



Annual Report

2017



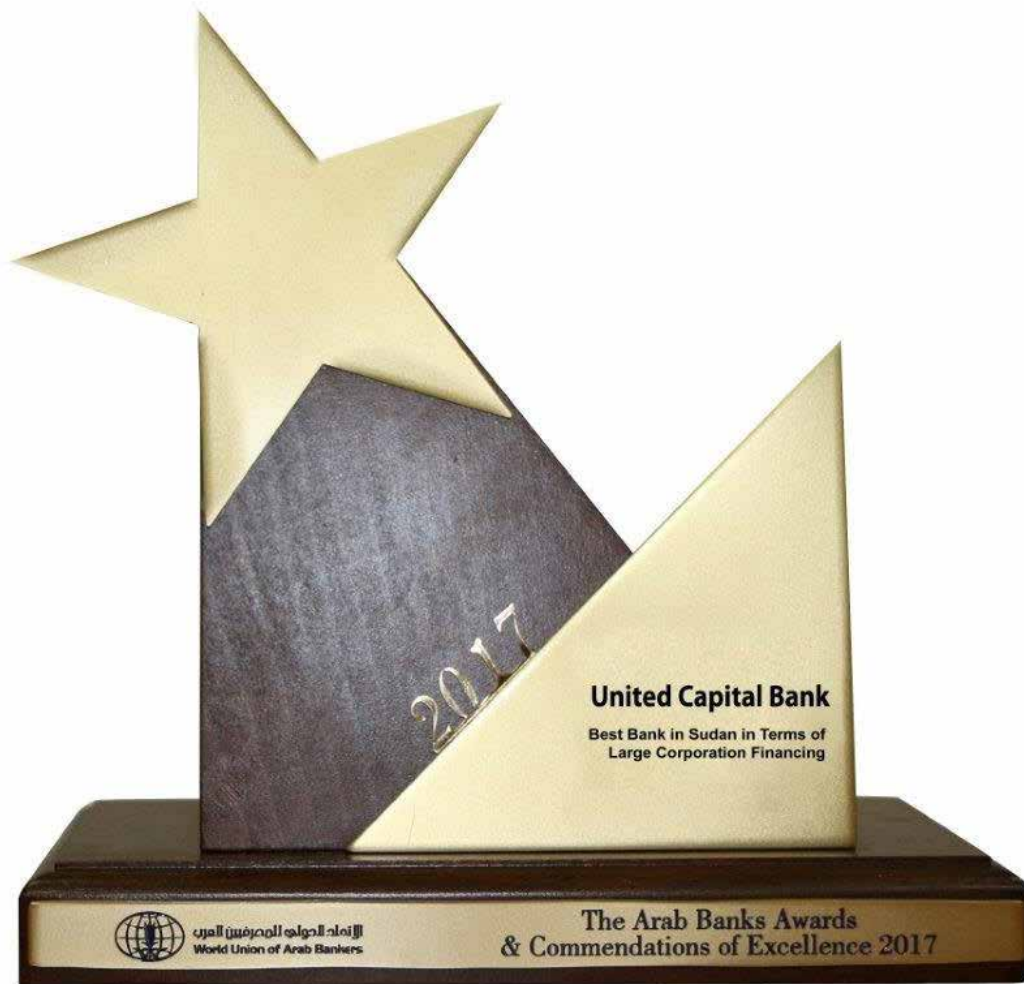
Annual Report

2017

Partners In Progress



Rating



- United Capital Bank (UCB) was assigned in 2015 and 2016 Investment Grade National Scale Rating from Islamic International Rating Agency (IIRA) in Bahrain .
- United Capital Bank (UCB) was assigned in year 2017 National Scale Rating (BBB) for long-term and AB rating for short-term from Capital Intelligence (CI) in Cyprus as first bank in Sudan to be rated by CI.



Awards



- United Capital Bank (UCB) won the award of Best Project Finance Team in Sudan in year 2015 from Capital Finance International (CFI) Magazine which issued in Britain.
- United Capital Bank (UCB) own the award of the Best Bank in Sudan in Terms of Large Corporation Financing in year 2017 from World Union of Arab Bankers in cooperation with the Union of Arab Banks, Beirut - Lebanon.

