



United Capital Bank
بنك المال المتحد

ANNUAL REPORT 2009



United Capital Bank
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PARTNERS IN PROGRESS





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Our Mission

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

The bank has moved to the retail business through its three branches that were opened during 2009 with a plan to increase the number in future, to provide distinguished service to the largest growing sector in the economy.

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

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





Board of Directors

Mr. Saad Al-Wazzan

Chairman

Mr. Mansour Bteish

Vice-Chairman

Mr. Ebrahim A. Alkhuzam

Member

Mr. Tareq AL Abdul Gafour

Member

Mr. Ali Al-Alami

Member

Mr. Al- Shareef Badur

Member

Mr. Faras Albahar

Member

Mr. Abdelwahab Hamza

Member

Mr Kamal Elzubeir

Member & General Manager





Shariaa Committee Members

Dr. Ebrahim Ahmed Osman **Chairman**

Dr. Eltigani Abdel Gadir **Member**

Shaikh. Ebrahim Aldareer **Member**

Dr. Mohammed Mahjoub Bashary **Committee Secretary**





Executive Management

Mr. Kamal Elzubeir

Chief Executive Officer & General Manager

Mr. Yousif ELTinay

Chief Commercial Officer & Deputy General Manager

Mr. Al-Mamoun Hamid

Chief Financial Officer & Deputy General Manager





Senior Management



Salma Haroun
Head, Treasury, &
Intl Banking Relations



Eltahir Elshazali
Head, Operations



Abdelgadir Mohamed
Head, Credit Administration
and Control



Shadia Elkordofani
Head, HR &
Administration Affairs



Nahla Hummaida
Head, Corporate Finance



Tajeldeen Ahmed
Head, Risk Mangement



Elamin Ahmed
Head, Internal Audit &
Compliance Officer



Abdelrazag Mustafa
Head, IT.



Malik Khan
Head, Investment Banking
Advisory Services



Mohammed Bashary
Shariah Controller &
Supervisor, Shariah Committee



Ahmed Mohammed Khair
Head, Legal Department
and legal adviser and Board Secretary



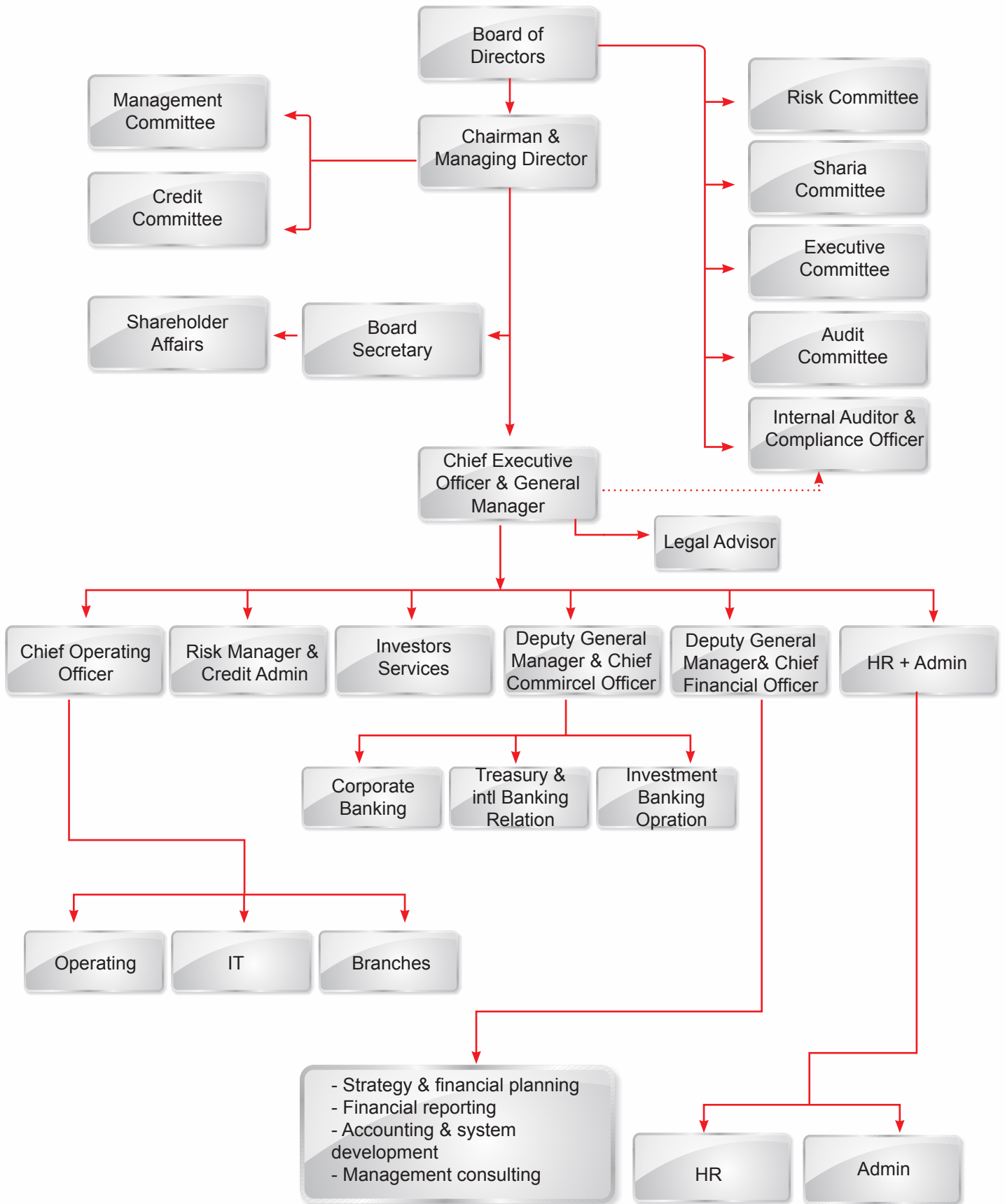
Mohamed Abbas
Deputy Head of Operations



Osama Alfadil
Deputy Head of Corporate Finance



Organization Chart





Chairman's Report

Chairman's Report to the 5th Annual General Meeting Khartoum, April 1, 2010



Mr. Saad Abdulaziz Al Wazzan
Chairman of the Board of Directors

I am pleased, On behalf of the Board of Directors of United Capital Bank (UCB), to submit to the Annual General Meeting of the Shareholders, the 3rd Annual Report of the Bank for the financial year ended December 31, 2009.

Year 2009 witnessed a slow down in the economy as a result of the negative reflections of the global financial crisis and the scarcity in the country's foreign currency reserves due to the drop in oil prices, revenues from non-oil exports and direct foreign investments. Those factors have led to a downturn in the domestic and foreign trade activities which led the Central Bank of Sudan to inject liquidity of million pounds in the banking sector to bailout the sector through the toxic assets crisis.

Year 2009 for UCB represented the third year of operations. The Bank achieved a high degree of growth represented in an increase of total assets from SDG 529 million at close of the year 2008 to about SDG 778 million at the end of 2009, at growth rate of 47%. In addition the Bank has achieved several objectives of the Bank's strategy approved by the Board of Directors in February 2009. The major accomplishments are as follows (according to the salient features of the strategy):-

First: Organic Growth:

Based on market studies, the Bank opened three new branches in Khartoum North (April 2009) , Rabak (August 2008) and Nyala (October 2009) .

Second: External Growth:

Detailed studies were made to acquire one of the existing banks. The Management prepared the required due diligence study and conducted negotiations with the Central Bank of Sudan, being one of the major shareholders in the target bank on the general terms & conditions of the acquisition. However the Board of Directors resolved in its meeting on August 3, 2009 not to proceed in this matter and directed the Management to pursue the organic growth alternative and build a network of branches during the years 2010 and 2011 according to the Bank's expansion requirements.

Third : Subsidiary Companies :

The Bank established in April 2008, a brokerage company by the name "Almal United for Securities Trading ". The Company has achieved good results during the past two years.

The Bank established in January 2009, a specialized investment company by the name " Mawarid Investment Company " and is studying to acquire 19% stake in the share capital of a cement bags manufacturing company (under formation) and 25% stake in the share capital of a company which provides automated departure services at Khartoum airport

The latter company commenced operations in October 2009. Total capital shareholding in the two companies amounted to SDG 670 thousand. Mawarid also acquired investment property for SDG 6.5 million which has been valued at more than SDG 14 million by independent valuers on December 31,2009.

Forth : Vertical Growth :

The Bank activated a number of the new banking services previously approved by the Board particularly in the field of investors advisory services. As a manifestation of their new services, the Bank undertook the arrangement of a syndicated facility in favor of the White Nile Sugar Company of about USD 85 million which attracted participation from local and foreign banks. The financing agreement was signed on September 10 ,2009.

Works of constructions on the Bank's new building is underway and is expected to be finished during the second quarter of 2010. The new building will provide an excellent working environment for the Bank's staff.

The Bank's financial performance for the year 2009 can be summarized as follows:

Total revenue during the year amounted to SDG 53.5 million compared to SDG 53.3 million for 2008. Profit from operations before zakat and tax amounted to SDG 25.7 million compared to SDG 31 million in the last year.

Net profit for the year amounted to SDG 20.8 million compared to SDG 22.7 million during 2008. Earnings per share were sgd .87 compared to sgd .95 the year before.

