



United Capital Bank
بنك المال المتحد

ANNUAL REPORT 2011



 **United Capital Bank**
بنك المال المتحد
PARTNERS IN PROGRESS



<u>Contents</u>	3
<u>Our Mission</u>	5
<u>Board of Directors</u>	6
<u>Sharia Committee</u>	7
<u>Executive Management</u>	8
<u>Senior Management</u>	9
<u>Chairman's Report to the 7th Annual General Meeting</u>	10
<u>Chief Executive Officer & General Manager's Report</u>	16
<u>External Auditor's Report</u>	23
<u>Consolidated Financial Statements as at December 31, 2011</u>	24
<u>List of Correspondent Banks</u>	56
<u>Directory of Head Office Branches and Subsidiary Companies</u>	57



- 
- 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 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



Mohammed Mahjoub Bashary

Sharia Controller
& Committee Secretary



Eltigani Abdel Gadir Ahmed

Member



Ebrahim Ahmed Aldareer

Member

Executive Management



Kamal Ahmed Elzubeir

Chief Executive Officer
& General Manager



Yousif Ahmed El Tinay

Deputy General Manager
& Chief Commercial Officer



Al-Mamoun Hamid Abdulrahman

Deputy General Manager
& Chief Financial Officer

Senior Management



Eltahir Elshazali

Chief Operations
Officer



Mohamed Abbas

Manager Central Processing
and Control Unit



Shadia Elkordofani

Head, HR &
Administration Affairs



Salma Haroun

Head, Treasury & Int'l
Banking Relations



Yasir Gafaar

Head, Accounting Dept.



Tajeldeen Ahmed

Head, Risk
Management and CAD



Osama Alfadil

Head of Corporate
Finance



Elamin Ahmed

Head, Internal Audit



Abdelgadir Mohamed

Compliance Officer



Ahmed Mohamed Khair

Head, Legal Department
and Board Secretary



Mohmed Bashari

Shariah Controller &
Committee Secretary



Abdelrazag Mustafa

Head, Information
Technology

Chairman's Report to the 7th Annual General Meeting



Adel Abdul Wahab Almajed

Chairman

Introduction

On January 9, 2011 a referendum for the citizens of the region of South Sudan was conducted for them to choose between staying within a united Sudan or separate and form an independent state in the region. The majority of citizens of the region voted in favor of separation. A post referendum transitional period of six months followed during which many of the arrangements to complete the process of separation, either with regards to the establishment of the new state or the disengagement of the new state from the mother country, were carried out. On July 9, 2011 the establishment of the Republic of the South Sudan was declared. It received wide international recognition and has been accepted as a member of the United Nations.

Obviously, the separation of the south had significant economic impact on the Republic of the Sudan (the rest of the Sudan after the separation of the South). The most important impact was the loss of 50% of the revenue from the oil produced from southern Sudan oil fields, equivalent to about 190 thousand barrels per day. This led to significant increase in the deficit in the government budget and the country's balance of payment. As a result, the exchange rate of the Sudanese Pounds against the U.S. dollar depreciated and several development projects were postponed.

The Ministry of Finance and Central Bank of Sudan adopted a deflationary policy to curb inflation. This resulted into liquidity problem. The government announced a three year recovery program. It was based on encouraging the production of exportable commodities such as cotton, gum Arabic, livestock and gold, on the one hand and to encourage the production of goods that replace imports such as wheat, oilseeds, sugar and medicines on the other hand.

Important bank achievements during the year

The bank activity during the year 2011 focused on the following areas:

Trade Finance The bank played an important role in the issuance of letters of credit on behalf of its prime clients to import goods of strategic nature, such as wheat, sugar, agricultural and industrial inputs, medicines and capital equipments. The total value of letters of credit issued by the bank during the year amounted to about US\$ 200 million. The bank was able to meet its international obligations on time, despite the scarcity of foreign exchange. The bank has realised excellent returns from this activity.

Project Finance The bank continued its policy of financing important development projects in the country. It financed a number of important projects in the field of industry, electricity and the extraction of gold and others during the year.

Participation in and Management of Syndicated Facilities The bank participated during the year in a number of syndicated facilities which were managed by other banks. It also managed a syndication in favor of the Aljazeera Scheme, for a total amount of SDG 170 million. The bank also continued during the year the management of a syndication in favor of the White Nile Sugar Company in which 10 local and foreign banks participated for a total amount of Euro 60 million.

The Executive Management, as directed by the Board of Directors, commissioned a consultancy firm to draw out a five years strategy for the bank. The Board discussed and approved the said strategy during its meeting in Khartoum on November 27, 2011. This strategy is expected to enhance the bank's position within the Sudanese banking sector and will help the bank to achieve the desired growth and satisfactory returns to shareholders.

Financial Performance of the bank during the year :

The bank continued its normal activity during the year 2011, achieving growth in all financial performance indicators. Assets increased from about SDG 879 million by the end of 2010 to about SDG 1,006 million by the end of 2011 (14.4% increase). The structure of assets is characterised by high rate of return while maintaining a high degree of liquidity . Net profits after Zakat and Taxes increased from about SDG 32 million in 2010 to about SDG 38 million in 2011 (18.8% increase). Thus , earnings per share in 2011 were about 15.9% , compared to 13.4% in 2010.

The bank's revenue was diversified as follows (in percentage) :-

	2010	2011
Revenue from finance to customers	42.00	54.00
Revenue from banking services	37.00	31.00
Revenue from securities	17.00	13.00
Revenue from deposits with banks	04.00	02.00
Total	100.00	100.00

Finance to customers portfolio reached about SDG 473 million at the end of 2011, compared to about SDG 461 million by the end of 2010 . The portfolio covers all economic sectors via various Islamic modes of financing . The total size of the portfolio amounted to about SDG 868 million including letters of credit and letters of guarantee. The non performing financing represented about 6% of the overall size of the portfolio.

The bank's balance sheet as at end of December 2011 reveals high degree of liquidity . The maturity gap between 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	418	281	59	248	1,006
Liabilities	487	180	13	326	1,006

I am pleased to state that, the most important financial indicators of the bank during the period from 2007 to 2011 were as follows :-

(SDG MILLION)					
	2007	2008	2009	2010	2011
Total Assets	389	529	778	879	1,006
Customers' current accounts & Investment deposits	117	235	464	517	577
Shareholders' equity	257	280	285	302	323
Finance to customers	131	271	332	429	441
Net profit (before tax and zakat)	019	031	026	039	044
Net profit (after tax and zakat)	014	023	021	032	038
Earnings per share	0.094	0.95	0.87	1.34	1.59

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 programs inside and outside Sudan. A total of 71 employees were nominated to attend 19 training courses inside the Sudan and 52 training courses 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 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 of the Bank's activities.