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• 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
- Integrity
- Loyalty and Commitment
- Excellence
- Cooperation & Team Work

Board of Directors



Mr. Tarig Hamza Zain El-Abdein
Chairman



Mr. Mansour Bteish
Vice-Chairman



Ms. Amira Ali Al-Alami
Member



Mr. Al-Sharaf Ahmed
Badur
Member



Prof. Ahmed Magzoub
Ahmed
Member



Mr. Yousif Ahmed
El-Tinay
Member and Chief
Executive Officer



Mr. Abdulsalam
Jawhar Alsaleh
Member



Mr. Tarig Sir Elkhatim
Member



Mr. Mohamed Farah
Idris
Member



Shariaa Committee



Prof. Kheider Ali Idris
Chairman



Dr. Mohammed
Mahjoub Bashary
Shariah
Controller &
Committee
Secretary



Dr. Eltigani Abdel
Gadir Ahmed
Member



Dr. Hammad
Mohamed Ahmed
Member

Executive Management



Mr. Yousif Ahmed El-Tinay
Chief Executive Officer



Mr. Osama Elfadil
DCEO & Commercial
Officer



Mr. Ismail Ahmed
Shiekheldin
Chief Operations
Officer



Mr. Yasir Hamid Gaffar
Chief Financial Officer



Senior Management



Mr. Abdelgadir
Mohamed Abdelrassoul
Compliance Officer



Mr. Abualama Mohamed
Fadlalah
Head, Risk Management



Mr. Elamin Mohamed
Ahmed
Head, Internal Audit
Department



Mrs. Salma Haroun Ali
Head , Intl banking
Relations Department



Mr. Abdelrazag Mustafa
Abdelrazag
Head, Information
Technology Department



Mr. Mostaein Sad
Aldeen Mohamed
Head Accounts
Department



Mr. Yousif Musa Alnaiem
Head , Central
Processing Department



Mr. Elsadig Babiker
Mohieldin
Head , Administration
Department



Mr. El-Shazali Jamaleldin
Abdelkarim
Head , Treasury
Department





Chairman's Report

Chairman's Report to the 13th Annual Ordinary General Assembly Meeting Khartoum, April 25, 2018

Introduction:

It gives me great pleasure to welcome you to the 13th 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 2017.

During the year 2017 the Sudanese Economy encountered various difficulties , which can be summarized as follows :

- Continuing devaluation of the local currency versus foreign currencies in the parallel market, in spite of the Government's efforts to control such deterioration.
- Devaluation of local currency by adding a ratio in the range of 123% 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.
- Difficulty in dealing with foreign banks , in spite of lifting the economic and commercial American Sanction.
- In spite of the reduction in the rate of inflation from 32.9% at beginning of 2017 to 25.2%, still this is considered relatively high

In spite of all these challenges, the budget performance for the year 2017 showed a significant improvement in some macroeconomic indicators which can be summarized in the following:

- GDP grew from 4.9% in 2016 to 5.7% in 2017- an increase of 16.3%.
- Inflation rate by end of 2017 was 25.2% compared to 30.5% in December 2016
- The official exchange rate of SDG against USD at December 2017 was SDG 7.0154 compared to SDG 7.0100 at December 2016.
- Money supply including cash and quasi – cash has increased to SDG 203.4 Billion in December 2017 compared to SDG 120.8 Billion in 2016 - an increase of 68.4 % due to the increase in demand deposits from SDG 33.5 billion at December 2016 to SDG 59.5 billion at December 2017 - an increase of SDG 26 billion- an increase of 77.6% and an increase in quasi cash from SDG 48,627 billion in 2016 to SDG 82,367 billion in 2017 - an increase of 69.4%.

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 10% per annum to achieve sustainable economic growth starting with 6.6% in 2015 to reach a rate of 7.1% at the end of the program in 2019 which requires increase in production and productivity in all economic sectors with emphasis on industrial production sector(mining , exploration and transforming , as a main dynamo to the economic growth).
2. Introducing new policies and reforms in the foreign trade sector that leads to restoring the balance 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 9.4% of GDP in 2015 to 12.4% 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.

Significant developments and features of the Sudanese Economy in the period after lifting of sanctions :

- Development in infrastructure of the Sudanese Economy which helps in launching its management in an ideal way.
- Big change at the economic level due to balancing the foreign policy the State.
- Co –operation with foreign sides that have relation with the economic file after lifting of sanctions.
- Political movement to release Sudan from the list of countries sponsoring terrorism ,
- A big gap in foreign resources that leads to rise in inflation rate and devaluation in SDG against foreign currencies.
- Reduction in deficit of Trade Scale in 2017
- Increase in export and decrease in imports
- Orientation towards supporting local production infrastructure as there are priorities to oil, wheat and cotton sectors.
- Reduction of government expenditure.
- Change in Central Bank of Sudan policies pertaining to gold purchase and the attempt to bridge the gap between official and parallel rates against US dollar to maintain balance in exchange rate.

