheet items reveal the operational highlights of the bank in 2011 financial year.

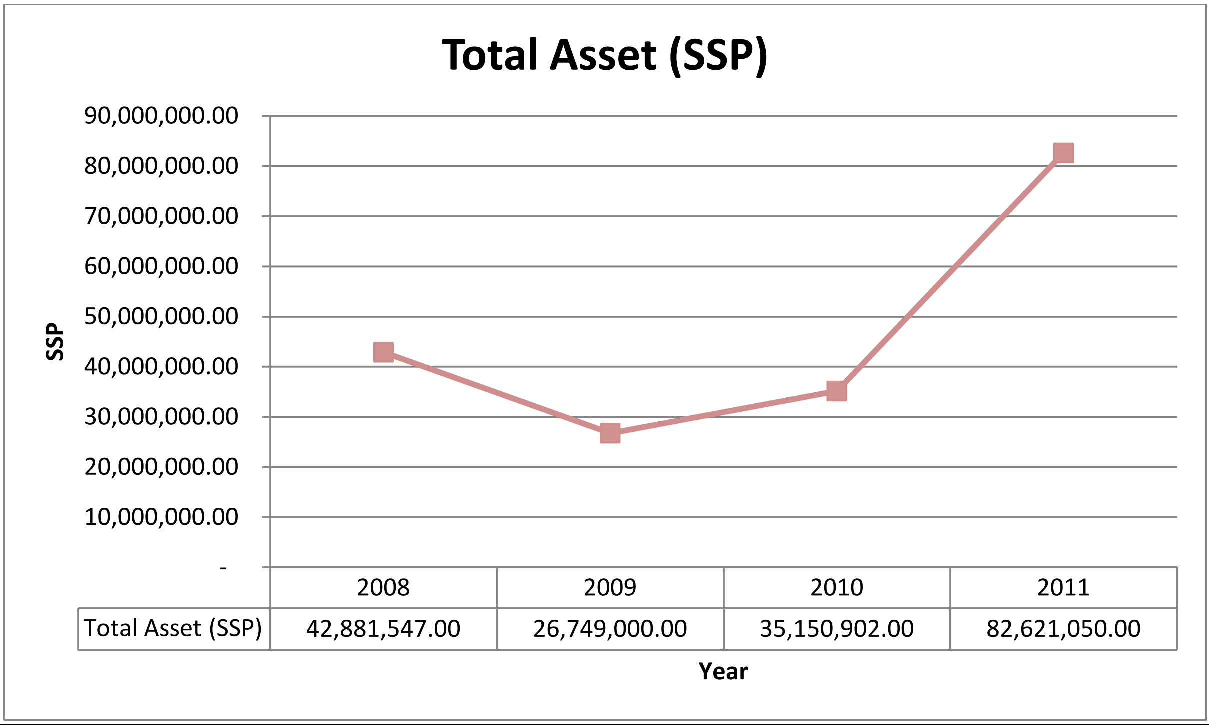
Total Asset	SSP 82,621,050
Total Loans	SSP 13,476,516
Total Deposit	SSP 65,015,103
Capital Reserve	SSP 15,742,207

1 TOTAL ASSET

At the end of 2011 financial year, total asset of the bank registered SSP 82.6 million. This result when compared with SSP 35.1 million total asset of similar period of the previous year showed an increase of SSP 47.5 million or 135%. In 2010 total asset growth rate was 31.4%, while in 2011 the growth rate was 135%. This means, the total asset growth rate in 2011, outstripped that of 2010 growth rate by 103.6%. This is one factor that indicates the bank is in a steady and firm growth path forming a solid foundation for future expansion.

When we closely analyze the composition of total assets, we note that deposit with other banks, SSP 35.7 million was the one that showed the biggest growth followed by loans and advances SSP 13.4 million and cash in vault 11.7 million. The total net fixed assets was SSP 868,901 compared to SSP 800,965 in 2010, the growth rate was low suggesting that the total asset growth is not driven by growth of fixed assets. In fact cash at hand, deposit with other banks, loans and advances make up 74% of total assets. Therefore, the growth of total assets was composed by liquid assets that increased the working Capital of the bank giving flexibility to deploy fund more to income generating areas.