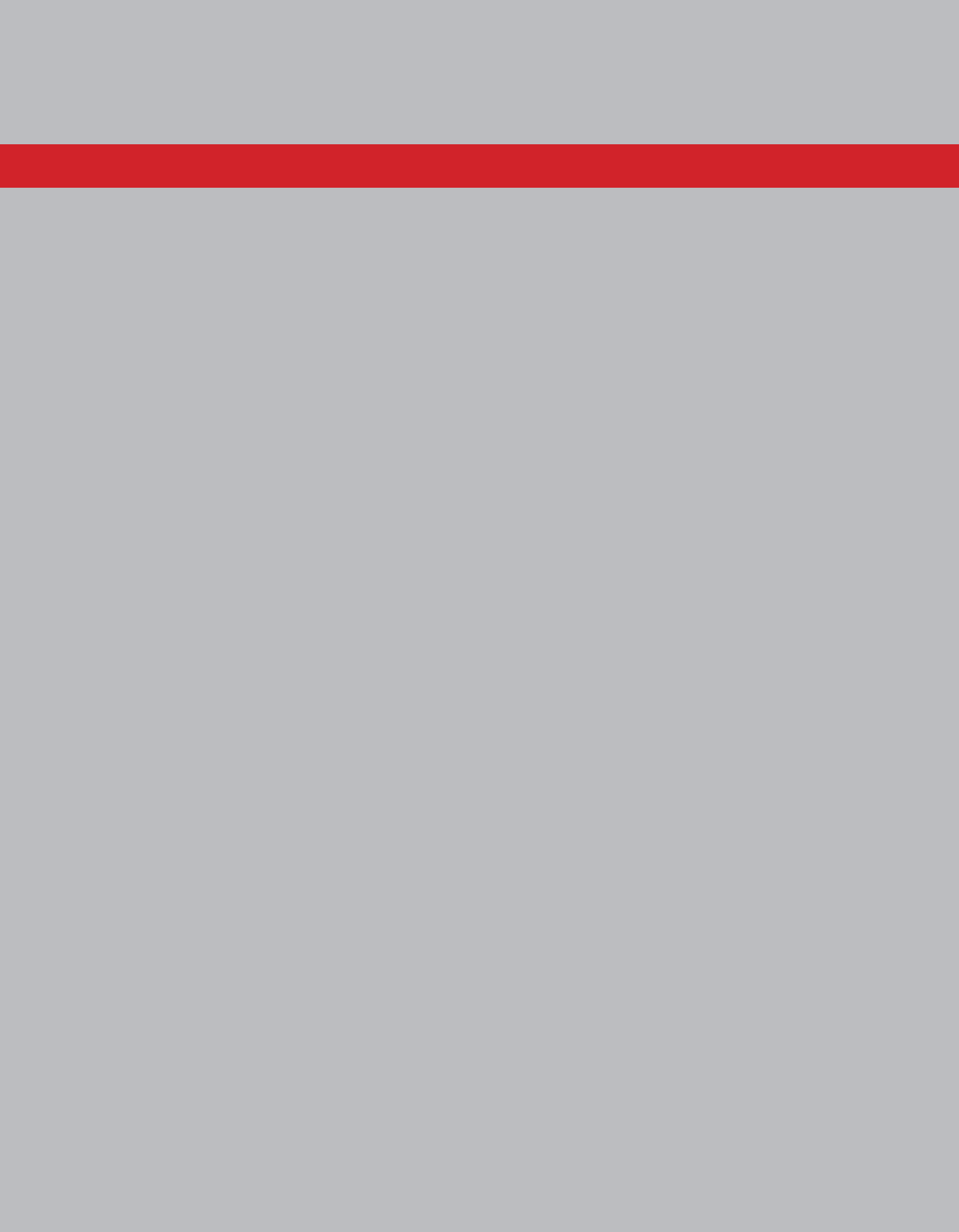
Thanks are also extended to the External Auditors for the counsel provided and for making it possible to issue the audited financial statements in a relatively record time.

The Board records its thanks to the employees of the bank and the 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



Chief Executive Officer & General Manager's Report



Kamal Ahmed Elzubeir

Chief Executive Officer
& General Manager

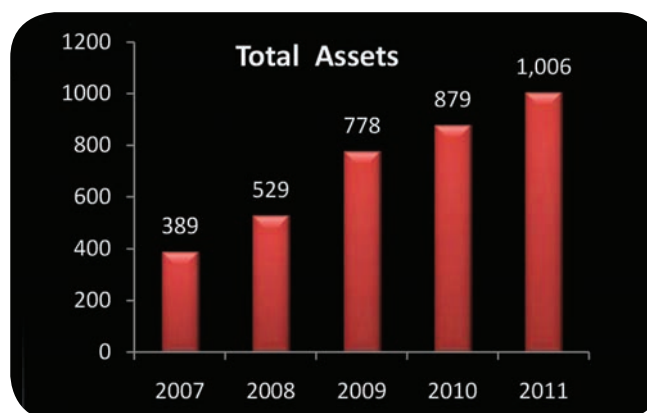
Chief Executive Officer & General Manager's Report

United Capital Bank (UCB) achieved significant growth rates during the last few years (2007-2011) as indicated below:-

(SDG MILLION)					
	2007	2008	2009	2010	2011
Total Assets	389	529	778	879	1,006
Finance to Customers	131	271	332	429	441
Shareholders' equity	257	280	285	302	323
Customers' deposits	112	119	185	221	331
Equity of investment account holders	5	116	280	296	246
Gross Income	31	53	54	81	71
Net Profit (before tax and zakat)	19	31	26	39	44

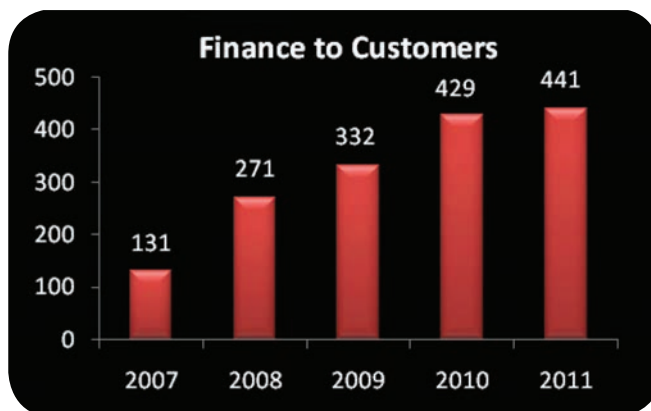
During this short period, the bank was able to form an excellent customer base in both deposit placement and financing.

