



United Capital Bank
بنك المال المتحد

PARTNERS IN PROGRESS



Annual Report
2012

Annual Report
2012

 **United Capital Bank**
بنك المال المتحد
شركاء في التقدم



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United Capital Bank
بنك المال المتحد

PARTNERS IN PROGRESS

Our Mission | ■



- * UCB aims at identifying the excellent investment opportunities which are known to be plenty in Sudan. UCB endeavors to bring them to materialization for the benefit of 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
until November 25, 2012



Ahmed Magzoub Ahmed
Member
from February 6, 2013



Al-Sharef Ahmed Badur
Member



Kamal Ahmed Elzubeir
Member and General Manager

Sharia Committee | ■



Ebrahim Ahmed Osman
Chairman



Makhaoui Mudawi Makhawi
Member



Eltigani Abdel Gadir Ahmed
Member



Ebrahim Ahmd Aldareer
Member



Mohammed Mahjoub Bashary
Shariah Controller
& Committee Secretary

■ 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



Tahir Ahmed Elshazli
Chief Operations Officer

Senior Management | ■



Osama Alfadil
Head, Corporate Finance



Abualama Mohamed
Head, Risk Management & CAD



Salma Haroun
Head, Treasury & Int'l
Banking Relations



Shadia Elkordofani
Head, HR
& Administration Affairs



Yasir Gafaar
Head, Accounting Dept



Abdelgadir Mohamed
Compliance Officer



Elamin Ahmed
Head, Internal Audit



Abdelrazag Mustafa
Head, Information
Technology



Mohammed Mahjoub Bashary
Sharia Controller
& Committee Secretary



Ahmed Mohamed Khair
Head, Legal Department
and Board Secretary



Kamal Aldeen Elyass
Planning and Business
Development Manager

■ Chairman's Report to the 8th Annual General Meeting



Adel Abdul Wahab Almajed
Chairman

Introduction:

The strict deflationary policy adopted by the Central Bank of Sudan and the Ministry of Finance continued during year 2012. The policy aimed at curbing inflation in the wake of the secession of the South and the loss of the revenue of oil produced from the oil fields there. It represented about 75% of the oil produced in the whole country prior to the secession and about 28.6% of the government revenue. The situation was further aggravated by the non-agreement between the governments of Sudan and South Sudan on several economic, security and political issues and the widening of the deficit of the budget and the balance of payment. As a result, the exchange rate of the local currency depreciated from SDG 2.75 to SDG 5.29 against the US\$ on June 25, 2012 and it reached SDG 5.98 on December 31, 2012. On the other hand, the inflation rate averaged 35% during the year.

To combat this situation, the government adopted a bundle of macro-economic measures with the objective to achieve structural economic reform. The Three Years Emergency Economic Program, as it is called, or the "Program" aims to achieve economic stability by reducing inflation rate and stabilizing the exchange rate. The Program is based on the mobilization of production in various economic sectors through a clear strategy to increase local production of four major commodities, namely, sugar, wheat, oil seeds and medicine to reduce imports of same and consequently reduce the demand for foreign currency. On the other hand, the Program aims to increase the production of other four export commodities, namely, cotton, gum arabic, sheep and gold to secure additional foreign currency resources to compensate for the loss of the oil revenue following the separation of the South.

In support of the Program, the Central Bank of Sudan issued directives to the local banks to encourage them to finance the commodities mentioned above and promised to grant incentives to the banks who do so.

Important achievements of the bank during the year:

The bank's activities during the year were focused on the following areas:

Trade Finance: The bank played an important role in the area of issuing letters of credit on behalf of its prime customers to import various strategic commodities such as sugar, wheat, various agricultural and industrial inputs, medicine and capital goods. The total value of the letters of credit issued by the bank during the year amounted to US\$ 178 million. The bank gave a special regard to the financing

of the program commodities. As a result, the bank was honored by receiving the highest incentive amongst all local banks from the central bank for its role in this area.

Project Finance: The bank continued its policy of financing the projects of vital value to the economy in the industrial sector, dams construction, gold mining, infrastructure and other areas of significant added value to the national economy.

Participation in and Management of Syndicated Facilities: The bank participated during the year in several syndicated facilities managed by other banks particularly in the oil seeds production and export of sheep. It continued to manage two other syndications for Gazira Scheme for SDG 170 million and for White Nile Sugar Company for Euro 60 Million.

Financial Performance of the bank during the year:

In spite of the negative impact of the economic and political circumstances on the banking sector at large, United Capital Bank was able to achieve remarkable growth in all major financial indicators during 2012.

Total assets increased from about SDG 1,006 million at end of 2011 to about SDG 1,504 million at the end of 2012 (an increase of about 49.5%). The assets structure is a blend that ensures excellent returns and high degree of liquidity.

Total operating revenue for the year amounted to about SDG 138 million compared to about SDG 71 million during the year 2011 (an increase of 95%). This exceptional increase is attributable to the large increase in income from finance to customers which jumped from about SDG 60 million in 2011 to about SDG 95 million in 2012 (an increase of 58%) in addition to the increase in the foreign currency revaluation gains following the steep devaluation of the value of the local currency against foreign currencies as the bank had a net long position in foreign currencies at the end of the year.

Net profits after tax and zakat also increased from about SDG 38 million in 2011 to about SDG 77 million in 2012 (as increase of 101.5%). Consequently, return on nominal share value amounted to 32% compared to 15.9% last year .

Net value of the finance to customers portfolio amounted to about SDG 761 million compared to about SDG 473 million at the end of 2011.

The portfolio is diversified among various economic sectors and is implemented by using various Islamic modes of financing. The total size of this portfolio amounts to about SDG 1,537 million

when letters of credit and letters of guarantee are added to it compared to about SDG 868 million at the end of 2011. The ratio of the overdue installments to the total size of the portfolio amounted to 2.6% compared to 5.3% at the end of the year 2011.

It is worth mentioning that the bank adheres to all regulatory standards and requirements and adopts the best banking practices. It complies with all directives and rules issued by the central bank, the Sharia Committee, the standards issued by the AAI OFI in addition to the International Financial Reporting Standards.

The Social Responsibility Activities:

In line with the bank's strategy to offer services to the community, the bank financed during the year a number of projects which offer services to the local communities in various locations outside Khartoum. The value of these projects represents 17% of the total size of the portfolio. The bank also finalized the necessary manuals and structures to commence its activities in the area of micro-finance. This activity is expected to be launched during the first half of 2013. It will be conducted in a manner that suits the bank's general strategy of it being a corporate bank that serves prime corporates and their senior employees.

Furthermore, the bank donated significant funds to a number of organizations and individuals for various benevolent purposes in addition to its payment of Zakat to the Chamber of Zakat in excess of SDG 5 million compared to SDG 1 million last year.

Human Capital:

The bank's strategy with regard to the human capital is to attract the best talent and retain its status as one of the top three employers in the banking sector in the country . During 2012, as was the case in previous years, the bank offered training programs inside and outside Sudan to 85 staff members from a total of 140 employees. The bank also organized English Language courses to 20 staff members in collaboration with the British Council.

Another significant development in this area, the bank introduced an advanced system for the evaluation of the staff performance based on the "Balanced Score Card" concept . It was designed by a professional consultant and approved by the Board of Directors during 2011. It aims to introduce the concept and culture of performance based reward.

The board approved at the end of the year an amendment to the salary scale of the bank together with significant salary increases to all staff members to help retain excellent staff as the bank lost a number of its excellent employees to the new banks established during 2012. Although the bank lost some staff, nevertheless, it was able to fill their positions by existing staff , thanks to the bank's continuous training policy.

Acknowledgements and thanks:

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. 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 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. I hope we will be able to fulfill all our ambitions in the future and to place UCB in the forefront of the banking sector in Sudan for the benefit of the national economy and the stake holders of the bank.

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

Adel Abdulwahab Almajed
Chairman of the Board of Directors



Gold extracted by Ariab Mining Company. Samples are returned to the mines for analysis after these samples have been refined in Canada.

