



United Capital Bank  
بنك المال المتحد

# ANNUAL REPORT 2008

[www.bankalmal.com](http://www.bankalmal.com)

PARTNERS IN PROGRESS



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## *Our Mission*

**UCB** aims at identifying the excellent investment opportunities which are known to be in plenty in Sudan and endeavors to bring them to materialization for the benefit of Sudanese economy on the one hand and the local, regional, and international investors on the other hand. The bank is active in the promotion of shares of venture capital companies, and establishment and management of specialized investment funds. The bank also aims at providing quality investment and financing services to prime corporate and government entities to help them in achieving their growth and profitability objectives.

This endeavor ultimately aims at participating in the economic and social development of the country.

The bank hopes to realize these objectives through a robust strategy for the mobilization of local, regional and international financial resources necessary for the exploitation of Sudan's huge natural and human resources.

## *Board of Directors*

<b>Mr. Saad Abdul Aziz Al-Wazzan</b>	Chairman
<b>Mr. Mansour Bteish</b>	Vice-Chairman
<b>Mr. Ebrahim A. Alkhuzam</b>	Member
<b>Mr. Feras Albahar</b>	Member
<b>Mr. Tareq Abdul Gafour</b>	Member
<b>Mr. Ali Yousif Al-Alami</b>	Member
<b>Mr. Al-Sharef Ahmed Badur</b>	Member
<b>Mr. Abdulwahab Ahmed Hamza</b>	Member

## *Sharia Committee*

<b>Professor Hafez Elsheikh Elzakai</b>	Chairman
<b>Dr. Ibrahim M. Osman</b>	Member
<b>Dr. Tigani Abdel Gadir</b>	Member

## *Executive Management*

<b>Mr. Saad Al-Wazzan</b>	Chairman and Managing Director
<b>Mr. Kamal Elzubeir</b>	Chief Executive Officer and General Manager
<b>Mr. Yousif El-Tinay</b>	Deputy General Manager and Chief Commercial Officer
<b>Mr. Al-Mamoun Hamid</b>	Deputy General Manager and Chief Financial Officer
<b>Mr. Ahmed Ellaithy</b>	Chief Operating Officer

## *Senior Management*

<b>Mr. Eltahir Elshazali</b>	Head, Operations
<b>Mrs. Shadia Elkordofani</b>	Head, HR and Administration Affairs
<b>Mrs. Salma Haroun Ali</b>	Head, Treasury and Int'l Banking Relations
<b>Mrs. Nahla M. Hummaida</b>	Head, Corporate Finance
<b>Mr. Tajeldeen Ahmed Mahjoub</b>	Head, Risk Management
<b>Mr. Abdelrazag Mustafa</b>	Head, IT
<b>Mr. Elamin Ahmed</b>	Head, Internal Audit and Compliance Officer
<b>Mr. Malik Naeem Khan</b>	Head, Investment Banking
<b>Mr. Abdelgadir Mohamed</b>	Credit Administration Manager
<b>Mr. Mohamed Abbas</b>	Deputy Head of Operations
<b>Mr. Osama Alfadil</b>	Deputy Head of Corporate Finance



## Chairman's Report to the 4<sup>th</sup> Ordinary Annual General Meeting Khartoum, March 11, 2009

I am pleased, On behalf of the Board of Directors of UCB, to submit to the Annual General Meeting of Shareholders, the 2<sup>nd</sup> Annual Report of the bank for the financial year ending on December 31, 2008.

Year 2008 witnessed a number of important economic developments in Sudan, particularly in the banking sector. The new banks that were established during the last few years were able to make their presence felt within the local banking sector. Naturally, this resulted into an increased competition and a rally to improve services and reduce financing and services costs to the customers.

For us at UCB, year 2008 was our second year in operation. We were able to implement the bank's strategy as stipulated by the Board of Directors. The main salient features of the strategy include:

### **First : Organic Growth**

Based on the market studies, the bank decided to open three new branches in Khartoum North, Rabak and Niyala. The branch in Rabak was opened for business in August 2008. The two other branches in Khartoum North and Niyala are expected to be opened during the first half of 2009.



Bahri Branch

## **Second : External Growth**

Detailed studies were made to acquire one of the existing banks and or proceed with opening of new branches. The Board of Directors approved the related plans and market studies and researches are underway and are expected to be finished during 2009.

Once these studies are finalized satisfactorily, UCB will enjoy the immediate benefits of bank's branch network.

## **Third : Subsidiary companies**

(a) The bank established in April 2008 a brokerage firm by the name " Almal United for Securities Trading ". The company achieved good results for the year 2008.

(b) The bank established specialized investment company by the name " Mawarid Investment Company" . The new company will invest in the real estate sector in addition to investing in the acquisition of existing businesses with the view of restructuring and placing shares in the market for sale in private or public offerings.

## **Fourth : Vertical Expansion**

The bank activated a number of new banking services after being approved by the board. These include investment-banking and investor's advisory services. As a manifestation of their new services, the bank undertook the arrangement of an IPO for a private owned school in Kosti as its pilot project.

Works for construction of the bank's new premise is underway and is expected to be finished during the first quarter of 2010. The new building will provide an excellent working environment for the bank's staff.

## **Fifth : Financial Performance**

The bank's financial performance during 2008 can be summarized as follows:-

1. Total revenue during the year amounted to SDG 53 million compared to SDG 31 million for 2007 . Profit from operations before zakat and tax amounted to SDG 31 million compared to SDG 19 million in the last year.
2. Net profits for the year amounted to SDG 22.7 million compared to SDG 13.9 million during 2007. Return on shares was 9.5% compared to 9.4% the year before.
3. The bank's revenue was diversified as follows ( in percentage)

	<b><u>2007</u></b>	<b><u>2008</u></b>
Revenue from deposits with banks	29.3	13.0
Revenue from finance to customer	29.4	41.0
Revenue from banking services	27.6	32.0
Revenue from securities	13.7	14.0
Total	100.0	100.0



4. Finance to customers' portfolio reached SDG 280 million at end of 2008 covering all economic sectors via various Islamic modes of financing. The portfolio including off-balance sheet items (Letters of credit and letter of guarantees) amounts to SDG 511 million of which Non- performing financing represents only 2% of the total.
5. Total assets amounted to SDG 529 million compared to SDG 389 million at end of December 2007, an increase of 36%. Assets are composed of deposits with banks, finance to customers and investment in securities.

The distribution of assets is very well built to secure highest possible returns while ensuring a high degree of liquidity. The finance to customer's portfolio covers all economic sectors and several Islamic modes of finance with suitable percentages.

6. The bank's balance sheet as at end of December 2008 reveals a high degree of liquidity. The maturity gap between the assets and liabilities was as follows ( in millions of SDG ) :-

	<b>Less than 3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>More than a year</b>	<b>Total</b>
Assets	235	105	89	103	531
Liabilities	211	17	21	281	531

It is worth mentioning that the bank adheres to and complies with all local and international regularity requirements and is keen to follow the Central Bank of Sudan directives , International Accounting Standards and AAIOFI .

Furthermore, the bank aims at providing the largest degree of transparency in displaying its financial reporting, clearly highlighting all types of risks whether it be financial or operational as required by best international standards and practice.

The bank pays special attention to the training of its employees through nominating them to attend specialized training programmes inside and outside Sudan. The bank also plays a distinguished social role by paying zakat and by donations for charity.

The Board wishes to convey its thanks to the Sharia Supervisory Committee for its valued and prudent guidance in all sharia issues raised by the bank and for their sustained assistance to the bank's management to comply with Sharia rules in all the bank activities.

Thanks are also extended to the External auditors for the counsel provided and for making it possible to issue the audited financial statements in a relatively record time.

The Board records its thanks to the employees of the Bank and executive management for their sincere efforts, loyalty, and diligence without which the Bank would not have achieved such impressive results.

At the end, we pray to God for continued success.

