



United Capital Bank
بنك المال المتحد

PARTNERS IN PROGRESS

ANNUAL REPORT



2010



ANNUAL REPORT 2010



 United Capital Bank
بنك الإمارات المتحدة

بنك الإمارات المتحدة

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Our Mission

UCB aims at identifying the excellent investment opportunities and endeavors to bring them to materialization for the benefit of the Sudanese economy on the one hand and the local, regional, and international investors on the other hand. 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.

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



Adel Abdul Wahab Almajed
Chairman



Mansour Qaiser Bteish
Vice-Chairman



Feras Fahad Albahar
Member



Mohammed Khalifa Al-Adsani
Member



Sayid Mudhar Al-Razouqi
Member



Amira Ali Al-Alami
Member



Elzubeir Ahmed Alhassan
Member



Al-Sharef Ahmed Badur
Member



Kamal Ahmed Elzubeir
Member
and General Manager

Sharia Committee



Ebrahim Ahmed Osman
Chairman



Ebrahim Ahmed Aldareer
Member



Eltigani Abdel Gadir Ahmed
Member



Mohmmmed Mahjoub Bashary
Shariah Controller &
Committee Secretary

Executive Management



Kamal Elzubeir

Chief Executive Officer
& General Manager



Yousif El Tinay

Deputy General Manager
& Chief Commercial
Officer



Al-Mamoun Hamid

Deputy General Manager
& Chief Financial Officer

Senior Management



Eltahir Elshazali
Head, Operations
and Branches



Mohamed Abbas
Deputy Head
of Operations



Shadia Elkordofani
Head, HR &
Administration Affairs



Salma Haroun
Head, Treasury & Int'l
Banking Relations



Tajeldeen Ahmed
Head, Risk
Management
and CAD



Nahla Hummaida
Head, Corporate
Finance



Osama Alfadil
Deputy Head
of Corporate Finance



Abdelrazag Mustafa
Head, Information
Technology



Elamin Ahmed
Head, Internal Audit



Malik Khan
Head, Investment
Banking



Abdelgadir Mohamed
Compliance Officer



Ahmed Mohamed Khair
Head, Legal Department
and Board Secretary



Mohmed Bashari
Shariah Controller &
Committee Secretary



Adel Abdul Wahab Almajed
Chairman

Chariman's Report to the 6th Annual General Meeting Khartoum , 24 , 2011

I am pleased, on behalf of United Capital Bank's Board of Directors, to submit to the distinguished shareholders the fourth Annual Report of the bank for the financial year ended on December 31, 2010.

The year 2010 witnessed several important economic and political events internationally, regionally and domestically. The most significant domestic economic features of the year can be summarized as follows:

- A. The inflation rate increased during the year due to the impact of the international financial crisis aftermath, the increase in the volume of public debt and the devaluation of the exchange rate of the local currency. The inflation rate reached 9.9% at end of November 2010.

The Central Bank of Sudan took several measures to combat the situation including contracting money supply, encouragement of production at all economic sectors and restricting imports of luxury goods.

- B. Money supply increased from about SDG 28 billion on January 1, 2010 to about SDG 36 billion on December 31, 2010, and growth rate of 22.5%. This is remarkably lower than previous years when the growth rate ranged between 30%- 36%.
- C. The exchange rate of the SDG against foreign currencies depreciated gradually to reach SDG 2.64 against the dollar at the end of the year compared to SDG 2.25 against the dollar at end of 2009.
- D. The average return on investment deposits with local banks amount to 9.1%.

For United Capital Bank, year 2010 represented the fourth year of operations as the bank celebrated its fourth anniversary on August 1, 2010. The bank realized during the year several important achievements as listed below:

Firstly: On Infrastructure:

- (A) The bank purchased a new core banking system from Path Solutions known as iMAL and was deployed in July 2010. The new system represents a significant improvement over the previously used one. It provides the users and the customers with strong and efficient technology.

- (B) The bank Head Office removed to its newly purpose built premises owned by the bank . It is located in Mammon Bihiri Street. The new building provides an excellent work environment for the staff coupled with the best technological features.

Secondly : On Commercial Banking Activities:

The bank intensified its commercial banking activities during the year with special focus on servicing prime corporate entities. The financing granted to these customers was primarily lay for working capital and project financing. As an example , the bank financed during the year several development and social projects including construction of schools and water wells in Kordofan State in addition to financing electricity projects, dams projects, cement factories , sugar factories and financing of imports of capital goods and strategic consumable goods. The bank realized excellent returns from this activity and it is reflected in the excellent profitability level the bank achieved.

Thirdly : On Investment Banking Activities:

- (A) The bank arranged a syndicated facility on behalf of White Nile Sugar Company for a total amount of Euro 60 Million . Ten local and foreign banks participated in the facility. The funds are intended to be used for the import of the “ Process House “ . It is the main part of the sugar making process where sugar cane syrup is converted into sugar. The subject syndication is the first of its kind in Sudan in terms of size , the diversity of the participating banks (Local + foreign) and the tenor. The supply of the subject equipment is expected to take place in tranches up to November 2011 . On that date , the project which costs one billion USD, is expected to be completed and commissioned.
- (B) The bank signed in December 2010 an agreement with the Arab Organization for Agricultural Development (an Arab League organization based in Sudan) to establish a comprehensive strategy for the promotion of agricultural investment in Sudan . This is the first assignment of its kind made by the bank within its investment services program. The bank has a dedicated department for this purpose. The strategy which will be prepared by the bank will hopefully contribute to identifying the excellent agricultural investment opportunities in Sudan.

Fourthly : On Financial Performance:

- (A) Total revenue during the year amounted to SDG 81.3 million compared to SDG 53.5 million for 2009 a 52% increase. Profit from operations before zakat and tax amounted to SDG 39.2 million compared to SDG 25.7 million in the previous year.
- (B) Net profit for the year amounted to SDG 32.1 million , compared to SDG 20.8 million during 2009. Earnings per share were 1.31 % compared to 0.87 % the year before.
- (C) The Bank's revenue was diversified as follows (in percentage)

	2009	2010
Revenue from deposits with banks	12.00	4.00
Revenue from finance to customers	35.00	43.00
Revenue from banking services	31.00	35.00
Revenue from securities	22.00	18.00
Total	100.00	100.00

(D) Finance to customers' portfolio reached SDG 396 million at end of 2010, compared to about SDG 335 million by the end of 2009 , 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 723 million of which non- performing financing represents about 10% of the total.

(E) Total assets amounted to SDG 879 million compared to SDG 779 million at end of December 2009 , an increase of 13%. Assets are composed of deposits with banks, finance to customers, and 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 customer's 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.

(F) The bank's balance sheet as at end of December 2010 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	355	22	280	222	879
Liabilities	392	27	155	305	879

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. A total of 63 employees were nominated to attend 35 training courses inside the Sudan and 28 training course outside the Sudan.

The Bank at the same time plays a distinguished social role by paying Zakat to the Bureau of Zakat and making social contributions to individuals and institutions . In addition to that, the Bank sponsored during the year an exhibition of fine artists . It also contributed to the furnishing of Tayeb Salih's Cultural Center. Furthermore, it provided ten scholarships annually to students with excellent academic record at the Ahfad University for Women.