Important Achievements of the Bank During the Year 2017 :

In spite of the difficulties that faced the economy in general and the banking sector in particular during the year 2017, the Bank maintained its position in the field of financing large corporate 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 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. The total value of letters of credit issued during the year by the Bank was about Euro 7.5million compared to Euro 11 million in last year. The Bank's customers exported about Euro 88 million compared to Euro 120 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 530 million.

Third: Management of guarantees to banking institutions:

The Bank has signed a triple guarantee management agreement in 2016 with the African Export and Import Bank and the Sudanese Cotton Company Limited to supervise the produced cotton stock through agricultural finance portfolio which were managed a by the Bank for a stock value of US Dollar 124 million for African Import and Export Bank as a beneficiary. In view of this agreement the Bank will supervise the inventory of cotton transportation and insurance thereon besides export procedures , receipt of commission for the Bank. This agreement will continue for five years subject to renewal.

Fourth : Vertical Expansion :

As you know , the Bank has 3 branches and it was expected to be increased to 4 branches during 2018, 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. During this year , the Bank has opened two windows in Sudatel Company and AlAhfad Girl University

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:

The Bank's assets achieved a high degree of returns while keeping a reasonable level of liquidity . Net income from finance and investment was SDG 118 million compared to SDG 78 million during 2016. This attributes to the high profit from finance to customers in spite to decrease in revenue from investment in securities due to the Bank's management decision to gradually de invest 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 amounted to SDG 40 million compared to SDG 33 million during 2016 - an increase of about 23%.

Net profit after Zakat and Tax increased from about SDG 8 million in 2016 to SDG 26 million in 2017 an increase of 246% .The main reason for increase in profits compared to last year was attributed to the following:

1. Increase in profits from finance for about SDG 42 million - an increase of 42% compared to last year due to increase in profit in addition to the write-back of SDG 8 million pertaining to profits from a suspended Ijara with Sudatel after the full settlement by this company in March 2017.
2. Booking of about SDG 32 million as extra-ordinary profits as a finance cost reimbursed from Central Bank of Sudan in January 2017 as they were recorded as expenses in prior years.
3. Earnings per share in 2017 amounted to 1.1 compared to 0.32 in 2016 as a result of increase 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
	2017	2016	
Revenue from finance to customers	55%	55 %	0 %
Revenue from banking services and commission	25 %	28 %	(3%)
Reimbursed finance cost	12 %	00 %	(12%)
Revenue from securities	01 %	07 %	(6%)
Revenue from deposits with banks	07 %	08 %	(1%)
Revenue from other investments	00 %	02 %	(2%)
Total	100 %	100 %	

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Net direct finance portfolio after deduction of retained earnings in 2017 was about SDG 1,365 million compared to SDG 1,226 million in 2016- an increase of 11%. 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 export financing and productive projects.

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 1,567 million. Unpaid finance installments were 9% of the total portfolio by the end of the year 2017 compared to 14.5% by the end of the year 2016 due to the settlement of default installments of Sudatel Group during the first quarter of this year.

The Bank's Financial Statements as at end of December 2017 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	923	294	574	331	2,122
Liabilities	1,378	96	140	508	2,122

In this context, I am pleased to state below the major financial indicators of the Bank during the years 2012 to 2017 :-

(in SDG millions)

Particular	2012	2013	2014	2015	2016	2017
Total Assets	1,504	1,685	1,984	2,008	2,159	2,122
Customers' Current Accounts & Investment Deposits	723	737	975	1,056	1,047	1,353
Shareholders' Equity	381	420	455	469	441	468
Net Finance to Customers after deducting provisions & undue profits	730	960	1,137	938	1,137	1,197
Net Profit before tax and zakat	87	82	92	73	24	53
Net Profit after tax and zakat	77	61	69	53	8	26
Earnings Per Share	3.2	2.52	2.85	2.21	0.32	1.1

The above table shows an increase in the Bank's assets from about SDG 1,504 million at end of 2012 to about SDG 2,122 at the end of 2017 -an increase of about 41%. Total shareholders' equity increased from about SDG 381 million at end of 2012 to about SDG 468 million at the end of 2017 -an increase of about 23%.

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 to 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 its social responsibility.

On a special note, it gives me great pleasure to state that 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 best 3 projects were 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.

Tarig Hamza Zain El-Abdein

Chairman of the Board of Directors





Chief Executive Officer's Report

Chief Executive Officer & General Manager's Report

Economic Events and United Capital Bank

First : Global Economy in 2017

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 3.4% in 2016 to 3.7% in 2017 and expect to grow up to 3.9% in 2018.

The economic growth varies in different groups of the economy, as the rate of growth exelerts in some advanced countries due to overcome of the impact of the Global Financial Crisis , where 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 , exporting and importing of oil
- Acceleration of population aging so minimizing working force.
- Deformation of rate of growth due to drop down of production per capita
- Increase of receivables in public and private sectors especially in advanced countries.
- Increase in political unrest in Economic Groups Countries.