The Bank's revenue was diversified as follows (in percentage)

	2007	2008	2009
Revenue from deposits with banks	29.03	13.00	12.00
Revenue from finance to customers	29.04	41.00	35.00
Revenue from banking services	27.06	32.00	31.00
Revenue from securities	13.07	14.00	22.00
Total	100.00	100.00	100.00

Finance to customers' portfolio reached SDG 332 million at end of 2009, compared to about SDG 271 million by the end of 2008 covering all economic sectors via various Islamic modes of financing. The portfolio including off-balance sheet items (Letters of credit and letters of guarantee) amounting to SDG 444 million of which Non-performing financing represents about 10% of the total.

Total assets amounted to SDG 778 million compared to SDG 528 million at end of December 2008, an increase of 47%. Assets are composed of deposits with banks, finance to customers, investment in securities and fixed assets.

The distribution of assets is very well built to secure highest possible returns while ensuring a high degree of liquidity. The finance to customers' portfolio covers all economic sectors (industrial, commercial, real-estate, investment) and several Islamic modes of finance (Mudarabas, musharkas, Murabaha, Salam and Istisnaa) with suitable percentages.

The bank's balance sheet as at end of December 2009 reveals a high degree of liquidity. The maturity gap between the assets and liabilities was as follows (in millions of SDG):-

	Less than 3 months	3 – 6 months	6 – 12 months	More than a year	Total
Assets	336	86	195	160	778
Liabilities	463	24	13	276	778

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 Standards.

Furthermore, the Bank aims at providing the largest degree of transparency in displaying its financial reports, 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 to individuals and charitable institutions

I am sorry to announce with great sorrow in this respect, the demise of Professor Hafiz AL Sheikh AL Zaki, Chairman of the Sharia Supervisory Committee of the Bank, during the year 2009.

With great sorrow, I also announce the demise of Dr. Abdel-Wahab Ahmed Hamza, member of the Board of Directors and member of the Audit Committee of the Bank during the year 2009.

Dr. Ibrahim Othman, member of the Sharia Committee has been nominated as Chairman of the Committee to replace the late Prof Dr. Hafiz AL Sheikh and Skaikh Ibrahim Aldareer has been appointed as a member of the Committee

After listening to your views and suggestions, I would like you to review and approve the items listed in the agenda of this meeting.

At the end, I would like to convey, on behalf of the Board of Directors, our thanks and gratitude to the Central Bank of Sudan for their valued efforts and distinguished supervisory role and support to the activities of the Bank which has considerable effect in the Bank's achievements for the year. We would like to equally thank all our customers and foreign correspondents for the valuable trust they bestowed on us.

The Board also 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's 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 of Directors



Chief Executive & General Manager's Report

Chief Executive & General Manager's Report

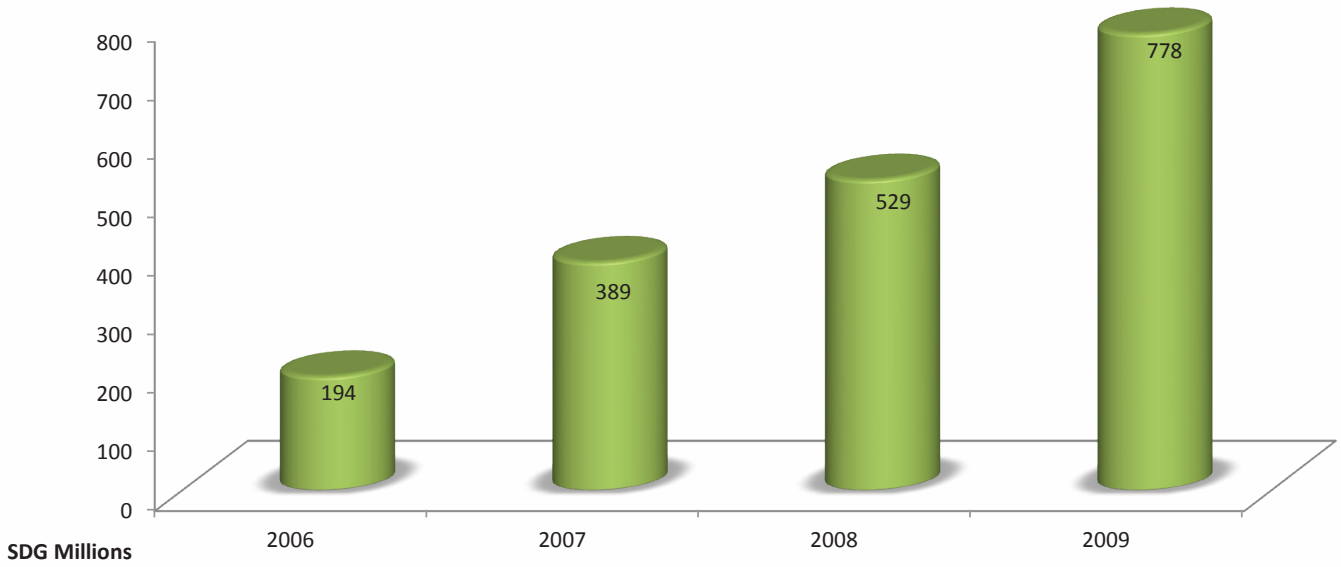


Kamal Elzubeir

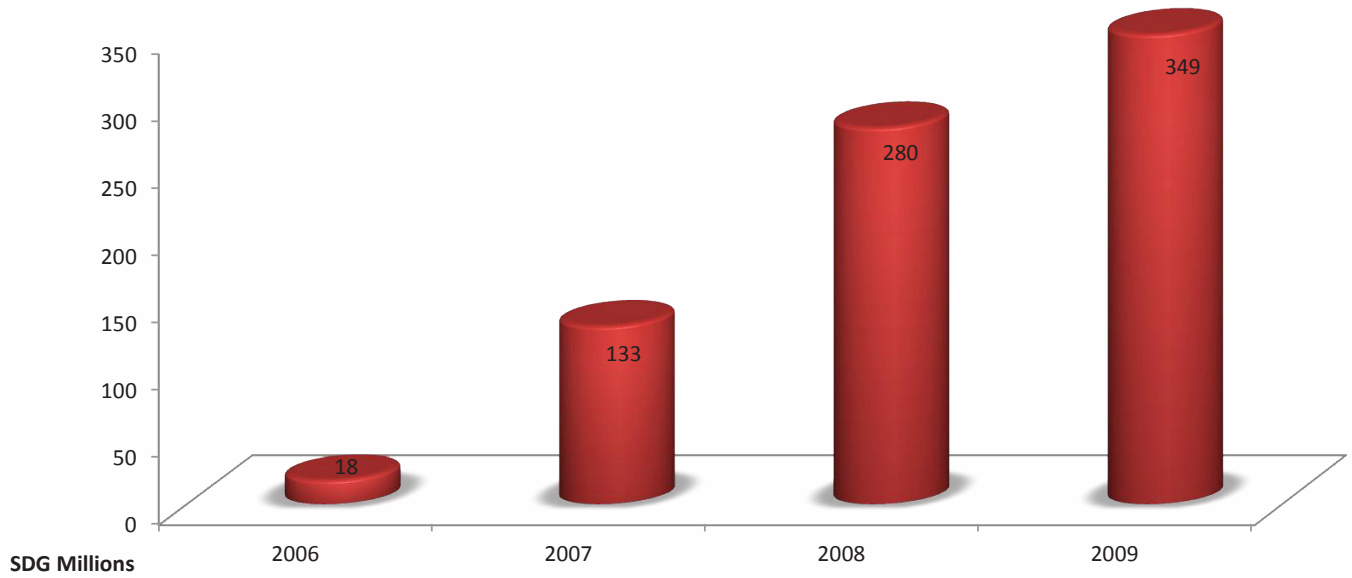
United Capital Bank (UCB) achieved significant growth rates during the last few years (2006-2009) as indicated below in SDG Millions :-

	2006	2007	2008	2009
Total assets	194	389	529	778
Finance to customers	18	133	280	349
Shareholders' equity	119	257	280	285
Customer's deposits	70	112	119	185
Equity of unrestricted investment account holders	-	5	116	280
Total income	8	31	53	54
Net profit before zakat and tax	-1	19	31	26