**Saad Abdulaziz Al Wazzan**

Chairman of the Board

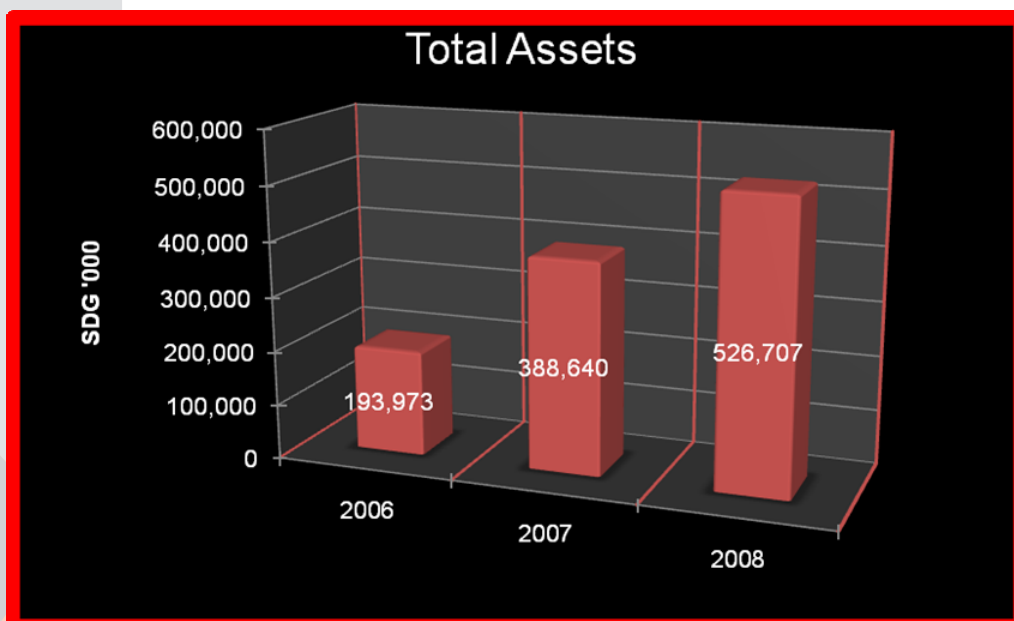


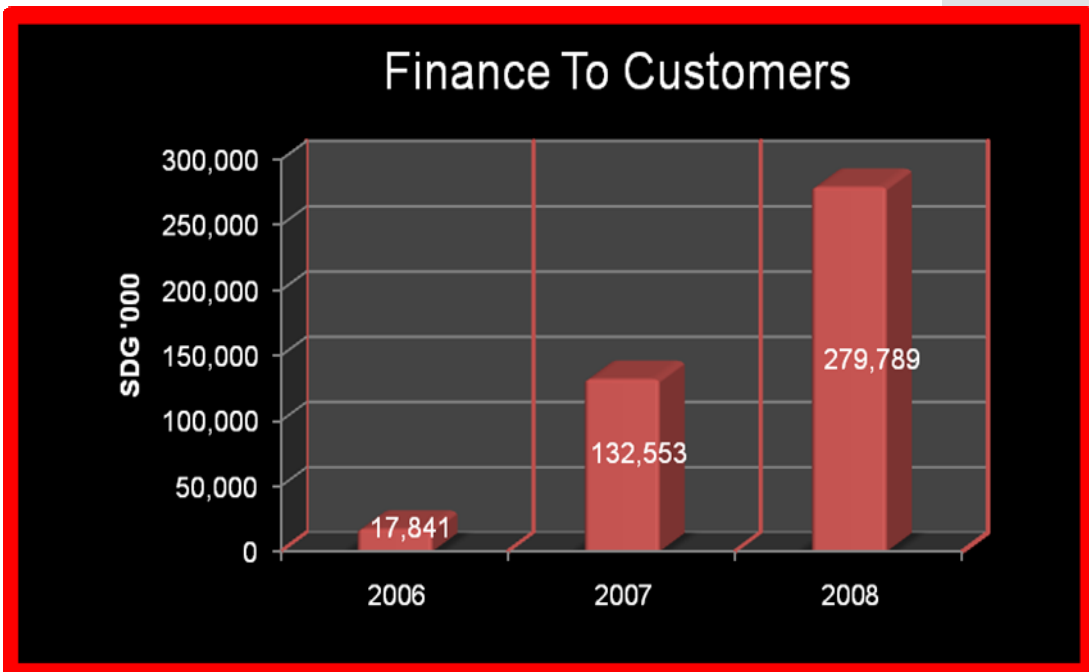
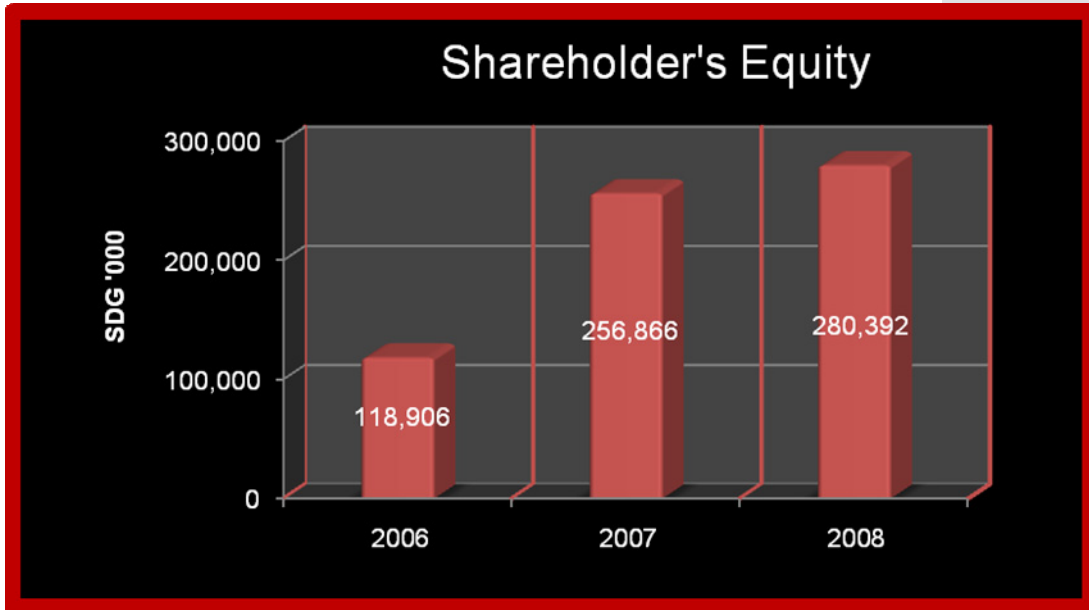
## Chief Executive's Report

United Capital Bank (UCB) achieved significant growth rates during the last few years (2006-2008) as indicated below :-

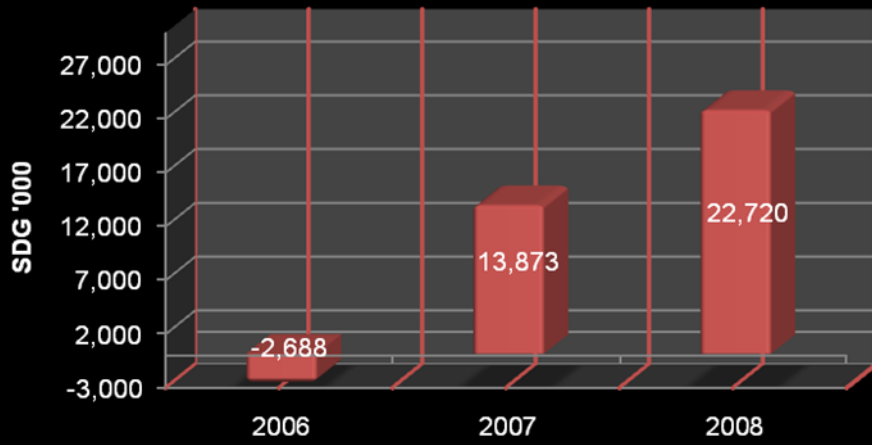
	<u>( SDG MILLION)</u>		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Total Assets	194	389	529
Finance to Customers	18	133	280
Shareholders' equity	119	257	280
Customers' deposits	70	112	119
Equity of investment account holders	-	5	116
Gross Income	8	31	53
Net Profit (before tax and zakat)	( 1)	19	31

During this short period, the bank was able to form an excellent customer base in both deposit placement and financing.

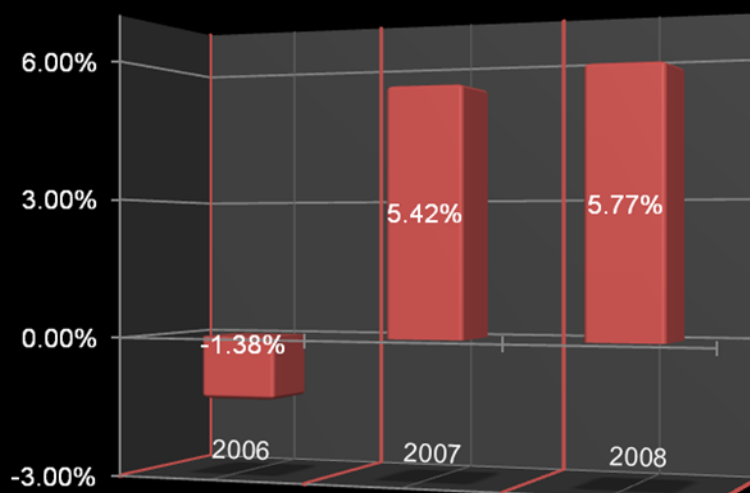


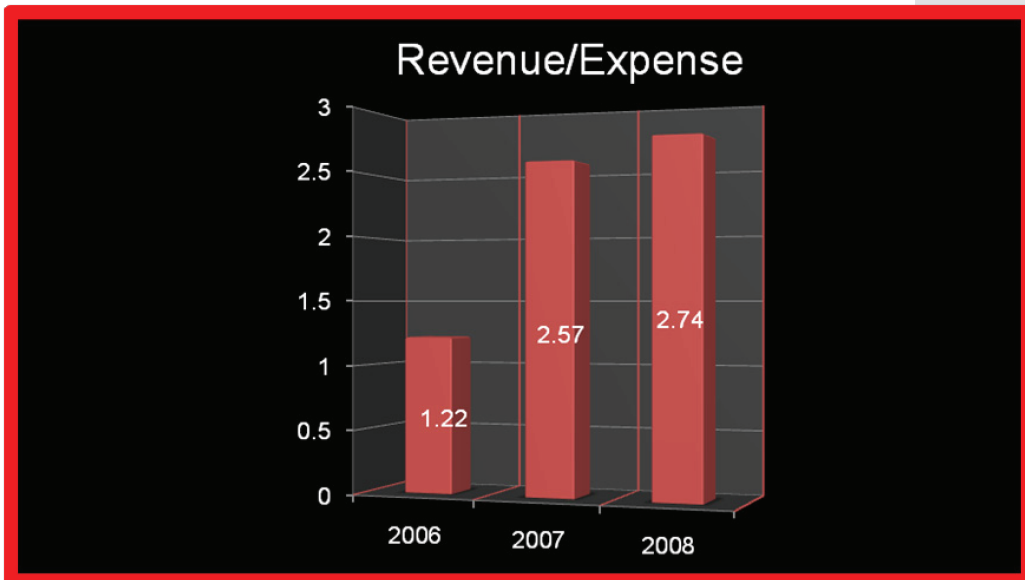


## Net Income



## Return on Average Assets





The management focused during these years on the recruitment of high caliber staff at all levels. The number of staff increased gradually from 34 at end of 2006 to 81 at end of 2008.