Figure 1 Total Asset

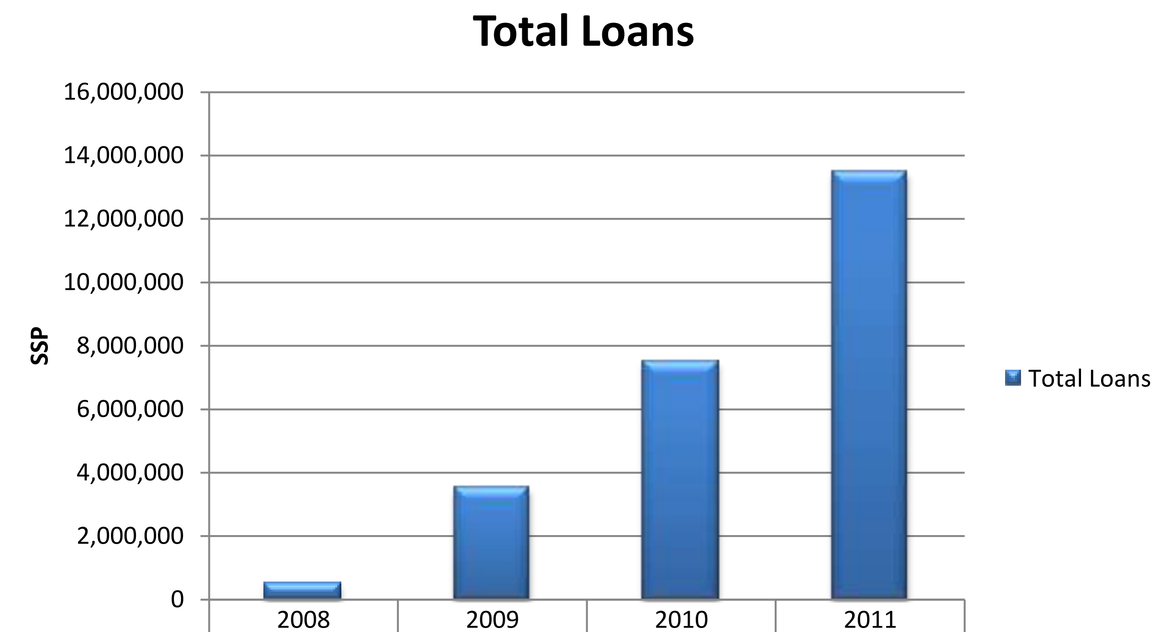


2 TOTAL LOANS

In the financial year under review, the bank continued to process and disburse short-term loans running up to 12 months. Disbursement of loans and advances on the main was for trade finance and to augment the expanding working capital requirement of customers.

Total net loans and advances of the bank reached SSP 13,476,516 at the end of 2011. Total loans and advances, when compared with SSP 7,503,604 of similar period of 2010 showed an increase of SSP 5,972,912 or 79.6%. In our 2010 annual report loan growth was stated as SSP 3,990,690 over that of 2009. At the end of 2011 financial year, however, the increase of the value of disbursed amount was much higher than that of 2010 showing an improvement.

Figure 2 Total Loans



	2008	2009	2010	2011
Total Loans	498,676	3,512,914	7,503,604.00	13,476,516.0

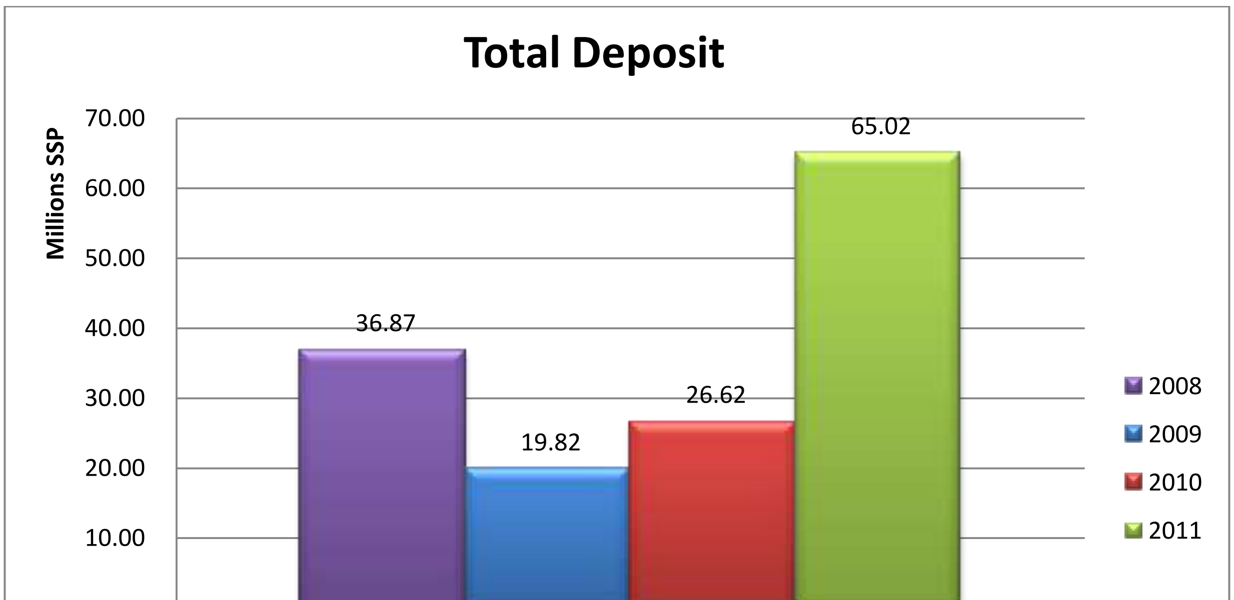
Total term loan disbursed during 2011 was SSP 10.8 million. Borrowers during the financial year made repayment to the tune of SSP 4.6 million. In addition under overdraft arrangement 12.2 million was disbursed to selected customers and the sum of SSP 10.5 million was collected. Customers have come for repeat loans to enable them further get additional working capital to expand their business. We were happy to serve such customers as their business growth was visible and their track record of loan repayment was appreciable.

The repayment record of all outstanding loans was to our entire satisfaction except for two sour loans that were a carry forward from 2010 for which we have enhanced our provision level for these two loans to cover ourselves in line with our provisioning policy. In general, the total loan and overdraft exposure show a healthy development.