Total Assets (SDG MILLION)	
2007	389
2008	529
2009	778
2010	879
2011	1,006



Finance to Customers (SDG MILLION)

2007	131
2008	271
2009	332
2010	429
2011	441



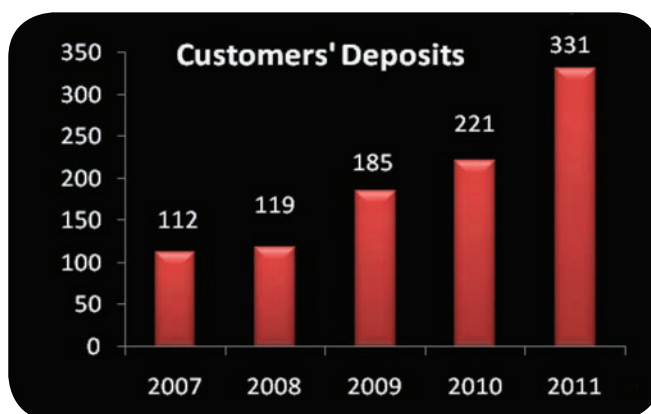
Shareholders' Equity (SDG MILLION)

2007	257
2008	280
2009	285
2010	302
2011	323



Customers' Deposits (SDG MILLION)

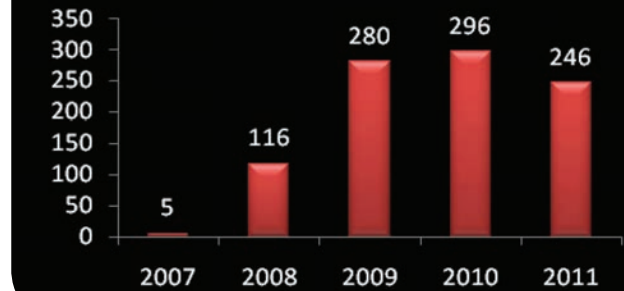
2007	112
2008	119
2009	185
2010	221
2011	331



**Equity of investment
accounts holders**
(SDG MILLION)

2007	5
2008	116
2009	280
2010	296
2011	246

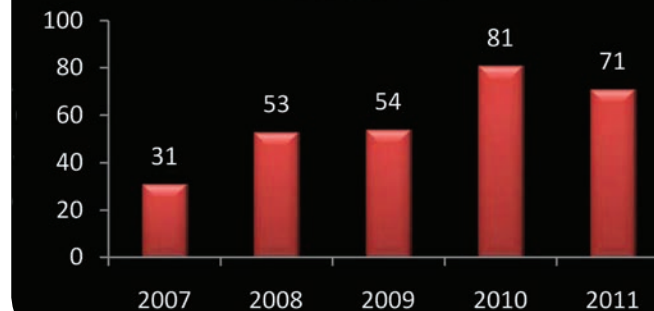
Equity of investment accounts holders



Gross Income
(SDG MILLION)

2007	31
2008	53
2009	54
2010	81
2011	71

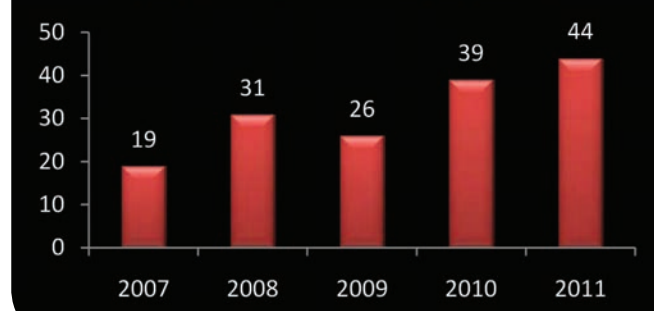
Gross Income



**Net Profit
(before tax & zakat)**
(SDG MILLION)

2007	19
2008	31
2009	26
2010	39
2011	44

Net Profit (before tax & zakat)



The management focused during these years on the recruitment of high caliber staff at all levels. The number of staff increased gradually from 56 at end of the first year of the bank in 2007 to 134 at end of this year 2011.

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.



Financial Statements





Abdellatif, Eltayeb, Bushra & Co
Chartered Certified Accountants
Correspondents to KPMG International
House # 337, 56 Block Arkaweet

Tel : +249-183-238889/238833/238807
Fax: +249-183-238717
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 2011, 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.

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 2011, 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 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.

Abdellatif, Eltayeb, Bushra & Co
Chartered Certified Accountants

Khartoum 29 January 2012

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

Consolidated Financial Statements

as at December 31, 2011

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2011

	Notes	2011 SDG	2010 SDG
ASSETS			
Cash and balances with banks and financial institutions	4	185,909,978	154,680,699
Investments with banks and financial institutions	5	84,736,566	98,766,819
Investments in securities	6	207,664,556	117,444,569
Finance to customers, net	7	441,226,699	428,723,108
Other investments	8	6,461,000	6,461,000
Other assets	9	21,562,271	11,340,740
Property and equipment, net	10	58,044,532	61,614,188
TOTAL ASSETS		1,005,605,602	879,031,123
LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY			
Liabilities			
Customers' deposits	11	331,010,303	220,800,991
Other Liabilities	12	105,291,911	60,464,903
TOTAL LIABILITIES		436,302,214	281,265,894
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	12,423,631	8,622,755
Retained earnings		47,209,312	32,044,327
Proposed dividends	17	19,200,000	16,800,000
		323,332,943	301,967,082
Minority interest		12,921	7,257
TOTAL SHAREHOLDERS' EQUITY		323,345,864	301,974,339
TOTAL LIABILITIES, UNRESTRICTED INVESTMENT ACCOUNTS AND SHAREHOLDERS' EQUITY		1,005,605,602	879,031,123

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 15, 2012.