Executive Management

The organization structure of the bank constitutes several departments. Each department performs its duties in accordance with the principles of best practice, at the highest level of professionalism and in complete co-ordination and team spirit with other departments. Below is an account of each department's duties:-

## 1- Operations and Banking Services Department

Operations Department is the backbone of the bank. It mobilizes and develops technology / staff to improve efficiency and the quality of service.

The department established a complete infrastructure for banking services and provides infrastructure with state-of-the art technology, and trained manpower, At UCB, we provide all banking services in a professional way, insuring that UCB always stays ahead of our competitors in all services and products.

Our objective is to maintain our position as a leading bank in the country in payment services, trade finance and other services with minimum cost and maximum operational efficiency.



## 2- Corporate Banking Department

The Corporate Banking Dept is in charge of the bank's relations with customers who wish to obtain financing for their various activities whether in trade, industry, agriculture or services.

In fulfilling its duties, the Dept is guided by the bank's philosophy which necessitates undertaking adequate due diligence of the customer's credit worthiness and the economic viability of the project to be financed. It aims to establish sustainable working relationship with its customers based on trust and mutually beneficial relationships.

The dept is proud to have a high quality portfolio of outstanding clients who receive banking services of unmatched quality.



### **3- Treasury and International Banking Relations Department**

#### **(a) Treasury**

If cash is the lifeblood of the bank, the Treasury Dept is the heart, where all cash of the bank is circulated. The Treasury Dept undertakes the following duties:-

- (I) Manages the bank's liquidity including short-term investment deposits.
- (II) Trades and invests in financial securities (i.e Companies shares, GIC, and Shahama Certificates ).
- (III) Services the customer's requirements with respect to investment deposits and forex requirements.
- (IV) Manages funds on behalf of others.

#### **(b) International Banking Relations**

- (I) Maintains and expands the network of international correspondent banks.
- (II) Determines where to make the bank's letters of credit business.
- (III) Manages the bank's foreign exchange resources.





#### **4- Investment Banking and Advisory Services Department**

The department provides investors' advisory services to the bank's clients in the following areas:-

- Financial restructuring
- Mergers and acquisitions
- Shares placement through public and private offerings

In addition, the dept is also specialized in the arrangement of syndicated financing facilities.

#### **5- Human Resources & Administration Affairs Department:**

##### **(a) Human Resources:**

The HR Department works with the Executive Management to ensure that all departments are operating with the optimum efficiency. It strives to meet the bank's requirements via the determination of each department's needs and the appropriate selection of desired staff including their remuneration and training.

##### **(b) Administrative Affairs:**

Supervises the purchasing process, maintains a vendor database, develops purchasing guidelines and monitors purchases against the budgets. It is also responsible for managing service contracts in liaison with the Legal Advisor, supervises all bank's construction projects and ensures the safety & security of the bank.



## 6- Information Technology Department (IT)

The primary responsibilities of the IT Dept includes implementation of IT Systems to support the entire needs of the Head Office and branches.

It is organized into the following three main sections:

- (a) Core Banking System Development and Support
- (b) Technical Support
- (c) Network and IT Security



## 7- Financial Affairs Dept

Shortly after the Bank's incorporation, the Financial Department has been established and equipped with a team of qualified professionals who are capable of effectively and efficiently running its functions and activities.

The department manages to align financial operations with UCB's goals and strategic objectives by delivering a centralized repository of strategic information. This info is in accordance with International Accounting Standards as well as Accounting Standards for Islamic Financial Institutions. All this is done with great emphasis on transparency which has already enhanced the bank's credibility before its shareholders, correspondents, external auditors and the regulatory agencies in the country.

The Financial Department has made valuable contribution to work groups formed by the Central Bank of Sudan comprising CFO's from selected local banks with the objective to develop and standardize the statutory financial reporting of banks operating in the Sudan vis-à-vis accounting measurement , presentation and disclosure requirements.



## 8- Internal Control and Corporate Governance

During the period, UCB has successfully set up sound internal control system and corporate governance through the following independent departments, which report directly to the Chairman :

- a. Internal Audit
- b. Compliance and Anti- Money Laundering
- c. Shariah Board

In addition to the following departments which report to the Chief Executive Officer:-

- d. Credit Administration
- e. Risk Management
- f. Legal Affairs.



Risk Management



Credit Administration

## 9- Subsidiaries

### a) Almal United Company for Trading in Securities (AUC)

Established in May 2008, AUC is engaged in trading activities in Khartoum Stock Exchange for its own account, for the account of UCB and for the account of its customers.

The company, whose accounts are consolidated with UCB, achieved excellent results during 2008 and ranked as the second most active brokerage firm in Khartoum Stock Exchange during the year .

### b) Mawarid Investment Company ( MIC)

Established in December 2008, MIC is engaged in the following activities:-

- Establishment of new companies in partnership with other investors
- Acquisition of existing companies with the view of restructuring them and placing their shares in the market for sale ( in a private or in public placements).
- Investment in real estate



# **UNITED CAPITAL BANK**

**(Public Limited Company)**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2008**

# MUBARAK

For Accounting, Auditing & Financial Consultancy  
Certified Public Accountants

Independent Firm, Correspondent of  
*ERNST & YOUNG*

# مبارك

للمحاسبة والمراجعة والإستشارات المالية  
محاسبون قانونيون  
مكتب مستقل، مراسلون  
إرنست ويونغ

## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED CAPITAL BANK

We have audited the accompanying consolidated financial statements of United Capital Bank, which comprise the balance sheet as at 31 December 2008 and the income statement, cash flows statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Accounting Standards issued by The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with Accounting Standards of The Accounting and Auditing Organization for Islamic Financial Institutions.

  
Mubarak Ali Ibrahim – Partner  
February 26, 2009



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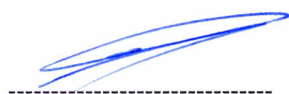
# UNITED CAPITAL BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2008

<b>ASSETS</b>	<i>Notes</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Cash and balances with banks and financial institutions	4	69,762,482	40,255,447
Investments with banks and financial institutions	5	89,974,815	152,747,205
Investments in securities	6	67,831,038	50,623,680
Finance to customers, net	7	271,238,134	130,501,962
Other assets	8	11,880,712	8,090,129
Fixed Assets, net	9	18,019,656	6,421,106
<b>TOTAL ASSETS</b>		<u>528,706,837</u>	<u>388,639,529</u>
 <b>LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY</b>			
<b>Liabilities</b>			
Customers' deposits	10	119,014,139	112,033,368
Other Liabilities	11	13,683,281	14,630,563
<b>TOTAL LIABILITIES</b>		<u>132,697,420</u>	<u>126,663,931</u>
 <b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
<b>Shareholders' equity</b>			
Share capital	13	240,000,000	240,000,000
Share premium	14	4,500,000	4,500,000
Statutory reserve	15	3,392,426	1,120,457
Fair value reserve	16	1,967,672	1,161,480
Retained earnings		16,131,834	10,084,115
Proposed dividends	17	14,400,000	-
		<u>280,391,932</u>	<u>256,866,052</u>
Minority interest		6,272	-
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>280,398,204</u>	<u>256,866,052</u>
<b>TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY</b>		<u>528,706,837</u>	<u>388,639,529</u>

The financial statements were authorised for issue in accordance with a resolution of the directors on February 19, 2009.