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

In 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.

Adel Abdulwahab Almajed
Chairman of the Board of Directors



Merowe Dam Project



Kamal Elzubeir
Chief Executive Officer &
General Manager

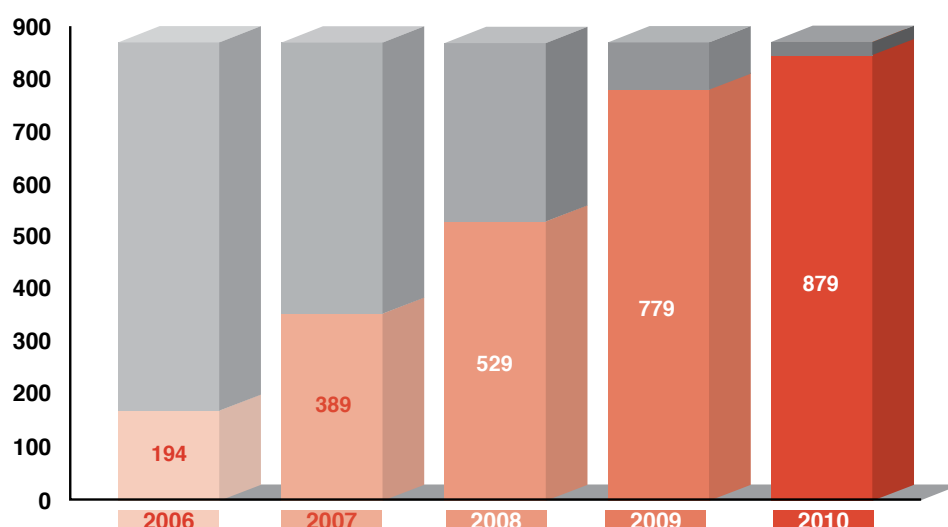
Chief Executive Officer's Report

United Capital Bank (UCB) achieved significant growth rates during the last few years (2006-2010) as indicated below:-

	(SDG MILLION)				
	2006	2007	2008	2009	2010
Total Assets	194	389	529	779	879
Finance to Customers	18	133	280	335	396
Shareholders' equity	119	257	280	285	302
Customers' deposits	70	112	119	185	221
Equity of investment account holders	-	5	116	280	296
Gross Income	8	31	53	54	81
Net Profit (before tax and zakat)	(1)	19	31	26	39

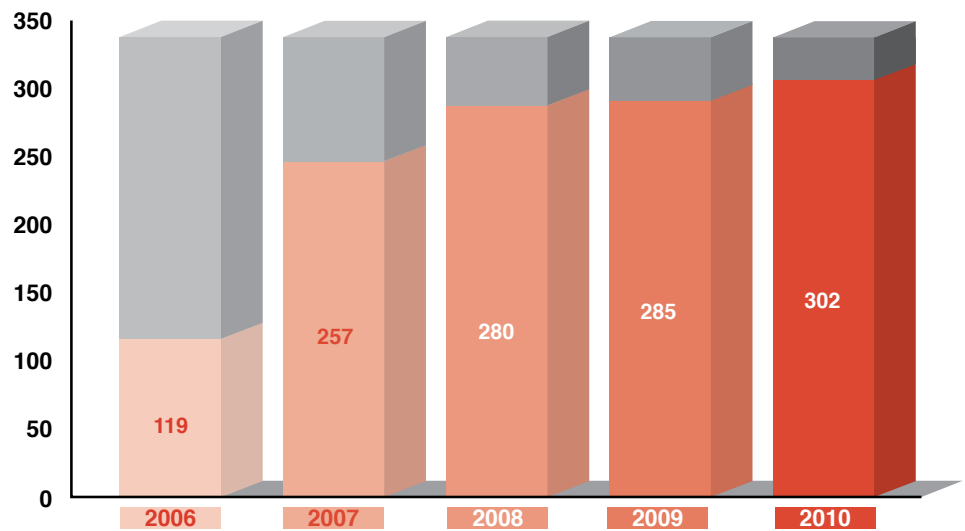
During this short period, the bank was able to form an excellent customer base in both deposit placement and financing.