All the above mentioned had led to 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 2017 :

During 2017 the national economy was affected by a number of international, regional and local factors. In spite of lifting the economic American Sanctions during the second half of 2017 -imposed on Sudan since 1997 – the economy has never witnessed any improvement as it was expected for foreign investments to flow and exports to increase, to improve scarcity in foreign cash resources and devaluation of SDG against foreign currencies in the parallel market.

Also the negative impact of conflicts in oil production areas on royalties to Southern Sudan State and increase in cost of securing nebouring boarders.

In spite of all these challenges, the performance of budget in 2017 has reflected a touchable



improvement in the economic benchmark of 2017 summarized as follows:-

- Cash stock was increased to SDG Billion 204 in 2017 compared to SDG Billion 121 in 2016 (an increase of about 68%).

Third: classification and awards for the Bank in 2015

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

Also the Bank was awarded an Investment Grade at the national level of BBB in the long term and an AB degree in the short term by Capital Intelligence in March 2018.

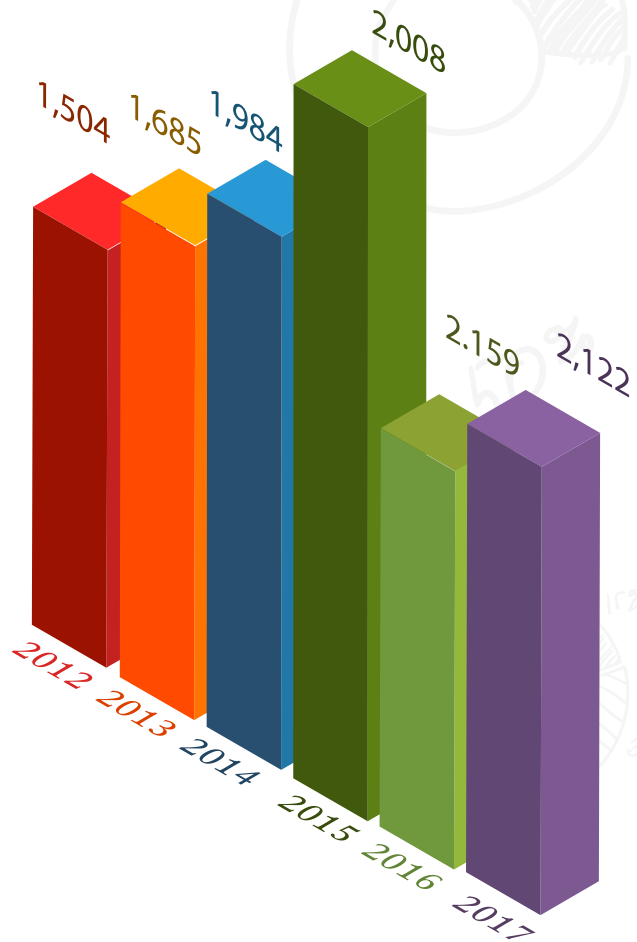
The Bank achieved significant growth during the last few years (2012-2017) as indicated below (SDG millions):-

	2012	2013	2014	2015	2016	2017
Total Assets	1,504	1,685	1,984	2,008	2,159	2,122
Finance to Customers, Net	730	960	1,137	938	1,137	1,197
Shareholders' equity	381	420	455	469	441	468
Customers' deposits	341	294	358	436	662	777
Equity of investment account holders	382	443	617	619	385	576
Gross Income	138	128	142	146	129	213
(Net Profit (before tax and zakat	87	82	92	73	24	53

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

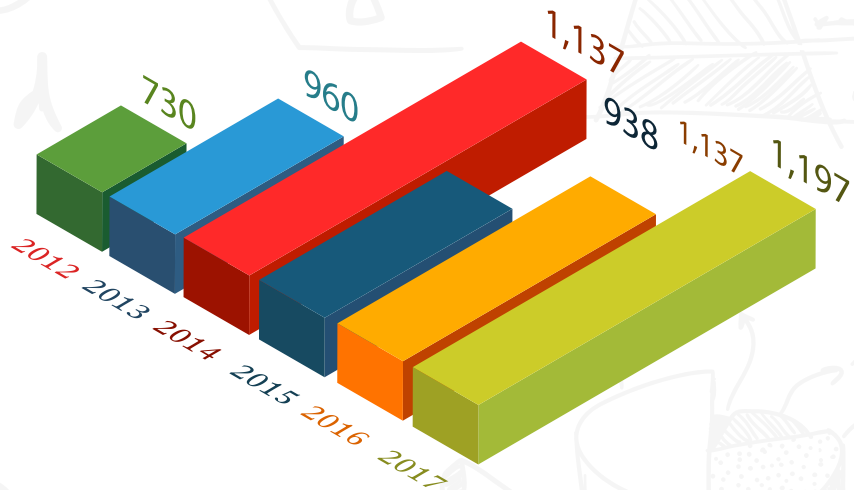
**Total Assets
(SDG MILLION)**

Total Assets (SDG MILLION)	
1,504	2012
1,685	2013
1,984	2014
2,008	2015
2,159	2016
2,122	2017