**Saad Al Wazzan**  
Chairman and Managing Director



**Kamal El Zubeir**  
General Manager

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



# UNITED CAPITAL BANK

## CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2008

	<i>Notes</i>	<i>2008 SDG</i>	<i>2007 SDG</i>
<b>REVENUE FROM</b>			
Investments with banks and financial institutions	18	7,056,727	9,712,778
Investments in securities available for sale	19	3,570,137	2,516,086
Investments in securities held for trading	20	4,107,710	2,021,488
Financing to customers	21	23,797,465	9,726,702
<b>Total revenue from investments and financing</b>		38,532,039	23,977,054
Less: Return to unrestricted investment account holders	22	(3,086,738)	(1,422,566)
<b>Net revenue from investment and financing</b>		35,445,301	22,554,488
Fee and foreign exchange income	23	17,864,609	8,574,844
<b>Total operating revenue</b>		53,309,910	31,129,332
<b>EXPENSES</b>			
Staff cost		(7,646,301)	(4,987,400)
Other operating expenses	24	(6,522,670)	(4,162,623)
Depreciation	9	(1,637,476)	(1,041,346)
Provision for finance losses	7.1	(6,519,057)	(1,902,500)
<b>Total operating expenses</b>		(22,325,504)	(12,093,869)
<b>Net operating profit before zakat and tax</b>		30,984,406	19,035,463
Provision for zakat		(5,576,341)	(4,059,609)
Provision for income tax		(2,684,605)	(1,103,148)
<b>Net profit</b>		22,723,460	13,872,706
Net profit attributable to minority interest		(3,772)	-
<b>Net profit attributable to equity holders of the parent</b>		22,719,688	13,872,706
<b>Earnings per share</b>	25	0.95	0.94

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

# UNITED CAPITAL BANK

## CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31, 2008

	<i>Notes</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
<b>OPERATING ACTIVITIES</b>			
Net profit for the year		22,719,688	13,872,706
Adjustments for:			
Depreciation of fixed assets		1,637,476	1,041,346
Provision for zakat		5,576,341	4,059,609
Provision for income tax		2,684,605	1,103,148
Provision for staff end of service benefits		304,168	243,669
Provision for finance losses		6,519,057	1,902,500
Provision for staff bonus		415,009	593,442
Loss on disposal of fixed assets		73,649	62,577
<b>Operating profit before working capital changes</b>		<u>39,929,993</u>	<u>22,878,997</u>
<b>Net (increase)/decrease in operating assets:</b>			
Statutory cash reserve		(3,245,903)	1,718,262
Cash margin on sight L/C		(9,238,165)	1,331,466
Finance to customers		(147,255,229)	(114,691,912)
Other assets		(3,790,582)	(3,197,951)
<b>Net increase/(decrease) in operating liabilities:</b>			
Customer deposits		6,980,771	42,391,791
Other liabilities		(9,927,406)	3,204,896
<b>Net cash from (used in) operating activities</b>		<u>(126,546,521)</u>	<u>(46,364,451)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of investments		(16,401,166)	(38,163,189)
Proceeds from sale of investments		-	5,508,500
Purchase of fixed assets		(14,271,364)	(2,244,324)
Proceeds from sale of fixed assets		961,688	273,497
Payments to unrestricted investment account holders		1,664,172	-
<b>Net cash used in investing activities</b>		<u>(28,046,670)</u>	<u>(34,625,516)</u>
<b>FINANCING ACTIVITIES</b>			
Increase in share capital		-	119,435,000
Share premium received		-	4,500,000
Net movement in minority interest		6,272	-
Increase in unrestricted investment accounts		108,837,495	5,109,546
<b>Net cash from financing activities</b>		<u>108,843,767</u>	<u>129,044,546</u>
<b>Increase (decrease) in cash &amp; cash equivalents</b>		<u>(45,749,424)</u>	<u>48,054,579</u>
Cash and cash equivalents at beginning of the year		<u>187,478,362</u>	<u>139,423,783</u>
<b>Cash and cash equivalents at end of the year</b>	26	<u><u>141,728,938</u></u>	<u><u>187,478,362</u></u>

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

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended at December 31, 2008

	Attributable to shareholders' of the parent company									
	Share capital	Share premium	Statutory reserve	Fair value reserve	Retained Earnings	Proposed dividends	Total	Minority interest	Total Shareholders' equity	
Note	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2008	240,000,000	4,500,000	1,120,457	1,161,480	10,084,115	-	256,866,052	-	256,866,052	
Minority shareholding in subsidiary	-	-	-	-	-	-	-	2,500	2,500	
Net Profit for the year	-	-	-	-	22,719,688	-	22,719,688	3,772	22,723,460	
Transfer to statutory reserve	-	-	2,271,969	-	(2,271,969)	-	-	-	-	
Unrealized gain on available for sale investment	-	-	-	806,192	-	-	806,192	-	806,192	
Proposed dividends	-	-	-	-	(14,400,000)	14,400,000	-	-	-	
<b>Balance at December 31, 2008</b>	<b>240,000,000</b>	<b>4,500,000</b>	<b>3,392,426</b>	<b>1,967,672</b>	<b>16,131,834</b>	<b>14,400,000</b>	<b>280,391,932</b>	<b>6,272</b>	<b>280,398,204</b>	
Balance at January 1, 2007	120,565,000	-	-	1,009,226	(2,668,134)	-	118,906,092	-	118,906,092	
Issue of additional shares	119,435,000	4,500,000	-	-	-	-	123,935,000	-	123,935,000	
Net Profit for the year	-	-	-	-	13,872,706	-	13,872,706	-	13,872,706	
Transfer to statutory reserve	-	-	1,120,457	-	(1,120,457)	-	-	-	-	
Unrealized loss on available for sale investment	-	-	-	152,254	-	-	152,254	-	152,254	
Proposed dividends	-	-	-	-	-	-	-	-	-	
<b>Balance at December 31, 2007</b>	<b>240,000,000</b>	<b>4,500,000</b>	<b>1,120,457</b>	<b>1,161,480</b>	<b>10,084,115</b>	<b>-</b>	<b>256,866,052</b>	<b>-</b>	<b>256,866,052</b>	

The attached notes form an integral part of these financial statements

Year ended December 31, 2008

## 1. INCORPORATION AND ACTIVITIES

United Capital Bank ( the Bank ) is a Public Limited Company registered in the Republic of the Sudan on November 25, 2007 under the Companies' Ordinance of 1925 . The bank was initially registered on August 8, 2005 as a private limited company and commenced banking operations on August 1, 2006.

The Bank's shares are listed for trading in the Khartoum Stock Exchange with effect from November 25, 2007.

The Bank is engaged in providing full range of Islamic banking services to corporate and institutional customers.

The bank operates through two branches (2007: one branch) in the Republic of the Sudan. It's registered office is located at Building no. 499, Square 65, Obaid Khatim Street, Khartoum East Post Office Box 8210, Alamarat Area, Khartoum, Sudan. Fax no. 00249 183 235 000, web site : www.capitalbank-sudan.com.

In March 2008, the Bank acquired 99% interest in Al Siddig for Stock Exchange Company Limited (Al-Siddig). The Bank and a 1% shareholder paid SDG 30,000 to acquire net assets of SDG 6,500. The excess consideration paid of SDG 23,500 is recognized as acquired goodwill.

In April 2008, the name of the acquired company (Al-Siddig) was changed to " Almal United Company Limited " and paid-up capital was increased to SDG 250,000.

The acquired company, which is fully consolidated in the Bank's financial statements at December 31, 2008, provides financial investment and brokerage services and is a licensed dealer in the Khartoum Stock Exchange.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The consolidated financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), as required by the Central Bank of Sudan .

### 2.2 Basis of measurement

The consolidated financial statement are prepared on the historical cost concept except for the re-measurement at fair value of securities classified as held for trading and available for sale. The Bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

### 2.3 Functional and presentation currency

The consolidated financial statements are presented in Sudanese Pounds (SDG) which is the bank's functional and presentation currency.

### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary , Almal United Company limited. The financial statements of the subsidiary are prepared for the same reporting year as that of the Bank , using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continue to be consolidated until the date that such control ceases.

All inter-company balances, transactions, income and expenses and profits and losses resulting from inter-company transactions that are recognized in assets, are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Bank and are presented separately in the

income statement and within equity in the consolidated statement of financial position, separate from parent shareholders' equity.

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

*Year ended December 31, 2008*

## **2. BASIS OF PREPARATION (continued)**

### **2.5 Key accounting judgments and sources of estimation uncertainty**

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Critical judgments in applying accounting policies**

The following are the critical judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### **2.5.1 Classification of investments**

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through income statement or available for sale.

The Bank classifies investments as held for trading if they are acquired primarily for the purpose of short term profit making. All other investments that are not designated as another category of financial assets, are classified as available for sale.

##### **2.5.2 Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### **2.5.3 Impairment losses on financing facilities**

The Bank reviews its financing portfolio to assess impairment on a monthly basis to establish whether a provision for impairment should be recorded and the amount of that provision. Considerable judgment is made by the Bank's management in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgments and uncertainty, such as adverse change in the payment status of the financing receivables, or national or economic conditions that correlate with defaults on the Bank's assets. The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

##### **2.5.4 Impairment of available for sale equity investments**

The Bank exercises judgment to consider impairment on the available for sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates other factors including the normal volatility in securities price, the financial health of the investee, industry and sector performance and cash flows.

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

Year ended December 31, 2008

## 2. BASIS OF PREPARATION (continued)

### 2.5 Key accounting judgments and sources of estimation uncertainly (continued)

#### 2.5.5 Fair value of unquoted equity investments

The fair values of unquoted equity investments are determined by using valuation techniques such as:

- recent arm's length market transactions;
- current fair value of an instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk; and
- other valuation models.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less provision for impairment.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The significant policies adopted in the preparation of these consolidated financial statements are set out below:

### 3.1 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and amortization and any impairment loss.

Depreciation is calculated on a straight line basis over the estimated useful lives as follows:

- |  |         |
|--|---------|
| • IT equipment and computer software       | 4 years |
| • Office equipment, furniture and fixtures | 5 years |
| • Motor vehicles                           | 4 years |

The cost of leasehold land is amortized over the lease term of 50 years.

Capital work in progress is not depreciated.

### 3.2 Impairment and uncollectibility of financial and tangible assets

The carrying amounts of the Bank's financial assets and tangible assets are reviewed at each balance sheet date to determine whether there is any indication or objective evidence of impairment. If any such indication or evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognized in the income statement.

In addition, in accordance with the Central Bank of Sudan instructions, minimum general provision of 1% is made on all finance facilities not subject to specific provisions.

### 3.3 Investment in securities

All investment securities are financial assets which are initially recognized at cost, being the fair value of the consideration given.