TOTAL ASSETS
SDG Millions



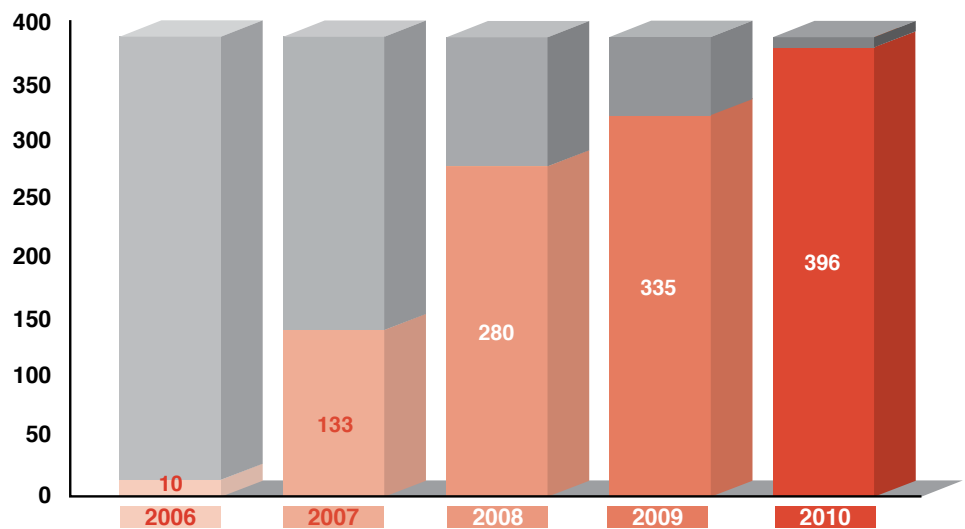
SHAREHOLDERS EQUITY

SDG Millions

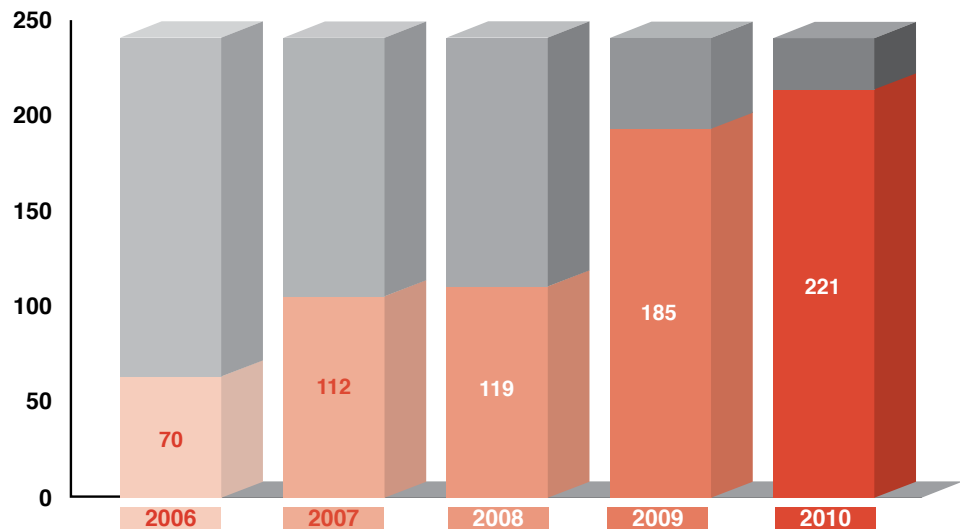


FINANCE TO CUSTOMER

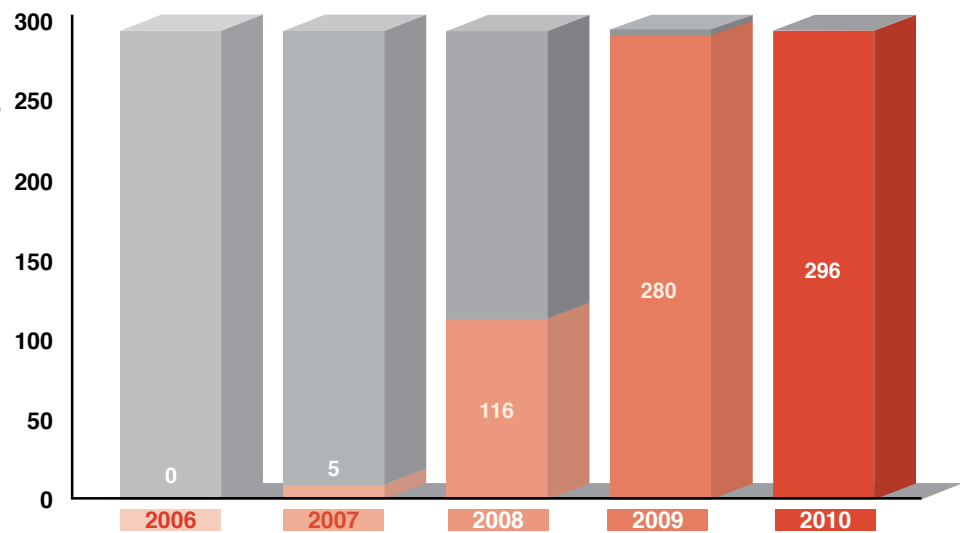
SDG Millions



**CUSTOMERS'
DEPOSITS**
SDG Millions

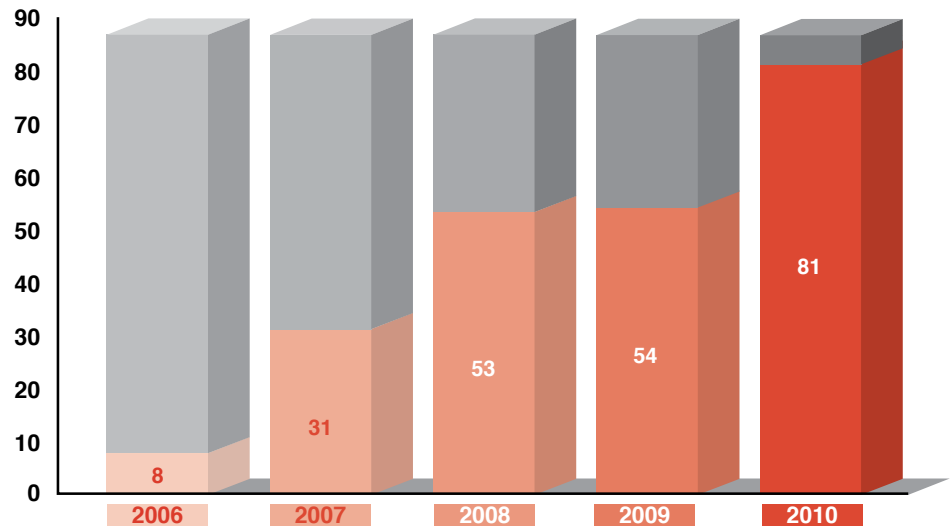


**EQUITY OF
INVESTMENT
ACCOUNT HOLDERS**
SDG Millions



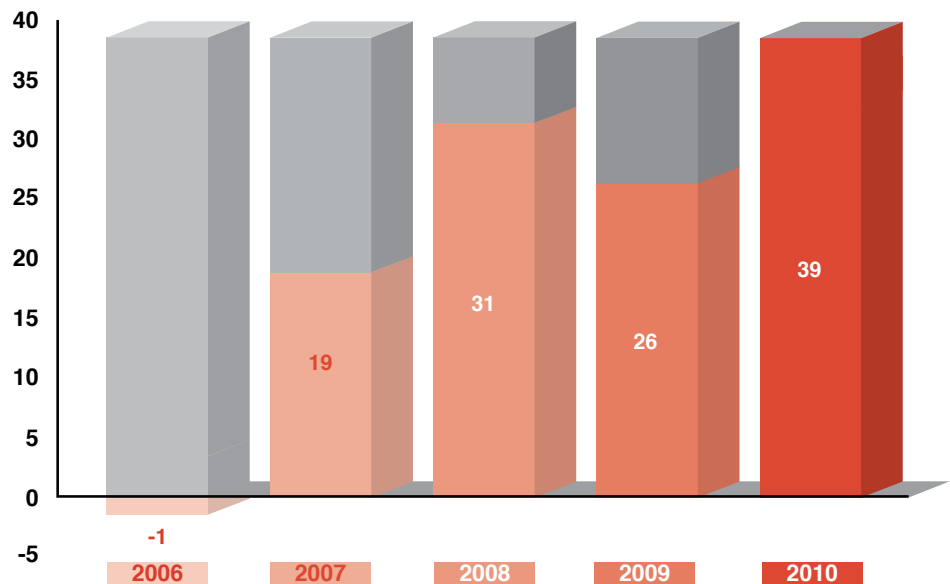
GROSS INCOME

SDG Millions



NET PROFIT (BEFORE TAX AND ZAKAT)

SDG Millions



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 130 at end of this year 2010.

The organization structure of the bank constitutes of several departments. Each department performs its duties in accordance with best practice, at the highest level of professionalism and in complete co-ordination and teamwork spirit with other departments.



White Nile Sugar Project

Financial Statements



Abdellatif, Eltayeb, Bushra & Co

Chartered Certified Accountants

Correspondents to KPMG International

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P. O. Box : 731, Khartoum-Sudan

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of United Capital Bank "Public Limited Company"
Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of United Capital Bank "Public Limited Company" (the Bank) which comprise the consolidated financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

These consolidated financial statements are the responsibility of the Bank's management and has been prepared and presented by them in conformity with Financial Accounting Standards issued by the Accounting And Auditing Organization for Islamic Financial Institutions (AAOIFI) and Shariaa Rules and Principles as determined by the Bank's Shariaa Supervisory Committee, and the regulations set forth by the Central Bank of Sudan and in accordance with relevant International Financial Reporting Standards for matters for which no AAOIFI Standards exist. Management 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; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The corresponding figures presented are based on consolidated financial statement of the bank as at and for the year ended December 31, 2009, which were audited by another auditor whose report dated March 9, 2010 expressed an unqualified opinion on those statement.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Auditing Standards issued by (AAOIFI). Those standards require that we 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Capital Bank "Public Limited Company" as at 31 December 2010, and of its consolidated financial performance and its cash flows for the year then ended and are in accordance with Financial Accounting Standards issued by the Accounting And Auditing Organization for Islamic Financial Institution (AAOIFI) and Shariaa Rules and Principles as determined by the Bank's Shariaa Supervisory Committee, and the regulations set forth by the Central Bank of Sudan and in accordance with relevant International Financial Reporting Standards for matters for which no AAOIFI Standards exist.