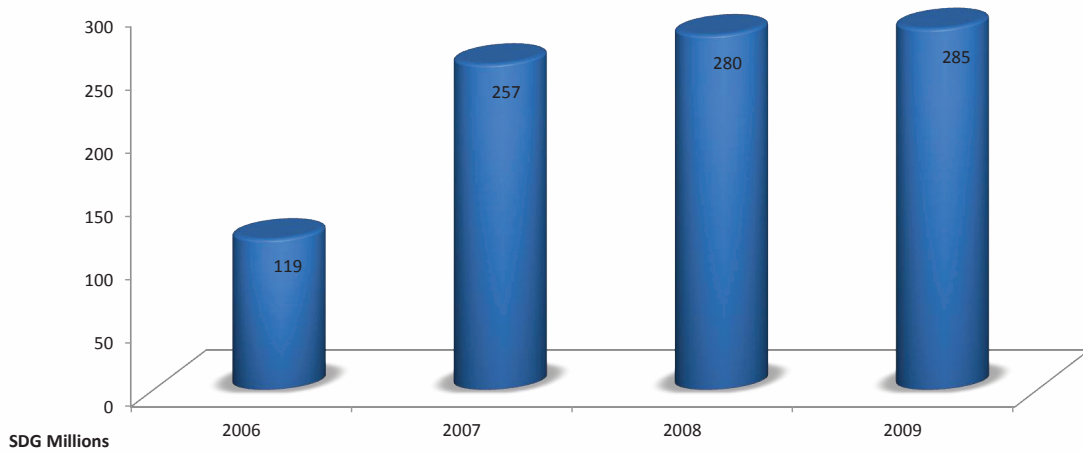
Total Assets



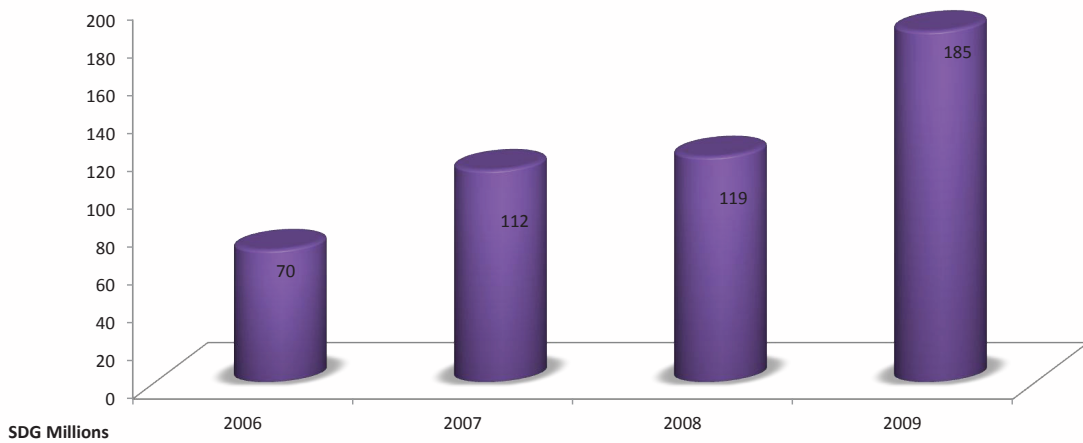
Finance to Customers



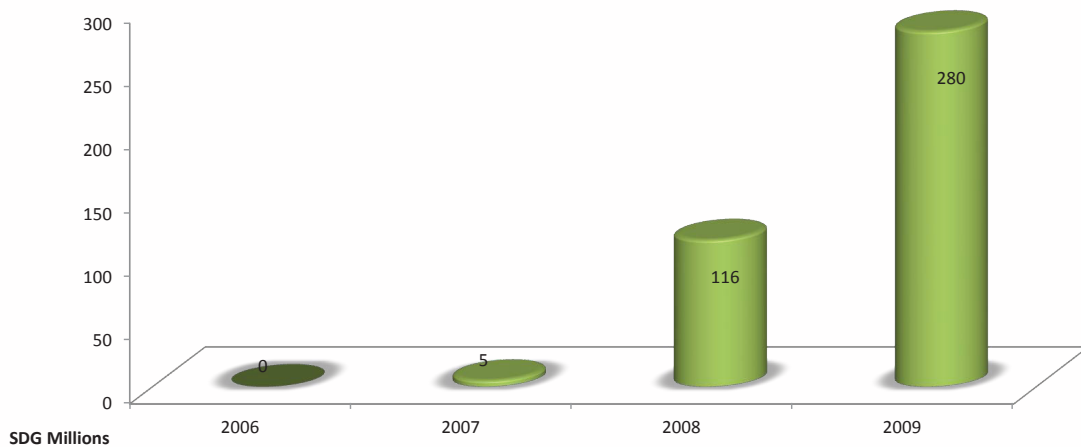
Shareholders' Equity



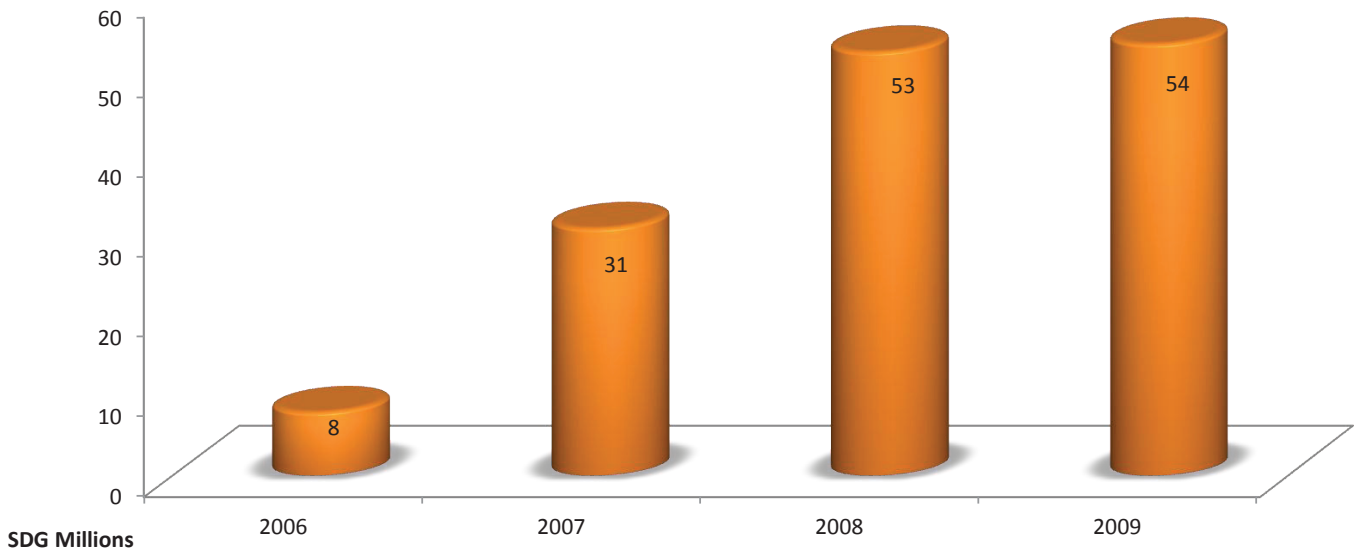
Customers' Deposits



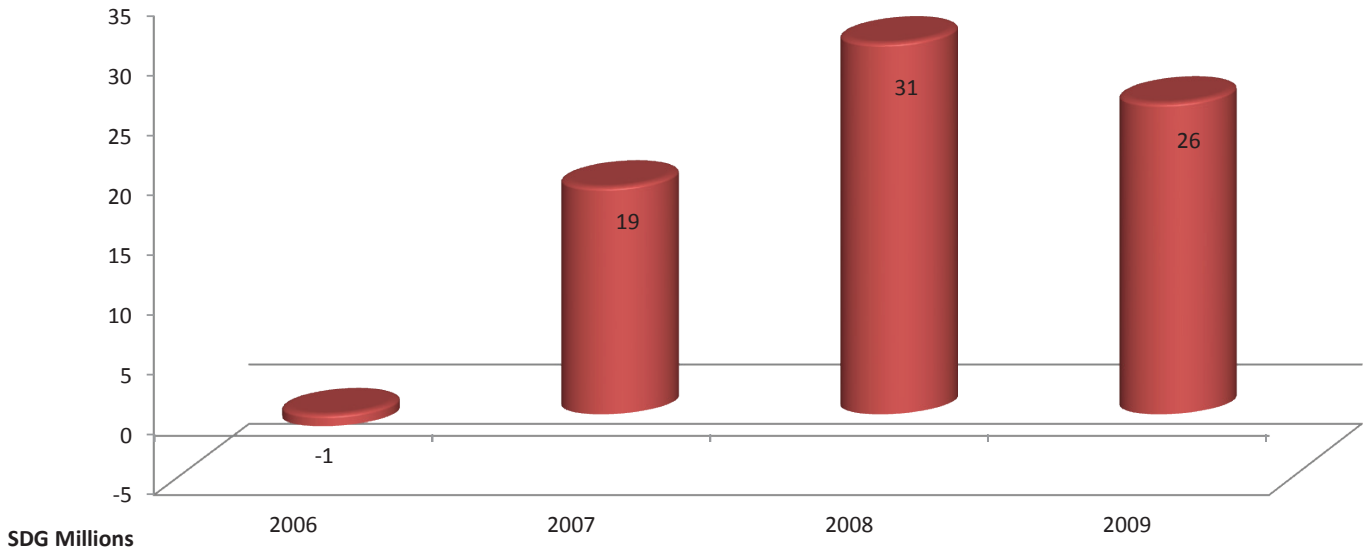
Equity of Unrestricted Investment Account Holders



Total Income



Net Profit Before Zakat and Tax



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 the first year of the bank 2006 to 129 at end of this year 2009.

The organization structure of the bank constitutes of 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 teamwork spirit with other departments. Below is an account of each department's duties:-



Operations & Banking Services

The 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



The Corporate Finance Department is in charge of providing a full range of financial products and services that meet the needs of companies such as short and medium- term loans, letters of credit and trade finance products as well as project financing, syndicated loans and financing for individuals. The department has been able to build a sizable portfolio of customers distributed among various economic sectors such as infrastructure, industry, trade and other areas that fall within the interests of the bank, not with standing the short period from the date of the establishment of the bank.

The Corporate Finance Department is guided in the performance of its functions by the policies issued by the Central Bank of Sudan and the Bank’s internal policies.

The dept always seeks to study and understand the nature of the activity of the client and the real needs in order to be able to provide the best services to customers by Relationship Managers who enjoy high degree of professionalism in the performance of their duties for the development and sustainability of existing relationships and the attraction new clients. The department also strives to provide a variety of advanced services tailored to suit customer needs and assist them to achieve their business development plans.