For securities traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date, adjusted for transaction costs necessary to realize the asset.

For securities where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the market value of similar investments, or is based on other acceptable valuation models.

Investments with no reliable measures of their fair values or for which fair value information could not be obtained are carried at their initial cost less impairment losses, if any.

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

*Year ended December 31, 2008*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.3 Investment in securities (continued)**

##### **3.3.1 Investments in securities and shares held for trading**

Investments which are classified "for trading" are initially recognized at cost.

At the end of the period, securities and shares held for trading are re-measured at fair value, unless fair value can not be reliably determined, in which case they are measured at cost less impairment, if any.

The unrealized gains or losses resulting from the re-measurement at fair value are reported as "unrealized re-measurement gains or losses on investments" in the income statement. When the investments are sold or otherwise disposed of, the realized gain or loss thereon are recognized in the income statement.

##### **3.3.2 Investments in securities available for sale**

Investments which are classified as available for sale are initially recognized at cost. These investments are subsequently measured at fair value unless fair value cannot be determined. Available for sale investments where fair value cannot be reliably measured are carried at cost less impairment in value, if any.

Measurement gains and losses on available for sale investments are recognized as fair value reserve under shareholders' equity until the investments are sold or impaired, at which time the cumulative gain or loss previously recognized in equity is included in the income statement for the period.

#### **3.4 Investments with banks and financial institutions**

Placements in investment accounts based on the Mudaraba contract with banks and financial institutions are stated at cost less provision for impairment, if any.

#### **3.5 Finance to customers**

Financing activities such as Murabaha, Salam and Istisna are stated at their gross principal amounts less any amount received, provision for impairment, profit in suspense and deferred profit, if any.

Syndicated financing with banks based on the Mudaraba contract is stated at cost less impairment, if any.

Financing through Musharakah is stated at gross principal amount less any liquidation and provision for impairment.

#### **3.6 Other financial assets and liabilities**

For the other financial assets and financial liabilities, fair value is determined based on expected future cash flows or management's estimate of the amount at which an asset could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

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

*Year ended December 31, 2008*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.7 Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are defined as cash, current account balances and investment deposits with banks and other financial institutions that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

#### **3.8 Provisions**

Provisions, other than impairment or finance loss provisions, are recognized when the Bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the expenditure required to settle the obligation at the balance sheet date.

#### **3.9 Taxation**

The Bank is subject to business profit tax at the rate of 15% of taxable profit.

#### **3.10 Zakat**

Zakat is calculated and provided for, in accordance with the regulations of the Chamber of Zakat which is a government agency responsible for collection and distribution of Zakat. Zakat is allowed as deduction for income tax purposes.

#### **3.11 Staff end of service benefits**

A provision is made for amounts payable to employees for end-of-service benefits, which is calculated in accordance with the provisions of the Labour Law.

#### **3.12 Revenue recognition**

\*Income from Murabaha and Istisna post contracting finance is recognized on a time proportion basis over the period of the contract based on the outstanding balance.

\*Income from Istisnaa arises from financing the contracting and post-contracting phases of project. Profit from financing the contracting phase of the Istisnaa project is recognized on the percentage of completion method. No profit is recognized on this phase until the project has progressed to the point where the estimate of realizable profit can be reasonably determined.

\*Revenue from Salam transaction is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

\*Income from participation in syndicated facilities managed by banks under the Mudaraba contracts is accrued if profit can be reliably estimated.

\* Profit from Mudaraba investments with banks and other financial institutions is recognized in the income statement based on profit rates declared at maturity dates, or accrued if profit can be reliably estimated.

\* Fee and exchange income from banking services and foreign exchange transactions are recognized when contractually earned at the time the related services are provided.

\* Dividend income is recognized when declared.

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



Year ended December 31, 2008

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.13 Settlement date accounting

All regular way purchases and sales of financial assets are recognized on the settlement date i.e. the date on which the asset is delivered to the counterparty. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### 3.14 Return on unrestricted investment accounts

Return on unrestricted investment accounts is calculated based on the income generated from all financing and investment assets after deducting the expenses related to investment pool "Mudarib expenses". Mudarib expenses include all expenses directly attributed to the investment and financing activities and specific and general provisions required to write down financing and investment assets to fair value. All general and administrative expenses of the Bank are charged to revenue allocated to the shareholders' equity. The Bank's "Mudarib Profit" is deducted from depositors' share of income before distribution.

The financing and investment income is allocated between the unrestricted investment account holders and the shareholders' equity according to the contribution of each of the two parties in the invested funds according to the Bank's standard policies approved by the Bank's Sharia committee.

#### 3.15 Restricted investment accounts

Restricted investment accounts represent funds belonging to the Bank's customers for which it has assumed investment management responsibility. Such funds are invested on behalf of the customers by the Bank acting as mudarib, agent or a trustee or the funds may be invested by the Bank in its own name under the terms of a specific Mudaraba contract with the customers.

Restricted investment accounts and the attributable investment income or loss are not included in the Bank's financial statements and are directly paid to the customers after deduction of the Bank's stated commission as agent or profit share as Mudarib.

#### 3.16 Contingencies and commitments

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements, but is disclosed when an inflow of economic benefits is probable.

#### 3.17 Foreign currencies

The financial statements are denominated in Sudanese Pounds (SDG). Transactions in foreign currencies are translated into SDG at the exchange rate prevailing on the transaction date. Monetary assets and liabilities at balance sheet date, denominated in foreign currencies, are translated into SDG at the exchange rates prevailing at the balance sheet date.

Realized and unrealized gains or losses on foreign exchange are credited or charged to the income statement.

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

<b>4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS</b>	<b>2008</b>	<b>2007</b>
	<b>SDG</b>	<b>SDG</b>
Cash in hand	1,175,773	1,652,735
Central Bank of Sudan - Current account	35,365,656	28,252,714
Central Bank of Sudan - Statutory cash reserve	7,725,515	4,479,612
Balances with foreign correspondent banks	25,495,538	5,870,386
	<u>69,762,482</u>	<u>40,255,447</u>

### 5- INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS

These represent investment accounts placed with banks and financial institutions according to the Mudaraba contract for renewable periods not exceeding one month. Partial and total withdrawals are allowed without significant cost. The account balances are subject to immaterial change in value.

Balances at December 31, are as follows :-

	<b>2008</b>	<b>2007</b>
	<b>SDG</b>	<b>SDG</b>
Local banks	45,185,557	96,043,763
Foreign banks and financial institutions	44,789,258	56,703,442
	<u>89,974,815</u>	<u>152,747,205</u>

<b>6- INVESTMENTS IN SECURITIES</b>		<b>2008</b>	<b>2007</b>
		<b>SDG</b>	<b>SDG</b>
<i>Investments in securities comprise:</i>			
Securities held for trading	6.1	32,915,751	27,042,200
Securities available for sale	6.2	34,915,287	23,581,480
		<u>67,831,038</u>	<u>50,623,680</u>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

### 6- INVESTMENTS IN SECURITIES (continued)

#### 6.1- SECURITIES HELD FOR TRADING

Description	Cost	Market value at Dec 31,2008	Unrealized Loss	Carrying value at Dec 31,2008
	SDG	SDG	SDG	SDG
Government Investment Certificates (GIC)	30,699,200	30,699,200	-	30,699,200
Private investment securities (Alaman)	1,000,000	1,000,000	-	1,000,000
Shares held for trading	1,417,715	1,216,551	(201,164)	1,216,551
<b>Total</b>	<b>33,116,915</b>	<b>32,915,751</b>	<b>(201,164)</b>	<b>32,915,751</b>

\* GIC represent government securities of two and six years tenor, issued by the Ministry of Finance and are based on the Mudaraba contract. The underlying assets of the securities portfolio are leased assets under the Ijara contract which distribute rental income to investors on a quarterly basis. The securities are traded at Khartoum Stock Exchange.

\* Alaman private securities are issued and managed by Global Investment House-Sudan and an investment subsidiary of the Central Bank. The securities represent investment of 3 year-tenor in closed-ended fund, which is listed in the Khartoum Stock Exchange. The fund invests primarily in quoted government securities.

\*Shares held for trading are ordinary shares issued by Sudanese Telecom Company (Sudatel - a public company). These shares are traded at Khartoum Stock Exchange.

#### 6.2- SECURITIES AVAILABLE FOR SALE

Description	Cost	Market value at Dec 31,2008	Unearned remeasurment gains	Carrying value at Dec 31,2008
	SDG	SDG	SDG	SDG
Quoted government securities	30,947,615	32,915,287	1,967,672	32,915,287
Units in non-government listed Investment fund	2,000,000	-	-	2,000,000
<b>Total</b>	<b>32,947,615</b>	<b>32,915,287</b>	<b>1,967,672</b>	<b>34,915,287</b>

\* Government Securities represent securities issued by the Ministry of Finance and are based on the Musharaka contract. The Certificates are traded in the Khartoum Stock Exchange. They consistently recorded not less than 12% per annum yield since their inception in 1999.

\* Units in non-government fund represent units in a private fund of five years tenor, issued and managed by a local bank based on the Mudaraba contract. The securities are listed in the Khartoum Stock Exchange with return distributable annually for five periods effective from December 2007. Return for year ended December 31, 2008 was 15%( 2007 : 13.5%).

