



United Capital Bank  
بنك المال المتحد

ANNUAL  
REPORT

2016



# Contents

Our Mission , Vision and Values

---

Board of Directors

---

Shariaa Committee

---

Executive Management

---

Senior Management

---

Chairman's Report to the 12th Annual Ordinary General Assembly Meeting

---

Chief Executive Officer and General Manager's Report

---

External Auditor's Report

---

Consolidated Financial Statements as at December 31, 2016

---

Directory of Head Office, Branches and Subsidiary Companies

---



**United Capital Bank**  
**بنك المال المتحد**

**PARTNERS IN PROGRESS**



# Our Vision , Mission and Values

## Our Vision

- To be regarded as one of leading banks, providing excellent corporate banking services, and contributing to the development of the national economy.
- To offer clients excellent services.
- To continuously strive for development.

## Our Mission

- Provide innovative financial solutions to complex financing requirements.
- Provide high quality banking services.
- Arranging syndications that tailored to meet the financing requirements of the large production projects.
- Provide financing for projects with social dimension and micro finance as part of the bank's corporate social responsibility.
- Finance foreign trade and cultivate banking relationships with local & foreign banks.
- Maximizing return to shareholders and partners.

## Our values

- Pioneership
- Professionalism
- Transparency
- Loyalty and Commitment
- Integrity
- Excellence
- Cooperation & Team Work

# Board of Directors



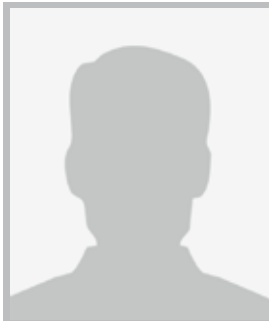
Mr. Mohammed Khalifa Al- Adsani  
Chairman



Mr. Mansour Qaiser Bteish  
Vice-Chairman



Mr. Yousuf Suliman Al Thuwaikh  
Member



Mr. Ghanem Yousif Al Ghanem  
Member



Mr. Abdulsalam Jawhar Alsaleh  
Member



Mrs. Amira Ali Al-Alami  
Member



Mr. Al-Sharef Ahmed Badur  
Member



Professor Ahmed Magzoub Ahmed  
Member



Mr. Yousif Ahmed El-Tinay  
Member and General Manager



Mr. Ahmed Mohamed Khair  
Secretary

# Shariaa Committee



Professor Kheider Ali Idris  
Chairman



Dr. Eltigani Abdel Gadir Ahmed  
Member

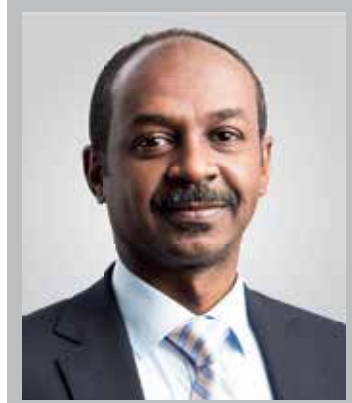


Dr. Hammad Mohamed Ahmed  
Member



Dr. Mohammed Mahjoub Bashary  
Shariah Controller & Committee Secretary

# Executive Management



**Mr. Yousif Ahmed El-Tinay**  
Chief Executive Officer & General Manager



**Mr. Osama Alfadil Ibrahim**  
Deputy General Manager & Chief  
Commercial Officer



**Mr. Tahir Ahmed Elshazli**  
Chief Operations Officer



**Mr. Elamin Mohamed Ahmed**  
Chief Internal Audit Executive



# Senior Management



**Mrs. Shadia Ahmed Elkordofani**  
Head, HR & Administration Affairs Department



**Mr. Ahmed Mohamed Khair**  
Head, Legal Department and Board Secretary



**Mr. Ismail Ahmed Sheikheldin**  
Head, Treasury & Int'l banking Relations Department



**Mr. Abdelrazag Mustafa Abdelrazag**  
Head, Information Technology Department



**Mr. Yasir Gafaar Hamid**  
Finance Manager



**Mr. Abualama Mohamed Fadlalah**  
Head, Risk Department



**Mr. Abdelgadir Mohamed Abdelrassoul**  
Compliance Officer



**Mr. Mustafa Hassan Bushara**  
Head, Credit Administration Department



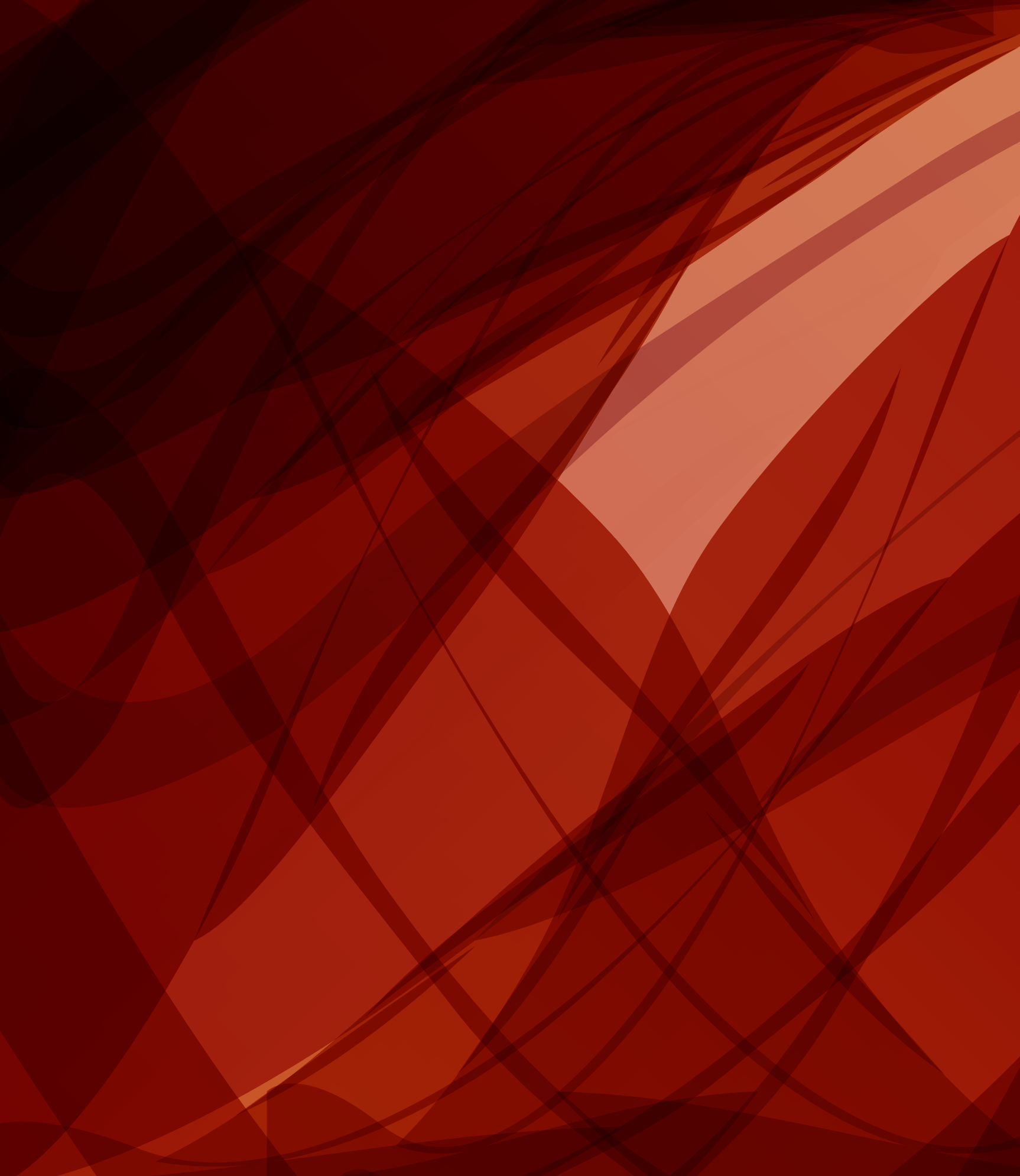
**Mr. Mostaein Sad Aldeen Mohamed**  
Head, Accounts Department



**Mr. Kamal Aldeen Elyass Elamin**  
Planning & Business Development Manager



# CHAIRMAN'S REPORT



**Chairman's Report to the 12th Annual  
Ordinary General Assembly Meeting  
Khartoum, April 12, 2017**

**Introduction :**

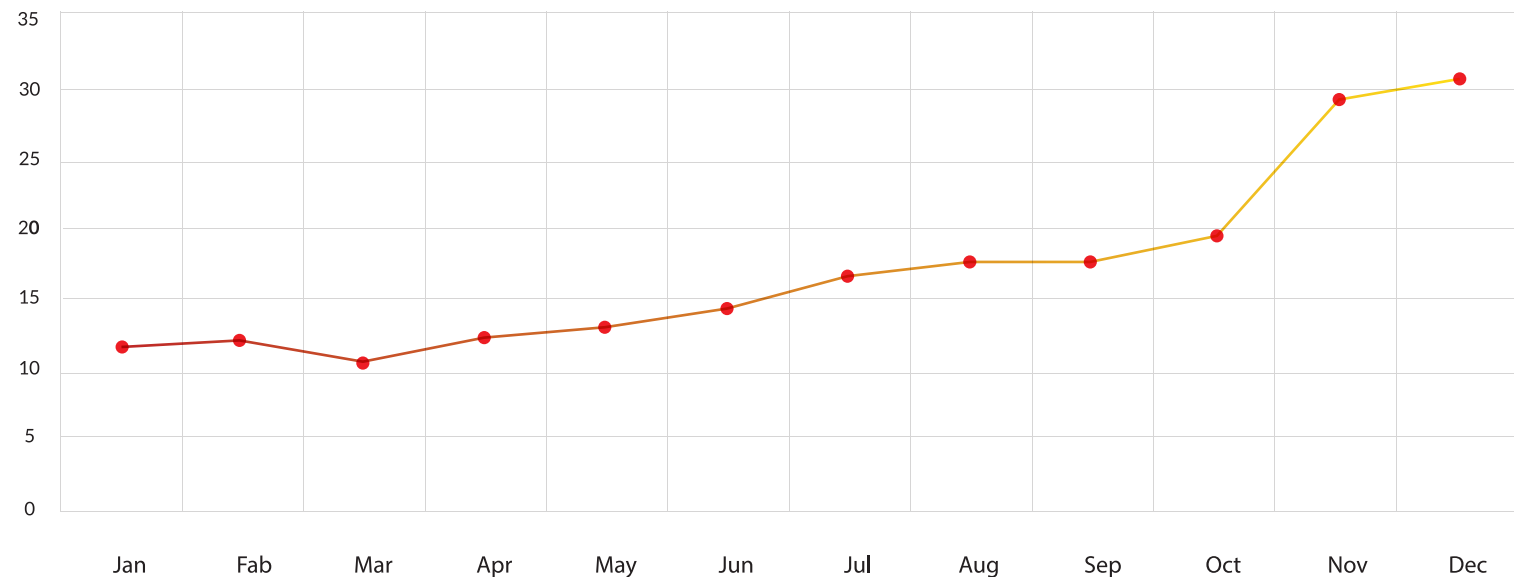
It gives me great pleasure to welcome you to the 12th Annual Ordinary General Assembly Meeting of United Capital Bank, which will discuss the items stated on the Agenda with emphasis on the Bank's Financial Statements for the year 2016.

The year 2016 was an important year in the Sudanese Economy as the country's economy encountered various difficulties, which can be summarized in the following :

- Continuing devaluation of the local currency versus foreign currencies in the parallel market.
  
- Devaluation of local currency by adding a ratio in the range of 123% to 132% to the official rate as a bonus to the dealers selling and buying foreign currencies to the banks to minimize the gap between the official rate and the parallel rate in an attempt to attract more foreign currency resources to the banking system.
  
- Lack of foreign currency resources required to meet the increasing demand of the economy.
  
- Partial lifting of subsidy granted to some essential goods such as fuel and medicines.

The above mentioned difficulties have negatively influenced the banking sector performance, which is an integral part of the national economy that led to an increase in the inflation rate during the year 2016 to reach 30.47% by end of the year compared to 12.6% at the beginning of the year. The diagram below shows the trend of inflation rate during the year 2016:

## inflation Rates 2016



In spite of all these challenges, the budget performance for the year 2016 showed a significant improvement in some macroeconomic indicators which can be summarized in the following.