■ Chief Executive & General Manager's Report



Kamal Ahmed Elzubeir

Chief Executive Officer
& General Manager

Chief Executive & General Manager's Report

United Capital Bank (UCB) achieved significant growth rates during the last few years (2008-2012) as indicated below (SDG millions) :

	2008	2009	2010	2011	2012
Total Assets	529	778	879	1,006	1,504
Finance to Customers	271	332	429	441	730
Shareholders' equity	280	285	302	323	381
Customers' deposits	119	185	221	309	341
Equity of investment account holders	116	280	296	246	382
Gross Income	53	54	81	71	138
Net Profit (before tax and zakat)	31	26	39	44	87

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

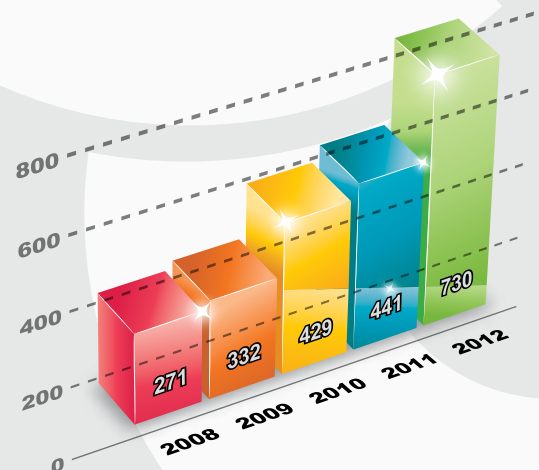
Total Assets (SDG MILLION)

2008	529
2009	778
2010	879
2011	1,006
2012	1,504



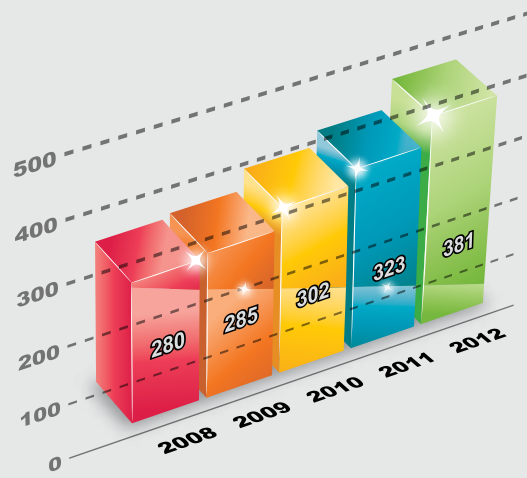
Finance to Customers (SDG MILLION)

2008	271
2009	332
2010	429
2011	441
2012	730



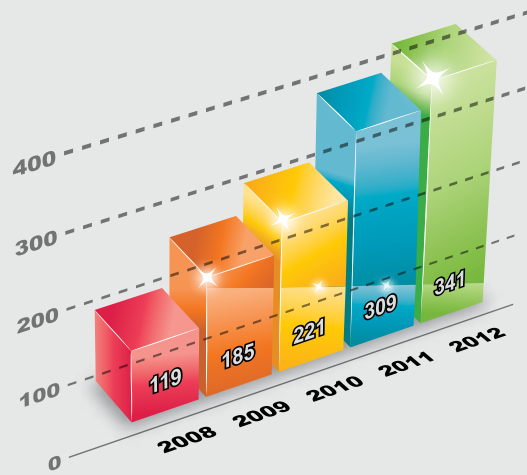
Shareholders' Equity (SDG MILLION)

2008	280
2009	285
2010	302
2011	323
2012	381



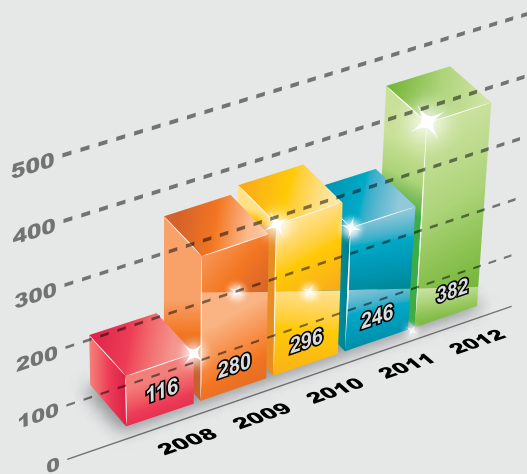
Customers' Deposites (SDG MILLION)

2008	119
2009	185
2010	221
2011	309
2012	341



Equity of investment accounts holders (SDG MILLION)

2008	116
2009	280
2010	296
2011	246
2012	382



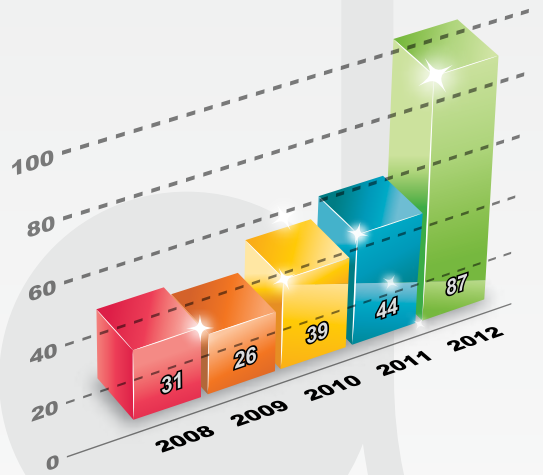
**Gross Income
(SDG MILLION)**

2008	53
2009	54
2010	81
2011	71
2012	138



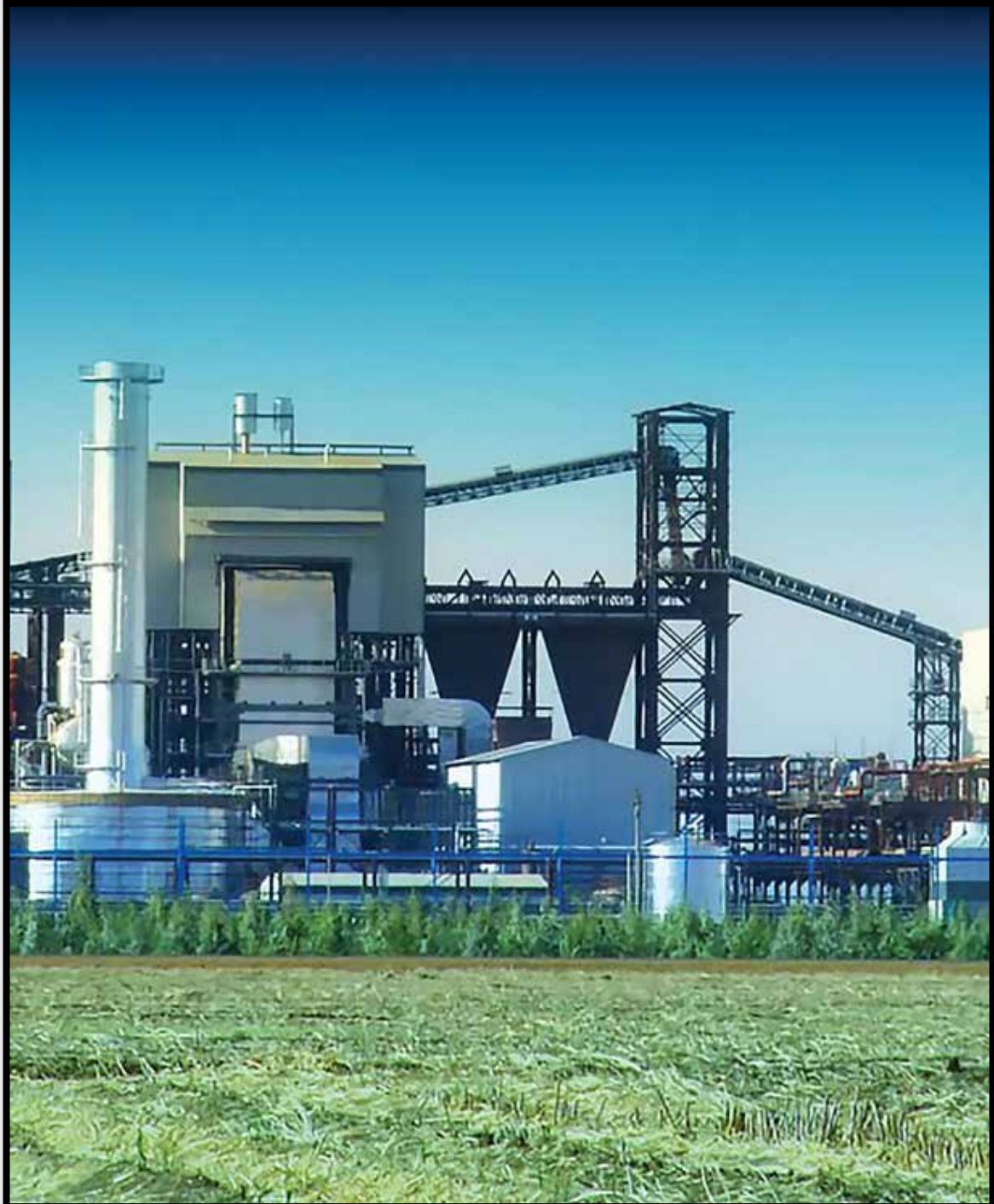
**Net Profit (before tax & zakat)
(SDG MILLION)**

2008	31
2009	26
2010	39
2011	44
2012	87



The management focused during these years on the recruitment of high caliber staff at all levels. The number of staff increased gradually from 81 at end of the first year of the bank 2008 to 140 at end of this year 2012.