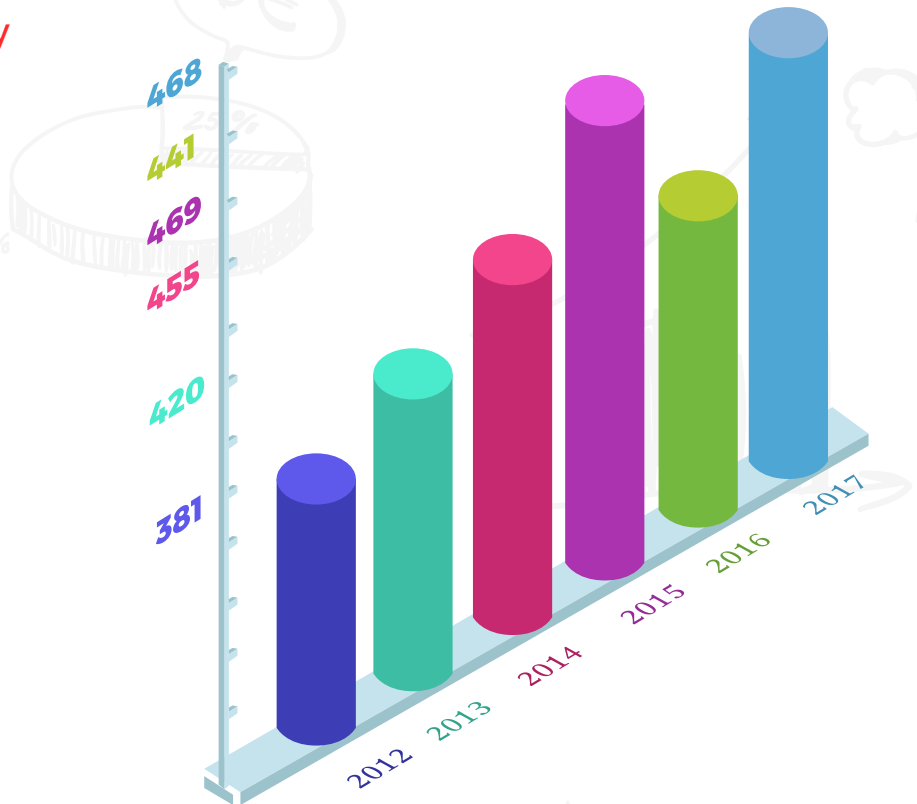
**Finance to Customrs(net)
(SDG MILLION)**

Finance to Customrs(net) (SDG MILLION)	
730	2012
960	2013
1,137	2014
938	2015
1,137	2016
1,197	2017



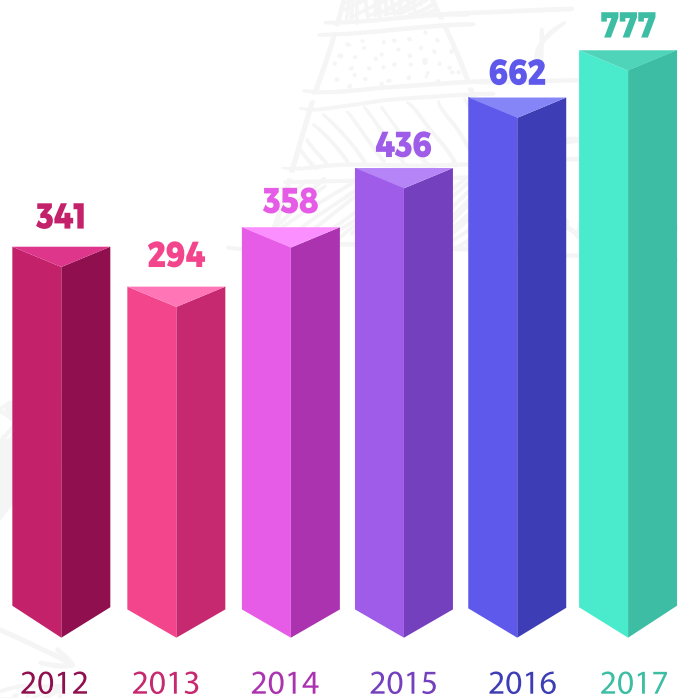
Shareholders' Equity
(SDG MILLION)