3 TOTAL DEPOSIT

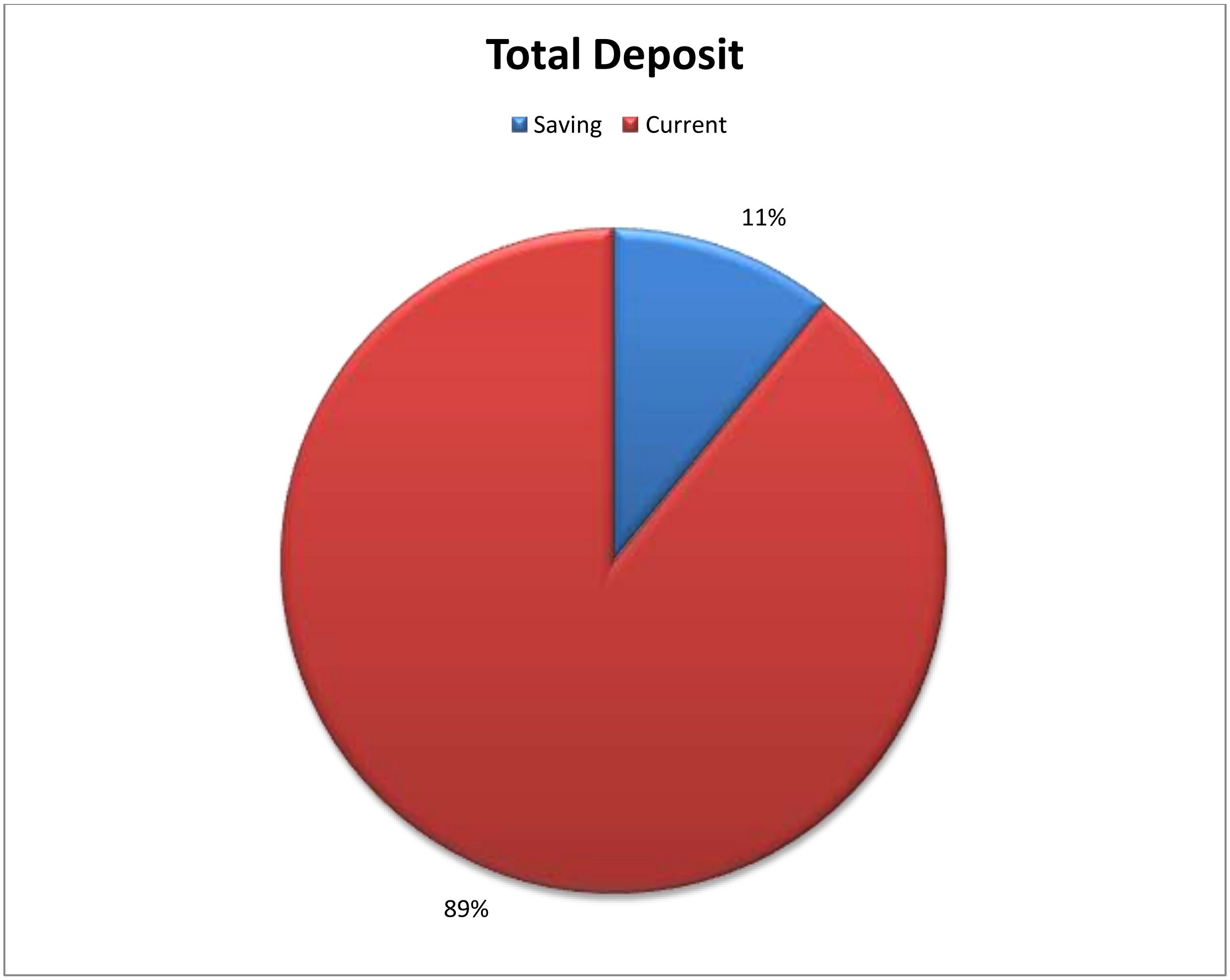
At the end of 2011 financial year, total deposit of the bank reached SSP 65,015,103. Total deposit when compared with similar period of the previous year showed an increase of SSP 39,635,338 or 156%. In 2010 the deposit growth rate was 34% or SDG 6.8 million, but in 2011 the growth rate and the amount was higher. Out of the total deposit of SSP 65,015,103, the share of Saving Account was SSP 7,092,978 or 11% where as the share of Current Account was SSP 57,922,125 or 89%.

Figure 3 Total Deposit



	Total Deposit (SDG)
2008	36,865,102.00
2009	19,821,299.00
2010	26,616,808.00
2011	65,015,103.00

Figure 4 Total Deposit by Type



Further, out of the total savings deposit of SSP 6,685,469, SSP 6,118,118 (91.5%) was local currency while SSP 567,351 (8.5) was foreign currency. Out of the total current account deposit SSP 57,922,125, SSP 28,336,811 (48.9%) was local currency where as SSP 29,585,314 (51.1%) was foreign currency deposit. In general 2011 total deposit growth was 156.2% above the previous year level.