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 Factory, which was opened in June 2012. The project's full capacity is 450,000 tons per year.

Financial Statements | ■



External Auditor's Report



عبد اللطيف و بشري و شركاههم

محاسبون قانونيون و مستشارون
مراسلوا كى بي إم جى العالمية
الخرطوم - السودان

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 2012, 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 accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank and the applicable regulations of the Central Bank of Sudan .In accordance with the requirement of AAOIFI ,for matters where no AAOIFI standards exist , the Bank applies the relevant International Financial Reporting Standards (IFRS) . 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 2012, and of its consolidated financial performance and its cash flows for the year then ended and are in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank and the applicable regulations of the Central Bank of Sudan .In accordance with the requirement of AAOIFI ,for matters where no AAOIFI standards exist , the Bank applies the relevant International Financial Reporting Standards (IFRS)

Abdellatif, Bushra & Co.
Chartered Certified Accountants
Chartered Certified Accountants
Khartoum : 21 February 2013

Consolidated Financial Statements | ■

as at December 31, 2012

UNITED CAPITAL BANK


CONSOLIDATED STATEMENT OF FINANCIAL POSITION


At December 31, 2012

	<i>Notes</i>	<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
ASSETS			
Cash and balances with banks and financial institutions	4	422,295,043	185,909,978
Investment with banks and financial institutions	5	94,044,000	84,736,566
Investment in securities	6	178,479,379	207,664,556
Finance to customers, net	7	729,951,526	441,226,699
Other investments	8	6,461,000	6,461,000
Other assets	9	20,237,361	21,562,271
Property and equipment, net	10	52,163,097	58,044,532
TOTAL ASSETS		<u>1,503,631,406</u>	<u>1,005,605,602</u>
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
Liabilities			
Due to banks and financial institutions	11	263,504,011	21,829,059
Customers' deposits	12	341,131,053	309,181,244
Other Liabilities	13	135,568,048	105,291,911
TOTAL LIABILITIES		<u>740,203,112</u>	<u>436,302,214</u>
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	14	<u>382,332,891</u>	<u>245,957,524</u>
Shareholders' equity			
Share capital	15	240,000,000	240,000,000
Share premium	16	4,500,000	4,500,000
Statutory reserve	17	20,045,800	12,423,631
Fair value reserve		56,791	-
Retained earnings		94,877,264	47,209,312
Proposed dividends	18	21,600,000	19,200,000
Total Shareholders' equity of the parent company		<u>381,079,855</u>	<u>323,332,943</u>
Non-controlling interest		<u>15,548</u>	<u>12,921</u>
TOTAL SHAREHOLDERS' EQUITY		<u>381,095,403</u>	<u>323,345,864</u>
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		<u>1,503,631,406</u>	<u>1,005,605,602</u>
COMMITMENTS AND CONTINGENCIES	29	<u>1,242,134,631</u>	<u>654,159,840</u>

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on February 14, 2013.


Adel Abdul Wahab Al-Majed
Chairman and Managing Director


Mansour Qaiser Bteish
Vice-Chairman


Kamal Ahmed Elzubeir
General Manager

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

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2012

	<i>Notes</i>	<i>2012 SDG</i>	<i>2011 SDG</i>
INCOME FROM :			
Investment with banks and financial institutions	19	3,113,937	1,759,951
Investment in securities	20	21,493,456	11,041,228
Finance to customers	21	70,369,139	47,893,427
Total income from financing and investments		94,976,532	60,694,606
Less: Return to unrestricted investment account holders	22	(24,798,297)	(17,428,993)
Net income from investment and financing		70,178,235	43,265,613
Fee income	23	20,627,095	22,082,044
Foreign exchange gain, net	24	47,235,028	5,400,733
Total operating income		138,040,358	70,748,390
EXPENSES			
Staff cost		(21,470,523)	(13,252,494)
General and administrative expenses	25	(23,233,483)	(9,734,330)
Depreciation	10	(5,157,880)	(5,255,464)
Provision for finance losses	7.2	(1,590,510)	1,486,732
Total operating expenses		(51,452,396)	(26,755,556)
Net operating profit before zakat and income tax		86,587,962	43,992,834
Zakat expense		(4,966,606)	(1,876,485)
Income tax expense		(4,724,483)	(3,944,824)
Net profit		76,896,873	38,171,525
Less: net profit attributable to non-controlling interest		(6,752)	(5,664)
Net profit attributable to equity holders of the parent company		76,890,121	38,165,861
Earnings per share	26	3.20	1.59

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

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

	<i>Notes</i>	<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		76,890,121	38,165,861
Adjustments for:			
Depreciation and amortization		5,157,880	5,255,464
Zakat		4,966,606	1,876,485
Income tax		4,724,483	3,944,824
Provision for staff end of service benefits		1,438,754	713,151
Provision for finance losses		1,590,510	(1,486,732)
Unrealized (gain)/loss from securities at fair value through income statement		(1,552,670)	1,840,072
Loss (gain) on disposal of property and equipment		1,635,936	(34,530)
Operating profit before working capital changes		94,851,620	50,274,595
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(44,634,273)	4,370,830
Cash margin on LCs & LGs		(44,583,433)	16,049,649
Finance to customers		(290,315,337)	(11,016,859)
Other assets		2,877,580	(12,061,603)
Net increase in operating liabilities:			
Due to Banks and financial institutions		241,674,952	20,912,581
Customer deposits		31,949,809	89,296,731
Other liabilities		19,146,552	38,291,083
Net cash from operating activities		10,967,470	196,117,007
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(105,168,032)	(270,330,987)
Proceeds from sale of investment		134,410,000	180,111,000
Acquisition of property and equipment		(1,144,138)	(2,455,478)
Proceeds from sale of property and equipment		231,756	804,201
Net cash from (used in) investing activities		28,329,586	(91,871,264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in non-controlling interest		2,627	5,664
Dividends paid		(19,200,257)	(16,798,536)
Net increase (decrease) in equity of unrestricted investment accounts		136,375,367	(49,833,366)
Net cash from (used in) financing activities		117,177,737	(66,626,238)
Net increase in cash & cash equivalents		156,474,793	37,619,505
Cash and cash equivalents at beginning of the year		251,010,233	213,390,728
Cash and cash equivalents at end of the year	27	407,485,026	251,010,233

The attached notes 1 to 35 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, 2012

		Attributable to shareholders' of the parent company									
	Note	Share capital	Share premium	Statutory reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Non-controlling interest	Total Shareholders' equity	
		SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	
Balance at January 1, 2012		240,000,000	4,500,000	12,423,631	-	47,209,312	19,200,000	323,332,943	12,921	323,345,864	
Net Profit for the year		-	-	-	-	76,890,121	-	76,890,121	6,752	76,896,873	
Transfer to statutory reserve	17	-	-	7,622,169	-	(7,622,169)	-	-	-	-	
Net change in fair value reserve		-	-	-	56,791	-	-	56,791	-	56,791	
Dividends paid		-	-	-	-	-	(19,200,000)	(19,200,000)	(4,125)	(19,204,125)	
Proposed dividends	18	-	-	-	-	(21,600,000)	21,600,000	-	-	-	
Balance at December 31, 2012		240,000,000	4,500,000	20,045,800	56,791	94,877,264	21,600,000	381,079,855	15,548	381,095,403	
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	17	-	-	3,800,876	-	(3,800,876)	-	-	-	-	
Dividends paid		-	-	-	-	-	(16,800,000)	(16,800,000)	-	(16,800,000)	
Proposed dividends	18	-	-	-	-	(19,200,000)	19,200,000	-	-	-	
Balance at December 31, 2011		240,000,000	4,500,000	12,423,631	-	47,209,312	19,200,000	323,332,943	12,921	323,345,864	

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

Year ended December 31, 2012

1. INCORPORATION AND ACTIVITIES

United Capital Bank (the Bank) is a Public Limited Company registered in the Republic of 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 were listed for trading at the Khartoum Stock Exchange with effect from November 25, 2007.