Shareholders' Equity (SDG MILLION)	
381	2012
420	2013
455	2014
469	2015
441	2016
468	2017



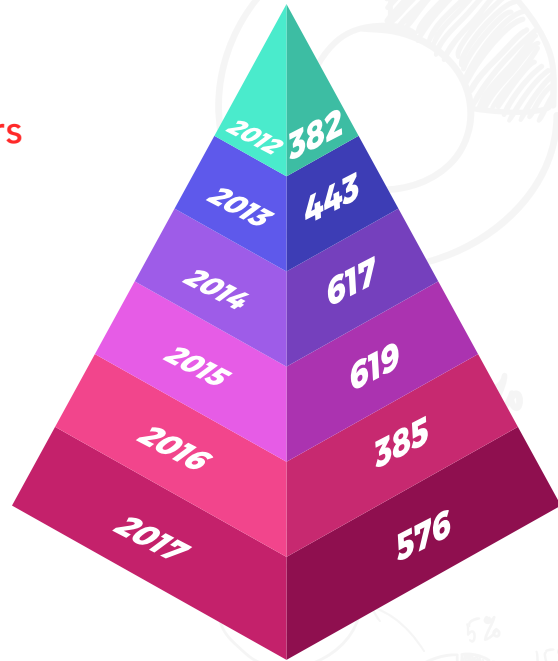
Customers' Deposits
(SDG MILLION)

Customers' Deposits (SDG MILLION)	
341	2012
294	2013
358	2014
436	2015
662	2016
777	2017



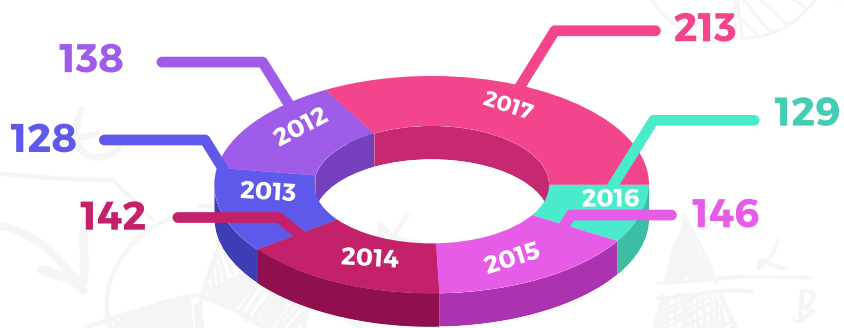
Equity of investment accounts holders (SDG MILLION)

Equity of investment accounts holders	
382	2012
443	2013
617	2014
619	2015
385	2016
576	2017



Gross Income (SDG MILLION)

Gross Income	
138	2012
128	2013
142	2014
146	2015
129	2016
213	2017



Net Profit (before tax & Zakat) (SDG MILLION)

Net Profit (before tax & Zakat)	
87	2012
82	2013
92	2014
73	2015
24	2016
53	2017



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 2012 to 152 at end of 2017.

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

Third: Role of United Capital Bank in social responsibility:

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

- Building effective contact bridges 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 a poem book called – Hadaha Metain Al Haraba by Kamel Abdelmajed and another book by young fine artists , that 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 artist Eltayib Saleh called “Hifinat tamer”.

Also the Bank sponsored the well known program of Mashroui, a pioneer project for youth interpieneership in concert with the British Embassy, the British Council and the Union of Young Sudanese Interprenors 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
- Expenses for curing poors and needy citizens
- Rehabilitation of schools and universities (classes and halls)
- Supporting students and scientific trips
- Bridging nutrition gap in North Darfur State
- Supporting mosques and worship houses
- Printing cultural books
- Supporting civil society organizations
- Payment of blood moneys

Annual Report 2017

- Supporting genius students
- Supporting group weeding projects
- Supporting South Kordofan Education Mobilization
- Supporting Hejleeg Rehabilitation Mobilization
- Supporting summer work projects
- Supporting Independence Day Festival
- Supporting Ramadan breakfasts

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

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









Financial Statements

Mohamed S. Haggag & Co.

Chartered Certified Accountants
Management & Financial Consultants

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محمّد س. حجاج وشركاه

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مستشارون إداريون وماليون

إملاء الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To The Shareholders of United Capital Bank (U.C.B)
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying Consolidated Financial Statements of United Capital Bank (U.C.B) (the Bank) and its subsidiaries (together "the Group") page (2) to (36), which comprise the Consolidated Statement of Financial Position as at 31, December 2017 Consolidated Statement of Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Changes in Restricted Investments, for the year for then ended, and notes, comprising bases of preparation note (2) significant accounting policies and other explanatory information notes (3).