Figure 5 Total Deposit by Currency Type

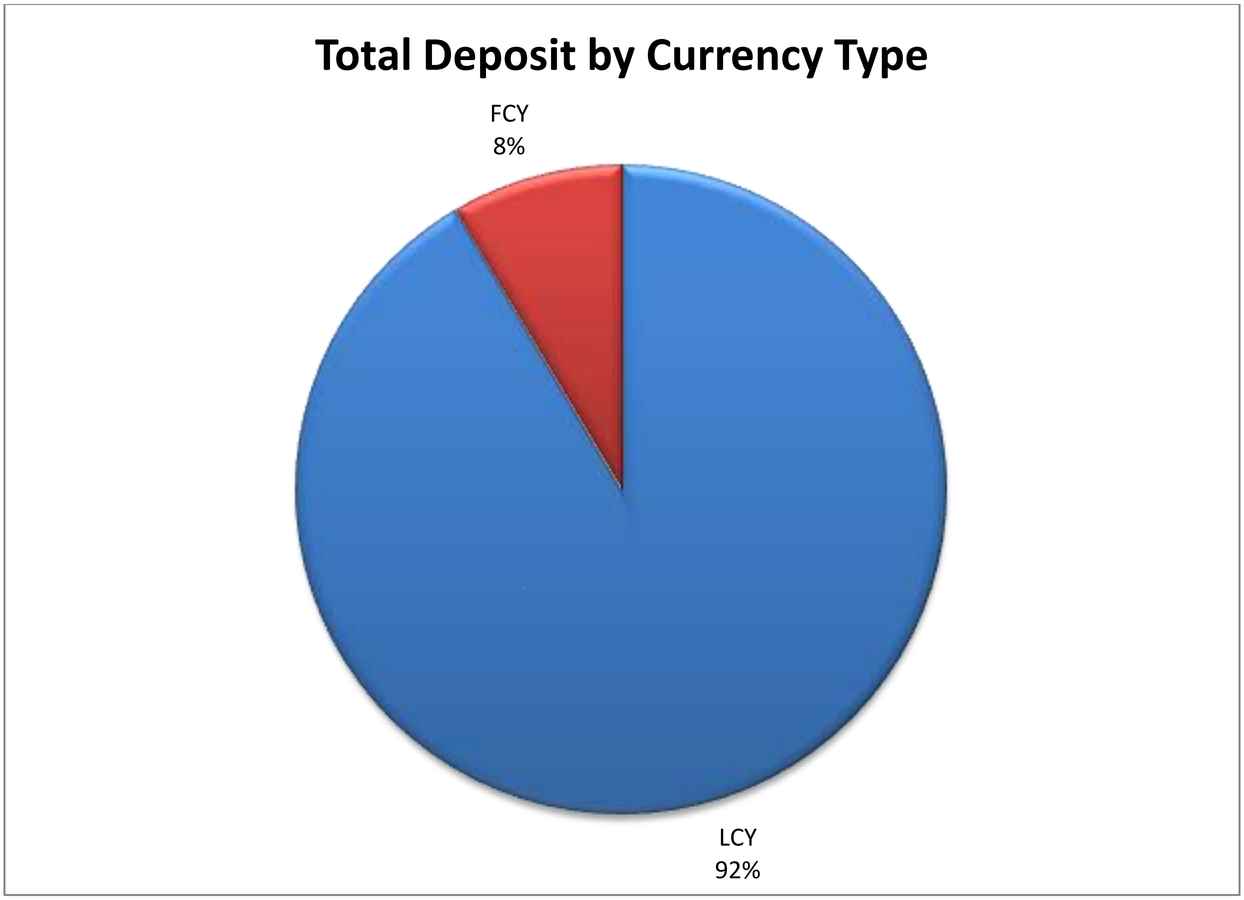
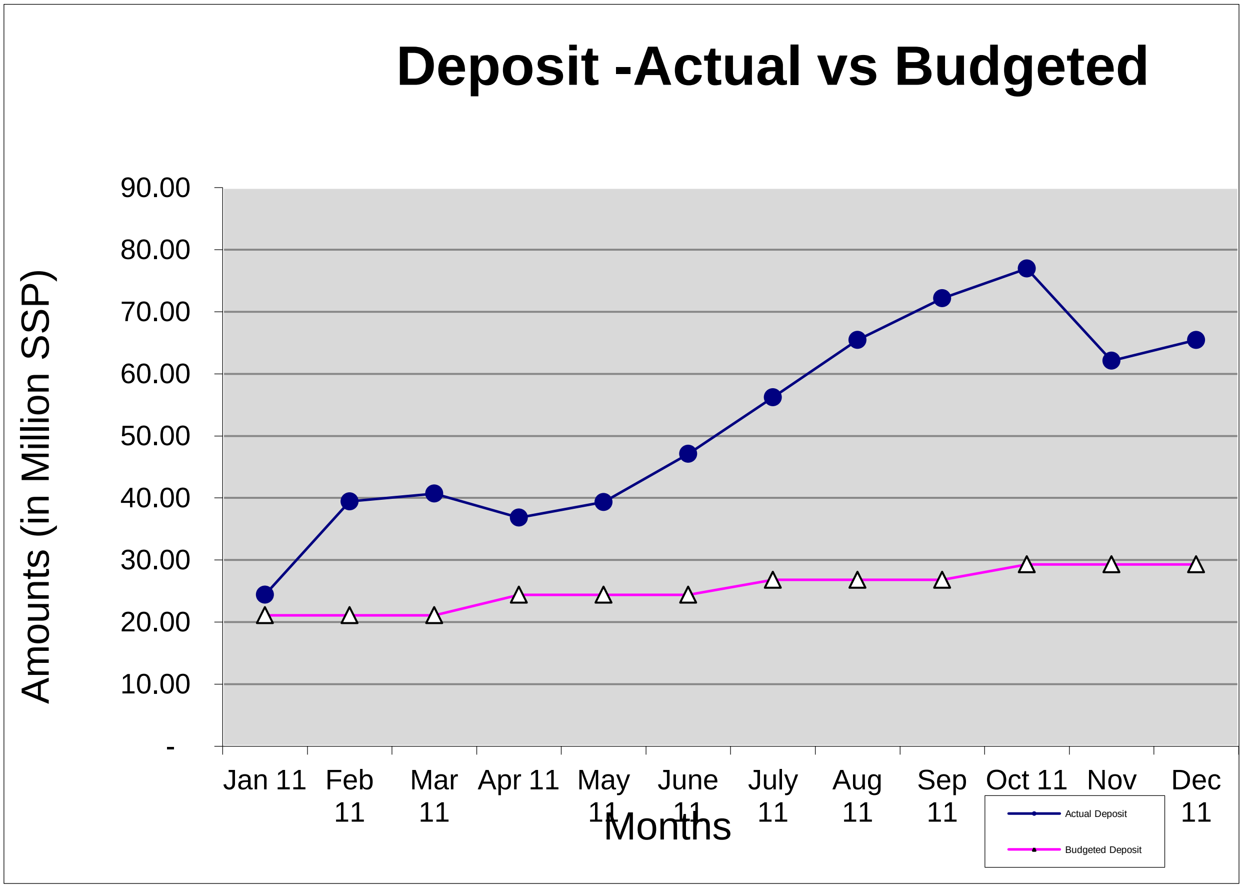