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

	2008	2007
	SDG	SDG
<b>7- FINANCE TO CUSTOMERS</b>		
<i>a) By type</i>		
<i>Sales receivable :</i>		
Murabaha receivables	216,512,696	84,670,477
Istisna receivables	49,696,782	32,423,321
Salam	31,070,275	26,633,350
LCs financing	2,411,451	1,592,752
Subtotal	<u>299,691,204</u>	<u>145,319,900</u>
Less : deferred profit	(29,913,768)	(24,868,452)
Less : provision for finance losses	7.1 (8,450,021)	(1,909,536)
<b>Receivables from deferred sales , net</b>	<u><u>261,327,415</u></u>	<u><u>118,541,912</u></u>
<i>Mudaraba and Musharaka financing :</i>		
Syndicated financing with banks (Mudaraba)	8,150,000	12,000,000
Musharaka financing with a bank	1,861,910	81,684
Subtotal	7.1 <u>10,011,910</u>	<u>12,081,684</u>
Less : provision for finance losses	(101,191)	(121,634)
Mudaraba and Musharaka financing , net	<u>9,910,719</u>	<u>11,960,050</u>
<b>Total finance to customers , net</b>	<u><u>271,238,134</u></u>	<u><u>130,501,962</u></u>
	2008	2007
<b>7.1- PROVISION FOR FINANCE LOSSES</b>	SDG	SDG
<b>General Provision:</b>		
Balance at beginning of the year	1,544,858	128,670
Provided during the year	a <u>922,692</u>	<u>1,415,203</u>
Balance at the end of the year	<u>2,467,550</u>	<u>1,543,873</u>
<b>Specific Provision:</b>		
Balance at beginning of the year	487,297	-
Provided during the year, net of recoveries	b <u>5,596,365</u>	<u>487,297</u>
Balance at the end of the year	<u>6,083,662</u>	<u>487,297</u>
<b>Total accumulated provision at end of the year</b>	<u><u>8,551,212</u></u>	<u><u>2,031,170</u></u>
<b>Total provision expense for the year (a+b)</b>	<u><u>6,519,057</u></u>	<u><u>1,902,500</u></u>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

### 7- FINANCE TO CUSTOMERS (CONTINUED)

#### 7.1- Provision for finance losses (continued)

On December 31, 2008 the total finance facilities subject to specific provision is amounted to SDG 61,216,464 (2007: SDG 3,094,046) while total past-due installments amounted to SDG 8,153,629 (2007: SDG 1,469,512).

The analysis of specific and general provision stated above is based on the Central Bank of Sudan requirements. In accordance with the Central Bank of Sudan guidelines, a general provision of 1% has been accounted on finance to customers not subject to specific provision.

The fair value of finance to customers' balances does not differ from their respective book values.

<i>b) By Industry</i>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Trading	19,556,046	22,441,586
Manufacturing	202,740,847	52,023,663
Contracting	59,585,193	66,640,712
Service	5,684,822	-
Agriculture	3,066,444	10,569,620
Transportation	18,769,342	5,701,629
Other	300,420	24,374
Total finance, gross	<u>309,703,114</u>	<u>157,401,584</u>
Less: Deferred profit	(29,913,768)	(24,868,452)
Total finance, net of deferred profit	<u>279,789,346</u>	<u>132,533,132</u>
less: Provision for finance losses	7.1 (8,551,212)	(2,031,170)
	<u><u>271,238,134</u></u>	<u><u>130,501,962</u></u>

### 8- OTHER ASSETS

	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Assets acquired for Murabaha financing	1,338,021	11,888
Accrued income on investments	7,223,157	5,869,419
Staff finance	1,702,655	1,005,956
Prepaid expenses	1,506,043	1,097,948
Other	110,836	104,918
	<u><u>11,880,712</u></u>	<u><u>8,090,129</u></u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2008

9- FIXED ASSETS

	Leasehold land and capital work in progress		IT equipment and computer software		Office equipments, Furniture and fixtures		Motor vehicles		Total	
		SDG		SDG		SDG		SDG		SDG
<b>Cost</b>										
Balance at beginning of the year	3,235,769		3,143,887		634,984		791,608		7,806,248	
Additions	12,574,364		806,918		534,832		355,250		14,271,364	
Disposals	(1,000,306)		(44,752)		(50,759)		-		(1,095,817)	
<b>At December 31, 2008</b>	<b>14,809,827</b>		<b>3,906,053</b>		<b>1,119,057</b>		<b>1,146,858</b>		<b>20,981,795</b>	
<b>Depreciation</b>										
Balance at beginning of the year	147,902		894,123		87,340		255,777		1,385,142	
Charge for the year	246,377		785,972		111,656		197,902		1,341,907	
Additions	99,369		83,206		45,209		67,786		295,570	
Disposals	(48,844)		-		(11,636)		-		(60,480)	
<b>At December 31, 2008</b>	<b>444,804</b>		<b>1,763,301</b>		<b>232,569</b>		<b>521,465</b>		<b>2,962,139</b>	
<b>Net book value at December 31, 2008</b>	<b>14,365,023</b>		<b>2,142,752</b>		<b>886,488</b>		<b>625,393</b>		<b>18,019,656</b>	
Net book value at December 31, 2007	3,087,867		2,249,764		547,644		535,831		6,421,106	

Capital work in progress represents amounts paid in connection with the construction of the bank's office building .

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

<b>10- CUSTOMERS' DEPOSITS</b>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Current accounts	84,417,393	100,269,059
Margin on letters of credit and guarantees	34,596,746	11,764,309
	<u>119,014,139</u>	<u>112,033,368</u>
<b>11- OTHER LIABILITIES</b>	<i>2008</i> <i>SDG</i>	<i>2007</i> <i>SDG</i>
Bills payable	362,013	4,567,701
Zakat	5,576,341	4,059,609
Business profit tax	2,684,605	1,103,148
Escrow accounts	837,685	1,158,971
Deferred LCs commission	451,249	742,086
Accounts payable to suppliers	973,001	656,469
Staff end of service benefits	760,177	456,009
Provision for deposits Guarantee	290,883	-
Accounts payable - Restricted investment depositor	-	112,500
Audit fees	120,891	61,458
Staff performance bonus	656,735	593,442
Board of directors remuneration	240,098	194,133
Stamp duty	363,792	421,453
Other	365,811	503,585
	<u>13,683,281</u>	<u>14,630,564</u>
<b>12. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		
<i>a) By type:</i>		
Investment accounts	112,775,418	4,745,239
Return to unrestricted investment account holders	3,086,738	1,422,566
Annual subscriptions to Deposits Guarantee Fund	(89,416)	-
Payment on account against the profits for the year	(161,527)	(1,058,260)
Total	<u>115,611,213</u>	<u>5,109,545</u>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 12- EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (continued)

#### b) By Sector:

Corporations	52,961,181	4,745,239
Banks	51,276,450	-
Quasi-government	1,999,793	-
Non-governmental organizations	166,987	-
Individuals	6,371,007	-
Return to unrestricted investment account holders	3,086,738	1,422,566
Annual subscriptions to Deposits Guarantee Fund	(89,416)	-
Payment on account against the profits for the year	(161,527)	(1,058,260)
Total	<u>115,611,213</u>	<u>5,109,545</u>

### 13- SHARE CAPITAL

Authorized, issued and paid up share capital	<u>240,000,000</u>	<u>240,000,000</u>
24 million shares of SDG 10 each		
( 2007: 24 million shares of SDG 10 each )		

### 14- SHARE PREMIUM

The share premium is not available for distribution and is subject to the rule governing the statutory reserve.

### 15- STATUTORY RESERVE

In accordance with the requirements of the Central Bank of Sudan, a minimum of 10% of the Bank's net income for the year is transferred to statutory reserve until this reserve equals the paid up capital of the Bank.

This reserve is not available for distribution .

### 16- FAIR VALUE RESERVE

Fair value reserve represents the net unrealized revaluation gains of available for sale investments (note 6.2). This reserve is not available for distribution.

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



# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	2008	2007
	SDG	SDG
<b>17- PROPOSED DIVIDENDS</b>		
Cash dividends of SDG 0.60 per share of SDG 10 each	<b>14,400,000</b>	-

The Board of Directors on February 19, 2009 resolved to recommend to the annual general meeting scheduled to take place on March 11, 2009 to distribute cash dividends equal to 6% of the Bank's paid up capital as at December 31, 2008 , subject to approval by the Central Bank of Sudan.