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

The Bank operates through four branches (2011: four branches) in the Republic of Sudan. Its registered office is located at Building no. 411, Square 65, Mamoun Behairy Street, Khartoum East, Post Office Box 8210, Al-Amaarat, Khartoum, Sudan. Fax no. 00249 183 235 000, web site : www.bankalmal.net.

The Bank owns 99% of the shares of Al-Mal United for Securities Company Limited (Al-Mal), which was registered with the Company Registrar and started operations in April 2008. Al-Mal provides financial investment and brokerage services and is a licensed dealer at the Khartoum Stock Exchange. The Bank also owns 99% of the shares of Al-Mawarid Investment Company Limited (Al-Mawarid), which was registered with the Company Registrar in January 2009 and started operations in April 1, 2009. Al-Mawarid is licensed to invest in real estate development and various other economic sectors. Al-Mawarid ceased operations and remained dormant with effect from July 19, 2011.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank and the applicable regulations of the Central Bank of Sudan. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Bank applies the relevant International Financial Reporting Standards (IFRS).

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical cost concept except for the re-measurement at fair value of investment securities carried at fair value through income statement and equity.

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.

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

Year ended December 31, 2012

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries , Almal United Company limited and Almarawid 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 arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interest represent the portion of profit or loss and net assets not owned 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.

2.5 Critical accounting judgments and estimates

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.

2.5.1 Impairment losses on financing portfolio

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 consolidated financial statements.

2. BASIS OF PREPARATION (continued)

2.5 Critical accounting judgments and estimates (continued)

2.5.2 Impairment of equity-type instruments through equity

The Bank exercises judgment to consider impairment on equity-type instruments through equity. 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.

2.5.3 Fair value of financial instruments that are not quoted in an active market

The fair values of financial instruments that are not quoted in an active market 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 characteristics.

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 accounting policies adopted are consistent with those of the previous financial year, except for the following new accounting standard (FAS 25).

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

3.1 Adoption of new accounting standard

Financial Accounting Standard (FAS 25) "Investment in sukuk, shares and similar instruments"

The Bank has adopted FAS 25 issued by AAOIFI which covers the recognition, measurement, presentation and disclosure of investment in sukuk, shares and similar investments that exhibit characteristics of debt and equity instruments made by the Islamic Financial Institutions. The accounting standard 25 classifies sukuk and financial instruments into two categories:

*Equity-type instruments are accounted at fair value through equity or fair value through income statement as appropriate.

*Debt-type instruments are accounted at amortized cost or fair value through income statement as appropriate.

The adoption of FAS 25 did not have material impact on the consolidated income statement, but had impact on the presentation and disclosure of the investment portfolio. Accordingly, the consolidated statement of financial position and related accounting policies and disclosures have been amended in line with FAS 25.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position. All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3.3 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 balances not subject to specific provisions.

3.4 Investment in securities

According to FAS 25, investment in securities are broadly classified into debt-type instrument where the investment is managed on a contractual yield basis; and equity-type investments which include instruments that evidence a residual interest in the net assets of the investee entity.

The investment securities held by the Bank fall into the equity-type category which are subject to the following policies:

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

Year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Investment in securities (continued)

3.4.1 Equity-type instruments at fair value through income statement:

These include instruments held for the purpose of generating profit from the short term market fluctuations. These are initially recognized at cost, being the fair value of the consideration given, and are subsequently re-measured at fair value.

All related realized and unrealized gains or losses are included in the consolidated income statement.

3.4.2 Equity-type instruments at fair value through equity:

Equity-type investments carried at fair value through equity are those equity instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity. These are initially recognized at cost, being the fair value of the consideration given, plus transaction costs. Subsequent to acquisition, these are re-measured at fair value on individual basis. Unrealized gains or losses arising from a change in the fair value are recognized directly in owner's equity under "fair value reserve" until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognized in the consolidated income statement.

3.4.3 Equity-type instruments carried at cost:

Instruments which do not have a quoted market price or other appropriate methods from which to derive reliable fair values are initially recognized and subsequently carried at cost less impairment in value. Any gain or loss on such investment is recognized in the consolidated income statement when the investment is derecognized or impaired.

3.5 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.

3.6 Finance to customers

Deferred receivables from Murabaha, Salam, Ijarah and Istisna are stated net of deferred profit, provision for impairment and profit in suspense, if any.

Participation in syndicated financing with other 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, if any.

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

Year ended December 31, 2012

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Other financial assets and liabilities

With regard to 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.

3.8 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are defined as cash, balances with the Central Bank of Sudan excluding statutory cash reserve, balances and investment deposits with banks and other financial institutions that are readily convertible to known amounts of cash within ninety days.

3.9 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.

3.10 Zakat

Zakat is calculated and provided for, in accordance with the regulations of the Chamber of Zakat which is a government agency responsible for collection and distribution of Zakat. Zakat is paid in full to the Chamber of Zakat.

3.11 Taxation

The Bank is subject to business profit tax at the rate of 30% (2011: 15%) of taxable profit. Zakat is allowed as deduction for income tax purposes.

3.12 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Revenue recognition

*Income from Murabaha finance is recognized on a time-apportioned basis over the period of the contract based on the outstanding balance.

*Income from Istisnaa arises from financing the contract and post-contract phases of the project. Profit from financing the contract 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-apportioned basis over the period based on the outstanding balance.

*Ijarah income is recognized on a time-apportioned basis over the lease period.

*Profit or loss from Salam finance is recognized when Salam commodity has been received and the significant risks and rewards of ownership of the Salam inventory have passed to a buyer and the amount of profit or loss is realized or can be measured reliably.

*Income from participation in syndicated facilities managed by other banks under Mudaraba contracts is recognized on an accrual basis.

* Profit from Mudaraba investments with banks and other financial institutions is recognized on an accrual basis.

* Income from Musharakah financing is recognized on cash basis if such income cannot be reliably measured.

In cases where income can be reliably measured (e.g. where the Musharakah activities are in the form of deferred sales such as Murabaha and Ijarah) then the Bank's income from such Musharakah is recognized on the accrual basis.

* Income from equity-type investment carried at cost is recognized on accrual basis.

* Dividend income is recognized when the right to receive the dividend is established.

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

3.14 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 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Return to unrestricted investment account holders

Return to unrestricted investment account holders is calculated based on the income generated from all financing and investment assets after deducting the expenses related to the 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 Supervisory Committee.

3.16 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 or agent, 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.

3.17 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.

3.18 Foreign currency transactions

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 denominated in foreign currencies, at balance sheet date, 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 consolidated income statement.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

	<i>Notes</i>	<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	3,534,421	2,609,783
Central Bank of Sudan - Current account	4.1	245,838,231	120,233,282
Foreign correspondent banks – Current accounts	4.1	64,068,374	43,430,602
Sub-total		313,441,026	166,273,667
Central Bank of Sudan - Statutory cash reserve	4.1	62,992,231	18,357,958
Cash margin on letters of credit with correspondent banks	4.1	45,861,786	1,278,353
Total		422,295,043	185,909,978
		<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
4.1 Foreign currency balances included in the above balances are as follows:			
Cash in hand		1,121,789	312,118
Central Bank of Sudan - Current account		230,078,984	38,852,186
Foreign correspondent banks – Current accounts		64,068,374	43,430,602
Sub-total		295,269,147	82,594,906
Central Bank of Sudan - Statutory cash reserve		29,387,935	4,413,272
Cash margin on letters of credit with correspondent banks		45,861,786	1,278,353
Total		370,518,868	88,286,531

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.