- GDP grew to reach about 5.2% at year end 2016 compared to 4.9% in 2015. The budget for 2017 targets a growth rate of 5.3%.
- Average annual inflation rate was 19% in 2016 compared to 17.9% in 2015. The budget for 2017 targets an average annual inflation rate of 17%.
- The official exchange rate of the Sudanese Pound (SDG) against USD at December 2016 was SDG 7.0100 compared to SDG 6.0923 at December 2015.
- Money supply has increased to SDG 120.8 Billion in December 2016 compared to SDG 93.6 Billion in 2015 with a recorded increase of 29 % due to the increase in demand deposits by 32%.

The government has started to execute an economic reform program (named the Five-Year Program) during the period 2015 – 2019 as an extension to the Three-Year Program which resulted in the partial lifting of the fuel subsidy) . The Five-Year Program approved by the Economic Development Sector of the Council of Ministers aims to achieve the following: -

1. Increasing the GDP growth rate in a sustainable manner in the range of 7% per annum.
2. Introducing new policies and reforms in the foreign trade sector that leads to restoring the imbalance between exports and imports and achieving a surplus in the balance of payments.
3. Increasing the agricultural production growth rate for both farming and livestock at an annual average rate of 6.8%.
4. Increasing industrial production during the program period by about 112% with special focus on transforming manufacture, mining and oil exploration (with the objective of concentrating on substitute import goods).
5. Reducing the budget deficit, raising the savings rate and increasing public revenues of the State from SDG 67.5 billion in 2016 to SDG 173 billion in 2019.

It is expected that the volume of aggregate investments of this program will be about SDG 1,069 billion, with an annual average of SDG 214 billion; the average share of the public sector is expected to be about 17%, while the share of the local and foreign private sectors are expected to be about 83 %, which confirms the role of the private sector in leading the economic growth during the program period.

The most important development in 2016 was the issuance of the American Executive Order of lifting economic and commercial sanctions from Sudan in January 2017 with a grace period of six months for revaluation and review to lift Sudan from the list of countries supporting terrorism. It is expected that lifting of sanctions will improve the overall performance of the national economy and the banking system performance in particular.

### **Important Achievements of the Bank During the Year:**

In spite of the difficulties that faced the economy in general and the banking sector in particular during the year 2016, the Bank maintained its position in the field of financing large corporates and strategic projects in addition to arranging and managing syndicated financing. Major achievements can be summarized in the following :-

#### **First : Commercial Financing:**

The Bank continued its activities in providing commercial financing with special emphasis on pre-export financing such as gold, livestock and gum Arabic in addition to financing the provision of agricultural and industrial inputs for the Bank's customers who are capable of availing foreign currency from their own resources. The total value of letters of credit issued during the year by the Bank was about Euro 11 million compared to Euro 19 million in last year. The Bank's customers exported about Euro 120 million compared to Euro 17 million during last year.

#### **Second : Arrangement and Management of Syndicated Facilities :**

At present, the Bank manages two long-term syndicated financing facilities for White Nile Sugar Company and the Gazeira Scheme. During the year, the Bank also managed, for the fourth time consecutively , a new syndication for financing the cultivation and export of cotton for the season 2016-2017 in the irrigated agricultural schemes. 28 banks have participated in this syndication for a total amount of about SDG 930 million.

#### **Third : Vertical Expansion :**

As you know , the Bank has 4 branches and it was expected to be increased to 5 branches during 2016, but the Bank has postponed this move because the Bank is keen on slow and well planned organic growth in a manner that facilitates achieving its role in the field of corporate finance. In this regard , the Bank is currently studying banking expansion options either to establish new branches or opening cash offices in the customers' premises with the objective to attract more current and investment deposits.

In spite of the hard economic problems facing the country, the Bank's business had not been largely affected due to the conservative approach adopted by the Bank and this will be reflected in the financial performance highlighted below :

## Financial Performance of the Bank During the Year:

During the year 2016, the Bank continued its normal operations achieving growth in some of the financial performance indicators.

Assets increased from about SDG 2,008 million at the end of 2015 to about SDG 2,159 million at the end of 2016 (an increase of about 8%). The Bank's assets structure is a blend that ensures excellent returns and a high degree of liquidity.

On the other hand, net income from finance and investment amounted to about SDG 79 million compared to about SDG 107 million during 2015. This drop in income is due to

the Bank's Management decision to gradually disinvest from Shahama Certificates in the secondary market to strengthen the liquidity position, as major difficulties were emerging regarding liquidation of Shahama Certificates in the secondary market.

Revenue from banking services increased from about SDG 30 million at the end of 2015 to about SDG 33 million at the end of 2016 - an increase of about 10%.

Net profit after Zakat and Tax decreased from about SDG 53 million in 2015 to about SDG 8 million in 2016 (a decrease of 85%), this decrease in profit was due to the following:

1. Reduction in net income from investment in securities by SDG 29 million from the last year as a result of sale of Shahama Certificates and booking a provision for impairment due to low prices of Shahama and non-recognition of profit from investment in securities. Investment in Liquidity Management Fund has also been reduced.
2. Increasing provision for finance losses for some customers to about 38 million compared to about 10 million last year due to the Board resolution to increase the percentage of provision to reach 50% within a period of five years.



It is worth mentioning that staff expenses decreased by about SDG 2 million compared to last year. In spite of increasing goods and services prices due to inflation, general and administrative expenses did not record any increase during the year 2016 compared to last year. General and administrative expenses amounted to SDG 24 million, in spite of the general increase of goods and commodities prices due to inflation and that was a result of the budget rationing policy adopted by Management during the year.

Earnings per share in 2016 amounted to 0.32 compared to 2.21 in 2015 resulting from the decrease in net profit for the year as mentioned above.

The Bank has obtained a rating of "Fair " at year-end as per the Central Bank of Sudan rating scale regarding Capital Adequacy, Assets quality, Earnings Capacity and Liquidity indicators (CAEL) .

The Bank's revenue was diversified as follows :

Particular	Percentage		Change
	2016	2015	
Revenue from finance To Customers	55	48	7
Revenue from banking services	28	20	8
Revenue from securities	7	22	(15)
Revenue from deposits with banks	8	8	0
Revenue from other investments	2	2	0
<b>Total</b>	<b>100</b>	<b>100</b>	

Net direct finance portfolio (after deduction of retained earnings in 2016) was about SDG 1,226 million compared to SDG 985 million in 2015 (an increase of 25%). This increase in amount of the portfolio was due to the increase of finance opportunities that matches with the Bank's policy of focusing on pre-export financing and productive activities.

The portfolio is diversified among various economic sectors using a number of Islamic modes of financing. The total volume of the finance portfolio after adding letters of credit and letters of guarantee amounted to about SDG 1,388 million. Non-performing loans were about 14.5% of the total portfolio by the end of the year 2016 compared to 7.3% by the end of year 2015 due to the increase in past due obligations of some customers.

The Bank's Financial Statements as at December 31, 2016 reveals a reasonable degree of liquidity as reflected in maturities of assets and liabilities below:-

Particular	Less than 3 Months	3 - 6 Months	6 - 12 Months	More than a Year	Total
Assets	1,202	319	142	496	2,159
Liabilities	1,399	147	81	532	2,159

In this context, I am pleased to state below the major financial indicators of the Bank during the years 2011 to 2016 :-

(SDG millions)

Particular	2011	2012	2013	2014	2015	2016
Total Assets	1,006	1,504	1,685	1,984	2,008	2,159
Customers' Current Accounts & Investment Deposits	577	723	723	975	1,056	1,047
Shareholders' Equity	323	381	420	455	469	441
Net Finance to Customers after deducting provisions & undue profits	441	730	960	1,137	938	1,137
Net Profit before tax and zakat	44	87	82	92	73	24
Net Profit after tax and zakat	38	77	61	69	53	8
Earnings Per Share	1.59	3.02	2.52	2.85	2.21	0.32

The above table shows an increase in the Bank's assets from about SDG 1,006 million at end of 2011 to about SDG 2,159 at the end of 2016 (an increase of about 115%). Total shareholders' equity increased from about SDG 323 million at end of 2011 to about SDG 441 million at the end of 2016 (an increase of about 37%).

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

Furthermore, the Bank commits to provide the highest degree of transparency in displaying its financial reports, including all types of risks whether it be financial or operational as required by best International Standards and Practices.

The Bank pays special attention for training its employees through sending them to attend specialized training programs inside and outside Sudan .

At the same time, the Bank plays a distinguished social role by paying Zakat to the Bureau of Zakat and making social contributions to individuals and institutions within it's social responsibility.

On a special note, it gives me great pleasure to state that during the year, the Bank sponsored the youth competition program called "Mashrouy Pioneer Business Ideas " for the fourth time consecutively jointly with a number of other sponsors (CTC Company, Coffetea Company and Sudatel Company) . The aim of the program is to create a competition among young individuals to come up with ideas for new investment projects that are innovative in nature and economically viable. This programme was arranged by the British Council and the British Embassy in Khartoum in collaboration with the Sudanese Young Businessmen Association.

The program was very successful and over 1,260 contestants participated in this round compared with 800 in the previous one. The best 3 projects will be awarded cash presents and a trip to the United Kingdom to meet business entrepreneurs there. In its first , second and third rounds , the program was very popular among the public and was commented upon in all types of media and economic sectors. Above all, it was really an added value to the Bank's good reputation.

At the end, I would like to convey, on behalf of the Board of Directors, our thanks and gratitude to the Central Bank of Sudan for their valued efforts and distinguished supervisory role. 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 continuous assistance to the Bank's Management to insure compliance with Sharia rules in the Bank's activities.

Thanks are also extended to the External Auditor for the counsel provided and for making it possible to issue the Audited Financial Statements in a relatively record time.

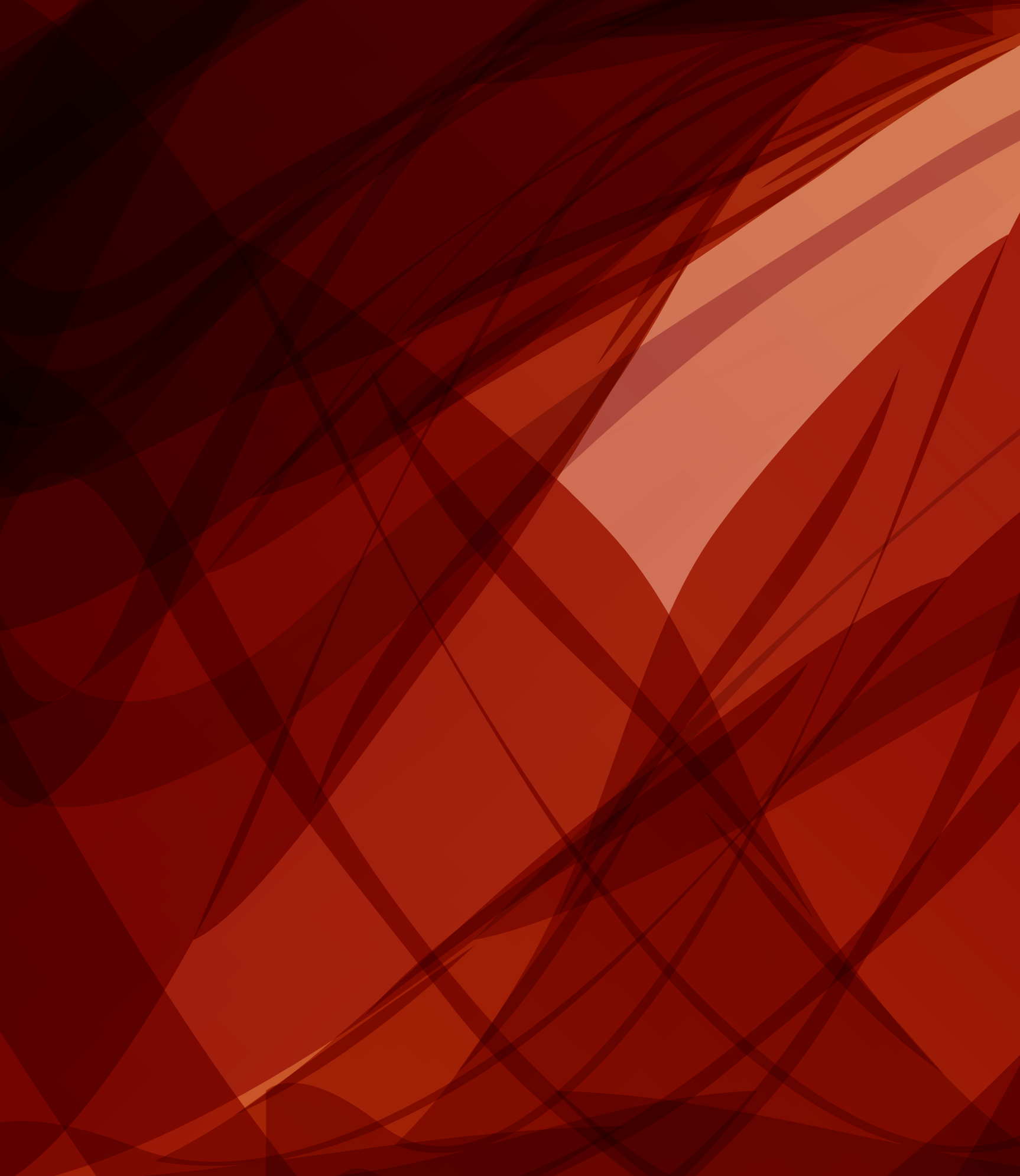
The Board records its thanks to the employees of the Bank and the executive management for their sincere efforts, loyalty and diligence.