	2008	2007
	SDG	SDG
<b>18- REVENUE FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS</b>		
<i>Realized income from deposits with banks &amp; financial institutions</i>		
Local banks	2,633,548	4,704,991
Foreign banks	1,379,128	2,021,833
	<b>4,012,676</b>	<b>6,726,824</b>
<i>Accrued income from deposits with banks &amp; financial institutions</i>		
Local banks	2,733,577	2,979,189
Foreign banks	310,474	6,765
	<b>3,044,051</b>	<b>2,985,954</b>
<b>Revenue from investment deposits with banks</b>	<b>7,056,727</b>	<b>9,712,778</b>

	2008	2007
	SDG	SDG
<b>19- INCOME FROM INVESTMENTS IN SECURITIES AVAILABLE FOR SALE</b>		
<i>Realized income from liquidated Shahama securities :</i>		
Revenue from liquidated Shahama securities	3,270,137	2,196,086
<i>Realized income from private securities :</i>		
Emaar fund	300,000	320,000
<b>Realized income from investment in securities available for sale, net</b>	<b>3,570,137</b>	<b>2,516,086</b>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
<b>20- INCOME FROM INVESTMENT IN SECURITIES HELD FOR TRADING</b>		
Dividends declared by Sudatel	81,180	158,717
Income from Government Investment Certificates (GIC)	3,930,472	1,519,771
Income from Government Investment Certificates (Shihab)	227,222	-
Income from private securities (Alaman Global Fund)	70,000	-
Subtotal	<u>4,308,874</u>	<u>1,678,488</u>
Gain (loss) from re-measurement at fair value of Sudatel shares	<u>(201,164)</u>	<u>343,000</u>
	<u><u>4,107,710</u></u>	<u><u>2,021,488</u></u>
<b>21- FINANCING TO CUSTOMERS</b>		
<b>Revenue from finance to customers:</b>		
Murabaha	14,323,264	8,149,928
Salam	3,493,800	-
Istisnaa/ Mugawala	4,495,494	591,042
Syndicated Mudarabah with Banks	1,236,013	985,732
Musharakah	248,894	-
<b>Total</b>	<u><u>23,797,465</u></u>	<u><u>9,726,702</u></u>
<b>22- Return to unrestricted investment account holders</b>		
Unrestricted accounts share of profit before the bank's share as Mudarib	4,115,650	1,896,755
Bank's share as Mudarib	<u>(1,028,912)</u>	<u>(474,189)</u>
<b>Return to unrestricted investment account holders</b>	<u><u>3,086,738</u></u>	<u><u>1,422,566</u></u>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
<b>23- FEE AND FOREIGN EXCHANGE INCOME</b>		
Letters of credit commissions	5,780,243	3,068,259
Commission received on guarantees	372,097	1,422,817
Administration fees	1,593,344	544,521
Draft cheques, transfers and remittances	3,025,044	359,485
Income from management of restricted investment accounts	403,253	126,557
Brokerage fees (Almal United Co.)	575,235	-
Fee from other banking services	811,600	291,388
	<u>12,560,816</u>	<u>5,813,027</u>
Foreign exchange gain, net	5,303,793	2,761,817
	<u>17,864,609</u>	<u>8,574,844</u>

	<i>2008</i>	<i>2007</i>
	<i>SDG</i>	<i>SDG</i>
<b>24- OTHER OPERATING EXPENSES</b>		
Bank premises expense (note 24/1)	2,083,386	820,705
Communications	346,741	243,899
Maintenance of equipment, furniture & motor vehicles	174,016	92,232
Computer expenses	287,446	35,848
Marketing & promotion	399,477	125,414
Office supplies	169,756	73,890
Business travel	251,356	138,479
Legal, audit and consultants expenses	691,325	610,704
Training	230,859	82,188
Subscriptions	412,049	194,391
Board and general assembly expenses	501,130	412,805
Government dues	298,671	391,740
Bank charges	74,955	27,608
IPO expenses	-	703,726
Other	601,503	208,994
	<u>6,522,670</u>	<u>4,162,623</u>

### 24.1- Bank premises expense

This include rent in addition to expenses related to security, watrer, electricity, cleaning and maintenance.

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

	2008 SDG	2007 SDG
<b>25- EARNINGS PER SHARE</b>		
Net income for the year	<u>22,719,688</u>	<u>13,872,706</u>
Weighted average number of shares outstanding (shares)	<u>24,000,000</u>	<u>14,836,640</u>
Earnings per share (SDG)	<u>0.95</u>	<u>0.94</u>

The Bank did not issue any instruments which would have a dilutive impact on earnings per share when exercised. Therefore the calculation of diluted earnings per share is not applicable to the Bank.

	2008 SDG	2007 SDG
<b>26- CASH AND CASH EQUIVALENTS</b>		
Cash and balances with banks and financial institutions	51,754,123	34,731,157
Investments deposits with banks and financial institutions	<u>89,974,815</u>	<u>152,747,205</u>
	<u>141,728,938</u>	<u>187,478,362</u>

Cash and balances with banks and financial institutions are stated net of statutory cash reserve and margin deposits.

### 27- RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, board of directors, entities controlled by them or under their joint control, associates, key management personnel and their close family members. Major shareholders are those holding more than 5% of the Bank's issued share capital. Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the Bank, directly or indirectly including board members. The related party transactions are governed by the regulations issued by the Central Bank of Sudan. Balances with related parties arise from commercial transactions in the normal course of business on an arm's length basis and are included within the following financial statement captions:

	<u>2008</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2008
<b>Balance sheet items:</b>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Financing	59,928,859	-	59,928,859
Customer deposits	16,487,634	-	16,487,634
Restricted investment deposits	8,086,748	-	8,086,748
Minority interest	-	6,272	-
Commitments and contingent liabilities.	41,419,260	-	41,419,260
<b>Statement of income items:</b>		-	-
Profit from financing	4,433,801	-	4,433,801
Fees and commissions	1,414,945	-	1,414,945
<b>Key Management Personnel compensation:</b>		-	-
Salaries and other benefits	-	2,220,983	2,220,983
Post-employment benefits	-	362,251	362,251

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 27- RELATED PARTY TRANSACTIONS (continued)

2007

	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2007
<b>Balance sheet items:</b>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Financing	30,214,675	-	30,214,675
Customer deposits	40,549,986	-	40,549,986
Funds under management (restricted investment deposits)	18,096,748	-	18,096,748
Contingent liabilities, guarantees and other commitments	25,717,760	-	25,717,760
<b>Statement of income items:</b>		-	-
Profit from financing	7,779,184	-	7,779,184
Fees and commissions	1,614,361	-	1,614,361
<b>Key Management Personnel compensation:</b>		-	-
Salaries and other benefits	-	1,466,179	1,466,179
Post-employment benefits	-	279,306	279,306

### 28- COMMITMENTS AND CONTINGENCIES

#### 28.1 Capital and other non-financing related commitments

At December 31, 2008 the Bank has capital expenditure commitments of SDG 16.8 million (2007: SDG 18.5 million) in respect of the Bank's Head Office building contract and equipment purchases.

#### 28.2 Financing related commitments and contingencies

The primary purpose of these instruments is to ensure that funds are available to customers as required.

Documentary letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are generally collateralized by the underlying shipments of goods to which they relate, and therefore have significantly less risk.

Commitments to extend credit represent the unused portion of authorizations to extend credit, principally in the form of financing to customers, guarantees and letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments.

However, the likely amount of loss, which cannot readily be quantified, is expected to be considerably less than total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The total outstanding commitments to extend credit do not necessarily represent future cash requirements, as many of these commitments could expire or terminate without being funded.

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 28- COMMITMENTS AND CONTINGENCIES (continued)

The contractual structure of the Bank's financing-related commitments and contingencies is as follows:

2008	within 3 months	3-12 months	1-5 years	Over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	93,965,330	-	-	-	93,965,330
Letters of guarantee	8,396,950	27,683,300	-	-	36,080,250
Acceptances	59,819,160	37,326,590	10,698,660	-	107,844,410
Irrevocable commitments to extend credit	-	-	-	-	-
<b>Total</b>	-	<b>65,009,890</b>	<b>10,698,660</b>	-	<b>237,889,990</b>

2007	within 3 months	3-12 months	1-5 years	over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	38,785,430	10,221,131	13,149,812	-	62,156,373
Letters of guarantee	21,809,019	1,565,351	-	-	23,374,370
Acceptances	-	-	-	-	-
Irrevocable commitments to extend credit	41,532,374	1,234,494	-	-	42,766,868
<b>Total</b>	<b>102,126,823</b>	<b>13,020,976</b>	<b>13,149,812</b>	-	<b>128,297,611</b>

The outstanding unused portion of commitments which can be revoked unilaterally at any time by the Bank ,as at December , 2008 amounted to SDG 163,313,319 (2007: SDG 99,297,641.58)

### 29. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 16,747,933 at December 31, 2008 ( 2007: SDG 39,279,833 ). These transactions are governed by the regulations of the Central Bank of Sudan. The financial statements of these accounts , and assets held in trust or in a fiduciary capacity, are not included in the financial statements of the Bank.

These accounts are invested individually as specified by the account holders and are not organized in the form of mutual fund.

Changes in restricted investment accounts and the assets in which they are invested for the year ended December 31, 2008 are as follows:

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 29. RESTRICTED INVESTMENT ACCOUNTS (Continued)

	2008 SDG	2008 SDG
<b>a) By movement during the year</b>		
Balance at beginning of the year	39,279,833	22,877,568
Additions	3,267,118	49,509,859
Withdrawals	(25,799,019)	(33,107,595)
Balance at end of the year	<u>16,747,932</u>	<u>39,279,832</u>
<b>b) By type of investment</b>		
Investment deposits with local banks	-	6,000,000
Investment in quoted government securities	-	10,089,500
Salam finance	10,253,833	15,103,585
Musharakah finance	6,494,099	8,086,748
Total	<u>16,747,932</u>	<u>39,279,833</u>

### 30. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using the ratios and weights established by the Central Bank of Sudan. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and commitments at a weighted amount to reflect their relative risks.

Description	Regulatory Capital		Capital adequacy ratio	
	2008	2007	2008	2007
	SDG	SDG		
Core capital ( Tier 1 )	279,012,857	255,704,572	163.05%	417.04%
Core and supplementary capital ( Tier 2)	283,520,370	258,409,925	165.69%	421.46%

Tier 1 capital comprises share capital and premium, statutory reserve and retained earnings at the period/year end.

Tier 2 capital comprises fair value reserve and general portfolio provisions.