Balances at December 31, are as follows:

	<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
Local banks	15,000,000	62,252,225
Foreign banks and financial institutions	79,044,000	22,484,341
Total	94,044,000	84,736,566

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:

	Note	2012 SDG	2011 SDG
Securities at fair value through income statement			
Shahama Certificates - Listed	6.1	113,494,311	147,386,279
Securities at fair value through equity			
Sudatel shares - Listed	6.2	565,068	508,277
Securities carried at cost			
Government Investment Certificates (GIC) - Listed	6.3	2,000,000	34,000,000
Shihab Certificates - Listed	6.4	16,170,000	16,170,000
Shasha Certificates - To be listed	6.5	43,650,000	-
Shama Certificates - Listed	6.6	-	5,000,000
Private Securities (Emar) - Listed	6.7	-	2,000,000
Global Housing Development Fund - Listed	6.8	2,000,000	2,000,000
Sudan Academy Fund - Not listed	6.9	600,000	600,000
Total		178,479,379	207,664,556

Securities at fair value through income statement:

6.1 Shahama Certificates represent securities issued by the Ministry of Finance and are based on the Musharaka contract. The certificates are traded at Khartoum Stock Exchange (KSE). They consistently recorded a yield not less than 12% per annum since their inception in 1999. Current year yield for redeemed securities ranged between 16% to 20%.

Investment securities at fair value through equity:

6.2 Sudatel shares are ordinary shares issued by Sudan Telecom Company (Sudatel) which is a public company listed at the KSE.

Investment securities carried at cost:

6.3 Government Investment Certificates (GIC) are 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 attached notes 1 to 35 form an integral part of these consolidated financial statements.

6- INVESTMENTS IN SECURITIES (continued)

Investment securities carried at cost (continued):

6.4 Shihab Certificates represent investment based on the Mudaraba contract, in closed-ended fund operated in favor of the Central Bank of Sudan (CBOS) maturing on May 31, 2015. 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.

6.5 Shasha Certificates: The Bank acquired these securities on December 26, 2012 in settlement of past-due financing collateralized by promissory notes issued by the Ministry of Finance. The securities represent investment based on the Mudarabah contract in closed-ended renewable fund managed by the Sudan Financial Services Co. Ltd. The fund's contributions are allocated to acquire certain assets of Sudan Electricity Distribution Co. which are then leased back to the Ministry of Finance under operating lease contract for a tenor of four years. At the end of the lease term the fund's assets are liquidated at market prices prevailing on liquidation date. The securities will be listed at Khartoum Stock Exchange for trading in the secondary and inter-bank market. Lease rentals at 5% p.a. are to be distributed annually.

6.6 Shama Certificates represent investment based on the Mudaraba contract, in a closed 7 years tenor fund managed by 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. At the end of the lease term the fund's assets are liquidated at market prices prevailing on liquidation date.

6.7 Private Securities (Emar) : Had a five year tenor and was managed by a local bank based on the Mudaraba contract. The fund was liquidated on February 12, 2012 and declared yield of 9.25% p.a. for the period to closing date.

6.8 Global Housing Development Fund securities are issued and managed by the securities trading firm "Global Investment House, Sudan". The securities represent an investment in a 3 year-tenor closed-ended fund. The fund invests primarily in listed government securities. It is expected to yield between 12% to 14% per annum.

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

7- FINANCE TO CUSTOMERS, NET

		2012	2011
7.1 By type	Notes	SDG	SDG
Deferred sales receivables :			
Murabaha receivables		816,874,799	371,063,272
Istisna receivables		59,051,979	110,444,648
Ijara	7.1.1	12,107,767	19,134,498
Salam		-	4,650,568
LCs financing		2,477,259	10,338,068
Syndicated financing with banks (Mudaraba)		11,955,113	24,715,802
Musharaka financing		1,400,000	-
Staff Financing		1,979,053	2,159,526
Subtotal		<u>905,845,970</u>	542,506,382
Less : deferred profit		<u>(144,830,567)</u>	<u>(69,167,657)</u>
Total finance, net of deferred profit		761,015,403	473,338,725
Less : Income suspense-past-due accounts		(259,616)	(2,898,275)
Less : provision for finance losses	7.1.2	<u>(30,804,261)</u>	<u>(29,213,751)</u>
Total finance to customers, net		<u>729,951,526</u>	<u>441,226,699</u>
7.1.1 Ijara comprise:			
Cost of leased property		8,659,912	10,653,676
Cost of leased motor vehicles		1,705,919	739,805
Deferred rental		<u>1,741,936</u>	<u>7,741,017</u>
Total		<u>12,107,767</u>	<u>19,134,498</u>
7.1.2 Movements in the provision for finance losses:			
The accumulated provision for finance losses is as follows:		2012	2011
		SDG	SDG
General Provision:			
Balance at beginning of the year		4,614,582	4,119,183
Provided during the year		1,824,893	472,899
FX Changes		-	22,499
Balance at the end of the year		<u>6,439,475</u>	<u>4,614,581</u>
Specific Provision:			
Balance at beginning of the year		24,599,169	26,975,892
Provided during the year		10,204,079	10,084,765
Recoveries of amounts previously provided		<u>(10,438,462)</u>	<u>(12,044,396)</u>
Bad debts written-off		-	(288,244)
FX Changes		-	(128,847)
Balance at the end of the year		<u>24,364,786</u>	<u>24,599,170</u>
Total accumulated provision at end of the year		<u>30,804,261</u>	<u>29,213,751</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

7- FINANCE TO CUSTOMERS (CONTINUE)

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

	<i>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>
General Provision:		
Addition during the year	<u>1,824,893</u>	472,899
Total charge of general provision	a <u>1,824,893</u>	<u>472,899</u>
Specific Provision:		
Addition during the year	10,204,079	10,084,765
Recoveries of amounts previously provided	<u>(10,438,462)</u>	<u>(12,044,396)</u>
Total charge of specific provision	b <u>(234,383)</u>	<u>(1,959,631)</u>
Net charge (recovery) of the provision expense for the year (a+b)	<u>1,590,510</u>	<u>(1,486,732)</u>

The above provisions for finance losses are calculated in accordance with the guidelines of the Central Bank of Sudan which require a general provision of 1% to be accounted on finance to customers not subject to specific provision.

At December 31, 2012 total outstanding balances subject to sepecific provision amounted to SDG 66,119,384 (2011: 78,888,711) which relate to total past due installements, including profit margins, of SDG 49,490,383 (2011: 45,660,990).

<i>7.2 By Industry</i>	<i>Notes</i>	<i>2012</i>	<i>2011</i>
		<i>SDG</i>	<i>SDG</i>
Manufacturing		696,003,399	207,944,511
Trading		79,549,293	170,921,812
Contracting		15,664,317	22,001,484
Services		67,917,386	87,590,000
Agriculture		9,809,980	6,367,729
Transportation		5,791,898	10,959,222
Other		<u>31,109,697</u>	<u>36,721,624</u>
Total finance, gross		<u>905,845,970</u>	<u>542,506,382</u>
Less: Deferred profit		<u>(144,830,567)</u>	<u>(69,167,657)</u>
Total finance, net of deferred profit		761,015,403	473,338,725
Less Income suspense-past-due accounts		(259,616)	(2,898,275)
less: Provision for finance losses	7.1.2	<u>(30,804,261)</u>	<u>(29,213,751)</u>
Finance to customers, net		<u>729,951,526</u>	<u>441,226,699</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

7- FINANCE TO CUSTOMERS (CONTINUED)

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
<i>7.3 By Portfolio</i>		<i>SDG</i>	<i>SDG</i>
Performing finance to customers		856,355,587	496,845,392
Non-performing finance to customers	7.3.1	49,490,383	45,660,990
Total finance to customers		905,845,970	542,506,382
Less : Deferred profit		(144,830,567)	(69,167,657)
Total finance to customers, net of deferred profit		761,015,403	473,338,725
Income suspense -past-due accounts		(259,616)	(2,898,275)
General provision	7.1.2	(6,439,475)	(4,614,581)
Specific provision	7.1.2	(24,364,786)	(24,599,170)
Total provision & income suspense		(31,063,877)	(32,112,026)
Finance to customers, net		729,951,526	441,226,699

7.3.1 For the purpose of determining the percentage of past-due financing to total financing portfolio the CBOS defines past due financing as the total of past-due installments excluding profit margin. At December 31, 2012 the total of past-due installments excluding profit margins amounted to SDG 28,111,358 (2011: 39,872,931).