In our opinion, the accompanying Consolidated financial statements present fairly, in all material respects, the Consolidated Financial Position of the Group as at 31 December 2017 and its Consolidated Financial Performance, its Consolidated Cash Flows, Changes in Equity and the Consolidated of changes in Restricted Investments for the year then ended in accordance with 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. For matters where no AAOIFI standards exist, the Bank applies the relevant International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Consolidated financial statements section of our report. We are independent of the group in accordance with the International Ethics Standards Board for Accountants, Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Bank's Consolidated financial statements in the Republic of Sudan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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تلفونات : ٨٣٧٨٤٦٣٩ - فاكس : ٨٣٧٧٦٨٥١
ص.ب : ١١٢٥٦ الخرطوم - السودان
المقر : شقة رقم (٤) الطابق السادس
عمارة المبارك شارع الحرية - الخرطوم



Mahamed S. Haggag & Co.

Chartered Certified Accountants
Management & Financial Consultants

Fullon Chartered Certified Accountants U.K.



مكتب مراجعة محاسبية وشراكة

محاسبون ومراجعون قانونيون
مستشارون إداريون وماليون

إمارة الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated financial statements of the current year. These matters were addressed in the context of our audit of the Consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment losses on financial portfolio

Finance to customers (Deferred sales receivables Murabaha receivables, Istisna receivables Ijara and Staff Financing) Total deferred sales receivables together with Mudaraba & Musharaka which form total finance to customers representing 56.4% of the group's total assets as at 31 December 2017, hence as material portion of the Consolidated statement of financial position it has been considered as a key audit matter. 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 and in accordance with the Central Bank of Sudan instructions, minimum general provision of 1% is made on all finance balance not subject to specific provisions. Our audit procedures in this area included, among others understanding the nature of the customers financing process and the internal control system adopted by the bank. We tested the key controls over the credit grading and monitoring process, we tested the governance controls over the impairment processes, including the continuous re-assessment by group to ascertain that impairment policies remain appropriate for the risk within the group's financing assets portfolio and that, the impairment process is based on historical payment performance of each mode of finance within the portfolio, and the amount of provision is calculated in accordance with the directives of the Central Bank of Sudan. Random sample of customer's finance from each mode of finance was subjected to audit review. Our audit procedures included review of finance losses computations and how the amounts of provisions were calculated and that they are in accordance with the directives of the Central Bank of Sudan.

We assessed adequacy of the group's disclosure in relation to impairment losses on financing portfolio by reference to the requirements of Central Bank of Sudan and the AAOIFI

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محمد س. حجاج وشركاه

محاسبون ومراجعون قانونيون
مستشارون إداريون وماليون

إمارة الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Investment securities

The investment securities held by the bank representing 2.3% of the group's total assets as at 31 December 2017 fall into the equity - type category as classified by the bank.

Investment 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 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 .

As It has been considered as one of the key audit matters it was subject to audit procedures . We evaluated the design and tested the operating effectiveness of the controls over impairment data and calculations to ensure that , the Bank exercises judgment to consider impairment on equity- type instruments through equity .

We tested the consistency of key assumptions of the bank's assessment of significant decline in the fair value below its cost . In making this judgment , we evaluated the other factors considered by the Bank including the normal volatility in securities price , the financial health of the investee , industry sector performance and cash flows . We tested the consistency of key assumptions and compared them to the measures set by the bank . We evaluated whether the disclosures within the statements appropriately address the significant uncertainties that exist and found these to be reasonable

Risk management

We focused on this area because risk is considered as an integral part of the bank's business and is critical to the bank's continuing success and profitability . Our audit procedures were directed to the various types of risks as classified by the bank note 35 (profit rate risk , Credit risk , liquidity risk , Foreign currency risk , Market risk , Risk of managing customers' investment , and Operational and other risk) . Our audit review was to assess the prudential measures taken by the bank and those charged with governance to ensure the bank adopts , maintains and applies appropriate risk management policies and procedures to minimize the negative effect of these risk. Our review covered the adequacy of disclosure .

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تلفونات : ٨٣٧٧٦٨٥١ - فاكس : ٨٣٧٨٤٦٣٩
ص . ب : ١١٢٥٦ الخرطوم - السودان
المقر : شقة رقم (٤) الطابق السادس
عمارة المبارك شارع الحرية - الخرطوم



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Chartered Certified Accountants
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Fellow Chartered Certified Accountants U.K.