Finally, we pray to God for the continued success.

**Mohamed Khalifa Al Adsani**  
**Chairman of the Board of Directors**



**CHIEF EXECUTIVE  
OFFICER  
&  
GENERAL MANAGER'S  
REPORT**



## Chief Executive Officer & General Manager's Report

### Economic Events and United Capital Bank

#### First : Global Economy in 2016

Interim information in the economic reports of the International Monetary Fund expect a relative improvement in the rate of growth in the Global Economy from 2.4% in 2015 to 3.4% in 2016 and expect to grow up to 3.5% in 2017.

The economic growth varies in different groups of countries, as the rate of growth accelerates in some advanced countries as these economies have managed to overcome the negative consequences of the Global Financial Crisis. On the other hand, the emerging markets grow in a bit slow rate compared to what had been prevailing before the Global Economic Crisis.

There are a number of challenges facing the Global Economy in the medium term, such as:

- Drastic drop in oil prices and its impact on all countries, which affected exporting and importing countries.
- Acceleration of population aging in some countries which reduces the volume of labour force.
- Deterioration of the rate of growth due to the drop in output per capita.
- Proliferation of political instability worldwide .

All the above had led to the continuation of speckticsm and lack of trust in having the Global Economy back to what it had been before the Global Financial Crisis, at the same speed and within the foreseeable time frame .



## **Second: Sudanese Economy in 2016:**

The Sudanese economy has faced a number of challenges, the most important of which is the continuation of sanctions imposed by the American administration since November 1997. At the end of 2016 the economic and commercial sanctions have been lifted from Sudan with a grace period of six months for revaluation and review to finally lift Sudan from the list of countries supporting terrorism. In addition to this , the split of Southern Sudan in 2011 and the subsequent loss of 70% of petroleum of the State budget, devaluation of Sudanese pound (SDG) in contrast to other currencies , the increasing gap between official and market rates, accumulation of foreign debt and arrears thereof and rise in government expenditure. All these had a negative impact on the performance of the Sudanese Economy that negatively reflected on the Banking Sector performance, which is an integral part of the national economy.

In spite of all these challenges, the performance of the budget in 2016 has reflected a notable improvement in the economic benchmark of 2016 summarized as follows:-

- GDP increased to 5.2% in 2016 compared to 4.9% in 2015 and is expected to reach 5.3% by the end of the year 2017.
- Cash stock increased to SDG Billion 120.8 in 2016 compared to SDG Billion 93.6 in 2015 (an increase of about 29%) due to an increase in demand deposits of 32%.

## **Third : Rating and Awards for the Bank in 2016:**

During 2016 the Bank was awarded an Investment Grade rating at the National Scale by the International Islamic Rating Agency (IIRA) Bahrain .

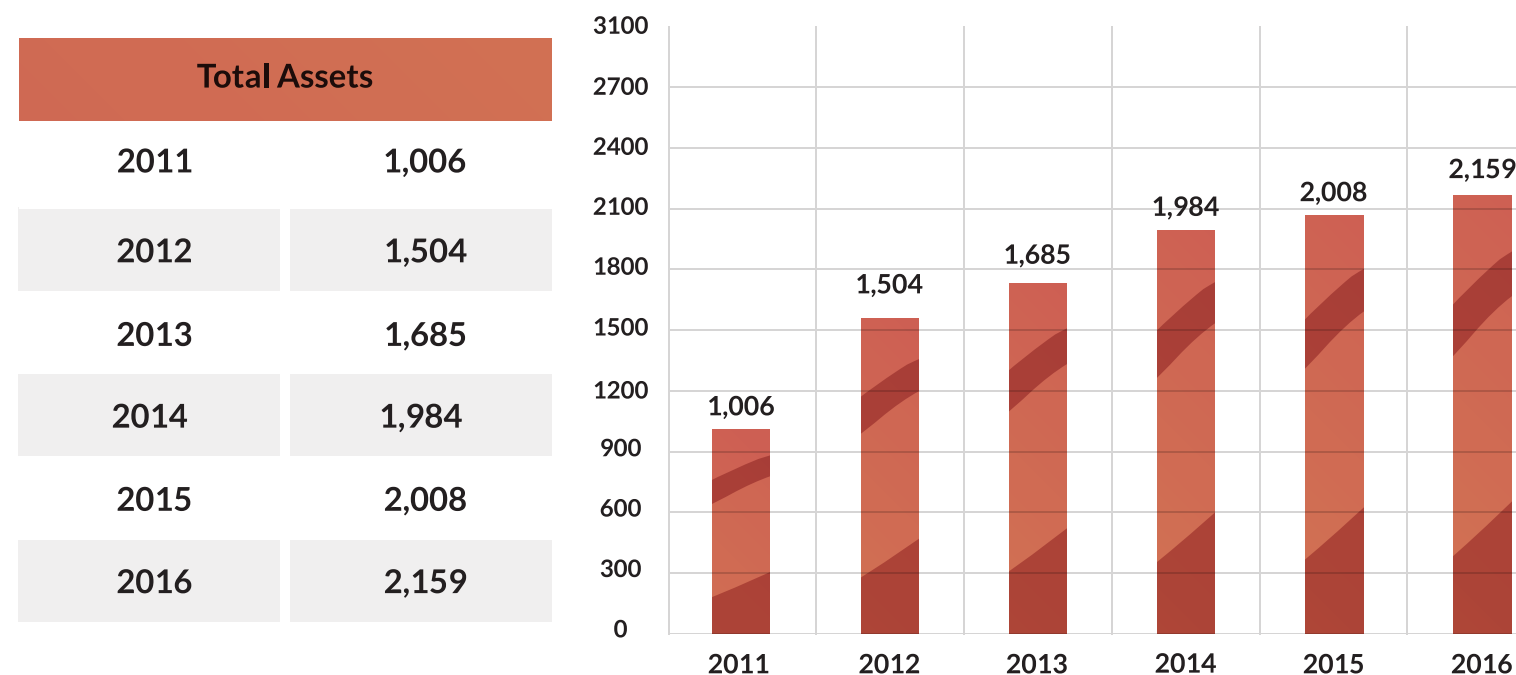
United Capital Bank (UCB) achieved significant growth during the last few years (2011-2016) as indicated below:-

(SDG millions)

	2011	2012	2013	2014	2015	2016
Total Assets	1,006	1,504	1,685	1,984	2,008	2,159
Finance to Customers, Net	441	730	960	1,137	938	1,137
Shareholders' equity	323	381	420	455	469	441
Customers' deposits	309	341	294	358	436	662
Equity of investment account holders	246	382	443	617	619	385
Gross Income	71	138	128	142	146	129
Net Profit (before tax and zakat)	44	87	82	92	73	24

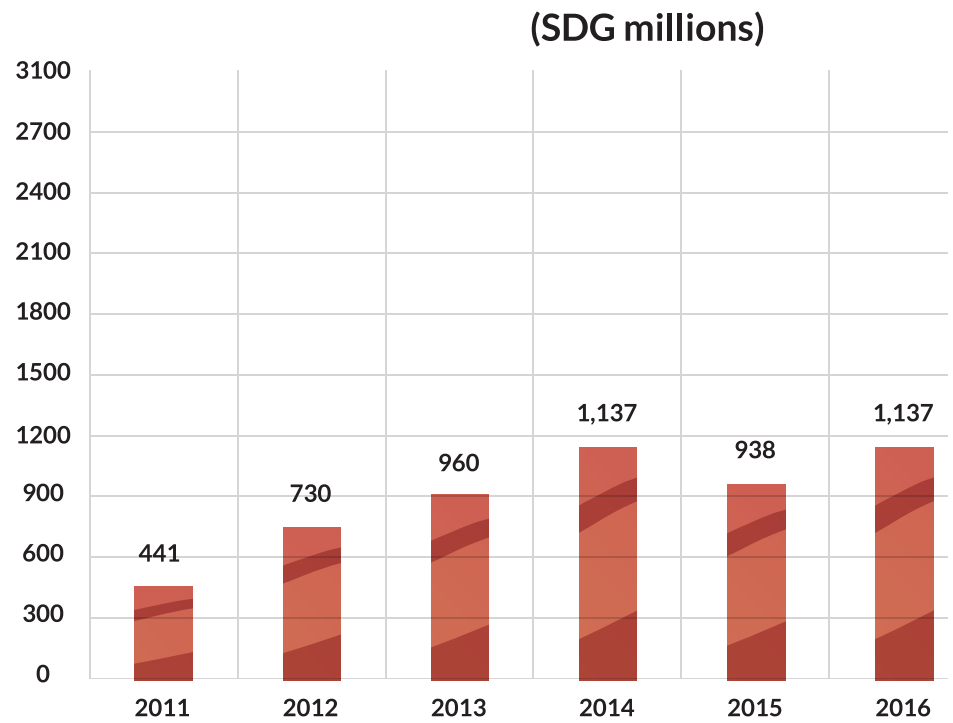
During this short period, the Bank was able to maintain an excellent customer base in both deposit placement and financing.

(SDG millions)



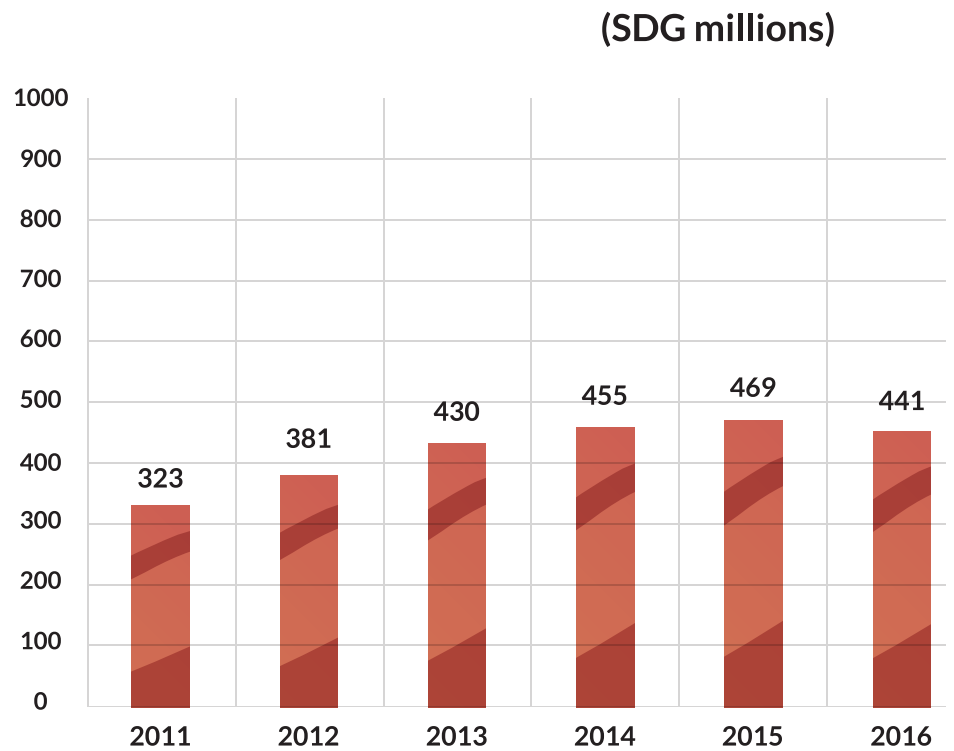
### Finance to Customers(net)