Abdellatif, Eltayeb, Bushra & Co
Chartered Certified Accountants
Khartoum 28 January 2011

AEB
Abdellatif, Eltayeb, Bushra & Co.
Chartered Certified Accountants

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

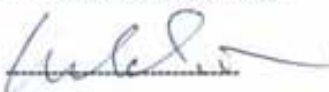
At December 31, 2010

	<i>Notes</i>	<i>2010</i> <i>SDG</i>	<i>2009</i> <i>SDG</i>
ASSETS			
Cash and balances with banks and financial institutions	4	154,680,699	97,059,235
Investments with banks and financial institutions	5	98,766,819	161,392,953
Investments in securities	6	117,444,569	119,808,531
Finance to customers, net	7	396,198,418	335,235,342
Other investments	8	6,461,000	7,133,072
Other assets	9	43,865,430	20,621,564
Property and equipment	10	61,614,188	38,011,567
TOTAL ASSETS		879,031,123	779,262,264
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	220,800,991	184,600,974
Due to Central Bank of Sudan	4.1	-	16,065,000
Other Liabilities	12	60,464,903	13,942,681
TOTAL LIABILITIES		281,265,894	214,608,655
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Shareholders' equity			
Share capital	14	240,000,000	240,000,000
Share premium	15	4,500,000	4,500,000
Statutory reserve	16	8,622,755	5,469,109
Retained earnings		32,044,327	20,422,502
Proposed dividends	17	16,800,000	14,400,000
		301,967,082	284,791,611
Minority interest		7,257	7,676
TOTAL SHAREHOLDERS' EQUITY		301,974,339	284,799,287
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		879,031,123	779,262,264

The consolidated financial statements were authorized for issue in accordance with a resolution of the directors on February 8, 2011.



Adel Abdul Wahab Al-Majed
 Chairman and Managing Director



Kamal El Zubeir
 General Manager

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK
CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2010

	<i>Notes</i>	<i>2010 SDG</i>	<i>2009 SDG</i>
REVENUE FROM :			
Investments with banks and financial institutions	18	4.171.702	8,219,610
Investments in securities	19	17.143.248	14,616,487
Financing to customers	20	42.952.243	23,196,264
Subsidiary companies		513.832	-
Total revenue from investments and financing		<u>64.781.025</u>	<u>46,032,361</u>
Less: Return to unrestricted investment account holders	21	(20.318.870)	(13,235,943)
Net revenue from investment and financing		<u>44.462.155</u>	<u>32,796,418</u>
Fee income	22	18.807.684	10,484,740
Foreign exchange gain, net	23	18.023.977	10,273,827
Total operating revenue		<u>81.293.816</u>	<u>53,554,985</u>
EXPENSES			
Staff cost		(11.826.867)	(10,264,723)
Other operating expenses	24	(10.432.787)	(8,288,234)
Depreciation	10	(4.177.831)	(2,402,406)
Provision for finance losses	7.2	(15.619.722)	(6,849,810)
Total operating expenses		<u>(42.057.207)</u>	<u>(27,805,173)</u>
Net operating profit before zakat and tax		39.236.609	25,749,812
Provision for zakat		(1.910.276)	(3,184,092)
Provision for income tax	34	(5.232.256)	(1,796,965)
Net profit		<u>32.094.077</u>	<u>20,768,755</u>
Net profit attributable to minority interest		(4.771)	(1,404)
Net profit attributable to equity holders of the parent		<u>32.089.306</u>	<u>20,767,351</u>
Earnings per share	25	<u>1.34</u>	<u>0.87</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

	<i>Notes</i>	2010 <i>SDG</i>	2009 <i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		32,089,306	20,767,351
Adjustments for:			
Depreciation and amortization		4,177,831	2,402,406
Provision for zakat		1,910,276	3,184,092
Provision for income tax		5,232,256	1,796,965
Provision for staff end of service benefits		712,946	440,645
Provision for finance losses		15,619,722	6,849,810
Provision for staff bonus		1,186,036	684,626
Profit/ loss on disposal of property and equipment		(8,273)	5,193
Operating profit before working capital changes		<u>60,920,100</u>	<u>36,131,088</u>
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(15,429,287)	426,014
Cash margin on sight L/C		(11,815,598)	4,770,441
Finance to customers		(76,582,798)	(67,829,588)
Other assets		(23,243,866)	(10,796,185)
Net increase/(decrease) in operating liabilities:			
Customer deposits		36,200,017	65,586,835
Other liabilities		21,415,707	9,255,974
Net cash from (used in) operating activities		<u>(8,535,725)</u>	<u>37,544,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition/sale of investment securities		3,036,034	(61,078,237)
Acquisition of property and equipment		(27,808,693)	(22,400,159)
Proceeds from sale of property and equipment		36,513	649
Net cash used in investing activities		<u>(24,736,146)</u>	<u>(83,477,747)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in minority interest		(419)	1,404
Dividends paid		(14,913,833)	(14,400,000)
Net increase in unrestricted investment accounts		15,936,568	164,243,109
Net cash from financing activities		<u>1,022,316</u>	<u>149,844,513</u>
Net increase (decrease) in cash & cash equivalents		<u>(32,249,555)</u>	<u>103,911,345</u>
Cash and cash equivalents at the beginning of the year		245,640,283	141,728,938
Cash and cash equivalents at the end of the year	26	<u>213,390,728</u>	<u>245,640,283</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended at December 31, 2010

	Attributable to shareholders' of the parent company									
	Share capital SDG	Share premium SDG	Statutory reserve SDG	Fair value reserve SDG	Retained Earnings SDG	Proposed dividends SDG	Total SDG	Minority interest SDG	Total Shareholders' equity SDG	
Balance at January 1, 2010	240,000,000	4,500,000	5,469,109	-	20,422,500	14,400,000	284,791,609	7,676	284,799,285	
Net Profit for the year	-	-	-	-	32,089,306	-	32,089,306	4,771	32,094,077	
Transfer to statutory reserve	-	-	3,153,646	-	(3,153,646)	-	-	-	-	
Dividend paid	-	-	-	-	(513,833)	(14,400,000)	(14,913,833)	(5,190)	(14,919,023)	
Proposed dividends	17	-	-	-	(16,800,000)	16,800,000	-	-	-	
Balance at December 31, 2010	240,000,000	4,500,000	8,622,755	-	32,044,327	16,800,000	301,967,082	7,257	301,974,339	
Balance at January 1, 2009	240,000,000	4,900,000	3,392,426	1,967,672	16,131,834	14,400,000	280,391,932	6,272	280,398,204	
Net Profit for the year	-	-	-	-	20,767,351	-	20,767,351	1,404	20,768,755	
Transfer to statutory reserve	16	-	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)	-	-	(1,967,672)	-	(1,967,672)	
Proposed dividends	17	-	-	-	(14,400,000)	14,400,000	-	-	-	
Balance at December 31, 2009	240,000,000	4,900,000	5,469,109	-	20,422,502	14,400,000	284,791,611	7,676	284,799,287	

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 (2009: four branches) in the Republic of the Sudan. It's registered office is located at Building no. 411, Square 65, Mamoun Behairy Street, Khartoum East Post Office Box 8210, 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 Almarwarid Investment Company Limited, which was registered with the Company Registrar in January 2009 and started operations in April 1, 2009. Almarwarid 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 Almarwarid 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.