Treasury and International Banking Relations

(a) Treasury

1. Manages the bank's liquidity including short-term investment deposits and operate as reporter of Assets and Liabilities Committee .
2. Trades and invests in financial securities (i.e. company shares, GIC, and Shahama Certificates).
3. Services the customer's requirements with respect to investment deposits and foreign exchange deals.
4. Manages funds on behalf of others (funds under management).

(b) International Banking Relations

1. Maintains and expands the network of international correspondent banks.
2. Manages the banks Nostro accounts with the correspondents' banks.
3. Maintains the Trade finance business with the foreign bank.
4. Manages the bank's foreign exchange resources.
5. Trades in foreign currency.
6. Manage and expands credit lines with correspondent banks





Investment Banking and Advisory Services

The Investment Banking and Advisory Services department is primarily engaged in structuring a wide range of investment banking products and financial advisory services to both private corporates and public sector companies in Sudan with major areas of operations involving;

- Privatizations and Public/Private Partnerships
- Mergers & Acquisitions and Joint Ventures
- Valuations
- Corporate Restructuring
- Syndicated Loans
- Sukuk Originations & Placements
- Equity Placements, IPOs and Tender Offers

The fee-based business, activities like trusteeships, management consultancy, preparation of feasibility studies, etc. have also been successfully introduced.





Human Resources & Administration Affairs

(a) Human Resources:

The department works with the Executive Management to ensure that all departments are operating with the optimum efficiency to meet the bank's objectives by determining each department's personal needs and the appropriate selection of desired staff including setting of their remunerations, evaluation 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 the Bank's construction projects and ensures the safety & security of the Bank premises.





Information Technology (IT)

The primary responsibility of UCB IT Department includes implementing of IT systems through strategies, plans, programs and services to support both head office and branch operations and to ensure that appropriate technology is deployed to support UCB's needs.

The IT dept is organized into three main sections headed by the IT Manager. These sections are:-

Core Banking System Development and Support

The main function of this section is the support and development of the Core Banking System used by the Bank including end user support and training, Core banking performance tuning; parameter settings, coordination of vendor updates and development of smart reporting tools for data analysis which in turn will support the decision making process

Technical Support

This division supervises all UCB's computer operations and maintenance as well as laying down technical specifications for them to ensure smooth functioning of UCB's hard ware applications.

The division is also responsible for supervising, installing, testing and troubleshooting of hardware and software as well as facilitating all Database backup and recovery and maintaining service logs of security incidents.

Network and IT Security

This division has total supervision and oversight for all UCB's internal and outside communication lines including Internet, in addition to handling, follow-up and maintaining all communications service problems; and implementing security measures for the Hardware equipments and communications network.





Finance & Accounting Department

Shortly after the Bank's incorporation, the Finance & Accounting Dept. 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 management of strategic information in accordance to International Financial Reporting Standards as well as Accounting Standards for Islamic Financial Institutions (AIOFI) with great emphasis on transparency that enhanced the Bank's credibility before its shareholders, correspondents, external auditors and the regulatory agencies in the country.

The Finance & Accounting Department. has made valuable contribution through participation in work groups formed by the Central Bank of Sudan comprising CFOs of selected local banks with the objective to develop and standardize the statutory financial reporting of banks operating in the Sudan accounting measurement, presentation and disclosure requirements.





Legal Department

The Legal Department represents the Bank before the various legal entities and courts and commissions of arbitration and litigation in civil and criminal cases, by or against the Bank.

It formulates reviews and authenticates the contracts with other parties. Also follow up the implantation of guarantees if the customer fails on payments.

It follows up filings and renewal of the commercial register of the Bank with the Company's Registrar to any changes if any.

It collects the Bank's bad debt by legal means and works on criminal cases against them.

It responds to the opinions and advice requested by the various departments





Risk Department

The risk management Department activities are exercised through the supervision of the Risk Committee of the Board of Directors. The department also strives to achieve a high level of understanding and comprehension of all types of bank risk and their implications.

The main functions of the Risk Dept can be summarized as follow: -

1. Assessment of these risks and making of recommendations, proposals in order to mitigate them.
2. Supervising the Credit Administration & Control Department in relation to the preparation, implementation & control of the execution of credit facilities.
3. Co-operation & Co-ordination with the different departments of the bank as (Corporate Finance , Treasury & International Banking Relations , Operation Dept and legal Department) for the sake of introducing a standard quality Bank services and products to achieve customer's satisfaction through the following issues:-
 - Review & approve the Applications.
 - Participate in preparation and review of the legal documentation such as, credit agreement with co-ordination of the Legal Advisor and the other concerned departments.
 - Participating in the development of Bank's policies and procedures.
4. Ensures that all decisions relating to the risk being taken in full transparency and in accordance with the principles established by the Board of Directors.
5. Reports to the Executive Management and the Board of Directors





Credit Administration & Control Department

The CAD has a responsibility of providing administrative support for the financing activities of the bank and day – to – day monitoring of credit exposure.

The department's function is to ensure-

1. Proper check and balances are maintained with regard to the credit utilization (viz - amount, tenor, collateral, pricing...etc) of credit facilities according to the terms & conditions of the credit approval.
2. All financing documentation relating to the transaction is scrutinized, properly completed and corresponds with approved facilities verified to be properly approved/ authorized prior to disbursal.
3. An effective follow- up system for routine actions and ensure that all irregularities are recorded and reported as required ,also monitoring all past due obligations tracking the same for prompt settlement .
4. Prepare various portfolio management reports.



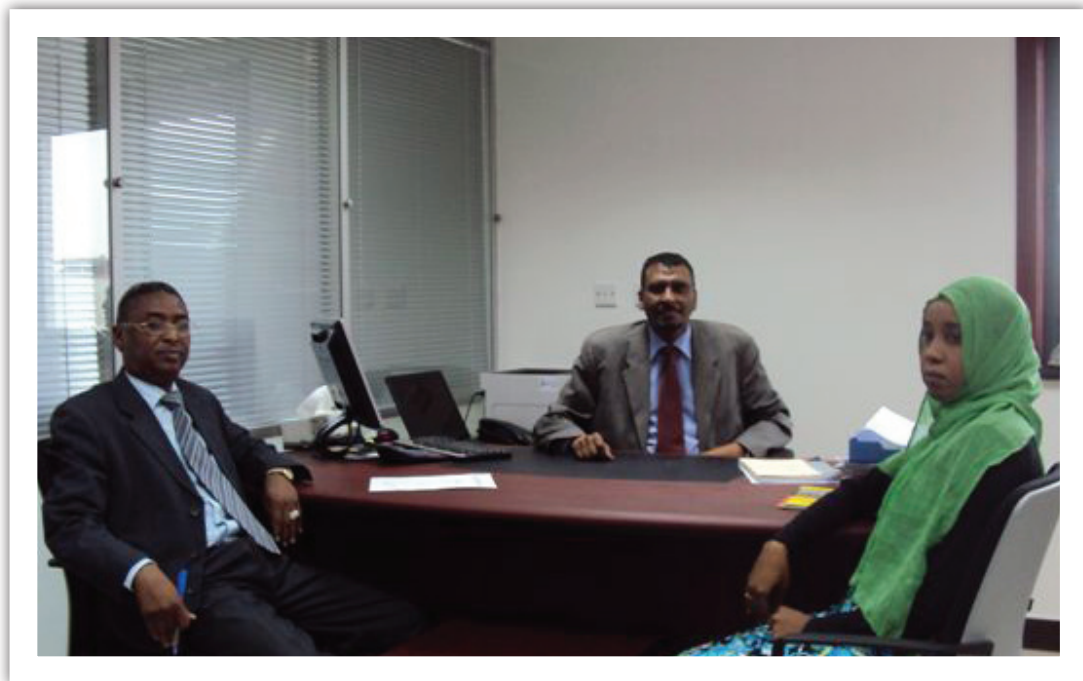


Internal Audit Department

Previously the Bank was outsourcing the activity of this department until a full time Head of Internal Audit was appointed.

The Head of Internal Audit is internationally qualified with a wide audit experience from a number of international audit firms where he was positively reflected on the standard of internal audit reports issued by the department which covers the following activities

- Operational Activity
- Financial Activity
- IT
- Special Reports
- Training staff on Anti-money Laundering and Terrorism Financing (ANLTF)





Subsidiaries

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

Established in May 2008, AUC is engaged in securities trading 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 2009.

Company Objectives :

- Activate dealings in the Khartoum Stock Exchange through the purchase, sale and promotion of various securities.
- Provide more opportunities for investment to all investors through the formation and management of investment portfolios of different types of economic activity.
- The sale and purchase of securities
- Establishment and management of investment portfolios of individuals and institutions inside and outside Sudan
- Marketing of securities of the new and existing companies .
- Promoting and underwriting in IPOs





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

In June 2009 Mawarid's Board of Directors approved equity participation Aeroclub Departure Services Company and Atbara Paper Sacks Company as well as the purchase of three real estate companies that owns property development for residential, agricultural, tourism,ect.

Aeroclub Departure Services Company during the last quarter of year 2009 has shown outstanding performance.

New projects with promising potential are under consideration for the year 2010.



Hashim Ahmed Ali
General Manager
Mawarid Investment Company



**Consolidated Financial Statements
December 31, 2009**

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
ارنست 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 2009 and the income statement, cash flows 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 institution (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 audit standards issued by (AAOIFI). 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' judgment, 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 consider 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 31 December 2009 and its cash flow for the year then ended in accordance with accounting standards of the accounting and auditing organization for Islamic financial institution.