Figure 6 Deposit -Actual vs Budgeted

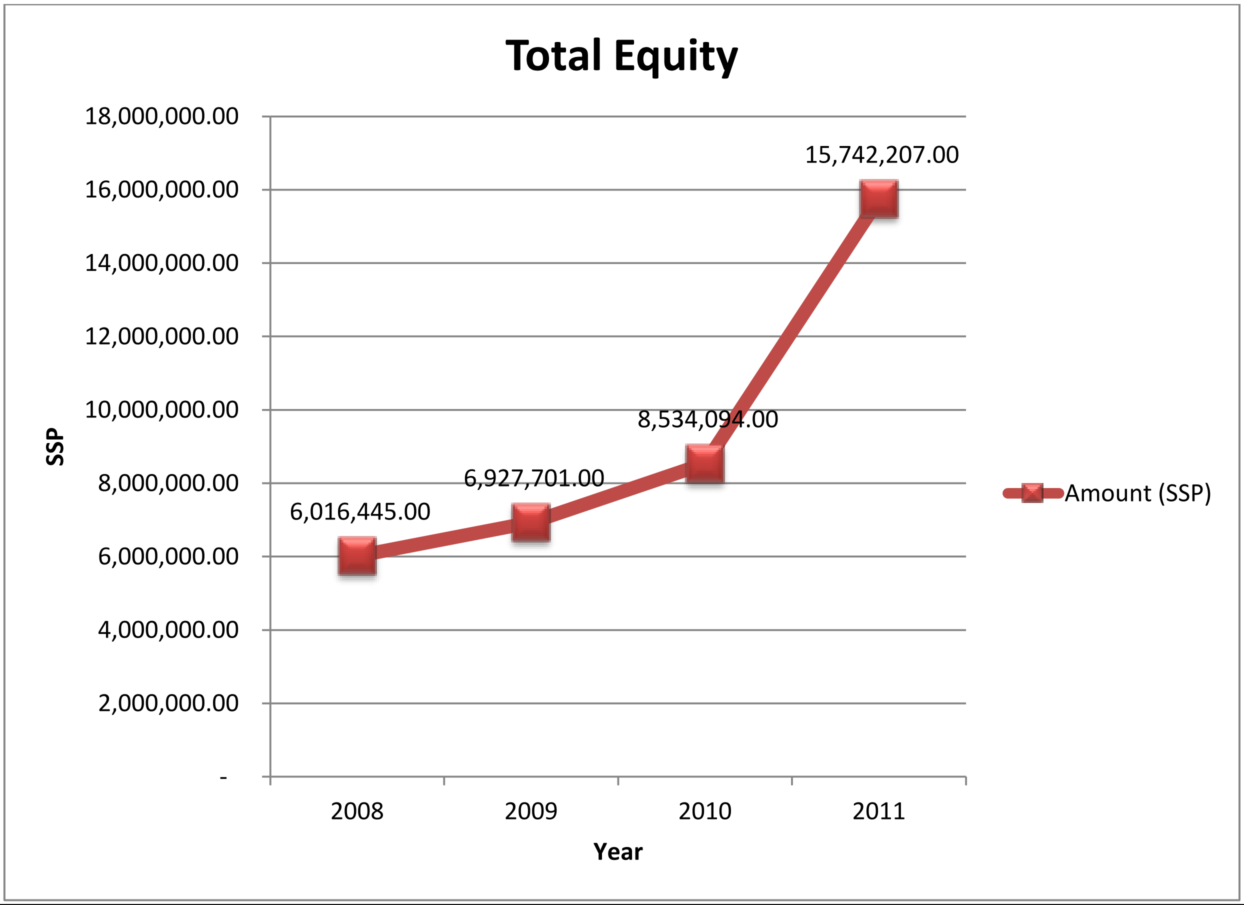


4 CAPITAL AND RESERVE

Recorded capital and reserve of the bank stood at SSP 15.7 million at the end of 2011. The capital level of the bank was SSP 8.5 million and SSP 6.9 million in 2010 and 2009 respectively. The bank at each of the past successive years has ploughed back profit to retained earnings that formed part of the capital and reserve increases. Between 2011 and 2010 the increase in retained earnings was SSP 7.2, million or 84.5%. As a result at the end of 2011 shareholders recorded fund reached SSP 15.7 million showing an increase of SSP 7 million or 85%.