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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

3.2 Impairment and uncollectibility of financial and tangible assets

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

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

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 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 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 derecognized 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 recognized 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 measured.

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

3.11 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 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 project 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, Installment 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 installments 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.

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

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 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

	2010 SDG	2009 SDG
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS		
Cash in hand	6,437,899	4,199,085
Central Bank of Sudan - Current account	89,802,853	56,358,103
Central Bank of Sudan - Statutory cash reserve	22,728,788	7,299,501
Due from Central Bank of Sudan - Swap A/C (Note 4.1)	-	15,748,600
Foreign correspondent banks – Current accounts	18,383,157	7,941,542
Cash margin on letters of credit with foreign correspondent bank	17,328,002	5,512,404
Total	154,680,699	97,059,235

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

Represents 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. The placement was liquidated on April 2010

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 :-

	2010 SDG	2009 SDG
Local banks	20,000,000	114,614,700
Foreign banks and financial institutions	78,766,819	46,778,253
Total	98,766,819	161,392,953
6- INVESTMENTS IN SECURITIES		
<i>Investments in securities comprise:</i>		
Securities held for trading (Note 6.1)	112,444,569	116,808,531
Securities held to maturity (Note 6.2)	5,000,000	3,000,000
	117,444,569	119,808,531

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

6- INVESTMENTS IN SECURITIES (continued)

6.1- SECURITIES HELD FOR TRADING

Description	Nominal Value	Unrealized gain	Market/ Carrying value at Dec 31, 2010
	SDG	SDG	SDG
Quoted government Securities:			
Shahama certificates	80,750,500	3,063,158	83,813,658
Government Investment Certificates (GIC)	17,700,000	-	17,700,000
Shihab Investment	10,170,000	-	10,170,000
Sudatel shares	480,339	280,572	760,911
Total	109,100,839	3,343,730	112,444,569

*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.

	2010	2009
	SDG	SDG
6.2- SECURITIES HELD TO MATURITY :		
Units in non-government listed investment funds :		
Alaman fund	1,000,000	1,000,000
Emmar fund	2,000,000	2,000,000
Global Investment fund	2,000,000	-
Total	5,000,000	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.

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

6- INVESTMENTS IN SECURITIES (continued)

6.2- SECURITIES HELD TO MATURITY (continued) :

* 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. Expected return for year ended December 31, 2010 was 10% (2009 : 10%).

* Global Investment House Development fund securities issued and managed by Global Investment House-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.

7- FINANCE TO CUSTOMERS, NET

	2010	2009
	SDG	SDG
<i>a) By type</i>		
<i>Deferred sales receivables :</i>		
Murabaha receivables	255,484,021	215,178,517
Istisna receivables	124,909,775	46,081,037
Salam	23,026,975	36,780,330
Ijara	56,095,995	65,884,588
LCs financing	10,662,133	28,504,342
Staff Financing	2,197,212	2,055,332
Subtotal	<u>472,376,111</u>	<u>394,484,146</u>
Less : deferred profit	(57,467,997)	(56,949,995)
Less : Income suspense-past-due accounts	(997,954)	(1,880,722)
Less : provision for finance losses (Note 7.1)	<u>(30,961,242)</u>	<u>(15,273,831)</u>
Receivables from deferred sales , net	<u>382,948,918</u>	<u>320,379,598</u>
<i>Mudaraba and Musharaka financing :</i>		
Syndicated financing with banks (Mudaraba)	11,300,000	12,450,000
Musharaka financing with a bank	2,083,333	2,555,802
Subtotal	<u>13,383,333</u>	<u>15,005,802</u>
Less : provision for finance losses (Note 7.1)	(133,833)	(150,058)
Mudaraba and Musharaka financing , net	<u>13,249,500</u>	<u>14,855,744</u>
Total finance to customers, net	<u>396,198,418</u>	<u>335,235,342</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

7- FINANCE TO CUSTOMERS (CONTINUE)	2010	2009
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	2,529,113	2,466,931
Provided during the year	<u>1,590,070</u>	<u>62,182</u>
Balance at the end of the year	<u>4,119,183</u>	<u>2,529,113</u>
Specific Provision:		
Balance at beginning of the year	12,894,776	6,084,281
Provided during the year	17,711,389	10,043,182
Recoveries of amounts previously provided	(3,681,737)	(3,255,554)
FX Changes	<u>51,464</u>	<u>22,867</u>
Balance at the end of the year	<u>26,975,892</u>	<u>12,894,776</u>
Total accumulated provision at end of the year	<u>31,095,075</u>	<u>15,423,889</u>

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

General Provision:		
Addition during the year	1,590,070	62,182
Recoveries of amounts previously provided	-	-
Total of General Provision	a 1,590,070	62,182
Specific Provision:		
Addition during the year	17,711,389	10,043,182
Recoveries of amounts previously provided	(3,681,737)	(3,255,554)
Total of Specific Provision	b 14,029,652	6,787,628
Net charge for the provision expense for the year (a+b)	<u>15,619,722</u>	<u>6,849,810</u>

On December 31, 2010 total finance balances subject to specific provision amounted to SDG 70,555,345 (2009:SDG 100,347,342) out of which total past-due installments amounted to SDG 60,433,000 (2009: SDG 43,706,000).

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.