Mubarak Ali Ibrahim- Partner

March 9, 2010



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Arab Authority for Agricultural Investment and Development Building
3th Floor Baladiyah St
P.O.Box : 6556 Sudan
E-mail: info@maafc

تلفون: ٠٠٢٤٩١٨٣٧٧٩٣٩٢ – فاكس: ٠٠٢٤٩١٨٣٧٨٧٦٦٥
مبنى الهيئة العربية للإستثمار والإماء الزراعي – الطابق الثالث – شارع البادية – الخرطوم
ص.ب: ٦٥٥٦ السودان
بريد إلكتروني: info@maafc.com

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31 2009


ASSETS	notes	2009 SDG	2008 SDG
Cash and balances with banks financial institution	4	97,059,235	69,762,482
Investments with banks and financial institution	5	161,392,953	89,974,815
Investments in securities	6	119,808,531	67,831,038
Finance to customers, net	7	332,217,912	271,238,134
Other investments	8	7,133,072	-
Other assets	9	22,676,896	11,880,712
Property and equipment	10	<u>38,011,567</u>	<u>18,019,656</u>
TOTAL ASSETS		<u>778,300,166</u>	<u>528,706,837</u>
 LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	184,600,974	119,014,139
Due to central bank of Sudan	4.1	16,065,000	-
Other liabilities	12	<u>12,980,583</u>	<u>13,683,281</u>
Total liabilities		<u>213,646,557</u>	<u>132,697,420</u>
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	13	<u>279,854,322</u>	<u>115,611,213</u>
Shareholders' equity			
Share capital	14	240,000,000	240,000,000
Share premium	15	4,500,000	4,500,000
Statutory reserve	16	5,469,109	3,392,426
Fair value reserve	17	-	1,967,672
Retained earning		20,422,502	161,131,834
Proposed dividends	18	<u>14,400,000</u>	<u>14,400,000</u>
		<u>284,791,611</u>	<u>280,391,932</u>
Minority interest		<u>7,676</u>	<u>6,272</u>
TOTAL SHAREHOLDERS' EQUITY		<u>284,799,287</u>	<u>280,398,932</u>
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		<u>778,300,166</u>	<u>528,706,837</u>

The consolidate financial statements were authorised for issue in accordance with a resolution of the directors on March 9, 2010



Saad al wazzan

Chairman and managing director



kamal el zubeir

general manager

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2009

	<i>Notes</i>	<i>2009 SDG</i>	<i>2008 SDG</i>
REVENUE FROM :			
Investments with banks and financial institutions	19	8,219,610	7,056,727
Investments in securities	20	14,616,487	7,677,847
Financing to customers	21	23,196,264	23,797,465
Total revenue from investments and financing		46,032,361	38,532,039
Less: Return to unrestricted investment account holders	22	(13,235,943)	(3,086,738)
Net revenue from investment and financing		32,796,418	35,445,301
Fee income	23	10,484,740	12,560,816
Foreign exchange gain, net	24	10,273,827	5,303,793
Total operating revenue		53,554,985	53,309,910
EXPENSES			
Staff cost		(10,264,723)	(7,646,301)
Other operating expenses	25	(8,288,234)	(6,522,670)
Depreciation	10	(2,402,406)	(1,637,476)
Provision for finance losses	7.2	(6,849,810)	(6,519,057)
Total operating expenses		(27,805,173)	(22,325,504)
Net operating profit before zakat and tax		25,749,812	30,984,406
Provision for zakat		(3,184,092)	(5,576,341)
Provision for income tax		(1,796,965)	(2,684,605)
Net profit		20,768,755	22,723,460
Net profit attributable to minority interest		(1,404)	(3,772)
Net profit attributable to equity holders of the parent		20,767,351	22,719,688
Earnings per share	26	0.87	0.95

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2009

	<i>Notes</i>	2009	2008
		<i>SDG</i>	<i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		20,767,351	22,719,688
Adjustments for:			
Depreciation and amortization		2,402,406	1,637,476
Provision for zakat		3,184,092	5,576,341
Provision for income tax		1,796,965	2,684,605
Provision for staff end of service benefits		440,645	304,168
Provision for finance losses		6,849,810	6,519,057
Provision for staff bonus		684,626	415,009
Loss on disposal of property and equipment		5,193	73,649
Operating profit before working capital changes		36,131,088	39,929,993
Net (increase)/decrease in operating assets:			
Statutory cash reserve		426,014	(3,245,903)
Cash margin on sight L/C		4,770,441	(9,238,165)
Finance to customers		(67,829,588)	(147,255,229)
Other assets		(10,796,185)	(3,790,582)
Net increase/(decrease) in operating liabilities:			
Customer deposits		65,586,835	6,980,771
Other liabilities		9,255,974	(9,927,406)
Net cash from (used in) operating activities		37,544,579	(126,546,521)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment		(61,078,237)	(16,401,166)
Acquisition of property and equipment		(22,400,159)	(14,271,364)
Proceeds from sale of property and equipment		649	961,688
Net cash used in investing activities		(83,477,747)	(29,710,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in minority interest		1,404	6,272
Dividends paid		(14,400,000)	-
Net increase in unrestricted investment accounts		164,243,109	110,501,667
Net cash from financing activities		149,844,513	110,507,939
Net increase (decrease) in cash & cash equivalents		103,911,345	(45,749,424)
Cash and cash equivalents at January 1, 2009		141,728,938	187,478,362
Cash and cash equivalents at December 31, 2009	27	245,640,283	141,728,938

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended at December 31, 2009

		Attributable to shareholders' of the parent company							Total Shareholders' equity	
	Note	Share capital	Share premium	Statutory reserve	Fair value reserve	Retained Earnings	Proposed dividends	Total	Minority interest	Total Shareholders' equity
		SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2009		240,000,000	4,500,000	3,392,426	1,967,672	16,131,834	14,400,000	280,391,932	6,272	280,398,204
Minority shareholding in subsidiary		-	-	-	-	-	-	-	-	-
Net Profit for the year	16	-	-	-	-	20,767,351	-	20,767,351	1,404	20,768,755
Transfer to statutory reserve		-	-	2,076,683	-	(2,076,683)	-	-	-	-
Dividend paid		-	-	-	-	-	(14,400,000)	(14,400,000)	-	(14,400,000)
Net change in unrealized gain on available for sale investment		-	-	-	(1,967,672)	(14,400,000)	14,400,000	(1,967,672)	-	(1,967,672)
Proposed dividends	18	-	-	-	-	-	-	-	-	-
Balance at December 31, 2009		240,000,000	4,500,000	5,469,109	-	20,422,502	14,400,000	284,791,611	7,676	284,799,287
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)	-	-	-	-
Net change in unrealized gain on available for sale investment		-	-	-	806,192	-	-	806,192	-	806,192
Proposed dividends	18	-	-	-	-	(14,400,000)	14,400,000	-	-	-
Balance at December 31, 2008		240,000,000	4,500,000	3,392,426	1,967,672	16,131,834	14,400,000	280,391,932	6,272	280,398,204

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended December 31, 2009

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 four branches (2008: two branches) 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.

The Bank owns 99% interest of the shares of Almal United for Securities Company Limited which provides financial investment and brokerage services and is a licensed dealer in the Khartoum Stock Exchange. The bank also owns 99% of the shares of Almawarid Investment Company Limited, which was registered with the Company Registrar in January 2009 and started operations in April 1, 2009. Almawarid Investment Company Limited is licensed to invest in real estate development and all economic sectors.

The subsidiary companies are fully consolidated in these consolidated financial statements.

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 subsidiaries , Almal United Company limited and Almawarid Investment Co. Ltd. The financial statements of the subsidiaries 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.

Year ended December 31, 2009

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 at amortized cost, 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.

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended December 31, 2009

2. BASIS OF PREPARATION (continued)

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

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.

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 Property and Equipments

Property and equipments 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:

• Leasehold	Lease tenor (10-50 years)
• IT equipment and computer software	4 years
• Office equipment, furniture and fixtures	5 years
• Motor vehicles	4 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

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.

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investment in securities

3.3.1 Investments in securities 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.

3.3.3 Other investments held to maturity:

Investments in securities held to maturity are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at cost less impairment in value, if any.

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.

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investment in associates

Associates are enterprises over which the Bank exercises significant influence. Investments in associates are initially recorded at cost and subsequently accounted for under the equity method of accounting and are carried in the balance sheet at the lower of the equity-accounted or the recoverable amount.

Equity-accounted value represents the cost plus post-acquisition changes in the Bank's share of net assets of the associate share of results, reserves and accumulated gains/losses based on latest available financial statements.

In the case of non-availability of reliable financial statements of the associate, the investment is carried in the balance sheet at cost less impairment, if any.

3.7 Investment properties

Lands held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are measured at cost less accumulated impairment losses.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses, on the retirement or disposal of any investment property are recognised in the income statement in the year of retirement and disposal

3.8 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.

3.9 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.

3.10 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

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.

3.11 Taxation

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

3.12 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.

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 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 and the Bank's internal HR policy.

3.14 Revenue recognition

*Income from Murabaha 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. Profit from financing the completed projects is recognized on a time proportion basis over the period based on the outstanding balance.

*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.