In addition, the bank has fixed assets (building and vehicle) to the tune of SSP 8.14 million that are not recorded in the books of accounts of the bank. Though the fixed asset are possessed and utilized by the bank, the ownership certificate is not yet perfected. If the value of such fixed assets are recognized the total capital and reserve of the bank will reach over SSP 23 million. It is expected that the shareholders in due course will perfect title-deed documents and pass it to the bank.

Figure 7 Total Equity



5 PROFIT AND LOSS STATEMENT

Major highlights	2011
Total revenue	SSP 12,681,835
Total expense	SSP 5,633,430
Profit	**SSP 7,048,405**

5.1 REVENUE

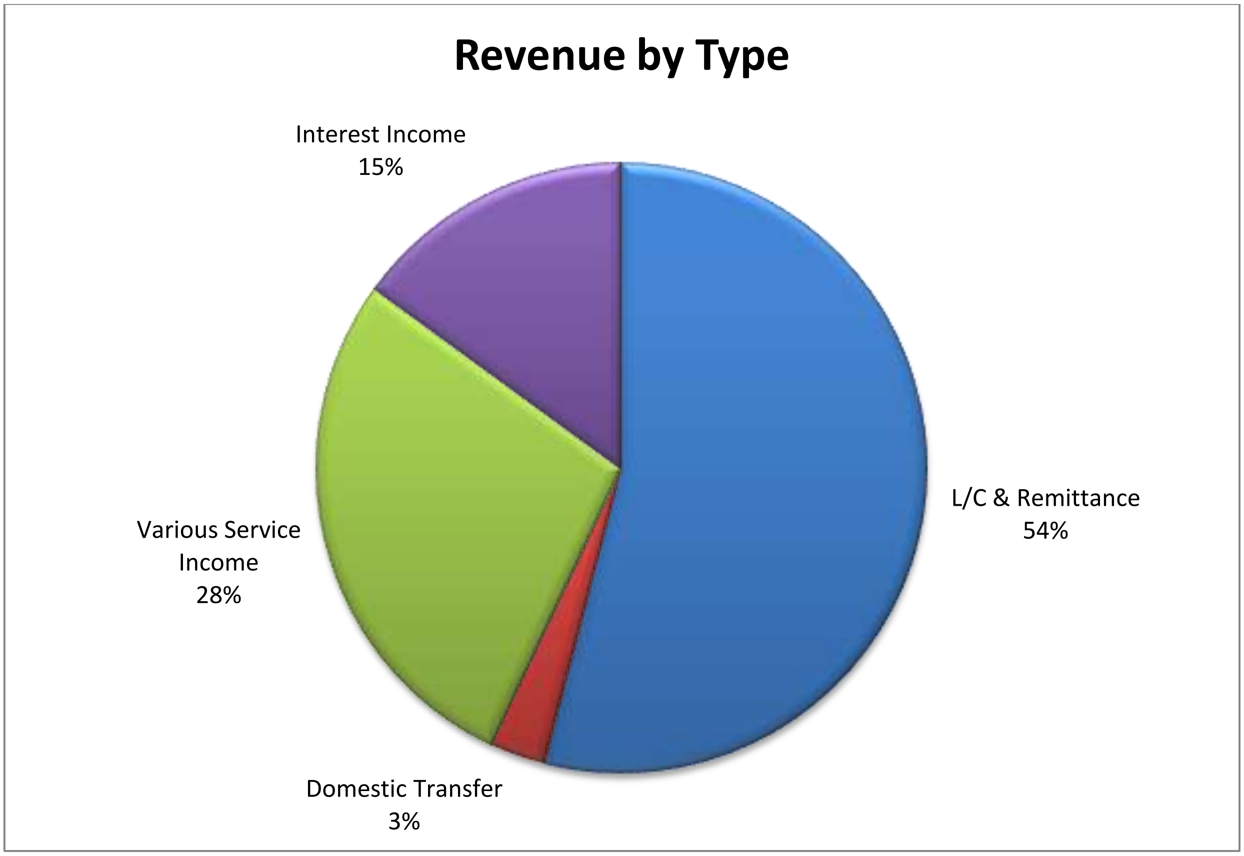
At the end of December 2011, the total revenue of the bank stood at SSP 12.6 million. When this is compared with 2010 result an increase of SSP 6.2 million or 99% is observed.

The revenue in 2010 had surpassed that of 2009 level by SSP 2.3 million or 56%. However, the revenue attained in 2011 by far exceeded the level of increase seen in 2010 proving that the profitability was all time high.