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

7- FINANCE TO CUSTOMERS (CONTINUED)

	<i>2010</i>	<i>2009</i>
<i>b) By Industry</i>	<i>SDG</i>	<i>SDG</i>
Trading	64,634,222	39,647,830
Manufacturing	330,777,829	245,986,367
Contracting	52,720,400	78,285,004
Service	2,363,705	6,130,352
Agriculture	2,426,573	6,746,506
Transportation	25,393,283	29,165,415
Other	7,443,432	3,528,474
Total finance, gross	<u>485,759,444</u>	<u>409,489,948</u>
Less: Deferred profit	(57,467,997)	(56,949,995)
Less Income suspense-past-due accounts	(997,954)	(1,880,722)
Total finance, net of deferred profit	<u>427,293,493</u>	<u>350,659,231</u>
less: Provision for finance losses (Note 7.1)	(31,095,075)	(15,423,889)
Total	<u>396,198,418</u>	<u>335,235,342</u>
	<i>2010</i>	<i>2009</i>
<i>c) By Portfolio</i>	<i>SDG</i>	<i>SDG</i>
Performing finance to customers, gross	419,127,462	346,682,785
Non-performing finance to customers, net	66,631,982	62,807,163
Total finance to customers	<u>485,759,444</u>	<u>409,489,948</u>
Less : Deferred profit	(57,467,997)	(56,949,995)
Income suspense -past-due accounts	(997,954)	(1,880,722)
Total finance to customers, net of deferred profit	<u>427,293,493</u>	<u>350,659,231</u>
General provision (Note 7.1)	(4,119,183)	(2,529,113)
Specific provision (Note 7.1)	(26,975,892)	(12,894,776)
Total provision	<u>(31,095,075)</u>	<u>(15,423,889)</u>
Finance to customers, net	<u>396,198,418</u>	<u>335,235,342</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2010

	<i>2010</i>	<i>2009</i>
	<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	<u>6,461,000</u>	<u>6,461,000</u>
Total	<u><u>6,461,000</u></u>	<u><u>7,133,072</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, 2010. The fair value of the Bank's investment properties as of December 31, 2010 is SDG 14,803,000.

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
9- OTHER ASSETS		
Advance Payment to acquire assets for syndication finance (White Nile Sugar Project)	32,524,690	-
Assets acquired for Murabaha financing	5,862,432	1,145,976
Accrued income on investments	3,358,362	7,440,700
Prepaid expenses	1,859,458	1,789,146
Liquidated Government Securities (GIC) receivable	-	10,000,000
Other	260,488	245,742
Total	<u><u>43,865,430</u></u>	<u><u>20,621,564</u></u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

10- PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land and Buildings	IT equipment	Office equipments, Furniture & fixtures	Motor vehicles	Intangible assets: Computer Software	Total
Cost						
Balance at January 1, 2010	33,751,172	3,222,134	2,496,711	1,411,925	2,485,390	43,367,332
Acquisitions	16,698,884	614,495	2,217,582	546,000	7,731,732	27,808,693
Disposals	-	-	-	(87,000)	-	(87,000)
Balance at December 31, 2010	50,450,056	3,836,629	4,714,293	1,870,925	10,217,122	71,089,025
Depreciation						
Balance at January 1, 2010	1,054,234	2,388,780	529,701	856,010	527,040	5,355,765
Depreciation for the year	1,027,723	686,777	578,170	296,664	1,588,498	4,177,832
Disposals	-	-	-	(58,760)	-	(58,760)
Balance at December 31, 2010	2,081,957	3,075,557	1,107,871	1,093,914	2,115,538	9,474,837
Net book value at December 31, 2010	48,368,099	761,072	3,606,422	777,011	8,101,584	61,614,188
Net book value at December 31, 2009	37,696,938	1,865,751	1,976,031	555,915	916,932	38,011,567

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
11- CUSTOMERS' DEPOSITS		
Current accounts - Individuals	27,290,477	9,657,483
Current accounts - Corporate	<u>116,938,551</u>	<u>142,204,802</u>
Total current accounts	144,229,028	151,862,285
Margin on letters of credit and guarantees	<u>76,571,963</u>	<u>32,738,689</u>
Total	<u><u>220,800,991</u></u>	<u><u>184,600,974</u></u>
	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
Foreign currency deposits included in customers' deposits:		
Current accounts	36,267,109	48,116,197
Margin on letters of credit and guarantees	<u>70,910,054</u>	<u>23,673,177</u>
Total	<u><u>107,177,163</u></u>	<u><u>71,789,374</u></u>
	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
12- OTHER LIABILITIES		
Bills payable	9,137,348	4,051,566
Provision of zakat	1,910,276	3,184,092
Provision of business profit tax	5,232,256	1,796,965
Deferred LCs commission	85,452	232,371
Accounts payable to suppliers	2,279,417	146,922
Staff end of service benefits	1,913,768	1,200,822
Provision for deposits Guarantee	658,563	269,821
Audit fees	71,298	72,750
Staff performance bonus	1,186,036	684,626
Accrued expenses	230,683	-
Board of directors remuneration	288,999	245,791
Stamp duty	164,496	152,842
Performance retention payable to Istisna contractor	1,022,251	46,005
Payable on parallel Istisnaa	4,279,505	962,098
Participation fees in White Nile Sugar portfolio payable to banks	59,949	576,286
White Nile Sugar project syndication-collection	31,080,328	-
National Switch	810,866	211,666
Other	<u>53,412</u>	<u>108,058</u>
Total	<u><u>60,464,903</u></u>	<u><u>13,942,681</u></u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

13. EQUITY OF UNRESTRICTED INVESTMENT	<i>2010</i>	<i>2009</i>
ACCOUNT HOLDERS	<i>SDG</i>	<i>SDG</i>
<i>a) By type:</i>		
Investment deposits	282,901,217	270,305,440
Total profit distributed for the year	21,182,736	13,235,943
Payments on account of profit during the year	(8,131,436)	(3,644,194)
Annual subscriptions to Deposits Guarantee Fund	(161,627)	(42,867)
Total	295,790,890	279,854,322
<i>b) By Sector:</i>		
Corporations	158,957,378	26,993,882
Banks	68,517,100	100,998,000
Government	50,000,000	
Quasi-government	3,549,793	139,999,793
Non-governmental organizations	-	255,987
Individuals	1,876,946	2,057,778
Sub-total	282,901,217	270,305,440
Total profit distributed for the year	21,182,736	13,235,943
Payments on account of profit during the year	(8,131,436)	(3,644,194)
Annual subscriptions to Deposits Guarantee Fund	(161,627)	(42,867)
Total	295,790,890	279,854,322

14- SHARE CAPITAL	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
Authorized, issued and paid up share capital		
24 million shares of SDG 10 each (2009: 24 million shares of SDG 10 each)	240,000,000	240,000,000

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 .

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
17- PROPOSED DIVIDENDS		
Cash dividends of SDG 0.7 per share of SDG 10 each	<u>16,800,000</u>	<u>14,400,000</u>
<p>The Board of Directors on February 8, 2011 resolved to recommend to the annual general meeting scheduled to take place on March 24, 2011 to distribute cash dividends equal to 7% of the Bank's paid up capital as at December 31, 2010 (2009: 6%), subject to approval by the Central Bank of Sudan.</p>		
18- REVENUE FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS		
	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
<i>Realized income from deposits with banks & financial institutions</i>		
Local banks	3,118,245	924,472
Foreign banks	<u>153,883</u>	<u>3,253,810</u>
	<u>3,272,128</u>	<u>4,178,282</u>
<i>Accrued income from deposits with banks & financial institutions</i>		
Local banks	789,420	4,041,267
Foreign banks	<u>110,154</u>	<u>61</u>
	<u>899,574</u>	<u>4,041,328</u>
Revenue from investment deposits with banks	<u>4,171,702</u>	<u>8,219,610</u>
19- REVENUE FROM INVESTMENTS IN SECURITIES		
	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
<i>Realized income from Securities held for trading :</i>		
Revenue from liquidated Shahama securities	13,900,686	5,064,533
Income from Government Investment Certificates (GIC)	5,793,388	4,702,748
Income from Government Investment Certificates (Shihab)	660,880	42,120
Dividend declared by Sudatel	-	26,730
Total realized income from Securities held for trading :	<u>20,354,954</u>	<u>9,836,131</u>
<i>Unrealized income from securities held for trading :</i>		
Gain (loss) from re-measurement at fair value of Shahama (Note 6.1)	(3,421,704)	4,722,243
Gain (loss) from re-measurement at fair value of Sudatel shares	<u>(164,777)</u>	<u>(293,887)</u>
Total unrealized income from securities held for trading	<u>(3,586,481)</u>	<u>4,428,356</u>
<i>Income from securities held to maturity</i>		
Income from Alaman Global Fund	158,334	152,000
Emaar fund	200,003	200,000
Investment House Development	16,438	-
Total income from securities held to maturity	<u>374,775</u>	<u>352,000</u>
Total income from securities	<u>17,143,248</u>	<u>14,616,487</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