* Income from Musharakah financing is recognized on the cash basis if such income cannot be reliably measured. In the cases where income can be reliably measured (e.g.: Where the Musharakah activities are limited to transactions such as Ijarah, Instalment sales or Murabaha sales or other typical transactions) then the Bank's income from such Musharakah is measured on estimated basis and recognized on monthly instalments based on the income recognition policies approved for those transactions.

* 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.

3.15 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.

Year ended December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 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.

3.17 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 consolidated financial statements and are directly paid to the customers after deduction of the Bank’s stated commission as agent or profit share as Mudarib.

3.18 Commitments and Contingencies

Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements, but is disclosed when an inflow of economic benefits is probable.

3.19 Foreign currencies

The consolidated 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 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

	2009 SDG	2008 SDG
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS		
Cash in hand	4,199,085	1,175,773
Central Bank of Sudan - Current account	56,358,103	35,365,656
Central Bank of Sudan - Statutory cash reserve	7,299,501	7,725,515
Due from Central Bank of Sudan - Swap A/C (Note 4.1)	15,748,600	-
Foreign correspondent banks – Current accounts	7,941,542	15,212,693
Cash margin on letters of credit with foreign correspondent bank	5,512,404	10,282,845
	<u>97,059,235</u>	<u>69,762,482</u>

4.1 DUE TO/FROM CENTRAL BANK OF SUDAN - SWAP A/C

Placement with the Central Bank of Sudan in USD in exchange for equivalent placement by Central Bank in SDG, both are for 3 months tenor and are subject to parallel settlement at the exchange rate effective at date of initial transaction.

Due to/from Central Bank (USD 7 million at placement date exchange rate)	16,065,000	-
Revaluation deficit	(316,400)	-
Receivable equivalent at December 31, 2009	<u>15,748,600</u>	<u>-</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 :-

	2009 SDG	2008 SDG
Local banks	114,614,700	45,185,557
Foreign banks and financial institutions	46,778,253	44,789,258
	<u>161,392,953</u>	<u>89,974,815</u>

6- INVESTMENTS IN SECURITIES

Investments in securities comprise:

	2009 SDG	2008 SDG
Securities available for sale (Note 6.1)	-	32,915,287
Securities held for trading (Note 6.2)	116,808,531	31,915,751
Securities held to maturity (Note 6.3)	3,000,000	3,000,000
	<u>119,808,531</u>	<u>67,831,038</u>

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

6- INVESTMENTS IN SECURITIES (continued)**6.1- SECURITIES AVAILABLE FOR SALE**

The Bank has changed its policy regarding the classification of Shahama Certificates from investments available for sale to investments held for trading. This change has resulted in reporting un-realized profits amounting to SDG 4,722,243 in the income statement resulting from the re-measurement of these certificates at its fair value at December 31, 2009 (Note 20).

6.2- SECURITIES HELD FOR TRADING

Description	Cost	Market value at Dec 31, 2009	Unrealized gain (loss)	Carrying value at Dec 31, 2009
	SDG	SDG	SDG	SDG
Quoted government Securities:				
Shahama certificates	63,360,500	68,082,743	4,722,243	68,082,743
Government Investments Certificates (GIC)	46,630,100	46,630,100	-	46,630,100
Shihab certificates	1,170,000	1,170,000	-	1,170,000
Sudatel shares	1,098,566	925,688	(172,878)	925,688
Total	112,259,166	116,808,531	4,549,365	116,808,531

*Shahama Certificates 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.

* GIC represent government certificates of two and six years tenor, issued by the Sudan Financial Services Co. Ltd. and are based on the Mudaraba contract which is restricted in favor of the Ministry of Finance and National Economy. The underlying assets of the securities portfolio are leased assets under the Ijara contract which distribute rental income to investors on quarterly basis. The securities are traded at Khartoum Stock Exchange.

* Shihab certificates represent investment in open-ended fund operated in favor of the Central Bank of Sudan (CBOS). The fund, being a liquidity management instrument of the CBOS, invests in properties acquired from and leased back to the CBOS. Certificates of the fund are available only to Banks, government and quasi-government funds and financial entities through the CBOS.

Rental income is distributed monthly and is expected to yield between 10% to 12% on investment per annum.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

	2009	2008
6.3- SECURITIES HELD TO MATURITY :	<i>SDG</i>	<i>SDG</i>
Units in non-government listed investment funds :		
Alaman fund	1,000,000	1,000,000
Emmar fund	2,000,000	2,000,000
Total	3,000,000	3,000,000

* Alaman Private Securities are issued and managed by Global Investment House-Sudan and Tarweej Financial Investment Company, the latter being a subsidiary of the Central Bank of Sudan.. 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.

* Emmar private fund of five years tenor is 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, 2009 was 10% (2008 : 15%).

7- FINANCE TO CUSTOMERS.NET	2009	2008
<i>a) By type</i>	<i>SDG</i>	<i>SDG</i>
Deferred sales receivables :		
Murabaha receivables	215,178,517	213,911,512
Istisna receivables	45,118,939	49,696,782
Salam	36,780,330	31,070,275
Ijara	65,884,588	2,601,185
LCs financing	28,504,342	2,411,451
Subtotal	391,466,716	299,691,205
Less : deferred profit	(56,949,995)	(28,666,106)
Less : Income suspense-past-due accounts	(1,880,722)	(1,247,663)
Less : provision for finance losses (Note 7.1)	(15,273,831)	(8,450,021)
Receivables from deferred sales , net	317,362,168	261,327,415
Mudaraba and Musharaka financing :		
Syndicated financing with banks (Mudaraba)	12,450,000	8,150,000
Musharaka financing with a bank	2,555,802	1,861,910
Subtotal	15,005,802	10,011,910
Less : provision for finance losses (Note 7.1)	(150,058)	(101,191)
Mudaraba and Musharaka financing , net	14,855,744	9,910,719
Total finance to customers , net	332,217,912	271,238,134

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

7- FINANCE TO CUSTOMERS (CONTINUE)	2009	2008
7.1- Movements in the provision for finance losses:	<i>SDG</i>	<i>SDG</i>
The accumulated provision for finance losses is as follows:		
General Provision:		
Balance at beginning of the year	2,466,931	1,544,239
Provided during the year	62,182	922,692
Balance at the end of the year	<u>2,529,113</u>	<u>2,466,931</u>
Specific Provision:		
Balance at beginning of the year	6,084,281	487,916
Provided during the year	10,043,182	5,596,365
Recoveries of amounts previously provided	(3,255,554)	-
FX Changes	22,867	-
Balance at the end of the year	<u>12,894,776</u>	<u>6,084,281</u>
Total accumulated provision at end of the year	<u><u>15,423,889</u></u>	<u><u>8,551,212</u></u>

7.2- Net charge for provision for credit losses for the year in the income statement:

General Provision:		
Addition during the year	62,182	922,692
Recoveries of amounts previously provided	-	-
Total of General Provision	<u>62,182</u>	<u>922,692</u>
	a	
Specific Provision:		
Addition during the year	10,043,182	5,596,365
Recoveries of amounts previously provided	(3,255,554)	-
Total of Specific Provision	<u>6,787,628</u>	<u>5,596,365</u>
	b	
Net charge for the provision expense for credit losses, net (a+b)	<u><u>6,849,810</u></u>	<u><u>6,519,057</u></u>

On December 31, 2009 total finance balances subject to specific provision amounted to SDG 100,347,342 (2008:SDG 61,216,464) out of which total past-due installments amounted to SDG 43,706,000 (2008: SDG 8,153,629).

The analysis of past-due installments specific and general provisions 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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

7- FINANCE TO CUSTOMERS (CONTINUED)

	2009	2008
b) By Industry	<i>SDG</i>	<i>SDG</i>
Trading	39,647,830	19,556,046
Manufacturing	245,024,269	202,740,848
Contracting	78,285,004	59,585,193
Service	6,130,352	5,684,822
Agriculture	6,746,506	3,066,444
Transportation	29,165,415	18,769,342
Other	1,473,142	300,420
Total finance, gross	<u>406,472,518</u>	<u>309,703,115</u>
Less: Deferred profit	<u>(56,949,995)</u>	<u>(28,666,106)</u>
Total finance, net of deferred profit	349,522,523	281,037,009
Less Income suspense-past-due accounts	(1,880,722)	(1,247,663)
less: Provision for finance losses (Note 7.1)	(15,423,889)	(8,551,212)
	<u><u>332,217,912</u></u>	<u><u>271,238,134</u></u>
	<i>2009</i>	<i>2008</i>
c) By Portfolio	<i>SDG</i>	<i>SDG</i>
Performing finance to customers, gross	343,665,355	309,604,871
Non-performing finance to customers, net	62,807,163	98,244
Total finance to customers	<u>406,472,518</u>	<u>309,703,115</u>
Less : Deferred profit	<u>(56,949,995)</u>	<u>(28,666,106)</u>
Income suspense -past-due accounts	(1,880,722)	(1,247,663)
Total finance to customers. Net of deferred profit	<u>347,641,801</u>	<u>279,789,346</u>
General provision (Note 7.1)	(2,529,113)	(2,466,931)
Specific provision (Note 7.1)	(12,894,776)	(6,084,281)
Total provision	<u>(15,423,889)</u>	<u>(8,551,212)</u>
Finance to customers, net	<u><u>332,217,912</u></u>	<u><u>271,238,134</u></u>

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

	2009	2008
	<i>SDG</i>	<i>SDG</i>
8. OTHER INVESTMENTS		
8.1 Investments in associate		
At cost	672,072	-
8.2 Investments properties		
Lands at cost	6,461,000	-
	<u>7,133,072</u>	<u>-</u>

The fair value of the investment properties has been arrived at on the basis of a valuation carried out by independent valuers. The valuers have appropriate qualifications and recent experience in the valuation of properties at the relevant location. The effective date of the valuations is December 31, 2009. The fair value of the Bank's investment properties as of December 31, 2009 is SDG 14,803,000.