The major contributors to the total revenue basket were:

- ✓ Letters of credit and Foreign remittance income 54%
- ✓ Domestic Transfer 3%
- ✓ Various service income 28%
- ✓ Interest income 15%

Figure 8 Revenue by Type



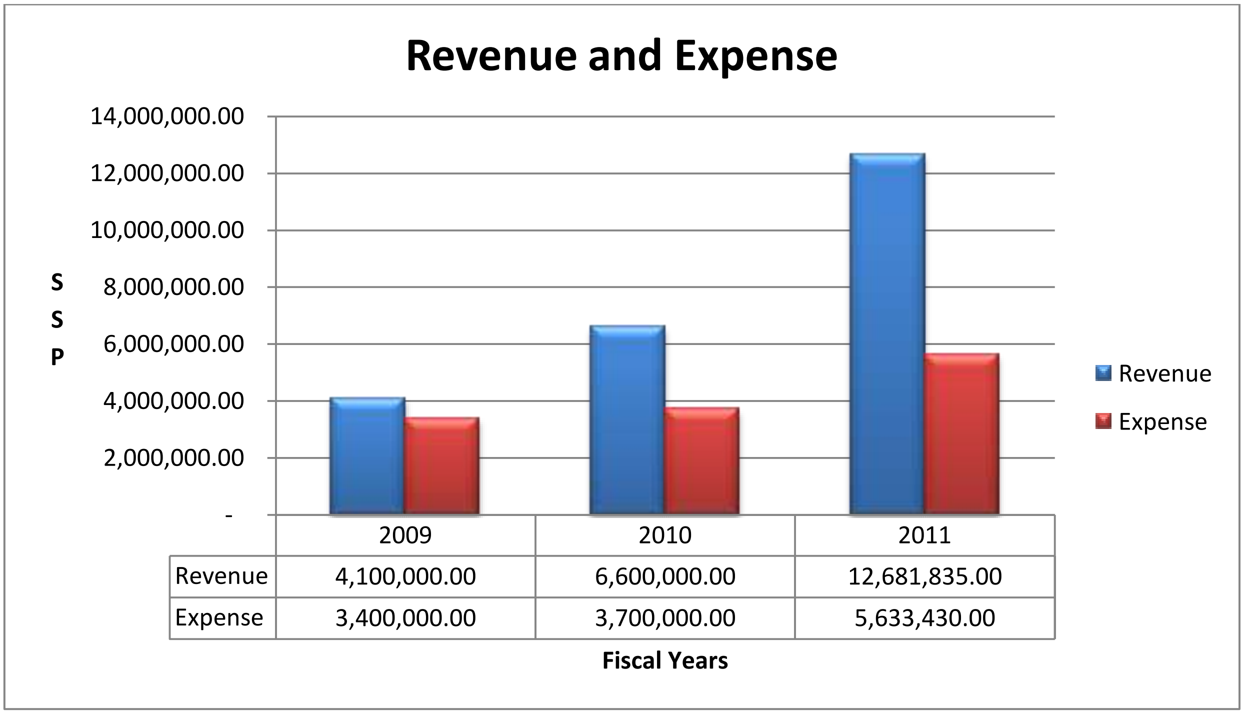
During the second half of the financial year under review, the bank had started handling letter of credit for import after obtaining foreign currency allocation from the Central Bank of South Sudan. The operation has greatly assisted in enhancing the volume of income related to letters of credit, and in increasing the volume of business with our correspondent banks. Similarly, interest income from loans and advances increased by SSP 873,332 or 90% compared to the previous year level.

5.2 EXPENSE

At the end of 2011 financial year, total expense recorded was SSP 5.6 million. This amount when compared with total expense of SSP 3.4 million in 2010 showed an increase of SSP 2.2 million or 63%. Major contributors to the total expense basket were General Expense 41%, Administrative Expense 34% Loan

Loss Provision 23%. In general, total expense in 2011 increased by 63% while revenue increased by 99%.