Adel Abdul Wahab Al-Majed
Chairman and Managing Director


Kamal El Zubeir
General Manager

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

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2011

	<i>Notes</i>	<i>2011 SDG</i>	<i>2010 SDG</i>
REVENUE FROM :			
Investments with banks and financial institutions	18	1,759,951	4,171,702
Investments in securities	19	11,041,228	17,143,248
Financing to customers	20	47,893,427	42,952,243
Total revenue from investments and financing		60,694,606	64,267,193
Less: Return to unrestricted investment account holders	21	(17,428,993)	(20,318,870)
Net revenue from investment and financing		43,265,613	43,948,323
Fee income	22	22,082,044	19,321,516
Foreign exchange gain, net	23	5,400,733	18,023,977
Total operating revenue		70,748,390	81,293,816
EXPENSES			
Staff cost		(13,252,494)	(11,826,867)
Other general and administrative expenses	24	(9,734,330)	(10,432,787)
Depreciation	10	(5,255,464)	(4,177,831)
Provision for finance losses	7.2	1,486,732	(15,619,722)
Total operating expenses		(26,755,556)	(42,057,207)
Net operating profit before zakat and income tax		43,992,834	39,236,609
Provision for zakat		(1,876,485)	(1,910,276)
Provision for income tax		(3,944,824)	(5,232,256)
Net profit		38,171,525	32,094,077
Net profit attributable to minority interest		(5,664)	(4,771)
Net profit attributable to equity holders of the parent company		38,165,861	32,089,306
Earnings per share	25	1.59	1.34

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

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2011

	<i>Notes</i>	<i>2011</i> <i>SDG</i>	<i>2010</i> <i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		38,165,861	32,089,306
Adjustments for:			
Depreciation and amortization		5,255,464	4,177,831
Provision for zakat		1,876,485	1,910,276
Provision for income tax		3,944,824	5,232,256
Provision for staff end of service benefits		713,151	712,946
Provision for finance losses		(1,486,732)	15,619,722
Provision for staff bonus		1,757,137	1,186,036
Loss on disposal of property and equipment		(34,530)	(8,273)
Operating profit before working capital changes		50,191,660	60,920,100
Net (increase)/decrease in operating assets:			
Statutory cash reserve		4,370,830	(15,429,287)
Cash margin on sight L/C		16,049,649	(11,815,598)
Finance to customers		(11,016,859)	(78,638,130)
Other assets		(10,221,531)	(21,188,534)
Net increase/(decrease) in operating liabilities:			
Customer deposits		110,209,312	36,200,017
Other liabilities		36,533,946	21,415,707
Net cash from (used in) operating activities		196,117,007	(8,535,725)
CASH FLOWS FROM INVESTING ACTIVITIES			
(Acquisition)/sale of investment securities		(90,219,987)	3,036,034
Acquisition of property and equipment		(2,455,478)	(27,808,693)
Proceeds from sale of property and equipment		804,201	36,513
Net cash used in investing activities		(91,871,264)	(24,736,146)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in minority interest		5,664	(419)
Dividends paid		(16,798,536)	(14,913,833)
Net increase (decrease) in unrestricted investment accounts		(49,833,366)	15,936,568
Net cash from(used in) financing activities		(66,626,238)	1,022,316
Net increase (decrease) in cash & cash equivalent		37,619,505	(32,249,555)
Cash and cash equivalent at beginning of the year		213,390,728	245,640,283
Cash and cash equivalent at end of the year	26	251,010,233	213,390,728

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

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended at December 31, 2011

	Attributable to shareholders' of the parent company									
	Share capital	Share premium	Statutory reserve	Retained earnings	Proposed dividends	Total	Minority interest	Total Shareholders' equity	Note	SDG
Balance at January 1, 2011	240,000,000	4,500,000	8,622,755	32,044,327	16,800,000	301,967,082	7,257	301,974,339		
Net Profit for the year	-	-	-	38,165,861	-	38,165,861	5,664	38,171,525		
Transfer to statutory reserve	-	-	3,800,876	(3,800,876)	-	-	-	-	16	
Dividends paid	-	-	-	-	(16,800,000)	(16,800,000)	-	(16,800,000)		
Proposed dividends	-	-	-	(19,200,000)	19,200,000	-	-	-	17	
Balance at December 31, 2011	<u>240,000,000</u>	<u>4,500,000</u>	<u>12,423,631</u>	<u>47,209,312</u>	<u>19,200,000</u>	<u>323,332,943</u>	<u>12,921</u>	<u>323,345,864</u>		
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)	-	-	-	-	16	
Dividends paid	-	-	-	(513,833)	(14,400,000)	(14,913,833)	(5,190)	(14,919,023)		
Proposed dividends	-	-	-	(16,800,000)	16,800,000	-	-	-	17	
Balance at December 31, 2010	<u>240,000,000</u>	<u>4,500,000</u>	<u>8,622,755</u>	<u>32,044,327</u>	<u>16,800,000</u>	<u>301,967,082</u>	<u>7,257</u>	<u>301,974,339</u>		

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

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 (2010: four branches) in the Republic of the Sudan. It's registered office is located at Building no. 411, Square 65, Mamoun Behairy Street, Al-Amaarat, 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 was registered with the Company Registrar and started operations in April 2008, Al-Mal Co. 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 and the Shariah Supervisory Committee of the Bank

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 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 34 form an integral part of these consolidated financial statements.

Year ended December 31, 2011

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 34 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

2. BASIS OF PREPARATION (continued)

2.5 Key accounting judgments and sources of estimation uncertainty (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 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 Equipment

Property and equipment 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 follow:

• Leasehold land		50 years
• Head Office Building		50 years
• Leased Buildings	(Lease tenor)	10 years
• IT equipment		4 years
• Office equipment, furniture and fixtures		5 years
• Motor vehicles		4 years
• Computer software		5 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 34 form an integral part of these consolidated financial statements.

Year ended December 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Investments 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 34 form an integral part of these consolidated financial statements.

Year ended December 31, 2011

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Investments 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 equivalent

For the purpose of the statement of cash flows, cash and cash equivalent 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 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 paid in full to the chamber of Zakat.

3.12 Taxation

The Bank is subject to business profit tax at the rate of 15% of taxable profit. Zakat is allowed as deduction for income tax purposes.