	2009	2008
	<i>SDG</i>	<i>SDG</i>
9- OTHER ASSETS		
Assets acquired for Murabaha financing	1,145,976	1,338,021
Accrued income on investments	7,440,700	7,223,157
Staff finance	1,064,128	1,084,438
Staff benevolent lending (Qard Hassan)	991,204	618,217
Deferred expense - Executive employee cars	777,010	-
Prepaid expenses	1,012,136	1,506,043
Liquidated Government Securities (GIC) receivable	10,000,000	-
Other	245,742	110,836
	<u>22,676,896</u>	<u>11,880,712</u>

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2009

10- PROPERTY AND EQUIPMENT

	Leasehold land and capital work in progress	IT equipment and computer software	Office equipments, Furniture and fixtures	Motor vehicles	Total
<u>Cost</u>	SDG	SDG	SDG	SDG	SDG
Balance at beginning of the year	14,809,827	3,891,841	1,133,269	1,146,858	20,981,795
Additions	18,941,345	1,801,471	1,392,276	265,067	22,400,159
Disposals	-	-	(14,622)	-	(14,622)
At December 31, 2009	33,751,172	5,693,312	2,510,923	1,411,925	43,367,332
<u>Depreciation</u>					
Balance at beginning of the year	444,804	1,761,663	234,207	521,465	2,962,139
Charge for the year	609,430	1,148,966	309,465	334,545	2,402,406
Additions	-	-	-	-	-
Disposals	-	-	(8,780)	-	(8,780)
At December 31, 2009	1,054,234	2,910,629	534,892	856,010	5,355,765
Net book value at December 31, 2009	32,696,938	2,782,683	1,976,031	555,915	38,011,567
Net book value at December 31, 2008	14,365,023	2,142,752	886,488	625,393	18,019,656

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

	2009	2008
	SDG	SDG
11- CUSTOMERS' DEPOSITS		
Current accounts - Individuals	9,657,483	4,277,809
Current accounts - Corporate	<u>142,204,802</u>	<u>80,139,584</u>
Total current accounts	151,862,285	84,417,393
Margin on letters of credit and guarantees	<u>32,738,689</u>	<u>34,596,746</u>
	<u><u>184,600,974</u></u>	<u><u>119,014,139</u></u>
	2009	2008
	SDG	SDG
Foreign currency deposits included in customers' deposits:		
Current accounts	48,116,197	39,888,967
Margin on letters of credit and guarantees	<u>23,673,177</u>	<u>34,504,854</u>
	<u><u>71,789,374</u></u>	<u><u>74,393,821</u></u>
	2009	2008
	SDG	SDG
12- OTHER LIABILITIES		
Bills payable	4,051,566	362,013
Provision of zakat	3,184,092	5,576,341
Provision of business profit tax	1,796,965	2,684,605
Deferred LCs commission	232,371	451,249
Accounts payable to suppliers	146,922	973,001
Staff end of service benefits	1,200,822	760,177
Provision for deposits Guarantee	269,821	290,883
Audit fees	72,750	120,891
Staff performance bonus	684,626	656,735
Board of directors remuneration	245,791	240,098
Stamp duty	152,842	363,792
Performance retention payable to Istisna contractor	46,005	837,685
Participation fees in White Nile Sugar portfolio payable to banks	576,286	-
Other	319,724	365,811
	<u>12,980,583</u>	<u>13,683,281</u>
	<u><u>12,980,583</u></u>	<u><u>13,683,281</u></u>
	2009	2008
	SDG	SDG
13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		
<i>a) By type:</i>		
Investment accounts	270,305,440	112,775,418
Return to unrestricted investment account holders	13,235,943	3,086,738
Annual subscriptions to Deposits Guarantee Fund	(42,867)	(89,416)
Payment on account against the profits for the year	<u>(3,644,194)</u>	<u>(161,527)</u>
Total	<u><u>279,854,322</u></u>	<u><u>115,611,213</u></u>

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

13. EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS (continued)	2009 SDG	2008 SDG
<i>b) By Sector:</i>		
Corporations	26,993,882	52,961,181
Banks	100,998,000	51,276,450
Quasi-government	139,999,793	1,999,793
Non-governmental organizations	255,987	166,987
Individuals	2,057,778	6,371,007
Return to unrestricted investment account holders	13,235,943	3,086,738
Annual subscriptions to Deposits Guarantee Fund	(42,867)	(89,416)
Payment on account against the profits for the year	(3,644,194)	(161,527)
Total	<u>279,854,322</u>	<u>115,611,213</u>

14- SHARE CAPITAL	2009 SDG	2008 SDG
Authorized, issued and paid up share capital 24 million shares of SDG 10 each (2008: 24 million shares of SDG 10 each)	<u>240,000,000</u>	<u>240,000,000</u>

15- SHARE PREMIUM

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

16- 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 .

17- FAIR VALUE RESERVE

Fair value reserve represents the net unrealized revaluation gains of available for sale investments (Note 6.1). This reserve is not available for distribution.

18- PROPOSED DIVIDENDS	2009 SDG	2008 SDG
Cash dividends of SDG 0.60 per share of SDG 10 each	<u>14,400,000</u>	<u>14,400,000</u>

The Board of Directors on March 9, 2010 resolved to recommend to the annual general meeting scheduled to take place on April 1, 2010 to distribute cash dividends equal to 6% of the Bank's paid up capital as at December 31, 2009 (2008: 6%) , subject to approval by the Central Bank of Sudan.

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

19- REVENUE FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	2009	2008
	<i>SDG</i>	<i>SDG</i>
<i>Realized income from deposits with banks & financial institutions</i>		
Local banks	924,472	2,633,548
Foreign banks	3,253,810	1,379,128
	<u>4,178,282</u>	<u>4,012,676</u>
<i>Accrued income from deposits with banks & financial institutions</i>		
Local banks	4,041,267	2,733,577
Foreign banks	61	310,474
	<u>4,041,328</u>	<u>3,044,051</u>
Revenue from investment deposits with banks	<u><u>8,219,610</u></u>	<u><u>7,056,727</u></u>
	2009	2008
	<i>SDG</i>	<i>SDG</i>
20- REVENUE FROM INVESTMENTS IN SECURITIES		
<i>Realized income from shahama securities available for sale (Note 6.1)</i>	-	3,270,137
<i>Realized income from Securities held for trading :</i>		
Revenue from liquidated Shahama securities	5,064,533	-
Income from Government Investment Certificates (GIC)	4,702,748	3,930,472
Income from Government Investment Certificates (Shihab)	42,120	227,222
Dividend declared by Sudatel	26,730	81,180
Total realized income from Securities held for trading :	<u>9,836,131</u>	<u>7,509,011</u>
<i>Unrealized income from securities held for trading :</i>		
Gain/loss from re-measurement at fair value of Shahama (Note 6.2)	4,722,243	-
Gain/loss from re-measurement at fair value of Sudatel shares	(293,887)	(201,164)
Total unrealized income from securities held for trading	<u>4,428,356</u>	<u>(201,164)</u>
<i>Income from securities held to maturity</i>		
Income from Alaman Global Fund	152,000	70,000
Emaar fund	200,000	300,000
Total income from securities held to maturity	<u>352,000</u>	<u>370,000</u>
Total income from securities	<u><u>14,616,487</u></u>	<u><u>7,677,847</u></u>

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

	2009	2008
	<i>SDG</i>	<i>SDG</i>
21- REVENUE FROM FINANCING TO CUSTOMERS		
Murabaha	17,984,520	15,097,310
Ijarah	92,804	473,617
Salam	470,000	3,493,800
Istisnaa/ Mugawala	4,061,055	4,495,494
Syndicated Mudarabah with Banks	966,337	1,236,013
Musharakah	254,608	248,894
	<u>23,829,324</u>	<u>25,045,128</u>
Income Suspense -Past Due Account	(633,060)	(1,247,663)
Total	<u><u>23,196,264</u></u>	<u><u>23,797,465</u></u>
	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
22- RETURN TO UNRESTRICTED INVESTMENTS ACCOUNT HOLDERS		
Unrestricted investments account holders' share of		
profit before the Bank's share as Mudarib	14,635,677	3,456,647
Bank's share as Mudarib	(3,934,616)	(884,238)
Unrestricted investments account holders' share of profit after the Bank's share as Mudarib	<u>10,701,061</u>	<u>2,572,409</u>
Shareholders' cession	2,534,882	514,329
Unrestricted investments account holders' share of profit after cession	<u><u>13,235,943</u></u>	<u><u>3,086,738</u></u>
Average profit distribution rates :		
Accounts in Sudanese Pounds	<u>7%</u>	<u>8%</u>
Accounts in US Dollars	<u>5.50%</u>	<u>6%</u>
	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
23- FEE INCOME		
Letters of credit commissions	4,541,705	5,780,243
Commission received on guarantees	1,082,884	372,097
Administration fees	1,535,563	1,593,344
Draft cheques, transfers and remittances	1,159,255	3,025,044
Income from management of restricted investment accounts	246,688	403,253
Arrangement & participation fee - W. Nile Sugar project syndication	1,190,012	-
Brokerage fees (Almal United Co.)	335,238	575,235
Fee from other banking services	393,395	811,600
	<u>10,484,740</u>	<u>12,560,816</u>

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
24- FOREIGN EXCHANGE GAIN, NET		
Transaction gain, net	7,172,203	4,093,387
Revaluation gain	3,101,624	1,210,406
	<u>10,273,827</u>	<u>5,303,793</u>

	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
25- OTHER OPERATING EXPENSES		
Bank premises expense (Note 25.1)	3,014,537	2,083,386
Communications	365,682	346,741
Maintenance of equipment, furniture & motor vehicles	301,623	174,016
Computer expenses	302,933	287,446
Marketing & promotion	387,123	399,477
Office supplies	160,794	169,756
Business travel	296,591	251,356
Legal, audit and consultants expenses	688,764	691,325
Training	556,997	230,859
Subscriptions	487,842	412,049
Board and general assembly expenses	786,055	501,130
Bank charges	157,897	74,571
Donations	77,350	146,700
Government dues	240,467	298,671
Other	463,579	455,185
	<u>8,288,234</u>	<u>6,522,670</u>

25.1- Bank premises expense

This item includes rent in addition to expenses related to security, water, electricity, cleaning and maintenance.