		<i>2012</i>	<i>2011</i>
8. OTHER INVESTMENTS		<i>SDG</i>	<i>SDG</i>
Equity participation			
At cost	8.1	6,461,000	6,461,000
Total		6,461,000	6,461,000

8.1 Represents equity participation in private limited companies fully owned by the two consolidated subsidiaries of the Bank. In the opinion of management the fair value of these investments is not less than their carrying value at December 31, 2012.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2012

9- OTHER ASSETS	2012	2011
	SDG	SDG
Commission receivable (Gezira Scheme Syndication)	8,366,512	-
Accrued income	5,060,118	6,047,799
Assets acquired for Murabaha financing	4,475,431	12,144,973
Prepaid expenses	1,337,753	1,377,698
Deferred expenses	620,314	940,117
Sundry receivables	341,174	106,080
Salam inventory	-	903,564
Other	36,059	42,040
Total	20,237,361	21,562,271

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

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2012
10- PROPERTY AND EQUIPMENT, NET

	Land and Buildings		IT equipment		Office equipment, Furniture & fixtures		Motor vehicles		Intangible assets: Computer Software		Total	
		SDG		SDG		SDG		SDG		SDG		SDG
Cost												
Balance at January 1, 2012	51,454,307		3,937,800		4,732,267		1,841,989		10,416,242			72,382,605
Acquisitions	14,005		487,507		299,674		290,456		52,496			1,144,138
Disposals	(2,664,316)		(4,530)		(386,221)		(115,265)		-			(3,170,332)
Balance at December 31, 2012	48,803,996		4,420,777		4,645,720		2,017,180		10,468,738			70,356,411
Accumulated depreciation												
Balance at January 1, 2012	3,805,192		2,854,094		1,821,178		1,125,803		4,733,790			14,340,057
Depreciation expense for the year	1,745,084		632,336		790,235		353,253		1,636,972			5,157,880
Disposals	(855,960)		(4,529)		(328,871)		(115,263)		-			(1,304,623)
Balance at December 31, 2012	4,694,316		3,481,901		2,282,542		1,363,793		6,370,762			18,193,314
Net book value at December 31, 2012	44,109,680		938,876		2,363,178		653,387		4,097,976			52,163,097
Net book value at December 31, 2011	47,649,115		1,084,612		2,912,167		716,186		5,682,452			58,044,532

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

	<i>Notes</i>	<i>2012</i>	<i>2011</i>
11- DUE TO BANKS AND FINANCIAL INSTITUTIONS		<i>SDG</i>	<i>SDG</i>
Local banks		2,786,331	-
Foreign banks		132,375,426	21,829,059
Payable for Murabaha Financing	11.1	<u>128,342,254</u>	-
Total		<u>263,504,011</u>	<u>21,829,059</u>

11.1 Represents Murabaha financing payable to foreign financial institutions.

	<i>2012</i>	<i>2011</i>
12- CUSTOMERS' DEPOSITS	<i>SDG</i>	<i>SDG</i>
Current accounts - Individuals	27,239,962	39,166,130
Current accounts - Corporate	<u>237,010,693</u>	<u>174,900,388</u>
Total current accounts	264,250,655	214,066,518
Margin & other deposits	<u>76,880,398</u>	<u>95,114,726</u>
Total	<u>341,131,053</u>	<u>309,181,244</u>

Foreign currency deposits included in customers' deposits:

	<i>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>
Current accounts	139,055,160	69,129,687
Margin & other deposits	<u>62,140,964</u>	<u>56,717,125</u>
Total	<u>201,196,124</u>	<u>125,846,812</u>

		<i>2012</i>	<i>2011</i>
13- OTHER LIABILITIES		<i>SDG</i>	<i>SDG</i>
Bills payable		6,278,891	5,235,651
Zakat payable		4,966,606	1,876,485
Business profit tax payable		4,724,483	3,944,824
Provision for Staff end of service benefits		4,065,673	2,626,919
Board of Directors remuneration		1,447,539	362,159
FX differences under settlement	13.1	88,771,372	-
Unearned commission		7,961,616	-
Accounts payable and accrued expenses		16,818,284	10,099,004
Funds collection account for syndications managed by the Bank		-	80,674,214
Other		<u>533,584</u>	<u>472,655</u>
Total		<u>135,568,048</u>	<u>105,291,911</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

13- OTHER LIABILITIES (continued)

13.1 FX differences under settlement

Subsequent to the change in the exchange rate of the Sudanese pound (SDG) against foreign currencies declared by the Central Bank (CBOS) on June 25, 2012 (from SDG 2.75 to SDG 5.30 for 1 US\$); the CBOS allocated foreign currency to commercial banks at a subsidized rate of SDG 2.795 for 1 US\$ for the import of wheat. Hence the resulting differences between the official commercial rate at which foreign currencies have been revalued at year-end (SDG 5.98 for 1 US\$) and the CBOS subsidized rate, will be fully reversed at the settlement dates of the respective wheat import LCs.

14. EQUITY OF UNRESTRICTED INVESTMENT	<i>Notes</i>	2012	2011
ACCOUNT HOLDERS		SDG	SDG
<i>a) By type:</i>			
Investment deposits	14.1	367,157,892	235,393,310
Total profit for the year		24,799,328	17,563,527
Payments on account of profit during the year		(9,573,519)	(6,964,711)
Annual subscriptions to Deposits Guarantee Fund		(50,810)	(34,602)
Total		<u>382,332,891</u>	<u>245,957,524</u>
<i>14.1 b) By Sector:</i>			
Banks		182,124,272	126,310,780
Corporations		119,064,103	59,965,527
Individuals		33,259,724	1,876,868
Quasi-government		32,709,793	17,009,793
Government		-	700,000
Non-governmental organizations		-	29,530,342
Total		<u>367,157,892</u>	<u>235,393,310</u>

14.1 Investment deposits include balances in foreign currencies equivalent to SDG 106,815,526 (2011: 8,704,448)

15- SHARE CAPITAL	2012	2011
	SDG	SDG
Authorized, issued and paid up share capital :		
24 million shares of SDG 10 each (2011: 24 million shares of SDG 10 each)	240,000,000	240,000,000
	<u>240,000,000</u>	<u>240,000,000</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

16- SHARE PREMIUM

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

17- 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 .

18- PROPOSED DIVIDENDS

	<i>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>
Cash dividends of SDG 0.9 per share of SDG 10 each	21,600,000	19,200,000

The Board of Directors have resolved, to recommend to the Annual General Meeting of the shareholders to approve distribution of cash dividends equal to 9% of the Bank's paid up capital as at December 31, 2012 (2011: 8%), from 2012 profits available for distribution and to supplement shortage, if any, from prior year retained earnings, subject to approval by the Central Bank of Sudan.

19- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS

	<i>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>
Realized income from deposits with banks & financial institutions		
Local banks	2,123,904	1,108,320
Foreign banks	344,417	376,809
	2,468,321	1,485,129
Accrued income from deposits with banks & financial institutions		
Local banks	645,616	274,822
Total Income from investment with banks and financials institution	3,113,937	1,759,951

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

	2012	2011
	<i>SDG</i>	<i>SDG</i>
20- INCOME FROM INVESTMENT IN SECURITIES		
Realized income (loss) from redeemed securities:		
Shahama certificates	14,770,372	6,717,951
Shama certificates	588,844	129,356
Government Investment Certificates (GIC)	2,492,654	3,521,334
Shihab investment certificates	1,849,839	1,884,542
Alaman Fund	-	33,667
Emaar Fund	(47,862)	269,799
Global Housing Investment Fund	240,001	282,896
Sudan Academy for Financial and Banking Studies Fund	46,938	6,739
Total realized income from redeemed securities	19,940,786	12,846,284
Dividend income	-	35,016
Unrealized gain/(loss) from securities at fair value through income statement:		
Shahama securities	1,552,670	(1,587,438)
Unrealized loss from securities at fair value through equity	-	(252,634)
TOTAL INCOME FROM INVESTMENT IN SECURITIES	21,493,456	11,041,228
	<i>2012</i>	<i>2011</i>
21- INCOME FROM FINANCE TO CUSTOMERS	<i>SDG</i>	<i>SDG</i>
Murabaha	57,285,762	31,911,104
Istisnaa/ Mugawala	9,498,711	5,632,733
Ijarah	2,556,653	7,288,040
Salam	564,938	2,510,985
Syndicated Mudaraba with banks	463,075	399,002
Musharakah	-	151,563
TOTAL INCOME FROM FINANCE TO CUSTOMERS	70,369,139	47,893,427

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

		2012	2011
22- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		SDG	SDG
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib		32,811,756	25,144,131
Bank's share as Mudarib		(8,403,716)	(7,715,138)
Unrestricted investments account holders' share of profit after the Bank's share as Mudarib		24,408,040	17,428,993
Support provided by the Bank from it's share as Mudarib		390,257	-
Unrestricted investments account holders' share of profit after the Bank's support		24,798,297	17,428,993
Average profit distribution rates :			
Investment accounts in Sudanese Pounds		10.28%	8.59%
Investment accounts in foreign currencies		4.77%	4.46%
		2011	2010
23- FEE INCOME		SDG	SDG
Letters of credit		13,015,715	15,722,786
Letters of guarantees		978,989	1,083,535
Administration fees		1,258,397	967,776
Draft cheques, transfers and remittances		1,271,709	1,453,792
Management of restricted investment accounts		1,126,441	595,697
Brokerage fees		958,653	880,112
Investment advisory services		1,154,927	489,088
Fee from other banking services		862,264	889,258
Total		20,627,095	22,082,044
		2012	2011
24- FOREIGN EXCHANGE GAIN, NET		SDG	SDG
Transaction gain, net		921,840	1,441,920
Revaluation gain	24.1	46,313,188	3,958,813
Total		47,235,028	5,400,733

On June 25, 2012 the US Dollar official exchange rate against the Sudanese pounds (SDG) moved from about SDG 2.75 for 1 US Dollar to SDG 5.30 and continued to depreciate up to SDG 5.98 at December 31, 2012.