2011	441
2012	730
2013	960
2014	1,137
2015	938
2016	1,137



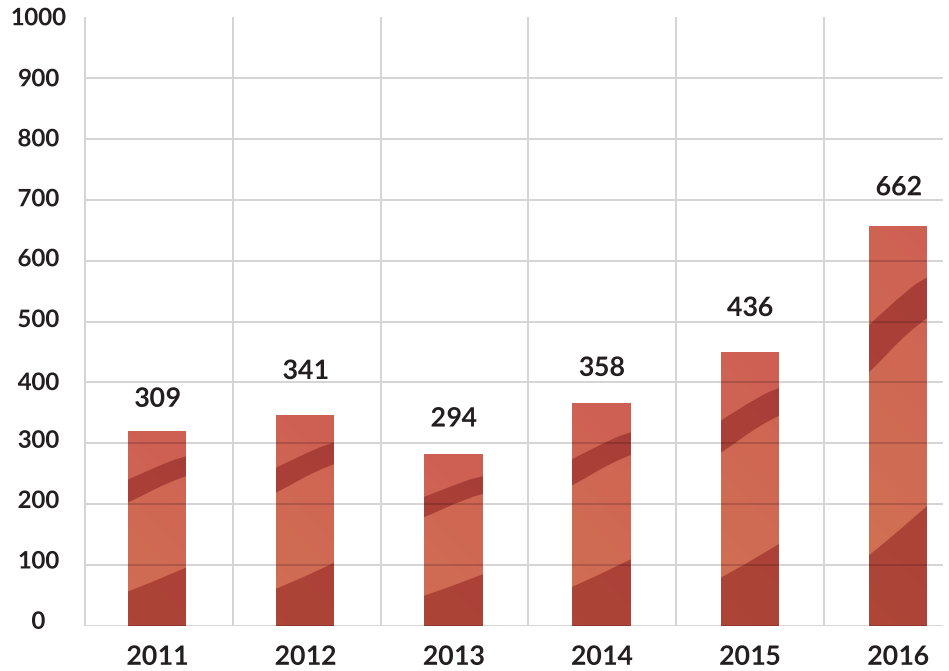
### Shareholders' Equity

2011	323
2012	381
2013	430
2014	455
2015	469
2016	441



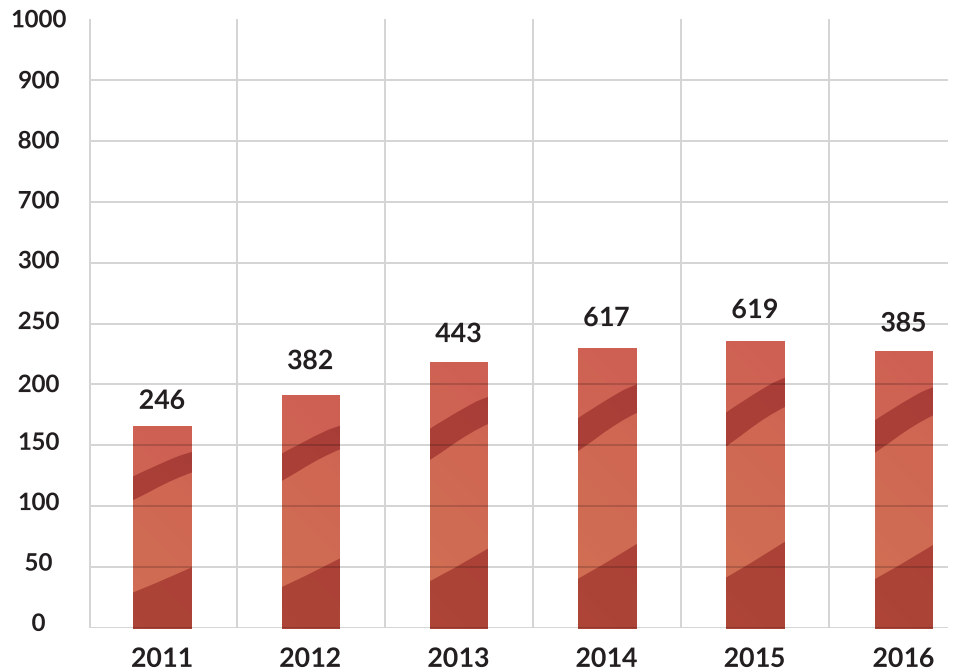
(SDG millions)

Customers' Deposits	
2011	309
2012	341
2013	294
2014	358
2015	436
2016	662



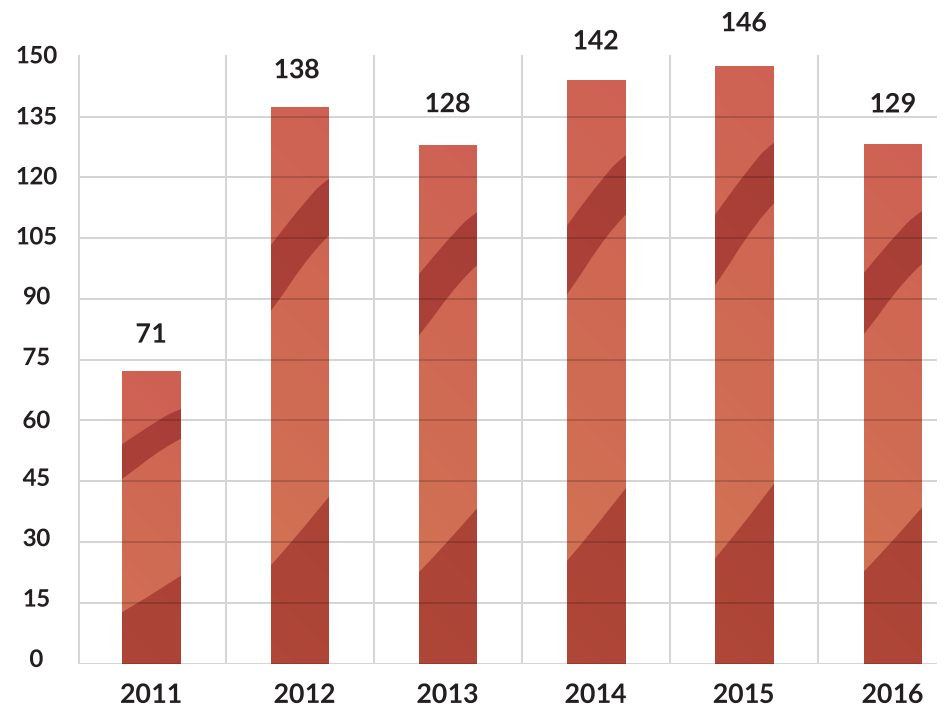
(SDG millions)

Equity of investment accounts holders	
2011	246
2012	382
2013	443
2014	617
2015	619
2016	385



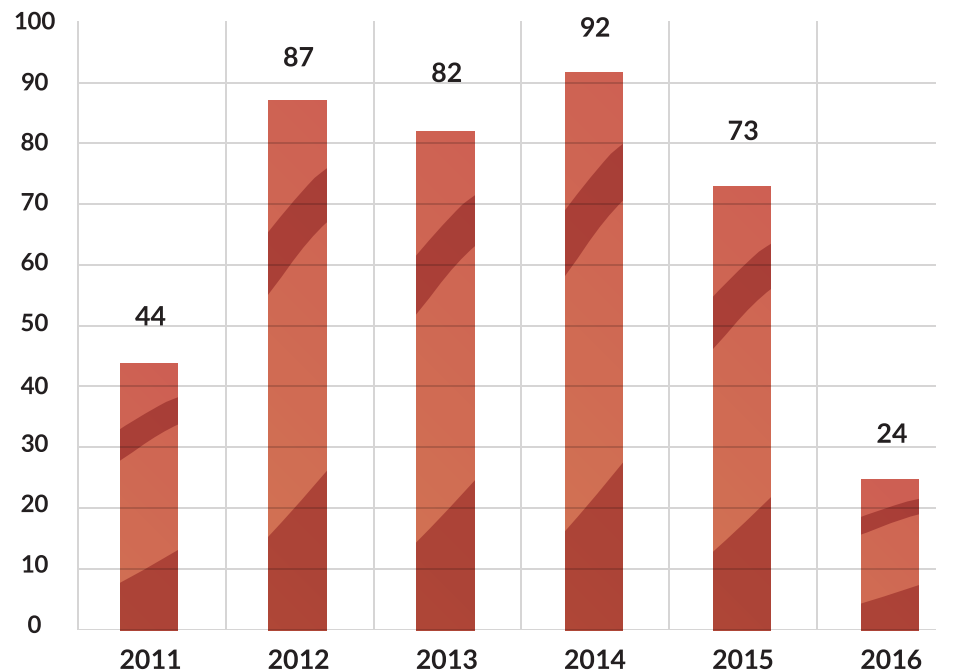
(SDG millions)

Gross Income	
2011	71
2012	138
2013	128
2014	142
2015	146
2016	129



(SDG millions)

Net Profit (before tax & Zakat)	
2011	44
2012	87
2013	82
2014	92
2015	73
2016	24



The Management focused during these years on the recruitment of high caliber staff at all levels. The number of staff increased gradually from 134 at the end of 2011 to 152 at end of 2016.

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

#### **Fourth : United Capital Bank and Social Responsibility :**

UCB social responsibility is based on commitment to the following objectives :

- Building effective communication channels with all sectors of society to figure out the activities that need support to have successful social partnership.
- Laying the foundation of having effective cooperation to execute a number of activities in the society through sponsorship of main activities in the fields of education, health, sport, environment and projects targeting people with special needs.
- Participation in philanthropy main activities. The Bank has participation in a number of activities within social responsibility such as , printing a book of the late artist ElTayib Saleh , and sponsorship of a poem book called “ Hadaha Metain Al Haraba” by Kamel Abdelmajed and another book by young fine artists , in support of art, fine art and culture throughout the country and encouragement of youth entrepreneurship ideas .The Bank participated in the movie film about late novelist Eltayib Saleh called “Hifinat tamer”.

Also the Bank sponsored the well known program of Mashrouy, a pioneer project for youth entrepreneurship in collaboration with the British Embassy, the British Council and the of Sudanese Young Business Association aiming to spreading the idea of entrepreneurship in Sudan.