	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
26- EARNINGS PER SHARE		
Net income for the year	20,767,351	22,719,688
Weighted average number of shares outstanding (shares)	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share (SDG)	<u>0.87</u>	<u>0.95</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.

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

		2009	2008
		SDG	SDG
27- CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	(Note 4)	84,247,330	51,754,123
Investments deposits with banks and financial institutions	(Note 5)	161,392,953	89,974,815
		<u>245,640,283</u>	<u>141,728,938</u>

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

28- 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 consolidated financial statement captions:

	<u>2009</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2009
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Balance sheet items:			
Financing and investing assets	102,171,845		102,171,845
Customers' and investments deposits	12,630,854	578,463	13,209,317
Minority interest	-	7,676	7,676
Income statement items:			
Profit from financing	1,930,090	-	1,930,090
Fees and commissions	95,618	-	95,618
Key Management Personnel compensation:			
Salaries and other benefits	143,593	2,327,493	2,471,086
Post-employment benefits	-	383,610	383,610

The attached notes 37 to 68 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

28- RELATED PARTY TRANSACTIONS (continued)

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

29- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follows:

	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
29.1. Financing - related commitments and contingencies :		
Letters of credit	21,307,530	93,965,448
Letters of guarantees	35,065,656	36,080,509
Acceptances	55,641,204	107,844,410
<i>Total financing - related commitments and contingencies :</i>	<u>112,014,390</u>	<u>237,890,367</u>
29.2 Non-financing related commitments :		
Capital commitments (Core banking system)	3,143,146	-
Capital commitments (Head office building)	17,075,811	16,800,000
Restricted investments accounts (Note 30)	18,736,533	16,747,932
Total commitments and contingencies	<u><u>150,969,880</u></u>	<u><u>271,438,299</u></u>

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

29- COMMITMENTS AND CONTINGENCIES (continued)

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

2009	within 3 months	3-12 months	1-5 years	Over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	21,307,530	-	-	-	21,307,530
Letters of guarantee	6,946,800	28,118,856	-	-	35,065,656
Acceptances	38,693,634	7,932,160	9,015,410	-	55,641,204
Irrevocable commitments to extend credit	-	-	-	-	-
Total	66,947,964	36,051,016	9,015,410	-	112,014,390

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	-	-	-	-	-
Total	162,181,440	65,009,890	10,698,660	-	237,889,990

The outstanding unused portion of commitments which can be revoked unilaterally at any time by the Bank ,as at December 31, 2009 amounted to SDG 334,792,288 (2008: SDG 163,313,319)

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

30. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 18,736,533 at December 31, 2009 (2008: SDG 16,747,933). 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 consolidated financial statements of the Bank.

The maximum bank risk exposure is limited to its profit share as Mudarib receivable in return from the management of the accounts. The Bank does not guarantee the account holders equities & liabilities other than operational risk represented by the non-compliance with investments conditions as well as reputation risk.

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, 2009 are as follows:

	<i>2009</i>	<i>2008</i>
	<i>SDG</i>	<i>SDG</i>
a) By movement during the year		
Balance at beginning of the year	16,747,932	39,279,833
Additions	12,784,300	3,267,118
Withdrawals	(10,795,699)	(25,799,019)
Balance at end of the year	<u>18,736,533</u>	<u>16,747,932</u>

b) By type of investment

Investments financed per Central Bank of Sudan

Murabaha finance	5,540,625	-
Ijarah finance	43,125	-
Istisna finance	1,466,250	-
Mudaraba finance	450,000	-
Musharakah finance	2,500,000	-
Subtotal	<u>10,000,000</u>	-
Musharakah finance	3,347,533	6,494,099
Salam finance	5,389,000	10,253,833
Total	<u>18,736,533</u>	<u>16,747,932</u>

c) By sector :

Central bank of Sudan	10,000,000	-
Banks	3,347,533	10,253,833
Other financial institutions	5,389,000	6,494,099
Total	<u>18,736,533</u>	<u>16,747,932</u>

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

31. 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.

	Eligible Capital		Capital Adequacy Ratio	
	2009	2008	2009	2008
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	284,865,042	279,012,857	65%	163%
Core and supplementary capital (Tier 2)	291,714,852	283,520,370	67%	166%

The Central Bank of the Sudan circular No. 6/2009 requires all banks operating in the Sudan to maintain a risk weighted asset ratio (the 'Basel ratio') at a minimum of 12% (Basel II : 8 %)

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

Tier 2 capital comprises a prescribed amount of eligible portfolio (General) provisions less prescribed deduction.

The Bank has implemented the capital adequacy standard issued by the Islamic Financial Services Board (IFSB) (which is in line with Basel II) effective January 1, 2009 as required by the Central Bank of Sudan. The Bank uses the standardized approach of Basel II, as stipulated by the IFSB standard and the Central Bank of Sudan, to calculate the risk weighted assets and required Regulatory Capital for Pillar-1 (including credit risk, market risk and operational risk). Quarterly prudential returns are submitted to Central Bank of Sudan showing the Capital Adequacy Ratio.

	Risk Weighted Assets	
	2009	2008
	<u>SDG</u>	<u>SDG</u>
Credit Risk	424,175,690	-
Operational risk	58,379,687	-
Market risk	19,396,309	-
Total pillar-1 - risk weighted assets	<u>501,951,686</u>	<u>-</u>

The attached notes 37 to 68 form an integral part of these financial statements.

Year ended 31 December 2009

32- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 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.

32.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

32. 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 maturity of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date or 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, 2009 is as follows:

Assets	2009				
	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	94,329,235	937,000	933,000	860,000	97,05
Investments with banks and financial institutions	153,392,953	-	8,000,000	-	161,39
Investment in securities	19,590,791	29,691,240	69,526,500	1,000,000	119,80
Finance to customers	50,146,912	54,116,000	116,775,000	111,180,000	332,21
Other investment				7,133,072	7,13
Other assets	18,895,896	840,000	696,000	2,245,000	22,67
Fixed assets	-			38,011,567	38,01
Total assets	336,355,787	85,584,240	195,930,500	160,429,639	778,30

Liabilities and Equity

Customer deposits	184,600,974	-	-	-	184,60
Due to Central Bank of Sudan	16,065,000			-	16,06
Other liabilities	11,514,583	83,000	81,000	1,302,000	12,98
Equity of unrestricted investment account holders	242,204,062	24,228,720	13,421,540	-	279,85
Minority interest				7,676	
Shareholders' equity	-	-	-	284,791,611	284,79
Total liabilities and Equity	454,384,619	24,311,720	13,502,540	286,101,287	778,30

The attached notes 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

32- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Liabilities and Equity

Customer deposits	119,014,139				119,014,139
Other liabilities	4,162,123	8,596,103	106,250	818,805	13,683,281
Equity of unrestricted investment account holders	87,216,213	7,483,000	20,912,000		115,611,213
Minority interest				6,272	6,272
Shareholders' equity	834,092	742,794	390,785	278,424,261	280,391,932
Total liabilities and Equity	211,226,567	16,821,897	21,409,035	279,249,338	528,706,837

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 2009	31 December 2008
Euro	7,312,260	2,793,505
US Dollar	(8,648,476)	10,637,649
Other currencies	(5,781,616)	1,886,829

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 37 to 68 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

32- 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.

33. SEGMENTAL INFORMATION

For the year ended at December 31, 2009 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, 2009 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.

34. SHARIAH SUPERVISORY COMMITTEE

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

35. COMPARATIVE FINANCIAL STATEMENTS

Certain 2008 comparative figures were reclassified to conform with current year's presentation.



Directory of Head Office, Branches & Subsidiary Companies

Head office

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P.O Pox : 8210 Al Amarat , Khartoum, Sudan
Tel : 00249-183-247700
Fax : 00249-183-235000

Websites:-
www.bankalmal.com
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
www.bankalmal.com
www.capitalbank-sudan.com

Rabak Branch

Plot 390, Square 3, Rabak
P.O Box : 203
Tel : 00249-572-829480
Fax : 00249-572-829481
www.bankalmal.com
www.capitalbank-sudan.com

Nyala Branch

plot 48 – sq .7/ D - Nyala
Tel : 00249 -7118 23414
00249 - 7118 23899
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Subsidiary Companies

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