Substantial increase in revaluation gain for the year in foreign currencies official exchange rate against local currency as on June 25, 2012 and after that date resulted due to the Bank's long position in net financial assets denominated in foreign currencies.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

	<i>Notes</i>	2012	2011
		SDG	SDG
25- GENERAL AND ADMINSTRATIVE EXPENSES			
Bank premises expense	25.1	3,297,229	2,482,186
Communications		503,998	457,119
Maintenance of equipment, furniture & motor vehicles		789,180	699,091
Computer expenses		1,698,838	1,042,088
Marketing & promotion		233,684	380,518
Office supplies		360,707	267,969
Business travel		312,566	198,023
Legal, audit and consultants expenses		905,161	560,531
Training		1,027,290	878,035
Subscriptions		730,179	611,181
Board and General Assembly expenses		2,266,812	964,898
Bank charges		7,756,396	147,345
Donations		299,834	70,405
Cash Insurance		358,804	227,332
Central Bank of Sudan penalties		3,400	6,500
Catering Service		310,072	200,564
Loss on disposal of fixed assets	25.2	1,783,942	93,670
Other		595,391	446,875
Total		<u>23,233,483</u>	<u>9,734,330</u>

25.1- Bank premises expense

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

25.2- Loss on disposal of fixed assets

Loss on disposal of fixed assets is due to closure of a branch.

	2012	2011
	SDG	SDG
26- EARNINGS PER SHARE		
Net income for the year	76,890,121	38,165,861
Weighted average number of shares outstanding (shares)	24,000,000	24,000,000
Earnings per share (SDG)	3.20	1.59

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 consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

	2012	2011
	SDG	SDG
27- CASH AND CASH EQUIVALENT		
Cash and balances with banks and financial institutions (see note 4)	313,441,026	166,273,667
Investments deposits with banks and financial institutions (see note 5)	94,044,000	84,736,566
Total	407,485,026	251,010,233

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

At December 31, 2012 balances with banks and financial institutions include balances in foreign currency equivalent to about SDG 175,730,623 MM (2011: 19,079,321) which remained outstanding for periods in excess of three months.

28- RELATED PARTY TRANSACTIONS

Related parties comprise the major shareholders, members of the 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>2012</u>		
	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2012
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	3,671,411	-	3,671,411
Financing and investing assets	269,681	-	269,681
Due to banks and financial institutions	128,505,170	-	128,505,170
Current and investments deposits	16,128,854	905,186	17,034,040
Non-controlling interest	-	15,548	15,548
Income statement items:			
Profit from financing	36,169	-	36,169
Bank charges	6,534,608	-	6,534,608
Key Management Personnel compensation:			
Salaries and other benefits	-	3,107,159	3,107,159
Post-employment benefits	-	1,994,115	1,994,115

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

28- RELATED PARTY TRANSACTIONS (continued)

	<u>2011</u>		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2011
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Financing and investing assets	17,242,062	-	17,242,062
Current and investments deposits	1,162,868	127,264	1,290,132
Non-controlling 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

29- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follow:

	<i>Notes</i>	<i>2012</i> <i>SDG</i>	<i>2011</i> <i>SDG</i>
29.1.Financing - related commitments and contingencies :			
Letters of credit		347,052,574	157,729,275
Letters of guarantees		62,821,123	44,060,737
Acceptances		366,522,338	193,313,030
Total financing - related commitments and contingencies		776,396,035	395,103,042
29.2 Non-financing related commitments :			
Restricted investments accounts	30	465,738,596	259,056,798
Total commitments and contingencies		1,242,134,631	654,159,840

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

29- COMMITMENTS AND CONTINGENCIES (continued)

Financing related commitments and contingencies

Financing-related commitments and contingencies mainly comprise letters of credit, guarantees, acceptance and irrevocable commitments to extend credit.

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

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

Acceptances comprise undertakings by the Bank to pay bills of exchange drawn on customers. The Bank expects most acceptances to be presented before being reimbursed by the customers.

Commitments to extend credit represent the unused portion of the approved credit limits, principally in the form of direct financing, guarantees and letters of credit. The Bank is not exposed to loss on these commitments since it maintains the contractual right to revoke these commitments at its sole discretion at any time.

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

2012	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	236,800,574	102,548,000	7,704,000	-	347,052,574
Letters of guarantee	14,044,181	48,776,942	-	-	62,821,123
Acceptances	205,975,348	159,923,990	623,000	-	366,522,338
Total	456,820,103	311,248,932	8,327,000	-	776,396,035

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
Total	308,292,666	65,441,376	21,369,000	-	395,103,042

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

30. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 465,738,596 as at December 31, 2012 (2011: SDG 259,056,798). 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's risk exposure is limited to its profit share as Mudarib receivable in return for 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 investment 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>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>
a) Movement during the year :		
Balance at beginning of the year	259,056,798	53,341,889
Additions	206,681,798	220,714,909
Withdrawals	-	(15,000,000)
Balance at end of the year	<u>465,738,596</u>	<u>259,056,798</u>
b) By type of assets :		
Murabaha finance	420,353,517	258,049,907
Musharaka finance	600,000	-
Shahama Securities	43,677,500	-
Sudatel Securities	1,107,579	1,006,891
Total	<u>465,738,596</u>	<u>259,056,798</u>
c) By sector :		
Banks and financial institutions	465,138,596	259,056,798
Individuals	600,000	-
Total	<u>465,738,596</u>	<u>259,056,798</u>

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

31. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using the ratios and weights established by the Central Bank of Sudan which are in line with the requirements of the Islamic Financial Services Board (IFSB) and Basel Committee. 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	
	2012	2011	2012	2011
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	352,962,064	304,132,943	44%	62%
Core and supplementary capital (Tier 2)	359,427,095	308,747,524	45%	63%

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 deductions.

Tier 2 Capital comprises the elements of Tire1 in addition to fair value revaluation and a prescribed amount of eligible portfolio (general) provisions less prescribed deductions.

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 the Central Bank of Sudan showing the Capital Adequacy Ratio.

	Risk Weighted Assets	
	2012	2011
	<u>SDG</u>	<u>SDG</u>
Credit Risk	1,061,645,247	331,848,388
Operational risk	120,384,264	85,164,886
Market risk	93,447,602	97,964,642
Total Pillar 1 - Risk Weighted Assets	1,275,477,113	514,977,916

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

32- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial instruments

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

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.

32.2 Risk management

Risk is an integral part of the Bank's business and is critical to the Bank's continuing success and profitability. The essence of effective risk management is to strike an optimal balance between return and risk that lead to enhance depositors and shareholders value through business profits commensurate with the risk appetite of the Bank.

The authority of risk management of the Bank is vested in the Risk and Audit Committees, whose members are nominated by the Board. The Risk Committee assists the Board of Directors and the senior management in performing their risk management oversight function. The Committee is responsible to ensure that the Bank adopts, maintains and applies appropriate risk management policies and procedures. The process of risk management is carried out by the Risk Management Department which is mandated with identifying, quantifying and assessing all risks and setting appropriate prudential limits within the parameters of the overall risk strategy approved by the Board.

The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures and for reviewing the adequacy of the risk management framework. The Audit Committee is assisted in these functions by the Internal Audit and Compliance Departments.

The risk management strategy in respect of each of these types of risks is set out below:

32.2.1 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 Bank's Assets and Liabilities Management Committee (ALCO) 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 rates of return.