In addition to the above mentioned the Bank has provided support to the following:

- Sponsorship of orphans and disabled
- Covering the medical expenses for the poor and needy citizens
- Rehabilitation of schools and universities ( classes and halls)
- Supporting students and scientific trips
- Bridging nutrition gap in North Darfour State
- Supporting mosques and worship houses
- Printing cultural books
- Supporting civil society organizations
- Payment of blood moneys
- Supporting smart/outstanding students
- Supporting mass wedding projects
- Supporting South Kordofan Education Mobilization
- Supporting Hejleeg Rehabilitation Mobilization
- Supporting summer work projects
- Supporting Independence Day Festival
- Supporting Ramadan breakfasts

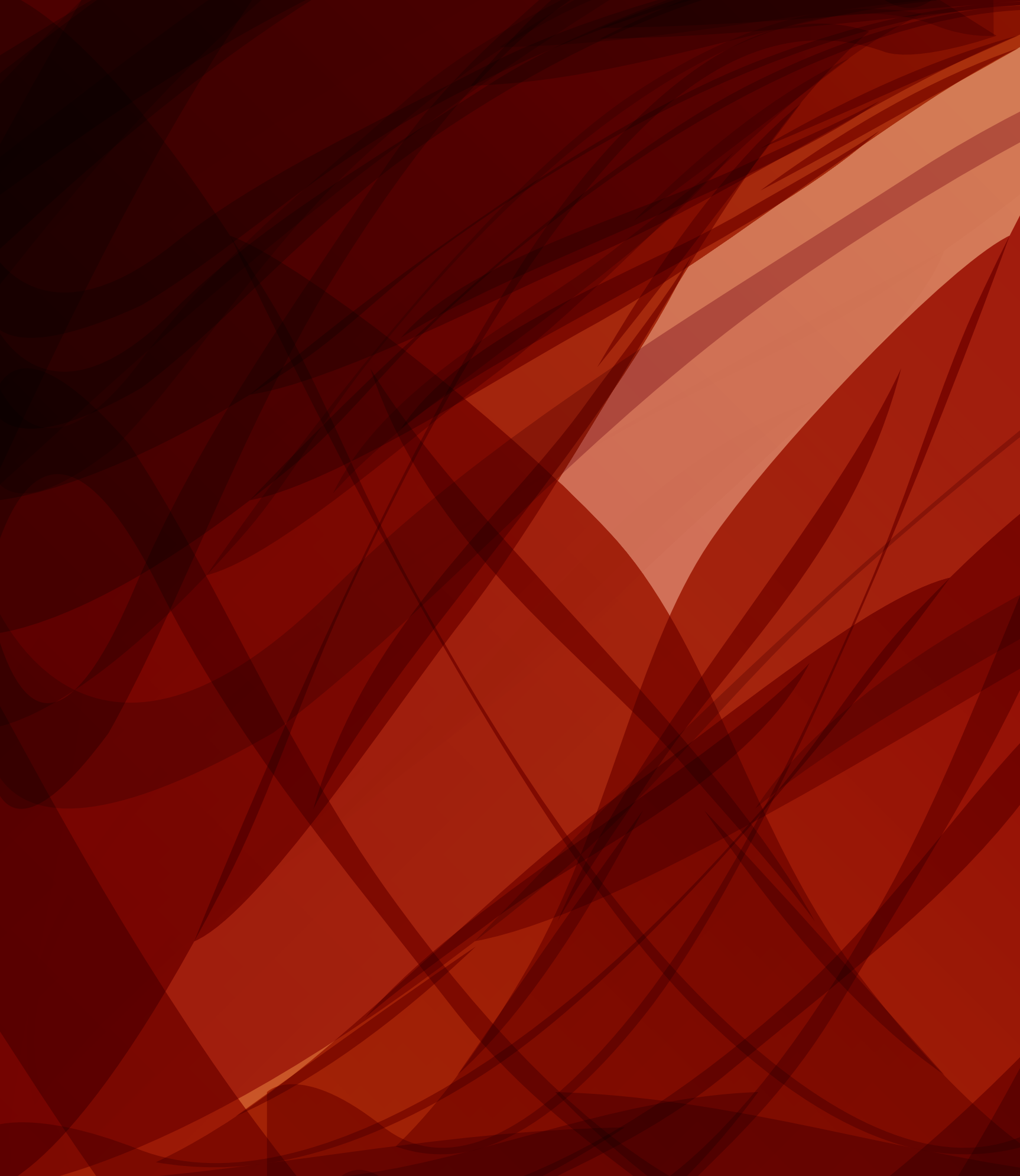
As an example, the Bank financed the social impact projects to the following :-

Description	Purpose
Economic Housing Finance Portfolio	Financing housing for limited income groups
Dams Implantation Unit North Kordofan State	Rehousing of those affected by heightening Rossaris Dam & Rivers Atbara and Setait
West Kordofan Commission	Extension of Electricity Network to citizens
	Building of primary schools in the State



# **FINANCIAL STATEMENTS**





## Sheikh & Co

Chartered Accountants

Aboulela New Building  
Gamhoria Street  
P.O. Box 1608  
Khartoum – Sudan

Telephone: +249- 183- 771205  
Fax : +249- 183- 777581  
e-mail : [mail@sheikhco.com](mailto:mail@sheikhco.com)

### INDEPENDENT AUDITORS' REPORT

#### To the Shareholders of United Capital Bank (public limited company)

We have audited the accompanying consolidated financial statements of United Capital Bank , which comprise the consolidated statement of financial position as at December 31st, 2016 and the consolidated statement of comprehensive income, and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and International Financial Reporting Standards for items not covered by AAOIFI standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

#### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures. 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.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of 31st December 2016 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Financial Reporting Standards for items not covered by AAOIFI standards and the general principles as determined by the Bank's Shari'a Supervisory Committee.

*Sheikh & Co.*

Sheikh & Co  
Chartered Accountants

27 March, 2017


Sheikh & Co

## CONSOLIDATED STATEMENTS FINANCIAL POSITION

### At December 31, 2016

	Notes	2016	2015
<b>ASSETS</b>		<b>SDG</b>	<b>SDG</b>
Cash and balances with banks and financial institutions	4	484,712,477	301,997,938
Investments with banks and financial institutions	5	314,320,000	199,000,000
Investments in securities	6	96,548,705	419,960,096
Finance to customers, net	7	1,136,951,269	938,268,509
Other investments	8	-	-
Other assets	9	58,995,805	80,075,228
Property and equipment, net	10	67,695,502	68,585,320
<b>TOTAL ASSETS</b>		<u><u>2,159,223,758</u></u>	<u><u>2,007,887,091</u></u>
 <b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>			
Liabilities			
Due to banks and financial institutions	11	164,875,900	172,503,954
Customers' deposits	12	661,577,655	436,308,788
Other Liabilities	13	506,704,005	311,035,510
<b>TOTAL LIABILITIES</b>		<u><u>1,333,157,560</u></u>	<u><u>919,848,252</u></u>
 <b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
Investment deposits -banks and financial institutions	14	230,845,019	340,609,137
Investment deposits -other	15	154,097,931	278,826,121
<b>TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		<u><u>384,942,950</u></u>	<u><u>619,435,258</u></u>
 Share holders' equity			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Statutory reserve	18	37,935,448	37,561,315
Fair value reserve		16,177	(856,403)
Foreign currencies revaluation reserve	19	-	57,047,992
Retained earnings		158,648,713	94,331,259
Proposed dividends	20	-	36,000,000
Total shareholders' equity of the parent company		441,100,338	468,584,163
Non-controlling interest		22,910	19,418
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u><u>441,123,248</u></u>	<u><u>468,603,581</u></u>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>		<u><u>2,159,223,758</u></u>	<u><u>2,007,887,091</u></u>
<b>COMMITMENTS AND CONTINGENCIES</b>	31	<u><u>972,748,942</u></u>	<u><u>1,052,297,861</u></u>

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 23, 2017.

  
**Yousif Ahmed El-Tinay**  
 General Manager

  
**Mansour Qaiser Bteish**  
 Vice-Chairman

  
**Mohammed Khalifa Aladsani**  
 Chairman

## CONSOLIDATED INCOME STATEMENTS

### For the Year ended December 31, 2016


	Notes	2016 SDG	2015 SDG
<b>INCOME FROM :</b>			
investments with banks and financial institutions	21	13,469,879	16,374,897
Investments in securities	22	13,196,463	42,627,774
Finance to customers	23	99,317,729	95,390,907
Other investments		3,968,550	3,795,120
		129,952,621	158,188,698
<b>Total income from financing and investments</b>			
Property and equipment, net			
Less: Return to unrestricted investment account holders	24	(46,928,623)	(46,303,992)
Less : Finance Cost		(4,470,868)	(5,250,738)
		78,553,130	106,633,968
<b>Net income from investments and financing</b>			
Fee income	25	32,836,642	30,179,857
Foregin exchange gain, net	26	17,516,083	9,424,461
		128,905,855	146,238,286
<b>Total operating income</b>			
<b>EXPENSES</b>			
Staff cost		(31,719,151)	(33,693,697)
General and administrative expenses	27	(24,069,359)	(23,936,985)
Depreciation	10	(4,890,279)	(5,607,347)
Provision for finance losses	7.1.3	(37,857,914)	(10,266,980)
Provision for impairment		(6,405,472)	-
		(104,942,175)	(73,505,009)
<b>Total operating expenses</b>			
<b>Net operating profit before zakat and income tax</b>		23,963,680	72,733,277
Zakat expense		(6,121,287)	(6,168,775)
Income tax expense		(10,195,306)	(13,557,935)
		7,647,087	53,006,567
<b>Net profit</b>			
Less: net profit attributable to non-controlling interest		(3,492)	(1,963)
		7,643,595	53,004,604
<b>Net profit attributable to equity holders of the parent company</b>			
<b>Earnings per share</b>	28	0.32	2.21



**Yousif Ahmed El-Tinay**  
General Manager



**Mansour Qaiser Bteish**  
Vice-Chairman



**Mohammed Khalifa Aladsani**  
Chairman


## CONSOLIDATED STATEMENTS OF CASH FLOWS

### For the Year ended December 31, 2016


	Notes	2016 SDG	2015 SDG
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		7,643,595	53,004,604
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization		4,890,279	5,607,347
Zakat		6,121,287	6,168,775
Income tax		10,195,306	13,557,935
Provision for staff end of service benefits		2,044,440	654,877
Provision for finance losses		44,263,386	10,266,980
Provision for staff bonus		4,237,889	3,862,911
(Gain) loss on disposal of property and equipment		(13,186)	629,575
<b>Operating profit before working capital changes</b>		<b>79,382,996</b>	<b>93,753,004</b>
<b>Net (increase)/decrease in operating assets:</b>			
Statutory cash reserve		(41,405,034)	15,336,628
Cash margin on LCs & LGs		4,379,757	19,803,711
Finance to customers		(242,946,146)	188,655,516
Other assets		21,079,423	(17,449,256)
<b>Net (increase)/decrease in operating liabilities:</b>			
Due to banks and financial institutions		(7,628,054)	(207,924,411)
Customers deposits		225,268,867	78,150,465
Other liabilities		173,069,572	113,784,238
<b>Net cash from operating activities</b>		<b>211,201,381</b>	<b>284,109,895</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(1,939,029)	(164,175,181)
Proceeds form sale of investment		326,223,000	8,694,500
Acquisition of property and equipment		(4,303,443)	(7,929,162)
Proceds from sale of property and equipment		316,168	335,351
<b>Net cash from investing activities</b>		<b>320,296,696</b>	<b>(163,074,492)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net movement in non-controlling interest		3,493	1,963
Dividends paid		(36,000,000)	(38,400,000)
Net increase in equity of unrestricted investment accounts		(234,492,308)	2,056,562
<b>Net cash from financing activities</b>		<b>(270,488,815)</b>	<b>(36,341,475)</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>261,009,262</b>	<b>84,693,928</b>
Cash and cash equivalents at beginning of the year		449,493,692	364,799,764
<b>Cash and cash equivalents at end of the year</b>	<b>29</b>	<b>710,502,954</b>	<b>449,493,692</b>



**Yousif Ahmed El-Tinay**  
General Manager



**Mansour Qaiser Bteish**  
Vice-Chairman



**Mohammed Khalifa Aladsani**  
Chairman



## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

### For the year ended December 31, 2016

Attributable to shareholders' of the parent company

	Notes	Share capital		Statutory reserve	Fair value reserve	F. currencies revaluation reserve	Retained earnings	Proposed dividends	Total	Non-controlling interest	Total Shareholders' equity
		SDG	SDG								
<b>Balance at January 1, 2016</b>		240,000,000	4,500,000	37,561,315	(856,403)	57,047,992	94,331,259	36,000,000	468,584,163	19,418	468,603,581
Net profit for the year		-	-	-	-	-	7,643,595	-	7,643,595	3,492	7,647,087
Transfer to statutory reserve	18	-	-	374,133	-	-	(374,133)	-	-	-	-
Net change in fair value reserve		-	-	-	872,580	-	-	-	872,580	-	872,580
Foreign Currencies revaluation reserve	19	-	-	-	-	(57,047,992)	57,047,992	-	-	-	-
Dividends paid		-	-	-	-	-	-	(36,000,000)	(36,000,000)	-	(36,000,000)
Proposed dividends	20	-	-	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2016</b>		<b>240,000,000</b>	<b>4,500,000</b>	<b>37,935,448</b>	<b>16,177</b>	<b>-</b>	<b>158,648,713</b>	<b>-</b>	<b>441,100,338</b>	<b>22,910</b>	<b>441,123,248</b>
Balance at January 1, 2015		240,000,000	4,500,000	32,775,949	-	56,478,927	82,681,086	38,400,000	454,835,962	17,455	454,853,417
Net Profit for the year		-	-	-	-	-	53,004,604	-	53,004,604	1,963	53,006,567
Transfer to statutory reserve	18	-	-	4,785,366	-	-	(4,785,366)	-	-	-	-
Net change in fair value reserve		-	-	-	(856,403)	-	-	-	(856,403)	-	(856,403)
Foreign Currencies revaluation reserve	19	-	-	-	-	569,065	(569,065)	-	-	-	-
Dividends paid		-	-	-	-	-	-	(38,400,000)	(38,400,000)	-	(38,400,000)
Proposed dividends	20	-	-	-	-	-	(36,000,000)	36,000,000	-	-	-
<b>Balance at December 31, 2015</b>		<b>240,000,000</b>	<b>4,500,000</b>	<b>37,561,315</b>	<b>(856,403)</b>	<b>57,047,992</b>	<b>94,331,259</b>	<b>36,000,000</b>	<b>468,584,163</b>	<b>19,418</b>	<b>468,603,581</b>

Yousif Ahmed El-Tinay  
General Manager

Mansour Qaiser Bteish  
Vice-Chairman

Mohammed Khalifa Aladsani  
Chairman

The attached notes 1 to 37 form an integral part of these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 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 in the Republic of Sudan. The 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. 000 235 183 00249, web site : [www.bankalmal.net](http://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 2009 ,1. Al-Mawarid is licensed to invest in real estate development and various other economic sectors.