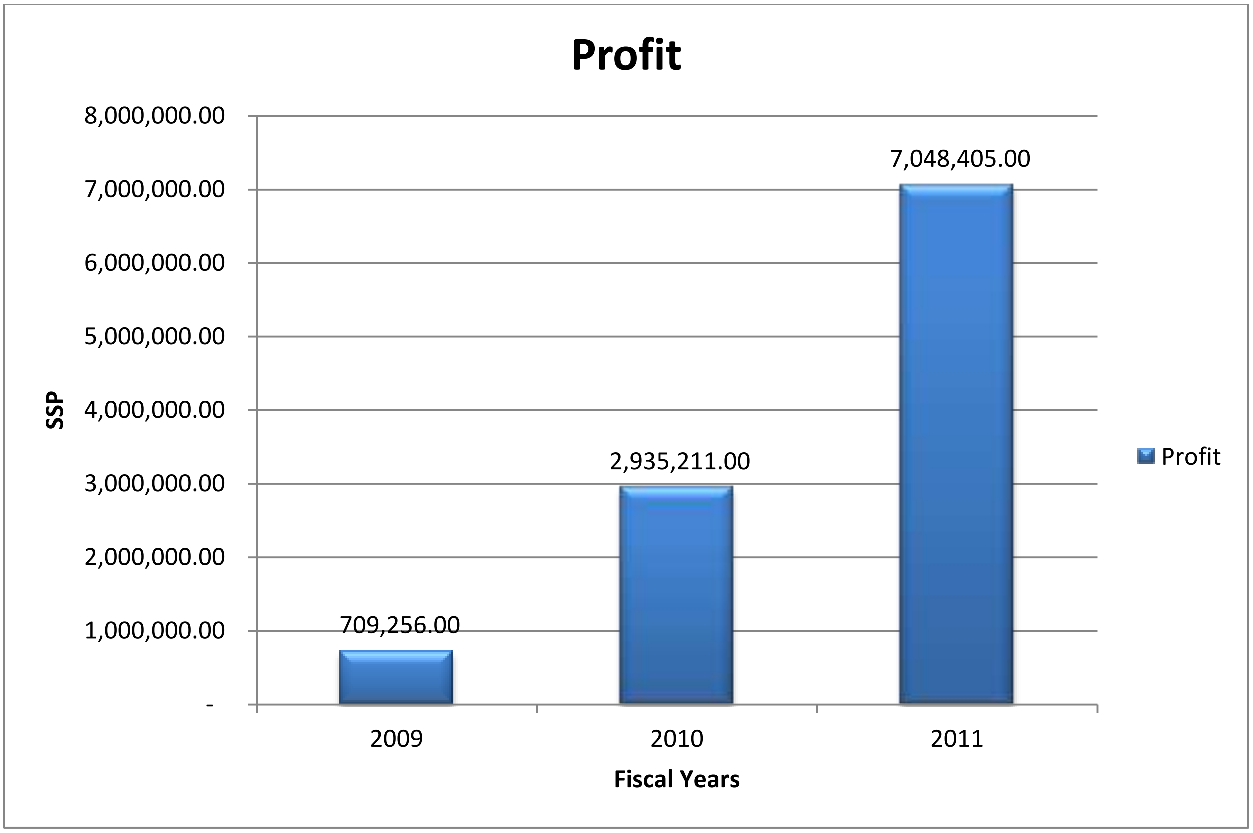
Figure 9 Revenue & Expense Comparison by Year



5.3 PROFIT

At the end of December 31, 2011, the bank made a net profit of SSP 7,048,405. The net profit result when compared with similar period of 2010, showed an increase of 4,113,194 or 140%. The 2011 profitability level when compared with the budget, we note an increase of 93%. The surge in profitability is a direct result of increase in international operation during the second half of the financial year.

Figure 10 Profit Comparison by Year



After independence of the country and after the Central bank of South Sudan took the helm of controlling the economy, we have seen a conducive atmosphere that supported the financial sector. Allocation of foreign currency for import of priority goods was made by Central Bank of South Sudan in an orderly manner. The return on paid up capital (excluding un-booked fixed assets) was about 82.6%. When un-booked fixed assets amounting to SSP 8.14 million are considered, then the return on equity was in the region of 42.3%. By the same token, the return on total asset was 9%. The bank's track record of profitability is showing an improved rate of increase for the last three successive years.

6 LIQUIDITY

The bank has complied fully with the liquidity requirement of the Central Bank of South Sudan throughout the financial year without fail. Liquid asset to demand liability was about 104%, loan to deposit ratio was 21%. Compared to 2010 financial year, excess liquidity level in 2011 was less pronounced suggesting deployment of more fund in loans and trade finance activities.

7 CHALLENGES FACED

The 2011 financial year was exiting and full of challenges. It was exciting because the country got its independence during the second half of the financial year, and the mood of people was positively high and full of festivity. Naturally, the expectation of the business community was high in terms of improvement in their business operations. Indeed, the Central Bank of South Sudan introduced a new currency SSP that replaced the SDG and came up with a policy of allocating foreign currency to commercial banks for import of priority goods. As a result all licensed importers benefited from the foreign currency allocation. Our bank opened L/Cs for all clients that applied for import of essential goods approved by Government.

During the first half of the year, the local currency volatility was very high. The then SDG currency had depreciated by more than 30% for a brief period. The Central Bank of South Sudan took measures to allocate foreign currency to banks and forex offices at a lower and fixed rate removing the uncertainties that gave rise to speculation. After such intervention of the Central Bank of South Sudan, the foreign exchange rate generally stabilized, import of essential commodities flowed smoothly particularly in the third quarter of the financial year under review.

In the area of staffing, in 2011 the bank hired seven new clerical staff to enhance its existing staff strength and replace those that left the bank. Equally as new banks get licensed, the first thing we find is pouching of relatively better trained personnel. This puts the bank as a training ground for others. The challenge to keep trained staff in an environment where new foreign banks enter the market every other quarter was a challenge. Equally as the number of banks increased the competition to get the same customers made banking tough compared to previous years. This will continue to be a challenge and we didn't complain.

As the independence of South Sudan became certain there were certain changes that were to be handled cautiously not to disrupt banking operation. Our SWIFT gateway was the Republic of Sudan (Khartoum). With independence of South Sudan, changes in country code and currency code were announced by swift in September 2011. We had to work out our communication way out to get connected with the new gateway through the Republic of South Sudan under a changed condition. Up to the year end, we have received every possible cooperation from EBS/ and Sudan/Sat in hosting our swift and internet service to whom we are grateful. In 2012 we will use the new gateway through the Republic of South Sudan. The Country's code will be SS and our SWIFT code will be BCBJSSJB.