	<i>2010</i>	<i>2009</i>
20- REVENUE FROM FINANCING TO CUSTOMERS	<i>SDG</i>	<i>SDG</i>
Murabaha	22.898.387	17.984.520
Ijarah	7.021.224	92.804
Salam	1.050.817	470.000
Istisnaa/ Mugawala	10.195.211	4.061.055
Syndicated Mudarabah with Banks	573.040	966.337
Musharakah	330.796	254.608
	<u>42.069.475</u>	<u>23.829.324</u>
Income Suspense recovery (charge)	882.768	(633.060)
Total	<u>42.952.243</u>	<u>23.196.264</u>
	<i>2010</i>	<i>2009</i>
21- RETURN TO UNRESTRICTED INVESTMENTS ACCOUNT HOLDERS	<i>SDG</i>	<i>SDG</i>
Unrestricted investments account holders' share of profit before the Bank's share as Mudarib	26.493.617	14.635.677
Bank's share as Mudarib	(6.800.393)	(3.934.616)
Unrestricted investments account holders' share of Shareholders' cession	<u>625.646</u>	<u>2.534.882</u>
Unrestricted investments account holders' share of	<u>20.318.870</u>	<u>13.235.943</u>
Average profit distribution rates :		
Accounts in Sudanese Pounds	<u>8.09%</u>	<u>7.00%</u>
Accounts in US Dollars	<u>4.05%</u>	<u>5.50%</u>
	<i>2010</i>	<i>2009</i>
22- FEE INCOME	<i>SDG</i>	<i>SDG</i>
Letters of credit commissions	15.150.202	4.541.705
Commission received on guarantees	468.267	1.082.884
Administration fees	469.442	1.535.563
Draft cheques, transfers and remittances	1.014.395	1.159.255
Arrangement & participation fee - W. Nile Sugar project syndication	281.011	1.190.012
Income from management of restricted investment accounts	117.786	246.688
Brokerage fees (Almal United Co.)	709.208	335.238
Fee from other banking services	597.373	393.395
Total	<u>18.807.684</u>	<u>10.484.740</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
23- FOREIGN EXCHANGE GAIN, NET		
Transaction gain, net	11,593,825	7,172,203
Revaluation gain	<u>6,430,152</u>	<u>3,101,624</u>
Total	<u><u>18,023,977</u></u>	<u><u>10,273,827</u></u>

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
24- OTHER OPERATING EXPENSES		
Bank premises expense (Note 24.1)	3,200,882	3,014,537
Communications	559,480	365,682
Maintenance of equipment, furniture & motor vehicles	482,715	301,623
Computer expenses	1,074,650	302,933
Marketing & promotion	252,846	387,123
Office supplies	221,549	160,794
Business travel	270,258	296,591
Legal, audit and consultants expenses	519,024	688,764
Training	481,068	556,997
Subscriptions	875,158	487,842
Board and general assembly expenses	722,787	786,055
Bank charges	90,591	157,897
Donations	154,593	77,350
Penalty Hegleig (Rent)	634,353	-
Investment loss (Al-Andlos)	200,832	-
Government dues	20,102	240,467
Other	671,899	463,579
Total	<u><u>10,432,787</u></u>	<u><u>8,288,234</u></u>

24.1- Bank premises expense

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

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
25- EARNINGS PER SHARE		
Net income for the year	<u>32,089,306</u>	<u>20,767,351</u>
Weighted average number of shares outstanding (shares)	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share (SDG)	<u><u>1.34</u></u>	<u><u>0.87</u></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 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

		<i>2010</i>	<i>2009</i>
		<i>SDG</i>	<i>SDG</i>
26- CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	(Note 4)	114,623,909	84,247,330
Investments deposits with banks and financial institutions	(Note 5)	98,766,819	161,392,953
Total		<u>213,390,728</u>	<u>245,640,283</u>

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

27- RELATED PARTY TRANSACTIONS

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

	2010		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2010
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Balance sheet items:			
Financing and investing assets	71,896,760		71,896,760
Customers' and investments deposits	4,924,556	-	4,924,556
Minority interest	-	7,257	7,257
Income statement items:			
Profit from financing	6,886,102	-	6,886,102
Fees and commissions	34,374	-	34,374
Penalty for lease extension	(634,353)	-	(634,353)
Key Management Personnel compensation:			
Salaries and other benefits	72,184	1,955,312	2,027,496
Post-employment benefits	-	359,862	359,862

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

27- RELATED PARTY TRANSACTIONS (continued)

	2009		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2009
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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

28- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follows:

	2010 <u>SDG</u>	2009 <u>SDG</u>
28.1.Financing - related commitments and contingencies :		
Letters of credit	219.818.089	21.307.530
Letters of guarantees	15.635.936	35.065.656
Acceptances	91.152.132	55.641.204
Total financing - related commitments and contingencies :	<u>326.606.157</u>	<u>112.014.390</u>
28.2 Non-financing related commitments :		
Capital commitments (Core banking system)	-	3.143.146
Capital commitments (Head office building)	-	17.075.811
Restricted investments accounts (Note 29)	53.341.889	18.736.533
Total commitments and contingencies	<u>379.948.046</u>	<u>150.969.880</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

28- 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:

2010	within 3 months	3-12 months	1-5 years	Over 5 years	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	160,301,089	59,517,000	-	-	219,818,089
Letters of guarantee	14,965,936	670,000	-	-	15,635,936
Acceptances	82,332,132	8,820,000	-	-	91,152,132
Irrevocable commitments to extend credit	-	-	-	-	-
Total	257,599,157	69,007,000	-	-	326,606,157
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

The outstanding unused portion of commitments which can be revoked unilaterally at any time by the Bank, as at December 31, 2010 amounted to SDG 101,289,506 (2009: SDG 334,792,288)

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

29. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 53,341,889 at December 31, 2010 (2009: SDG 18,736,533). 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, 2010 are as follows:

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
a) By movement during the year		
Balance at beginning of the year	18,736,533	16,747,932
Additions	54,022,632	12,784,300
Withdrawals	(19,417,276)	(10,795,699)
Balance at end of the year	<u>53,341,889</u>	<u>18,736,533</u>
b) By type of investment		
Investments financed per Central Bank of Sudan guidelines:		
Murabaha finance	-	5,540,625
Istisna finance	-	1,466,250
Musharakah finance	-	2,500,000
Other	-	493,125
Subtotal	-	10,000,000
Musharakah finance	-	3,347,533
Salam finance	-	5,389,000
Murabaha finance	38,341,889	-
Shahama Securities	15,000,000	-
Total	<u>53,341,889</u>	<u>18,736,533</u>
c) By sector :		
Central bank of Sudan	-	10,000,000
Banks	53,341,889	3,347,533
Other financial institutions	-	5,389,000
Total	<u>53,341,889</u>	<u>18,736,533</u>

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

30. CAPITAL ADEQUACY

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

	Eligible Capital		Capital Adequacy Ratio	
	2010	2009	2010	2009
	SDG	SDG	SDG	SDG
Core capital (Tier 1)	267,671,131	284,865,042	46%	65%
Core and supplementary capital (Tier 2)	271,790,314	291,714,852	47%	67%

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	
	2010	2009
	SDG	SDG
Credit Risk	548,942,850	424,175,690
Operational risk	68,423,697	58,379,687
Market risk	76,515,361	19,396,309
Total pillar-1 - risk weighted assets	693,881,908	501,951,686

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

31.1 Financial instruments

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

31.2 Risk management

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

31.2.1 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.

31.2.2 Credit risk

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

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

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

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

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

31.2.3 Liquidity risk

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

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

The maturity profile of the assets and liabilities at December 31, 2010 is as follows:

Assets	2010				
	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	152,678,481	2,002,218	-	-	154,680,699
Investments with banks and financial institutions	98,766,819	-	-	-	98,766,819
Investment in securities	32,781,969	2,218,484	80,444,116	2,000,000	117,444,569
Finance to customers	29,051,356	17,495,437	197,842,960	151,808,665	396,198,418
Other investment				6,461,000	6,461,000
Other assets	42,429,120	417,747	618,746	399,817	43,865,430
Property and Equipment	-			61,614,188	61,614,188
Total assets	355,707,745	22,133,886	278,905,822	222,283,670	879,031,123

Liabilities and Equity

Customer deposits	220,800,991	-	-	-	220,800,991
Due to Central Bank of Sudan	-			-	-
Other liabilities	56,520,787	13,491	2,337,887	1,592,738	60,464,903
Equity of unrestricted investment account holders	115,327,660	26,996,440	153,466,790	-	295,790,890
Minority interest				7,257	7,257
Shareholders' equity	-	-	-	301,967,082	301,967,082
Total liabilities and Equity	392,649,438	27,009,931	155,804,677	303,567,077	879,031,123

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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	97,059,235
Investments with banks and financial institutions	153,392,953	-	8,000,000	-	161,392,953
Investment in securities	19,590,791	29,691,240	69,526,500	1,000,000	119,808,531
Finance to customers	50,146,912	54,301,088	116,775,000	114,012,342	335,235,342
Other investment				7,133,072	7,133,072
Other assets	18,895,896	840,000	108,658	777,010	20,621,564
Property and Equipment	-			38,011,567	38,011,567
Total assets	336,355,787	85,769,328	195,343,158	161,793,991	779,262,264

Liabilities and Equity

Customer deposits	184,600,974	-	-	-	184,600,974
Due to Central Bank of Sudan	16,065,000			-	16,065,000
Other liabilities	12,476,681	83,000	81,000	1,302,000	13,942,681
Equity of unrestricted investment account holders	242,204,062	24,228,720	13,421,540	-	279,854,322
Minority interest				7,676	7,676
Shareholders' equity	-	-	-	284,791,611	284,791,611
Total liabilities and Equity	455,346,717	24,311,720	13,502,540	286,101,287	779,262,264

31.2.4 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	Dec. 31, 2010	Dec. 31, 2009
Euro	62,869,870	7,312,260
US Dollar	26,531,110	(8,648,476)
Other currencies	326,037	(5,781,616)

31.2.5 Market risk

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

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

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

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

31.2.6 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.

31.2.7 Operational and other risks

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

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

32. SEGMENTAL INFORMATION

For the year ended at December 31, 2010 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, 2010 are principally derived from the Bank's corporate and institutional business.

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

33. 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.

The attached notes 1 to 35 form an integral part of these financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2010

34. PROVISION FOR INCOME TAX

Provision for the income tax comprise :

	<i>2010</i>	<i>2009</i>
	<i>SDG</i>	<i>SDG</i>
Provision for the current year	4.420.350	1.796.965
Adjustments based on review by the Chamber of Taxation for the years 2008 and 2009	<u>811.906</u>	<u>-</u>
Total	<u>5.232.256</u>	<u>1.796.965</u>

35. COMPARATIVE FINANCIAL STATEMENTS

Certain 2009 comparative figures were reclassified to conform with current year's presentation.

The attached notes 1 to 35 form an integral part of these financial statements.

List of Correspondent Banks

Denmark

Danske Bank

Egypt

National Bank Of Egypt
Arab Banking Corporation (ABC)
Banque Du Caire

France

Banque BIA

Germany

Commerzbank

Italy

Banca UBAE

Jordan

Jordan Commercial Bank

Kingdom of Bahrain

ABC Islamic Bank
Alubaf Arab International Bank
The Arab Investment Company (TAIC)
Albarka Islamic bank

Kingdom of Saudi Arabia

National Commercial Bank (NCB)

Kuwait

Boubyan Bank

Lebanon

Fransa Bank
Byblos Bank
Bank of Beirut

Sultanate of Oman

Bank Muscat

Switzerland

Banque De Commerce Et De Placement (BCP)
Banque Cantonale Vaudoise (BCV)

Turkey

Albaraka Turk Participation Bank

United Arab of Emirates

Abu Dhabi Islamic Bank (ADIB)
Mashreq Bank
ALMSRAF (ARBIFT)

United Kindom

British Arab Commercial Bank (BACB)

Directory of Head Office, Branches and Subsidiary Companies

Head Office

Plot 411, Square 65, Mamoun Beheiry St,
South Green of Square, Khartoum
P.O Pox : 8210 Al Amarat ,
Khartoum, Sudan
Tel : 00249-183-247700
Fax : 00249-183-235000
www.bankalmal.com
www.capitalbank-sudan.com
E-mail: almal@bankalmal.com
Swift Code :- CBSKSDKH

Khartoum North Branch

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

Rabak Branch

Plot 390, Square 3, Rabak
P.O Box : 203
Tel : 00249-572-829480
Fax : 00249-572-829481

Niyala Branch

Plot 48 – sq .7/ D - Niyala
Tel : 00249 -7118 23414 - 00249 - 7118 23899
Fax : 00249 -7118 23999

Subsidiaries

1- Al mal United for Securities Co, Ltd

Plot 411, Square 65,
Mamoun Beheiry St,
South Green Square Khartoum
P.O Pox : 8210 Al Amarat , Khartoum, Sudan
Tel : 00249-183-247700
Fax: 00249-183-235000

2- Mawarid Investment Co.Ltd

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