### 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).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 2. BASIS OF PREPARATION (continued)

#### 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.

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries, Almal United Company Limited and Almawarid Investment Co. Ltd. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continues 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 the equity in the consolidated statement of the 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

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 on a monthly basis in terms of the collection from customers to determine if there is any delay in payments or any decrease in the value of the portfolio or the future cash flows which requires the establishment of a specific provision.

The amount of provision is calculated in accordance with the directives of the Central Bank of Sudan.

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.

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 2. BASIS OF PREPARATION (continued)

#### 2.5.3 Fair value of financial instruments that are not quoted in an active market (continued)

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.

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

#### 3.1 Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment loss.

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

	Useful life (years)
• Land & Buildings :	
• Leasehold land	50
• Bank's Buildings	40
• Leased Buildings (Lease tenure)	10
• IT equipment	4
• Office equipment, furniture and fixtures	5
• Motor vehicles	4
• Computer software	5

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

The assets' residual values and useful life 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.

### **3.2 Impairment and uncollectibility of 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 that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

### **3.3 Investment in securities**

According to FAS 25, investments in securities are broadly classified into debt-type instruments 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:

#### **3.3.1 Equity-type instruments at fair value through equity:**

Those are 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.3.2 Equity-type instruments carried at cost:

Those are have a quoted market price as they are not listed in the market or do not have an active market or their fair value cannot be determined in any other appropriate method, are recognized at cost less any impairment in value –if any. Any gain on such investment is calculated on the lowest profit's rate distributed in the last three years.

Gain or Loss on these investments is recognized when these investments are disinvested.

#### 3.4 Investments with banks and financial institutions

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

#### 3.5 Finance to customers

Deferred receivables from Murabaha, Salam, Istisna and Ijarah 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.

#### 3.6 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 3.7 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.

### 3.8 Provisions

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

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

### 3.9 Zakat

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

### 3.10 Taxation

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

### 3.11 Staff end of service benefits

A provision is made for amounts payable to employees for end-of-service benefits, which is calculated in accordance with the provisions of the Labour Law and the Bank's internal Human Resource policy.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.12 Revenue recognition

Income from Murabaha finance is recognized on a time-apportioned basis over the period of the contract based on the outstanding balance. Assets available for sale after acquisition on the basis of Murabaha to the purchase orderer shall be measured at their historical cost. In the cases where the assets value declines below cost due to damage, destruction or any other unfavorable circumstances, such a decline shall be reflected in the evaluation of the assets at the end of the financial period.

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.

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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 3.13 Settlement date accounting

All regular 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 purchases and sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### 3.14 Return 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 expense related to the investment pool “Mudarib expense”. 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.

### 3.15 Restricted investment accounts

Restricted investment accounts represent funds belonging to the Bank’s customers for which it has assumed investment management responsibility. Such funds are invested on behalf of the customers by the Bank acting as mudarib 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 deducting of the Bank’s stated commission as agent or profit share as Mudarib.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.16 Commitments and Contingencies

Contingent liabilities are not recognized in the consolidated financial statements, but are disclosed in the notes when the possibility of an outflow of economic resources is reasonable.

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

#### 3.17 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.

## 4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS

	Notes	2016 SDG	2015 SDG
Cash in hand	4.1	23,918,751	10,720,379
Central Bank of Sudan - Current account	4.1	305,180,112	189,789,074
Foreign correspondent banks – Current accounts	4.1	<u>67,084,091</u>	<u>49,984,239</u>
<b>Sub-total</b>		<b>396,182,954</b>	<b>250,493,692</b>
Central Bank of Sudan - Statutory Cash Reserve	4.1	85,526,804	44,121,770
Cash margin on letters of credit with correspondent banks	4.1	<u>3,002,719</u>	<u>7,382,476</u>
<b>Total</b>		<b><u>484,712,477</u></b>	<b><u>301,997,938</u></b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 4.1 Foreign currency balances included in the above balances are as follow:

	2016 SDG	2015 SDG
Cash in hand	3,397,312	2,283,348
Central Bank of Sudan - Current account	160,805,425	134,338,813
Foreign correspondent banks – Current accounts	<u>67,084,091</u>	<u>49,984,239</u>
<b>Sub-total</b>	<b>231,286,828</b>	<b>186,606,400</b>
Central Bank of Sudan - Statutory cash reserve	35,296,616	10,044,899
Cash margin on letters of credit with correspondent banks	<u>3,002,719</u>	<u>7,382,476</u>
<b>Total</b>	<b><u><u>269,586,163</u></u></b>	<b><u><u>204,033,775</u></u></b>

## 5- INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS

These represent investment accounts placed with banks and financial institutions according to Mudaraba contracts for renewable periods not exceeding one month. Partial and total withdrawals are allowed without significant cost.

Balances at December 31, are as follows:

	2016 SDG	2015 SDG
Local banks	265,995,000	199,000,000
Foreign banks and financial institutions	<u>48,325,000</u>	<u>-</u>
<b>Total</b>	<b><u><u>314,320,000</u></u></b>	<b><u><u>199,000,000</u></u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:

	Note	2016 SDG	2015 SDG
<b>Securities at fair value through equity</b>			
Liquidity Management Fund- Not listed	6.1	10,320,177	205,745,596
<b>Securities carried at cost</b>			
Shahama Certificates - Listed	6.2	49,180,500	149,066,500
Less : provision for shahama impairment	6.2	(6,405,472)	-
Shasha Certificates - Listed	6.3	42,853,500	64,548,000
Sudan Academy Fund - Not listed	6.4	<u>600,000</u>	<u>600,000</u>
<b>Total</b>		<u><u>96,548,705</u></u>	<u><u>419,960,096</u></u>

#### Investment securities at fair value through equity:

##### 6.1 Liquidity Management Fund:

This is a Fund concerned with the liquidity management among banks , where all banks operating in Sudan are obligated to contribute in. The Fund is managed by Financial Investment Bank with a capital of SDG 750 Million divided into 750,000 Share (Sukuk) with nominal value of one thousand SDG .These Sukuk are not traded in Khartoum Stock Exchange (KSE).The objective of this fund is to recover the over draft current account with Central Bank of Sudan in local currency for all the participating banks with specific regulations ,not only but also the Fund invests excess money in Shahama certificates.

The Shares (Sukuk) invested in this Fund are valued on a daily basis and profits are distributed on a semi-annual basis.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### Investment securities carried at cost:

#### 6.2 Shahama Certificates:

Represents 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 14% per annum since their inception in 1999. Current year yield for redeemed securities ranged between 17% to 19%.

#### 6.3 Shasha Certificates:

The Bank acquired these securities on December 2012 and March 2013 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 were allocated to acquire certain assets of Sudan Electricity Distribution Company, which were 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 the market prices prevailing on liquidation date. These securities are trading in the secondary and inter-bank market. Lease rentals at 5% p.a. are expected to be distributed annually.

#### 6.4 Sudan Academy for Financial and Banking Studies Fund:

Represents the Bank's contribution together with 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 return ranging from 12% to 14% per annum. It has been agreed to allocate 55% of the Fund's return as donation to the Sudan Academy for Financial and Banking Studies and 45% to be distributed to the Fund owners.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**Year ended December 31, 2016**
**7- FINANCE TO CUSTOMERS, NET**

7.1 By type	Notes	2016 SDG	2015 SDG
<b>Deferred sales receivables :</b>			
Murabaha receivables		887,106,794	894,580,097
Istisna receivables		85,508,110	31,012,329
Ijara	7.1.1	57,944,979	101,180,752
Salam		—	14,346,676
Staff Financing		<u>2,777,913</u>	<u>3,628,507</u>
<b>Total deferred sales receivables</b>		<b>1,033,337,796</b>	<b>1,044,748,361</b>
<b>Mudaraba &amp; Musharaka :</b>			
Syndicated Mudaraba financing with banks		148,456,963	16,777,520
Musharaka financing		<u>129,522,864</u>	<u>5,597,767</u>
<b>Total finance to customers</b>		<b>1,311,317,623</b>	<b>1,067,123,648</b>
Less : deferred profit		<u>(85,492,813)</u>	<u>(81,874,463)</u>
<b>Total finance, net of deferred profit</b>		<b>1,225,824,810</b>	<b>985,249,185</b>
Less : Income suspense-past-due accounts		(21,316,633)	(17,281,682)
Less : provision for finance losses	7.1.2	<u>(67,556,908)</u>	<u>(29,698,994)</u>
<b>Total finance to customers, net</b>		<b><u>1,136,951,269</u></b>	<b><u>938,268,509</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 7.1.1 Ijara comprise:

	2016 SDG	2015 SDG
Cost of leased property	39,071,362	74,794,780
Cost of leased motor vehicles	15,123,560	18,962,432
Deferred rental	<u>3,750,057</u>	<u>7,423,540</u>
<b>Total</b>	<u><b>57,944,979</b></u>	<u><b>101,180,752</b></u>

#### 7.1.2 Movements in the provision for finance losses:

The accumulated provision for finance losses is as follows:

	2016 SDG	2015 SDG
<b>General Provision:</b>		
Balance at beginning of the year	9,775,970	10,924,747
Provided (recoveries) during the period	<u>842,044</u>	<u>(1,148,777)</u>
Balance at the end of the year	<u><b>10,618,014</b></u>	<u><b>9,775,970</b></u>
<b>Specific Provision:</b>		
Balance at beginning of the year	19,923,024	8,507,267
Provided during the year	37,423,420	11,507,551
Recoveries of amounts previously provided	<u>(407,550)</u>	<u>(91,794)</u>
Balance at the end of the year	<u><b>56,938,894</b></u>	<u><b>19,923,024</b></u>
<b>Total accumulated provision at end of the year</b>	<u><u><b>67,556,908</b></u></u>	<u><u><b>29,698,994</b></u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 7- FINANCE TO CUSTOMERS (continued)

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

		2016 SDG	2015 SDG
<b>General Provision:</b>			
Total charge(recovery) of general provision	a	<u>842,044</u>	<u>(1,148,777)</u>
<b>Specific Provision:</b>			
Addition during the year		37,423,420	11,507,551
Recoveries of amounts previously provided		<u>(407,550)</u>	<u>(91,794)</u>
Total provided of the specific provision	b	<u>37,015,870</u>	<u>11,415,757</u>
<b>Net charge of the provision expense for the year (a+b)</b>		<u><u>37,857,914</u></u>	<u><u>10,266,980</u></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 for finance to customers not subject to specific provision.

At December 31, 2016 total past due installments, including profit margins is SDG 244,551,650 (2015 :135,965,840) .