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss.

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 economic sectors. The Bank pursues its policies to safeguard its interest and in a prudent manner obtains tangible or intangible securities 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 financial institutions is controlled by a set off 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 7.2 discloses the economic sector distribution of financing to customers.

32.2.3 Liquidity risk

Liquidity risk is the risk of a Bank being 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 attached notes 1 to 35 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2012 is as follows:

	2012				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Assets					
Cash and balances with banks and financial institutions	422,295,043	-	-	-	422,295,043
Investment with banks and financial institutions	66,378,576	10,275,729	-	17,389,695	94,044,000
Investment in securities	12,906,879	28,975,515	75,515,500	61,081,485	178,479,379
Finance to customers, net	91,388,560	119,742,881	77,787,365	441,032,720	729,951,526
Other investments	-	-	-	6,461,000	6,461,000
Other assets	7,565,516	1,611,399	4,185,226	6,875,220	20,237,361
Property and equipment, net	-	-	-	52,163,097	52,163,097
TOTAL ASSETS	600,534,574	160,605,524	157,488,091	585,003,217	1,503,631,406

Liabilities and Equity

Due to banks and financial institutions	263,504,011	-	-	-	263,504,011
Customers' deposits	327,477,093	13,653,960	-	-	341,131,053
Other Liabilities	118,072,640	4,089,995	2,218,093	11,187,320	135,568,048
Equity of unrestricted investment account holders	263,936,609	81,600,072	26,161,199	10,635,011	382,332,891
Non-controlling interest	-	-	-	15,548	15,548
Shareholders' equity	-	-	-	381,079,855	381,079,855
TOTAL LIABILITIES, EQUITY OF UIA AND SHAREHOLDERS' EQUITY	972,990,353	99,344,027	28,379,292	402,917,734	1,503,631,406

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2012

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2011 is as follows:

	2011				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Assets					
Cash and balances with banks and financial institutions	185,909,978	-	-	-	185,909,978
Investment 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, net	109,751,841	116,194,269	57,505,552	157,775,037	441,226,699
Other investments	-	-	-	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, net	-	-	-	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

Due to banks and financial institutions	21,829,059	-	-	-	21,829,059
Customers' deposits	301,956,524	7,224,720	-	-	309,181,244
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
Non-controlling interest	-	-	-	12,921	12,921
Shareholders' equity	-	-	-	323,332,943	323,332,943
TOTAL LIABILITIES, EQUITY OF UIA AND SHAREHOLDERS' EQUITY	486,764,607	179,802,120	13,078,764	325,960,111	1,005,605,602

32.2.4 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates.

The Bank is exposed to 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.

At year end the Bank had the following significant net exposure denominated in foreign currencies:

Currency	Dec. 31, 2012	Dec. 31, 2011
	Long (short)	Long (short)
Euro	(23,668,145)	(19,591,247)
US Dollar	100,824,346	101,025,633
Other currencies	(12,099,950)	(164,045)

Long position indicates that the assets in a foreign currency are higher than the liabilities in the same currency; the opposite applies to short position.

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.5 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 material risk in terms of the re-pricing of its liabilities since, in accordance with Islamic Shariah, the Bank does not provide a guaranteed contractual rate of return to its depositors.

32.2.6 Risk of managing customers' investments

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.

32.2.7 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. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes. Other types of risks to which the Bank is exposed such as regulatory risk, legal risk, and reputation risk. Regulatory risk is controlled through the framework of compliance policies and procedures. Legal risk is managed through the effective use of internal and external legal advisors. Reputation risk is controlled through regular examinations of issues that are considered to have reputation repercussions for the Bank, with guidelines and policies being issued as appropriate.

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

33. SEGMENTAL INFORMATION

For the years ended at December 31, 2012 and 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, 2012 and 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.

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

34. SHARIAH SUPERVISORY COMMITTEE

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

35. COMPARATIVE FINANCIAL STATEMENTS

Certain 2011 comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not have an impact on the previously reported net profit or retained earnings.

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



Sudan produces 60 percent of the world's supply of gum Arabic, the resin of several acacia trees, principally acacia Senegal.

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

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 – Lebanon

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)

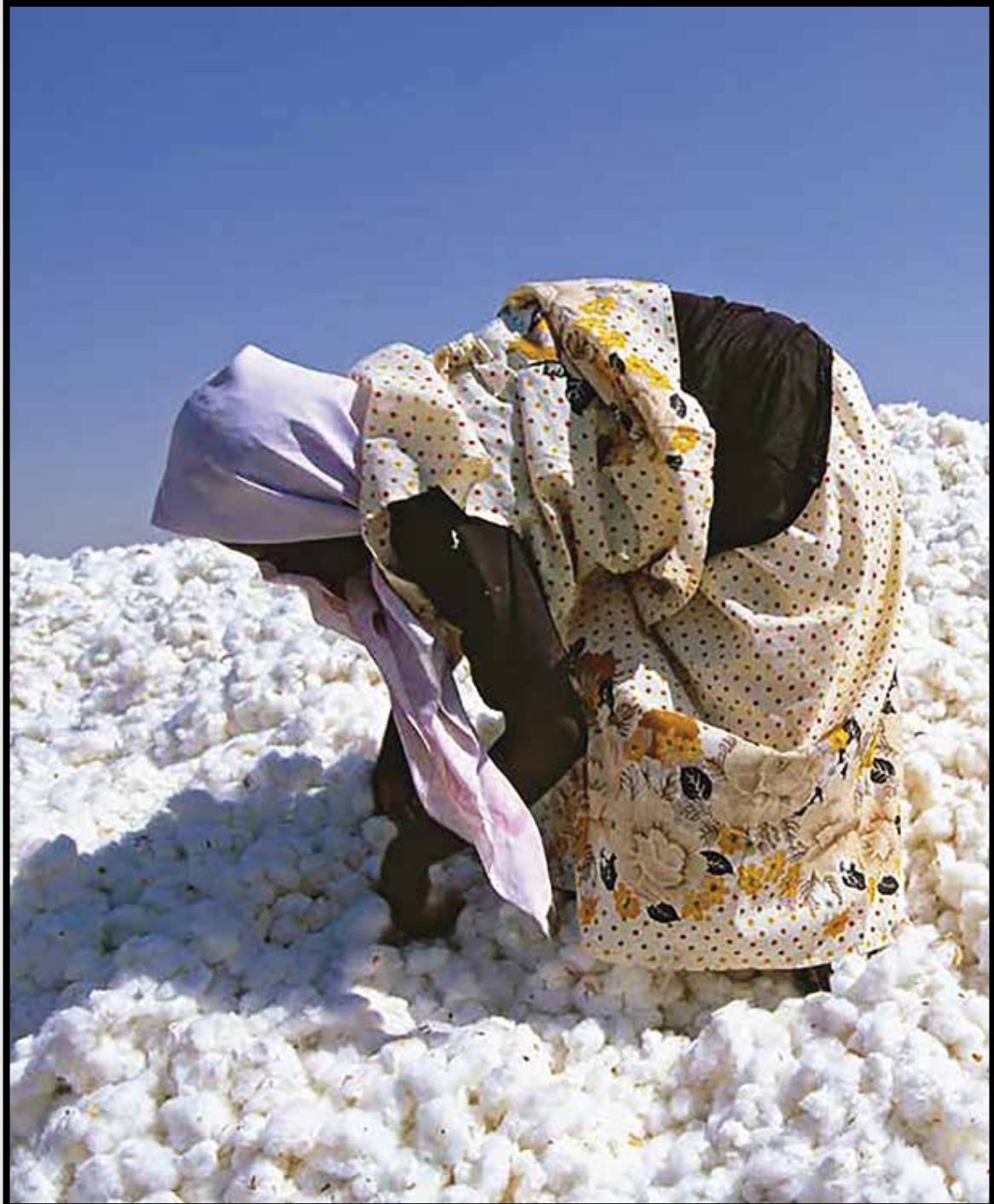
■ | Directory of Head Office

Branches and Subsidiary Companies

Head Office & Main Branch	Khartoum North Branch
Plot 411 , Square 65, Mamoun Beheiry St, South Green of Square, Khartoum P.O.Box : 8210 Al Amarat, Khartoum, Sudan 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	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

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	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
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The Gezira, between the white and blue nils south of Khartoum, is the country's most fertile agricultural area. Irrigated since the 1920s, it produces a large variety of crops, including cotton, here piled into large mounds to be weighed and packed.