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

Year ended December 31, 2011

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.

Year ended December 31, 2011

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 the general provision for finance losses. All general and administrative expenses of the Bank including the specific provisions for finance losses 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 34 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS		
Cash in hand	2,609,783	6,437,899
Central Bank of Sudan - Current account	120,233,282	89,802,853
Central Bank of Sudan - Statutory cash reserve	18,357,958	22,728,788
Foreign correspondent banks – Current accounts	43,430,602	18,383,157
Cash margin on letters of credit with foreign correspondent bank	1,278,353	17,328,002
Total	<u>185,909,978</u>	<u>154,680,699</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 follow :

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
Local banks	62,252,225	20,000,000
Foreign banks and financial institutions	22,484,341	78,766,819
Total	<u>84,736,566</u>	<u>98,766,819</u>

6- INVESTMENTS IN SECURITIES

Investments in securities comprise:

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
Securities held for trading (Note 6.1)	203,064,556	112,444,569
Securities held to maturity (Note 6.2)	4,600,000	5,000,000
	<u>207,664,556</u>	<u>117,444,569</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

6- INVESTMENTS IN SECURITIES (continued)

6.1- SECURITIES HELD FOR TRADING

Description	Nominal Value	Unrealized gain	Market/ Carrying value at Dec 31, 2011
	SDG	SDG	SDG
Quoted government Securities:			
<i>Shahama certificates</i>	144,837,000	2,549,279	147,386,279
<i>Shama Certificates</i>	5,000,000	-	5,000,000
<i>Government Investment Certificates (GIC)</i>	34,000,000	-	34,000,000
<i>Shihab Certificates</i>	16,170,000	-	16,170,000
Sudatel shares	480,339	27,938	508,277
Total	200,487,339	2,577,217	203,064,556

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

*Shama represents certificates in a closed 7 years tenor fund managed by the Sudan Financial Services Co. which invests its resources in the acquisition of the assets of Khartoum Petroleum Refinery company and leasing them under an operating lease contract to the Ministry of Finance. The fund distributes profit quarterly which is expected to range from 12% to 14% per annum. The fund will be listed in the Khartoum Stock Exchange subsequent to December 31, 2011.

*Government Investment Certificates (GIC) is 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. GIC has a tenor of 2-6 years. The underlying assets of the securities portfolio are leased assets under Ijara contracts it distributes 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 institutions through the CBOS. Rental income is distributed monthly and is expected to yield between 10% to 12% per annum.

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

6.2- SECURITIES HELD TO MATURITY :	2011	2010
	SDG	SDG
Units in non-government listed investment funds :		
Alaman Fund	-	1,000,000
Emmar Fund	2,000,000	2,000,000
Global Investment Fund	2,000,000	2,000,000
Sudan Academy for Financial Banking Studies Fund	600,000	-
Total	4,600,000	5,000,000

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

6- INVESTMENTS IN SECURITIES (continued)

6.2- SECURITIES HELD TO MATURITY (continued) :

* 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. Expected return for year ended December 31, 2011 was 13.5% (2010 : 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.

* Sudan Academy portfolio represents the Bank's contribution among all commercial banks operating in Sudan in addition to the Central Bank in a 5 year closed ended fund managed by Financial Investment Bank. The fund resources will be invested in securities quoted in the Khartoum Stock Exchange with expected returns ranging from 12% to 14% per annum. 55% of the fund returns will be donated to the Sudan Academy for Banking Studies and 45% are distributed to the fund owners.

7- FINANCE TO CUSTOMERS, NET		<i>2011</i>	<i>2010</i>
<i>7.1 By type</i>	<i>Notes</i>	<i>SDG</i>	<i>SDG</i>
Deferred sales receivables :			
Murabaha receivables		371,063,272	255,484,021
Istisna receivables		110,444,648	124,909,775
Salam		4,650,568	23,026,975
Ijara		19,134,498	56,095,995
LCs financing		10,338,068	10,662,133
Staff Financing		2,159,526	2,197,212
Subtotal		517,790,580	472,376,111
Less : deferred profit		(69,167,657)	(57,467,997)
Less : Income suspense-past-due accounts		(2,898,275)	(997,954)
Total finance, net of deferred profit		445,724,648	413,910,160
Less : provision for finance losses	7.1.1	(24,087,218)	(29,033,995)
Receivables from deferred sales , net		421,637,430	384,876,165
Mudaraba and Musharaka financing :			
Syndicated financing with banks (Mudaraba)		24,715,802	43,824,690
Musharaka financing		-	2,083,333
Subtotal		24,715,802	45,908,023
Less : provision for finance losses	7.1.1	(5,126,533)	(2,061,080)
Mudaraba and Musharaka financing , net		19,589,269	43,846,943
Total finance to customers, net		441,226,699	428,723,108

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

7- FINANCE TO CUSTOMERS (CONTINUE)	<i>2011</i>	<i>2010</i>
7.1.1 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	4,119,183	2,529,113
Provided (recovered) during the year	472,899	1,590,070
FX Changes	22,499	-
Balance at the end of the year	<u>4,614,581</u>	<u>4,119,183</u>
Specific Provision:		
Balance at beginning of the year	26,975,892	12,894,776
Provided during the year	10,084,765	17,711,389
Recoveries of amounts previously provided	(12,044,396)	(3,681,737)
Bad debts written-off	(288,244)	-
FX Changes	(128,847)	51,464
Balance at the end of the year	<u>24,599,170</u>	<u>26,975,892</u>
Total accumulated provision at end of the year	<u><u>29,213,751</u></u>	<u><u>31,095,075</u></u>

7.1.2 Net charge (recovery) of provision for credit losses for the year in the consolidated income statement

General Provision:		
Addition during the year	472,899	1,590,070
Recoveries of amounts previously provided	-	-
Total charge of general provision	a <u>472,899</u>	<u>1,590,070</u>
Specific Provision:		
Addition during the year	10,084,765	17,711,389
Recoveries of amounts previously provided	(12,044,396)	(3,681,737)
Total charge of specific provision	b <u>(1,959,631)</u>	<u>14,029,652</u>
Net charge (recovery) of the provision expense for the year (a+b)	<u><u>(1,486,732)</u></u>	<u><u>15,619,722</u></u>

On December 31, 2011 total finance facilities subject to specific provision amounted to SDG 78,888,711 (2010: 70,555,345) out of which total past-due installments amounted to SDG 45,660,990 (2010: 60,433,000), which are covered by specific provisions totaling SDG 24,599,170.