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

## 7.2 By Industry

	Notes	2016 SDG	2015 SDG
Manufacturing		660,087,729	366,809,828
Trading		119,241,128	154,825,971
Contracting		180,322,007	235,091,069
Services		11,117,939	18,683,911
Agriculture		152,715,829	224,740,277
Transportation		35,086,717	3,891,724
Other		<u>152,746,274</u>	<u>63,080,868</u>
<b>Total finance</b>		<b>1,311,317,623</b>	<b>1,067,123,648</b>
Less: deferred profit		<u>(85,492,813)</u>	<u>(81,874,463)</u>
<b>Total finance, net of deferred profit</b>		<b>1,225,824,810</b>	<b>985,249,185</b>
Less Income suspense-past-due accounts		<b>(21,316,633)</b>	<b>(17,281,682)</b>
less: Provision for finance losses	7.1.2	<u>(67,556,908)</u>	<u>(29,698,994)</u>
<b>Finance to customers, net</b>		<b><u>1,136,951,269</u></b>	<b><u>938,268,509</u></b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
**Year ended December 31, 2016**
**7. FINANCE TO CUSTOMERS (continued)**
**7.3 By Portfolio**

	Notes	2016 SDG	2015 SDG
Performing finance to customers		1,066,765,973	931,157,808
Non-performing finance to customers	7.1.2	<u>244,551,650</u>	<u>135,965,840</u>
<b>Total finance to customers</b>		<b><u>1,311,317,623</u></b>	<b><u>1,067,123,648</u></b>
Less : deferred profit		<u>(85,492,813)</u>	<u>(81,874,463)</u>
<b>Total finance to customers, net of deferred profit</b>		<b>1,225,824,810</b>	<b>985,249,185</b>
Income suspense -past-due accounts		<u>(21,316,633)</u>	<u>(17,281,682)</u>
General provision	7.1.2	<u>(10,618,014)</u>	<u>(9,775,970)</u>
Specific provision	7.1.2	<u>(56,938,894)</u>	<u>(19,923,024)</u>
<b>Total provision &amp; income suspense</b>		<b><u>(88,873,541)</u></b>	<b><u>(46,980,676)</u></b>
<b>Finance to customers, net</b>		<b><u>1,136,951,269</u></b>	<b><u>938,268,509</u></b>

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 31,2016 the total of past-due installments excluding profit margins amounted to SDG 203,767,089 (2015 :108,409,149).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 8. OTHER INVESTMENTS

	Notes	2016 SDG	2015 SDG
<b>Investments in companies</b>			
Al-Hadah Grain Silos for Investments	8.1	10,705,738	10,705,738
Less: Provision for Impairment		<u>(10,705,738)</u>	<u>(10,705,738)</u>
<b>Total</b>		<u><u>-</u></u>	<u><u>-</u></u>

**8.1 Al-Hadah Grain Silos for Investments :** Represents equity shares in a private company acquired in exchange of debt.

#### 9. OTHER ASSETS

	2016 SDG	2015 SDG
Cotton Inventory	14,346,678	30,949,601
Commission receivable (Gezira Scheme Syndication)	4,677,982	5,600,114
Accrued income	25,184,832	25,031,338
Prepaid expenses	2,549,505	3,571,167
Deferred expenses	3,477,607	4,190,849
Sundry receivables - Seen for Flour Mills	8,372,436	7,924,936
Sundry receivables - other	296,677	2,681,714
Other	<u>90,088</u>	<u>125,509</u>
<b>Total</b>	<u><u>58,995,805</u></u>	<u><u>80,075,228</u></u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended December 31, 2016

**10. PROPERTY AND EQUIPMENT, NET**

	Land and Buildings SDG	IT equipment SDG	Office equipment, Furniture & fixtures SDG	Motor vehicles SDG	Intangible assets: Computer Software SDG	Total SDG
<b>Cost</b>						
Balance at January 1, 2016	72,090,989	6,782,841	6,267,293	5,044,738	10,876,885	101,062,746
Acquisitions	10,860	336,772	690,490	3,265,321		4,303,443
Disposals	(299,818)	(134,333)	(6,692)	—	—	(440,843)
<b>Balance at December 31, 2016</b>	<b>71,802,031</b>	<b>6,985,280</b>	<b>6,951,091</b>	<b>8,310,059</b>	<b>10,876,885</b>	<b>104,925,346</b>
<b>Accumulated depreciation and amortization</b>						
Balance at January 1, 2016	9,993,330	5,210,171	4,196,402	2,587,236	10,490,287	32,477,426
Depreciation expense for the year	2,057,002	684,166	634,780	1,392,509	121,822	4,890,279
Disposals	—	(134,274)	(3,587)	—	—	(137,861)
<b>Balance at December 31, 2016</b>	<b>12,050,332</b>	<b>5,760,063</b>	<b>4,827,595</b>	<b>3,979,745</b>	<b>10,612,109</b>	<b>37,229,844</b>
<b>Net book value at December 31, 2016</b>	<b>59,751,699</b>	<b>1,225,217</b>	<b>2,123,496</b>	<b>4,330,314</b>	<b>264,776</b>	<b>67,695,502</b>
Net book value at December 31, 2015	62,097,659	1,572,670	2,070,891	2,457,502	386,598	68,585,320

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 11. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Notes	2016 SDG	2015 SDG
Local banks		109,164,192	85,718,209
Foreign banks		55,711,708	51,419,147
Payable for foreign banks	11.1	<u>-</u>	<u>35,366,598</u>
<b>Total</b>		<u><u>164,875,900</u></u>	<u><u>172,503,954</u></u>

11.1 Represents Murabaha financing payable to foreign banks.

#### 12. CUSTOMERS' DEPOSITS

	Notes	2016 SDG	2015 SDG
Current accounts - Individuals		74,663,109	60,087,859
Current accounts - Corporate		<u>563,274,067</u>	<u>353,712,048</u>
Total current accounts	12.1	<u>637,937,176</u>	413,799,907
Margins - LCs, LGs & other deposits	12.1	<u>23,640,479</u>	<u>22,508,881</u>
<b>Total</b>		<u><u>661,577,655</u></u>	<u><u>436,308,788</u></u>

#### 12.1 Foreign currency deposits included in customers' deposits:

	2016 SDG	2015 SDG
Current accounts	196,240,034	83,065,133
Margins - LCs, LGs & other deposits	<u>19,732,383</u>	<u>19,202,542</u>
<b>Total</b>	<u><u>215,972,417</u></u>	<u><u>102,267,675</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 13. OTHER LIABILITIES

	2016 SDG	2015 SDG
Bills payable	6,335,679	6,270,790
Zakat payable	10,569,938	6,253,580
Business profit tax payable	15,159,445	17,889,341
Provision for Staff end of service benefits	6,754,104	4,709,664
Board of Directors remuneration	3,622,752	3,277,580
Unearned commissions	9,287,141	7,603,567
Dividends payable	66,135,818	–
Payable on parallel Istisnaa	35,919,092	–
Accounts payable and accrued expenses	20,570,714	16,359,168
Funds collected form syndications managed by the Bank	331,867,925	248,591,447
Others	<u>481,397</u>	<u>80,373</u>
<b>Total</b>	<b><u>506,704,005</u></b>	<b><u>311,035,510</u></b>

### 14. INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	2016 SDG	2015 SDG
Local banks and financial institutions	184,848,416	269,612,643
Foreign banks and financial institutions	<u>24,752,942</u>	<u>51,827,191</u>
Sub-total	209,601,358	321,439,834
Return to Unrestricted Investment Account Holders	26,873,811	25,286,120
Payments on account of profit during the year	<u>(5,630,150)</u>	<u>(6,116,817)</u>
<b>Total</b>	<b><u>230,845,019</u></b>	<b><u>340,609,137</u></b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 15. OTHER INVESTMENT DEPOSITS

	2016 SDG	2015 SDG
Corporations	117,999,919	210,581,743
Individuals	16,163,064	47,961,994
Quasi-government	4,000,000	6,629,382
<b>Sub-total</b>	<b>138,162,983</b>	<b>265,173,119</b>
Return to Unrestricted Investment Account holders	20,432,286	21,171,196
Payments on account of profit during the year	(4,276,320)	(7,177,147)
Annual subscriptions to Deposits Guarantee Fund	(221,018)	(341,047)
<b>Total</b>	<b>154,097,931</b>	<b>278,826,121</b>

Investment deposits include balances in foreign currencies equivalent to SDG 11,837,928 (2015 :107,018,164)

### 16. SHARE CAPITAL

	2016 SDG	2015 SDG
Authorized, issued and paid up share capital :		
24 million shares of SDG 10 each (2015: 24 million shares of SDG 10 each)	240,000,000	240,000,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended December 31, 2016

**17. SHARE PREMIUM**

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

**18. 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 .

**19. FOREIGN CURRENCIES REVALUATION RESERVES**

In accordance with the requirements of the Central Bank of Sudan, the foreign currencies revaluation gains must be deducted from the retained earnings and be disclosed in a separate line in the statement of financial position. .When these gains become realized it must be transferred directly to the retained earnings .

**20. PROPOSED DIVIDENDS**

	2016 SDG	2015 SDG
Proposed dividends	<u>-</u>	<u>36,000,000</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 21. INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS

	2016 SDG	2015 SDG
<b>Realized income from deposits with banks &amp; financial institutions:</b>		
Local banks	8,121,577	12,680,409
Foreign banks	<u>293,394</u>	<u>3,255</u>
	<u>8,414,971</u>	<u>12,683,664</u>
<b>Accrued income from deposits with banks &amp; financial institutions:</b>		
Local banks	<u>5,054,908</u>	<u>3,691,233</u>
<b>Total Income from investment with banks and financial institutions</b>	<u><u>13,469,879</u></u>	<u><u>16,374,897</u></u>

### 22. INCOME FROM INVESTMENT IN SECURITIES

	2016 SDG	2015 SDG
Shahama certificates	5,623,184	24,287,179
Shasha certificates	2,711,973	3,538,232
Liquidity Management Fund	4,825,777	14,741,142
Sudan Academy for Financial and Banking Studies Fund	<u>35,529</u>	<u>61,221</u>
<b>Total</b>	<u><u>13,196,463</u></u>	<u><u>42,627,774</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 23. INCOME FROM FINANCE TO CUSTOMERS

	2016 SDG	2015 SDG
<b>Income from deferred sales receivables :</b>		
Murabaha	83,922,243	82,503,210
Istisnaa/ Mugawala	3,980,726	2,679,666
Ijarah	3,929,043	5,002,879
Salam	<u>3,713,952</u>	<u>-</u>
<b>Subtotal</b>	<b>95,545,964</b>	<b>90,185,755</b>
<b>Income from Mudaraba &amp; Musharaka :</b>		
Syndicated Mudaraba with banks	574,758	319,305
Musharakah	<u>3,197,007</u>	<u>4,885,847</u>
<b>Subtotal</b>	<b><u>3,771,765</u></b>	<b><u>5,205,152</u></b>
<b>Total</b>	<b><u><u>99,317,729</u></u></b>	<b><u><u>95,390,907</u></u></b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31, 2016**

**24. RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS**

	2016 SDG	2015 SDG
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	50,992,409	62,247,129
Bank's share as Mudarib	<u>(10,376,165)</u>	<u>(16,333,394)</u>
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib	40,616,244	45,913,735
Support provided by the Bank from its share as Mudarib	<u>6,312,379</u>	<u>390,257</u>
<b>Unrestricted Investment Account Holders' share of profit after the Bank's support</b>	<b><u>46,928,623</u></b>	<b><u>46,303,992</u></b>
<b>Average profit distribution rates :</b>		
Investment accounts in local currency (SDG)	<u>10.39%</u>	<u>9.70%</u>
Investment accounts in foreign currencies	<u>4.64%</u>	<u>4.39%</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 25. FEE INCOME

	2016 SDG	2015 SDG
Letters of credit	2,369,139	4,166,589
Letters of guarantees	6,091,153	2,861,360
Administration fees	3,261,673	1,713,391
Draft cheques, transfers and remittances	4,373,166	1,737,794
Management of restricted investment accounts	792,168	1,873,255
Brokerage fees	523,554	362,146
Portfolio Managed by Bank	7,693,468	7,717,312
Insurance agency commissions	2,221,143	3,928,917
Fee from other banking services	<u>5,511,178</u>	<u>5,819,093</u>
<b>Total</b>	<u><u>32,836,642</u></u>	<u><u>30,179,857</u></u>