Description	2008		2007	
	Balance sheet Amount	Risk weighted Amount	Balance sheet Amount	Risk weighted Amount
	SDG	SDG	SDG	SDG
Cash and balances with banks & financial institutions	69,762,482	-	40,255,447	1,174,077
Investments with banks and financial institutions	89,974,815	14,056,959	152,747,205	11,340,688
Investments in securities	67,831,038	67,831,038	50,623,680	1,343,000
Finance to customers and investment portfolios	271,238,134	40,239,423	130,501,962	18,403,608
Other assets	11,880,712	11,857,210	8,090,130	7,877,968
Fixed assets	18,019,656	18,043,156	6,421,106	6,421,106
Contingent liabilities and commitments	95,449,001	19,089,800	85,530,744	14,753,287
Total risk weighted assets		171,117,586		61,313,734

The minimum accepted Capital adequacy ratio is 8 % under Central Bank of Sudan requirements which is in line with Basel requirements.

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

### 31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### 31.1 Financial instruments

Financial instruments cover all financial assets and liabilities of the Bank. Financial assets include cash balances, placements with banks and other financial institutions, financial investments and financing to customers and banks. Financial liabilities include customers' current accounts and other liabilities. Financial instruments also include unrestricted investment accounts and contingent liabilities and commitments included in off balance sheet items.

#### 31.2 Risk management

By its nature the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers for various periods and seeks to earn profit by investing these funds in quality assets. The Bank also seeks to increase its profit spread by making investments in diversified products and services and by consolidating short and long-term investment strategies while maintaining sufficient liquidity to meet all claims that might fall due.

##### *a) Profit rate risk*

The profit rate risk refers to the risk due to change of profit rates, which might affect the future earnings of the Bank. Exposure to profit rate risk is managed by the Bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the Board of Directors, the Assets and Liabilities Committee performs regular reviews of the assets and liabilities situation of the Bank in order to ensure that the maturity gap between assets and liabilities is maintained at minimum level and also to ensure that financing and investments are made for quality assets at higher rate of return.

##### *b) Credit risk*

The Bank attempts to manage its credit risk exposure through diversification of its financing and investment activities to avoid undue concentration of risk with individuals or group of customers in specific locations or businesses. The Bank pursues its policies to safeguard its interest and in a prudent manner obtains tangible or intangible security and collaterals for financing, investments and contingent commitments.

The Bank controls the credit risk arising from its financing and investment activities through its risk management and the approval process and use of risk control limits and monitoring procedures.

The exposure to any one customer including banks and other financial institutions is controlled by set limits for each major customer covering on and off balance sheet exposures. Actual exposure of the customers is regularly monitored against the limits approved for such customers. Credit risk exposure is also managed through regular analysis of the ability of the customer to meet the repayment obligations and by making appropriate changes to the limits where needed.

Note 7-b discloses the economic sector distribution of financing to customers.

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



# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### c) Liquidity risk

Liquidity risk is the risk that a bank will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to cease immediately. To mitigate this risk, the Bank has diversified its sources of funding and maintained a diversified portfolio of high quality liquid assets, and readily marketable securities.

The maturity profile of the assets and liabilities of the Bank are disclosed below. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

The maturity profile of the assets and liabilities at December 31, 2008 is as follows:

Assets	2008				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	69,762,482				<b>69,762,482</b>
Investments with banks and financial institutions	47,892,000	37,082,815	5,000,000		<b>89,974,815</b>
Investment in securities	19,184,038	4,948,000	30,000,000	13,699,000	<b>67,831,038</b>
Finance to customers	91,003,478	56,738,968	53,318,783	70,176,905	<b>271,238,134</b>
Other assets	4,226,235	5,890,984	439,338	1,324,155	<b>11,880,712</b>
Fixed assets				18,019,656	<b>18,019,656</b>
<b>Total assets</b>	<b>232,068,233</b>	<b>104,660,767</b>	<b>88,758,121</b>	<b>103,219,716</b>	<b>528,706,837</b>

#### Liabilities and Equity

Customer deposits	119,014,139				<b>119,014,139</b>
Other liabilities	4,162,123	8,596,103	106,250	818,805	<b>13,683,281</b>
Equity of unrestricted investment account holders	87,216,213	7,483,000	20,912,000		<b>115,611,213</b>
Minority interest				6,272	<b>6,272</b>
Shareholders' equity	834,093	742,794	390,785	278,424,260	<b>280,391,932</b>
<b>Total liabilities and Equity</b>	<b>211,226,568</b>	<b>16,821,897</b>	<b>21,409,035</b>	<b>279,249,337</b>	<b>528,706,837</b>

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

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

### 31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Assets	2007				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	40,255,447	-	-	-	40,255,447
Investments with banks and financial institutions	56,703,442	58,034,800	38,008,963	-	152,747,205
Investment in securities	3,493,527	7,112,021	12,318,932	27,699,200	50,623,680
Finance to customers	20,065,121	18,130,623	45,464,939	46,841,279	130,501,962
Other assets	6,134,225	680,448	621,584	653,872	8,090,129
Fixed assets	-	-	-	6,421,106	6,421,106
<b>Total assets</b>	<b>126,651,762</b>	<b>83,957,892</b>	<b>96,414,418</b>	<b>81,615,457</b>	<b>388,639,529</b>

### Liabilities and Equity

Customer deposits	112,033,368	-	-	-	112,033,368
Other liabilities	12,273,451	1,158,971	329,855	868,286	14,630,563
Equity of unrestricted investment account holders	5,109,546	-	-	-	5,109,546
Shareholders' equity	230,528	612,020	318,932	255,704,572	256,866,052
<b>Total liabilities and Equity</b>	<b>129,646,893</b>	<b>1,770,991</b>	<b>648,787</b>	<b>256,572,858</b>	<b>388,639,529</b>

#### d) Foreign currency risk

The Bank incurs foreign currency risk on transactions that are denominated in a currency other than the Sudanese Pound. The Bank has a set of limits to the level of exposure by currency and in total which are monitored on a daily basis to ensure that the net exposure is kept at an acceptable level.

Currency	31 December 2008	31 December 2007
Euro	2,793,505	5,604,272
US Dollar	10,637,649	(2,077,622)
Other currencies	1,886,829	217,632

#### e) Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market prices.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

The Bank is not exposed to any risk in terms of the re-pricing of its liabilities since in accordance with Islamic Shariah the Bank does not provide contractual rates of return to its depositors.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

**31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**g) Risk of managing customers' investment**

The Bank provides investment administration services to third parties in relation to funds provided by them. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures to ensure compliance.

**h) Operational and other risks**

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an impact on the operations. The Bank seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that are approved by its Board of Directors and are applied to identify, assess, control and manage operational risk in addition to other types of risks to which the Bank is exposed such as regulatory risk, legal risk, and reputation risk. Regulatory risk is controlled through the framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisors. Reputation risk is controlled through regular examinations of issues that are considered to have reputation repercussions for the bank, with guidelines and policies being issued as appropriate.

The operational risk function of the Bank is in line with the Central Bank of Sudan instructions regarding the general guidelines for internal controls and sound practices for managing and supervising operational risk in banks.

**32. SEGMENTAL INFORMATION**

For the year ended at December 31, 2008 the bank principally provided banking services, including financing and deposit taking to corporate and institutional customers with insignificant portion of its business directed to individual customers mainly having employment relationship with the Bank's institutional customers.

Therefore no primary segment information is presented since the Bank's total assets, liabilities, operating income and expenses, commitments and contingencies as reported in the consolidated financial statements at December 31, 2008 are principally derived from the Bank's corporate and institutional business.

Also, no secondary segment information is presented as the Bank operates only in the Republic of the Sudan and does not conduct operation in other geographical segments.

**33. SHARIA SUPERVISORY COMMITTEE**

The bank activities are subject to supervision of the Shari'a Supervisory Committee which is appointed by the General Assembly. The committee supervises all the bank's transactions to ensure compliance with Shari'a rules, prepares and submits annual report to the General Assembly.

**34 COMPARATIVE FINANCIAL STATEMENTS**

Certain 2007 comparative figures were reclassified to conform with current year's presentation.

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

# Directory of Head Office, Branches and Affiliated Companies

## Head Office and Main Branch

Plot 499, Square 65, Obaid Khatim St. Khartoum East  
P.O Pox : 8210 Al Amarat , Khartoum, Sudan  
Tel.: 00249-183-247700  
Fax: 00249-183-235000

Websites:-

[www.bankalmal.com](http://www.bankalmal.com)

[www.capitalbank-sudan.com](http://www.capitalbank-sudan.com)

Swift Code:- CBSKSDKH

## Khartoum North Branch

Plot 130, Square 8, Al Sinaat Street, Khartoum North  
P.O Pox : 1173  
Tel.: 00249-185-324480  
Fax: 00249-185-324001

## Rabak Branch

Plot 390, Square 3, Rabak  
P.O Pox : 203  
Tel : 00249-572-829480

## Subsidiary Companies

- 1- Al mal United for Securities Co, Ltd  
Plot 499, Square 65, Obaid Khatim St. Khartoum East  
P.O Pox : 8210 Al Amarat , Khartoum, Sudan  
Tel.: 00249-183-247700  
Fax: 00249-183-235000
- 2- Mawarid Investment Co.Ltd  
Plot 130, Square 8, Al Sinaat Street, Khartoum North  
P.O Pox : 1173  
Tel.: 00249-185-324480  
Fax: 00249-185-324001