Past-due installments net of deferred profit amounts to SDG 39,872,931.

The analysis of past-due installments, specific and general provisions 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 34 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

7- FINANCE TO CUSTOMERS (CONTINUED)

		<i>2011</i>	<i>2010</i>
<i>7.2 By Industry</i>	<i>Notes</i>	<i>SDG</i>	<i>SDG</i>
Trading		170,921,812	97,158,912
Manufacturing		207,944,511	330,777,829
Contracting		22,001,484	52,720,400
Service		87,590,000	2,363,705
Agriculture		6,367,729	2,426,573
Transportation		10,959,222	25,393,283
Other		36,721,624	7,443,432
Total finance, gross		542,506,382	518,284,134
Less: Deferred profit		(69,167,657)	(57,467,997)
Less Income suspense-past-due accounts		(2,898,275)	(997,954)
Total finance, net of deferred profit		470,440,450	459,818,183
less: Provision for finance losses	7.1.1	(29,213,751)	(31,095,075)
Finance to customers, net		441,226,699	428,723,108

		<i>2011</i>	<i>2010</i>
<i>7.3 By Portfolio</i>		<i>SDG</i>	<i>SDG</i>
Performing finance to customers		496,845,392	457,851,134
Non-performing finance to customers	7.3.1	45,660,990	60,433,000
Total finance to customers		542,506,382	518,284,134
Less : Deferred profit		(69,167,657)	(57,467,997)
Income suspense -past-due accounts		(2,898,275)	(997,954)
Total finance to customers, net of deferred profit & income suspense		470,440,450	459,818,183
General provision	7.1.1	(4,614,581)	(4,119,183)
Specific provision	7.1.1	(24,599,170)	(26,975,892)
Total provision		(29,213,751)	(31,095,075)
Finance to customers, net		441,226,699	428,723,108

7.3.1 Non-performing finance comprise past-due installments including deferred profit.

Past-due installments net of deferred profit amount to SDG 39,872,931.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
8. OTHER INVESTMENTS		
8.1 Investment properties		
Lands at cost	<u>6,461,000</u>	<u>6,461,000</u>
Total	<u><u>6,461,000</u></u>	<u><u>6,461,000</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. The Bank's management is confident that the cost of these investment properties at December 31, 2011 is not less than the fair value for this investemnts at December 31, 2011.

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
9- OTHER ASSETS		
Assets acquired for Murabaha financing	12,144,973	5,862,432
Salam inventory	903,564	-
Accrued income	6,047,799	3,358,362
Prepaid expenses	2,317,815	1,859,458
Other	148,120	260,488
Total	<u><u>21,562,271</u></u>	<u><u>11,340,740</u></u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2011

10- PROPERTY AND EQUIPMENT, NET

	Land and Buildings	IT equipment	Office equipment, Furniture & fixtures	Motor vehicles	Intangible assets: Computer Software	Total
Cost						
Balance at January 1, 2011	50,450,056	3,836,629	4,714,293	1,870,925	10,217,122	71,089,025
Acquisitions	1,706,646	104,069	77,863	367,780	199,120	2,455,478
Disposals	(702,395)	–	(57,014)	(396,716)	–	(1,156,125)
Balance at December 31, 2011	51,454,307	3,940,698	4,735,142	1,841,989	10,416,242	72,388,378
Accumulated depreciation						
Balance at January 1, 2011	2,081,957	3,075,557	1,049,111	1,152,674	2,115,538	9,474,837
Depreciation expense for the year	1,723,235	(219,471)	780,351	353,096	2,618,252	5,255,463
Disposals	–	–	(6,487)	(379,967)	–	(386,454)
Balance at December 31, 2011	3,805,192	2,856,086	1,822,975	1,125,803	4,733,790	14,343,846
Net book value at December 31, 2011	47,649,115	1,084,612	2,912,167	716,186	5,682,452	58,044,532
Net book value at December 31, 2010	48,368,099	761,072	3,606,422	777,011	8,101,584	61,614,188

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
11- CUSTOMERS' DEPOSITS		
Current accounts - Individuals	39,166,130	27,290,477
Current accounts - Corporate	196,729,447	116,938,551
Total current accounts	235,895,577	144,229,028
Margin & other deposits	95,114,726	76,571,963
Total	331,010,303	220,800,991
	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
Foreign currency deposits included in customers' deposits:		
Current accounts	66,964,392	36,267,109
Margin & other deposits	56,717,126	70,910,054
Total	123,681,518	107,177,163
	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
12- OTHER LIABILITIES		
Bills payable	5,235,651	9,137,348
Provision of zakat	1,876,485	1,910,276
Provision of business profit tax	3,944,824	5,232,256
Unclaimed cheques payable	1,428,343	-
Accounts payable to suppliers	1,560,165	2,279,417
Staff end of service benefits	2,626,919	1,913,768
Provision for deposits guarantee	383,948	658,563
Audit fees	75,760	71,298
Provision for staff performance bonus	1,757,137	1,186,036
Accrued expenses	490,897	230,683
Provision Board of Directors remuneration	362,159	288,999
Stamp duty	1,761,895	161,096
Performance retention payable to Istisna contractor	1,038,751	1,022,251
Payable on parallel Istisnaa	1,602,108	4,279,505
Participation fees in White Nile Sugar portfolio payable to banks	-	59,949
White Nile Sugar & Gezira Projects Syndication-collection account	80,674,214	31,080,328
National Switch	287,423	810,866
Other	185,232	142,264
Total	105,291,911	60,464,903

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

13. EQUITY OF UNRESTRICTED INVESTMENT	<i>2011</i>	<i>2010</i>
ACCOUNT HOLDERS	<i>SDG</i>	<i>SDG</i>
<i>a) By type:</i>		
Investment deposits	235,393,310	282,901,217
Total profit distributed for the year	17,563,527	21,182,736
Payments on account of profit during the year	(6,964,711)	(8,131,436)
Annual subscriptions to Deposits Guarantee Fund	(34,602)	(161,627)
Total	<u>245,957,524</u>	<u>295,790,890</u>
<i>b) By Sector:</i>		
Corporations	59,965,527	158,957,378
Banks	126,310,780	68,517,100
Government	700,000	50,000,000
Quasi-government	17,009,793	3,549,793
Non-governmental organizations	29,530,342	-
Individuals	1,876,868	1,876,946
Sub-total	235,393,310	282,901,217
Total profit distributed for the year	17,563,527	21,182,736
Payments on account of profit during the year	(6,964,711)	(8,131,436)
Annual subscriptions to Deposits Guarantee Fund	(34,602)	(161,627)
Total	<u>245,957,524</u>	<u>295,790,890</u>

14- SHARE CAPITAL	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
Authorized, issued and paid up share capital		
24 million shares of SDG 10 each (2010: 24 million shares of SDG 10 each)	240,000,000	240,000,000
	<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 .