#### 26. FOREIGN EXCHANGE GAIN, NET

	2016 SDG	2015 SDG
Transaction gain (loss) , net	(162,292)	8,855,396
Revaluation gain	<u>17,678,375</u>	<u>569,065</u>
<b>Total</b>	<u><u>17,516,083</u></u>	<u><u>9,424,461</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 27. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2016 SDG	2015 SDG
Bank premises expense	27.1	4,342,378	4,483,857
Communications		892,159	763,291
Maintenance of equipment, furniture & motor vehicles		2,382,156	2,048,885
Computer expenses		2,389,225	3,006,203
Marketing & promotion		2,331,863	1,525,173
Office supplies		582,739	481,107
Business travel		512,670	99,850
Legal and consultants expenses		1,123,951	884,829
Training		444,847	1,257,922
Subscriptions		1,315,504	1,024,595
Board and General Assembly expenses		5,062,507	5,153,103
Bank charges		32,866	188,395
Donations		241,340	312,356
Cash Insurance		972,089	829,147
Central Bank of Sudan penalties		28,000	6,000
Catering Service		594,610	600,157
Loss on disposal of fixed assets		3,111	629,575
Other		817,344	642,540
<b>Total</b>		<b><u>24,069,359</u></b>	<b><u>23,936,985</u></b>

**27.1- Bank premises expense :** This item includes rent in addition to expenses related to security, water, electricity, cleaning and maintenance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 28. EARNINGS PER SHARE

	2016 SDG	2015 SDG
Net income for the year	<u>7,643,595</u>	<u>53,004,604</u>
Weighted average number of shares outstanding	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share (in SDG)	<u>0.32</u>	<u>2.21</u>

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

#### 29. CASH AND CASH EQUIVALENT

	Notes	2016 SDG	2015 SDG
Cash and balances with banks and financial institutions	4	484,712,477	301,997,938
Investment deposits with banks and financial institutions	5	<u>314,320,000</u>	<u>199,000,000</u>
Subtotal		799,032,477	500,997,938
Central Bank of Sudan - Statutory cash reserve	4	(85,526,804)	(44,121,770)
Cash margin on letters of credit with correspondent banks		<u>(3,002,719)</u>	<u>(7,382,476)</u>
Total		<u>710,502,954</u>	<u>449,493,692</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 30. 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 consolidated financial statement captions:

2016

Balance sheet items:	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2016
	SDG	SDG	SDG
Cash and balances with banks and financial institutions	6,105,921	–	6,105,921
Financing and investing assets	151,584	3,997,191	4,148,775
Due to banks and financial institutions	–	–	–
Current and investments deposits	77,407,367	51,421	77,458,788
Non-controlling interest	–	1,775	1,775
<b>Income statement items:</b>			
Profit from financing	–	–	–
Fees income	39,685		39,685
Bank charges	346,371	–	346,371
<b>Key Management Personnel compensation:</b>			
Salaries and other benefits	5,062,507	4,929,763	9,992,270
Post-employment benefits	–	552,158	552,158

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

### 30. RELATED PARTY TRANSACTIONS (continued)

2015

Balance sheet items:	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2016
	SDG	SDG	SDG
Cash and balances with banks and financial institutions	4,625,238	–	4,625,238
Financing and investing assets	397,357	–	397,357
Due to banks and financial institutions	1,065,813	–	1,065,813
Current and investments deposits	143,307,193	973,785	144,280,978
Non-controlling interest	–	8,025	8,025
<b>Income statement items:</b>			
Profit from financing	25,488	–	25,488
Fees income	37,951	–	37,951
Bank charges	95,100	–	95,100
<b>Key Management Personnel compensation:</b>			
Salaries and other benefits	5,153,103	6,225,853	11,378,956
Post-employment benefits	–	879,402	879,402

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

## 31. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follow :

	Note	2016 SDG	2015 SDG
<b>31.1.Financing - related commitments and contingencies :</b>			
Letters of credit		12,010,856	13,621,729
Letters of guarantees		149,600,628	82,338,516
Acceptances		—	28,576,185
<b>Total financing - related commitments and contingencies</b>		<b>161,611,484</b>	<b>124,536,430</b>
<b>31.2 Non-financing related commitments :</b>			
Restricted investment accounts	32	811,137,458	927,761,431
<b>Total commitments and contingencies</b>		<b>972,748,942</b>	<b>1,052,297,861</b>

### 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 31. COMMITMENTS AND CONTINGENCIES (continued)

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:

#### 2016

	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	12,010,856	–	–	–	12,010,856
Letters of guarantee	29,097,604	71,688,613	6,481,712	42,332,699	149,600,628
Acceptances	–	–	–	–	–
<b>Total</b>	<b>41,108,460</b>	<b>71,688,613</b>	<b>6,481,712</b>	<b>42,332,699</b>	<b>161,611,484</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

2015

	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	13,621,729	–	–	–	13,621,729
Letters of guarantee	57,652,487	18,347,468	6,338,561	–	82,338,516
Acceptances	28,576,185	–	–	–	28,576,185
<b>Total</b>	<b>99,850,401</b>	<b>18,347,468</b>	<b>6,338,561</b>	<b>–</b>	<b>124,536,430</b>

## 32. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 811,137,458 as at December 31, 2016 ( 2015 : SDG 927,761,431). 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.

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 December 31 are as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 32. RESTRICTED INVESTMENT ACCOUNTS

	2016 SDG	2015 SDG
<b>a) Movement during the year :</b>		
Balance at beginning of the year	927,761,431	930,928,139
Recoveries during the year	<u>(116,623,973)</u>	<u>(3,166,708)</u>
Balance at end of the year	<u><u>811,137,458</u></u>	<u><u>927,761,431</u></u>
<b>b) By type of assets :</b>		
Murabaha finance	375,928,665	394,768,235
Istisnaa finance	163,779,376	153,532,477
Salam finance	-	104,705,500
Cotton Stock	112,892,358	152,045,723
Musharaka finance	16,733,563	900,000
Shahama Securities	112,853,000	120,701,917
Shama Certificates	24,640,500	-
Globel Investemnt House	3,100,520	-
Sudatel Shares	<u>1,209,476</u>	<u>1,107,579</u>
<b>Total</b>	<u><u>811,137,458</u></u>	<u><u>927,761,431</u></u>
	2016 SDG	2015 SDG
<b>c) By sector :</b>		
Banks and financial institutions	794,403,895	926,861,431
Individuals	<u>16,733,563</u>	<u>900,000</u>
<b>Total</b>	<u><u>811,137,458</u></u>	<u><u>927,761,431</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 33. 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	
	2016 SDG	2015 SDG	2016 SDG	2015 SDG
Core capital ( Tier 1 )	441,084,162	376,392,575	44%	41%
Core and supplementary capital ( Tier 2 )	451,709,456	411,454,760	45%	45%

The Central Bank of the Sudan Circular No. 2009/6 issued at March 11,2009 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 33. CAPITAL ADEQUACY(continued)

	Risk Weighted Assets	
	2016 SDG	2015 SDG
Credit Risk	1,310,274,130	1,368,437,714
Operational risk	172,001,012	172,399,532
Market risk	<u>179,895,130</u>	<u>152,588,153</u>
<b>Total Pillar 1 - Risk Weighted Assets</b>	<b><u>1,662,170,272</u></b>	<b><u>1,693,425,399</u></b>

## 34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### 34.1 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 34.2 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:

#### 34.2.1 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

#### 34.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge and 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.

#### 34.2.3 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

The maturity profile of the assets and liabilities at December 31, 2016 is as follows:

#### 2016

Assets	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	484,712,477	–	–	–	484,712,477
Investments with banks and financial institutions	309,320,000	5,000,000	–	–	314,320,000
Investments in securities	77,667,205	710,500	17,267,000	904,000	96,548,705
Finance to customers, net	289,986,987	303,285,232	122,548,180	421,130,870	1,136,951,269
Other investments	–	–	–	–	–
Other assets	40,132,781	10,458,827	2,370,769	6,033,428	58,995,805
Property and equipment, net	–	–	–	67,695,502	67,695,502
<b>TOTAL ASSETS</b>	<b>1,201,819,450</b>	<b>319,454,559</b>	<b>142,185,949</b>	<b>495,763,800</b>	<b>2,159,223,758</b>
Liabilities and Shareholders' Equity					
Due to banks and financial institutions	55,711,708	101,736,592	7,427,600	–	164,875,900
Customers' deposits	661,577,655	–	–	–	661,577,655
Other Liabilities	415,962,480	598,709	530,450	89,612,366	506,704,005
Equity of unrestricted investment account	266,284,525	44,179,640	72,799,889	1,678,896	384,942,950
Non-controlling interest	–	–	–	22,910	22,910
Shareholders' equity	–	–	–	441,100,338	441,100,338
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>1,399,536,368</b>	<b>146,514,941</b>	<b>80,757,939</b>	<b>532,414,510</b>	<b>2,159,223,758</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

The maturity profile of the assets and liabilities at December 31, 2015 is as follows:

2015

Assets	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	301,997,938	–	–	-	301,997,938
Investments with banks and financial institutions	89,000,000	110,000,000	–	-	199,000,000
Investments in securities	247,557,096	15,651,500	100,898,000	55,853,500	419,960,096
Finance to customers, net	272,359,070	210,817,721	143,192,407	311,899,311	938,268,509
Other investments	–	–	–	-	-
Other assets	57,169,316	1,863,245	13,369,873	7,672,794	80,075,228
Property and equipment, net	–	–	–	68,585,320	68,585,320
<b>TOTAL ASSETS</b>	<b>968,083,420</b>	<b>338,332,466</b>	<b>257,460,280</b>	<b>444,010,925</b>	<b>2,007,887,091</b>
Liabilities and Shareholders' Equity					
Due to banks and financial institutions	134,484,585	38,019,369	–	-	172,503,954
Customers' deposits	432,960,913	2,566,242	781,633	-	436,308,788
Other Liabilities	35,844,795	252,534,178	8,126,644	14,529,893	311,035,510
Equity of unrestricted investment account	439,904,648	85,138,034	46,862,016	47,530,560	619,435,258
Non-controlling interest	–	–	–	19,418	19,418
Shareholders' equity	–	–	–	468,584,163	468,584,163
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>1,043,194,941</b>	<b>378,257,823</b>	<b>55,770,293</b>	<b>530,664,034</b>	<b>2,007,887,091</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31, 2016

#### 34.2.4 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 in equivalence to SDG:

	Dec. 31, 2016 SDG	Dec. 31, 2015 SDG
Currency	Long (short)	Long (short)
Euro	46,681,987	53,677,202
US Dollar	101,250,900	90,609,115
<b>Other currencies</b>	<b>44,472,242</b>	<b>(4,594,688)</b>

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

### 34.2.5 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.

### 34.2.6 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.

### 34.2.7 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2016

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.

### 35. SEGMENTAL INFORMATION

For the years ended at December 31, 2016 and 2015 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, 2016 and 2015 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 operations in other geographical segments.

### 36. 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 the Bank's transactions to ensure compliance with Shariah rules, prepares and submits annual report to the General Assembly.

### 37. COMPARATIVE FINANCIAL STATEMENTS

Certain 2015 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.

## Directory of Head office,branches and subsidiary companies

### Head Office

Plot 411 , Square 65, Mamoun Beheiry St  
South Green Square, Khartoum  
P.O Pox : 8210 Al Amarat , Khartoum, Sudan  
Postal Code : 11111  
Tel : 00249-183-247700  
Fax : 00249-183-235000  
Websites :- [www.bankalmal.net](http://www.bankalmal.net)  
E-Mail Address : [almal@bankalmal.net](mailto:almal@bankalmal.net)  
Swift Code :- CBSKSDKH

### Main Branch

Plot 411 , Square 65, Mamoun Beheiry St,  
South Green Square, Khartoum  
P.O Pox : 8210 Al Amarat , Khartoum, Sudan  
Tel : 00249-183-247700  
Fax : 00249-183-248490

### Khartoum North Branch

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

### Omdurman Branch

Plot 6, Square 5/4  
Alarda North, South Hilal Stadium , Omdurman  
P.O Pox : 1500 , Omdurman , Sudan  
Tel : 00249- 183 -731999  
Fax : 00249- 183-731998

## **Rabak Branch** (The branch will be closed at midyear 2017)

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

## **Subsidiary companies**

### **1- Al mal United for Securities Co, Ltd**

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

### **2- Mawarid Investment Co.Ltd**

Plot 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