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
17- PROPOSED DIVIDENDS		
Cash dividends of SDG 0.8 per share of SDG 10 each	19,200,000	16,800,000
The Board of Directors have resolved, by circulation, to recommend to the Annual General Meeting of the shareholders to approve distribution of cash dividends equal to 8% of the Bank's paid up capital as at December 31, 2011 (2010: 7%), from 2011 profits available for distribution and to supplement shortage, if any, from prior year retained earnings, subject to approval by the Central Bank of Sudan.		
18- REVENUE FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
<i>Realized income from deposits with banks & financial institutions</i>		
Local banks	1,108,320	3,118,245
Foreign banks	376,809	153,883
	1,485,129	3,272,128
<i>Accrued income from deposits with banks & financial institutions</i>		
Local banks	274,822	789,420
Foreign banks	-	110,154
	274,822	899,574
Revenue from investment deposits with banks	1,759,951	4,171,702
	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
19- REVENUE FROM INVESTMENTS IN SECURITIES		
<i>Realized income from Securities held for trading :</i>		
Liquidated shahama certificates	5,130,513	10,478,982
Shama certificates	129,356	-
Government Investment Certificates (GIC)	3,521,334	5,793,388
Shihab investment certificates	1,884,542	660,880
Dividend declared by Sudatel	35,016	-
Total realized income from Securities held for trading :	10,700,761	16,933,250
<i>Unrealized income from securities held for trading :</i>		
Loss from re-measurement at fair value of Sudatel shares	(252,634)	(164,777)
Total unrealized income from securities held for trading	(252,634)	(164,777)
<i>Income from securities held to maturity</i>		
Alaman Fund	33,667	158,334
Emaar Fund	269,799	200,003
Global Investment Fund	282,896	16,438
Sudan Academy for Financial Banking Studies Fund	6,739	-
Total income from securities held to maturity	593,101	374,775
Total income from securities	11,041,228	17,143,248

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

	<i>2011</i>	<i>2010</i>
20- REVENUE FROM FINANCING TO CUSTOMERS	<i>SDG</i>	<i>SDG</i>
Murabaha	31,911,104	22,898,387
Ijarah	7,288,040	7,021,224
Salam	2,510,985	1,050,817
Istisnaa/ Mugawala	8,311,055	10,195,211
Syndicated Mudarabah with Banks	399,002	573,040
Musharakah	151,563	330,796
	50,571,749	42,069,475
Income Suspense recovery (charge)	(2,678,322)	882,768
Total	47,893,427	42,952,243
	<i>2011</i>	<i>2010</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	25,144,131	26,493,617
Bank's share as Mudarib	(7,715,138)	(6,800,393)
Unrestricted investments account holders' share of Shareholders' cession	17,428,993	19,693,224
	-	625,646
Unrestricted investments account holders' share of	17,428,993	20,318,870
Average profit distribution rates :		
Accounts in Sudanese Pounds	8.59%	8.09%
Accounts in foreign currencies	4.46%	4.05%
	<i>2011</i>	<i>2010</i>
22- FEE INCOME	<i>SDG</i>	<i>SDG</i>
Letters of credit commissions	15,722,786	15,150,202
Commission received on guarantees	1,083,535	468,267
Administration fees	967,776	469,442
Draft cheques, transfers and remittances	1,453,792	1,014,395
Arrangement & participation fee - White Nile Sugar Project Syndication	-	281,011
Income from management of restricted investment accounts	595,697	117,786
Brokerage fees	880,112	1,223,040
Investment advisory services	489,088	-
Fee from other banking services	889,258	597,373
Total	22,082,044	19,321,516

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
23- FOREIGN EXCHANGE GAIN, NET		
Transaction gain, net	1,441,920	11,593,825
Revaluation gain	3,958,813	6,430,152
Total	5,400,733	18,023,977
	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
24- OTHER GENERAL AND ADMINISTRATIVE EXPENSES		
Bank premises expense (Note 24.1)	2,482,186	3,200,882
Communications	457,119	559,480
Maintenance of equipment, furniture & motor vehicles	699,091	482,715
Computer expenses	1,042,088	1,074,650
Marketing & promotion	380,518	252,846
Office supplies	267,969	221,549
Business travel	198,023	270,258
Legal, audit and consultants expenses	560,531	519,024
Training	878,035	481,068
Subscriptions	611,181	875,158
Board and General Assembly expenses	964,898	722,787
Bank charges	147,345	90,591
Donations	70,405	154,593
Penalty Hegleig (Rent)	-	634,353
Investment loss (Al-Andlos)	-	200,832
Government dues	20,391	20,102
Cash Insurance	227,332	126,250
Central Bank of Sudan penalties	6,500	3,200
Catering Service	200,564	98,616
Other	520,154	443,833
Total	9,734,330	10,432,787

24.1- Bank premises expense

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

	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
25- EARNINGS PER SHARE		
Net income for the year	38,165,861	32,089,306
Weighted average number of shares outstanding (shares)	24,000,000	24,000,000
Earnings per share (SDG)	1.59	1.34

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 34 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

		<i>2011</i>	<i>2010</i>
		<i>SDG</i>	<i>SDG</i>
26- CASH AND CASH EQUIVALENT			
Cash and balances with banks and financial institutions	(Note 4)	166,273,667	114,623,909
Investments deposits with banks and financial institutions	(Note 5)	84,736,566	98,766,819
Total		<u>251,010,233</u>	<u>213,390,728</u>

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

27- RELATED PARTY TRANSACTIONS

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

	<u>2011</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2011
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Balance sheet items:			
Financing and investing assets	17,242,062		17,242,062
Customers' and investments deposits	1,162,868	127,264	1,290,132
Minority interest	-	12,921	12,921
Income statement items:			
Profit from financing	15,617,863	-	15,617,863
Fees and commissions	2,768	-	2,768
Key Management Personnel compensation:			
Salaries and other benefits	-	2,107,090	2,107,090
Post-employment benefits	-	389,923	389,923

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

27- RELATED PARTY TRANSACTIONS (continued)

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 building 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

28- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follow:

	2011 <u>SDG</u>	2010 <u>SDG</u>
28.1.Financing - related commitments and contingencies :		
Letters of credit	157,729,275	219,818,089
Letters of guarantees	44,060,737	15,635,936
Acceptances	193,313,030	91,152,132
Total financing - related commitments and contingencies :	395,103,042	326,606,157
28.2 Non-financing related commitments :		
Restricted investments accounts (Note 29)	259,056,798	53,341,889
Total commitments and contingencies	654,159,840	379,948,046

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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:

2011	within 3 months	3-12 months	1-5 years	Over 5 years	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Letters of credit	157,729,275	-	-	-	157,729,275
Letters of guarantee	11,305,620	11,386,117	21,369,000	-	44,060,737
Acceptances	139,257,771	54,055,259	-	-	193,313,030
Irrevocable commitments to extend credit	-	-	-	-	-
Total	308,292,666	65,441,376	21,369,000	-	395,103,042

2010	within 3 months	3-12 months	1-5 years	over 5 years	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

29. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 259,056,798 at December 31, 2011 (2010: SDG 53,341,889). 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 and classification by sector as at 31 December are as follows:

	<i>2011</i> <i>SDG</i>	<i>2010</i> <i>SDG</i>
a) Movement during the year :		
Balance at beginning of the year	53,341,889	18,736,533
Additions	220,714,909	54,022,632
Withdrawals	(15,000,000)	(19,417,276)
Balance at end of the year	<u>259,056,798</u>	<u>53,341,889</u>
b) Restricted investment accounts assets :		
Murabaha finance	258,049,907	38,341,889
Shahama Securities	-	15,000,000
Sudatel Securities	1,006,891	-
Total	<u>259,056,798</u>	<u>53,341,889</u>
c) Classification of restricted investment accounts by		
Banks	<u>259,056,798</u>	<u>53,341,889</u>
Total	<u>259,056,798</u>	<u>53,341,889</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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	
	2011	2010	2011	2010
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	304,132,943	267,671,131	62%	46%
Core and supplementary capital (Tier 2)	308,747,524	271,790,314	63%	47%

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, less prescribed deduction.

Tier 2 capital comprises the elements of Tier 1 in addition to 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	
	<i>2011</i>	<i>2010</i>
	<i>SDG</i>	<i>SDG</i>
Credit Risk	331,848,388	548,942,850
Operational risk	85,164,886	68,423,697
Market risk	97,964,642	76,515,361
Total pillar-1 - risk weighted assets	514,977,916	693,881,908

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

31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

31.1 Financial instruments

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

31.2 Risk management

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

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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

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, 2011 is as follows:

Assets	2011				
	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	185,909,978	-	-	-	185,909,978
Investments with banks and financial institutions	84,736,566	-	-	-	84,736,566
Investment in securities	21,103,988	162,162,180	-	24,398,388	207,664,556
Finance to customers	109,751,841	116,194,269	57,505,552	157,775,037	441,226,699
Other investment	-	-	-	6,461,000	6,461,000
Other assets	16,478,977	2,526,162	1,842,644	714,488	21,562,271
Property and Equipment	-	-	-	58,044,532	58,044,532
Total assets	417,981,350	280,882,611	59,348,196	247,393,445	1,005,605,602

Liabilities and Equity

Customer deposits	323,785,583	7,224,720	-	-	331,010,303
Other liabilities	51,512,623	48,499,435	2,665,606	2,614,247	105,291,911
Equity of unrestricted investment account holders	111,466,401	124,077,965	10,413,158	-	245,957,524
Minority interest	-	-	-	12,921	12,921
Shareholders' equity	-	-	-	323,332,943	323,332,943
Total liabilities and Equity	486,764,607	179,802,120	13,078,764	325,960,111	1,005,605,602

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2011

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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	230,367,650	151,808,665	428,723,108
Other investment				6,461,000	6,461,000
Other assets	9,904,430	417,747	618,746	399,817	11,340,740
Property and Equipment	-			61,614,188	61,614,188
Total assets	323,183,055	22,133,886	311,430,512	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

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, 2011	Dec. 31, 2010
Euro	(19,591,247)	62,869,870
US Dollar	101,025,633	26,531,110
Other currencies	(164,045)	326,037

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 34 form an integral part of these consolidated financial statements.

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, 2011 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, 2011 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.

34. COMPARATIVE FINANCIAL STATEMENTS

Certain 2010 comparative figures were reclassified to conform with current year's presentation.

List of Correspondent Banks

● Belgium

Byblos Bank Europe S.A

● Denmark

Danske Bank

● Egypt

National Bank of Egypt

Arab Banking Corporation (ABC)

Banque Du Caire

African Export-Import Bank

● 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

Bank Muscat International (BMI)

Ithmaar Bank

● Kingdom of Saudi Arabia

National Commercial Bank (NCB)

● Kuwait

Boubyan Bank

● Lebanon

Fransabank

Byblos Bank

Albaraka Bank

● Sultanate of Oman

Bank Muscat

● Switzerland

Banque De Commerce Et De Placement
(BCP)

● Turkey

Albaraka Turk Participation Bank

● Qatar

Qatar National Bank

● United Arab of Emirates

Abu Dhabi Islamic Bank (ADIB)

Mashreq Bank

ALMSRAF (ARBIFT)

● United Kingdom

British Arab Commercial Bank (BACB)

Directory of Head Office

Branches and Subsidiary Companies

Head Office & Main Branch

Plot 411, Square 65, Mamoun Beheiry St,
South Green of Square, Khartoum
P.O Pox : 8210 Al Amarat , Khartoum, Sudan
Postal Code: 11111
Tel : 00249-183-247700
Fax : 00249-183-235000
Websites: www.bankalmal.net
www.capitalbank-sudan.net
E-Mail Address: almal@bankalmal.net
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 - Cinema St. - Nyala
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