محمد سليمان حجاز وشركاه

محاسبون ومراجعون قانونيون
مستشارون إداريون ومحاسبون

إعداد الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Foreign currency risk

Due to fluctuations of exchange rate and the devaluation of Sudanese pound during the accounting period foreign currency risk has been considered as a key audit matter . Our audit procedures were focusing on foreign currency risk.

To assess the level of exposure of the bank and the measures taken by the bank to monitor and ensure that the exposure is kept at an acceptable level . Our audit review was extended to observe that the special directives of the Central Bank of Sudan as regard the treatment of foreign currencies revaluation gains have been adopted . In accordance with the directives of the Central Bank of Sudan, the foreign currencies revaluation gains must be deducted from retained earnings and be disclosed in a separate line in the statement of financial position. When these gains become realized they must be transferred directly to retained earnings. However, the bank has been directed by the Central Bank of Sudan to reserve the transaction made last year of which the foreign currencies revaluation gains (generated in previous years) were credited to retained earnings until new directives are issued in this regard.

Related Party Transactions

As the related parties as defined by the bank comprise the major shareholders , members of the Board of Director , entities controlled by them or under their joint control , associates , key management personal and their close family members they have been considered to be a key audit matter , Our audit procedures in this respect included , among others understanding the nature of the related party's , as defined by the bank authority , financing process and the internal control system adopted by the Bank. We tested the key controls over the granting and monitoring process , we tested the governance controls over the related party transaction , to ascension adherence by the Group to adopt the Bank policies and procedures as regard related party treatment . Our audit procedures were focused on the transactions carried with the related parties to observe that they were in the normal course of business , they comply with the directives of the central Bank of Sudan and that they are appropriately disclosed in financial Statements.

Responsibility of United Capital Bank's management

United Capital Bank's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with FAS issued by AAOFI, and the CBOS regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, United Capital Bank's management is responsible for assessing the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or cease operations, or has no realistic alternative but to do so.

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Mohamed S. Haggag & Co.

Chartered Certified Accountants
Management & Financial Consultants

Fulltime Chartered Certified Accountants U.K.



محمد سنجار هجاجة وشركاه

محاسبون ومراجعون قانونيون
مستشارون إداريون ومحاسبون

إملاء الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Auditor's responsibilities for the Audit of the consolidated financial statements

Our objectives is to obtain reasonable assurance about whether the Consolidated financial statements as a whole are free from material misstatement, wether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA swill always detect a material misstatement when it exists. Misstatements can arise from fraud or error and considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

** Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or override of internal control.*

** Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.*

** Evaluate the appropriateness of accounting estimates and related disclosures made by the Board of Directors.*

** Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained , whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion . Our conclusions are based on the audit evidence obtained up to the date of our audit's report. However, future events or conditions may cause the Group to cease to continue as going concern.*

** Evaluate the overall presentation, structure and content of the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

** Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.*

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محمد سليمان حجاج وشركاه

محاسبون ومراجعون قانونيون
مستشارون إداريون وماليون

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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, include any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have compiled with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulations precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As regard compliance with companies' Ordinance 2015 requirement:-

- 1/ We have obtained all the information and explanations we considered necessary for the purposes our audit.*
- 2/ The Consolidated financial statements have been prepared in all material respects in accordance with companies' ordinance 2015, 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.*
- 3/ The Bank has maintained proper accounting records and its Consolidated financial statements are in agreement therewith.*
- 4/ The investment securities held by Bank note (6) comprise the following equity-type instrument (Securities at fair value through equity, Securities carried at cost).*
- 5/ Note (31) shows balances with related parities arising commercial transactions in the normal course of business at an arm's length basis and disclosed in the consolidated financial Statements*
- 6/ We are not aware of any violations of the provisions of the Central Bank of Sudan instructions. Or Companies Ordinance 2015 or financial Accounting Standards occurred during the year which might have had a material adverse effect on the Bank's Consolidated financial position or performance as and for the year ended 31 December 2017.*



Mohamed Suliman Haggag FCCA
Partner

Mohamed Suliman Haggag & Co.



Date : 4/4/2018

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عمارة المبارك شارع الحرية - الخرطوم

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2017

	Notes	2017 SDG	2016 SDG
ASSETS			
Cash and balances with banks and financial institutions	4	456,313,782	484,712,477
Investments with banks and financial institutions	5	328,093,000	314,320,000
Investments in securities	6	48,211,214	96,548,705
Finance to customers, net	7	1,196,668,131	1,136,951,269
Other investments	8	-	-
Other assets	9	25,608,115	58,995,805
Property and equipment, net	10	66,694,669	67,695,502
TOTAL ASSETS		2,121,588,911	2,159,223,758
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and financial institutions	11	81,907,686	164,875,900
Customers' deposits	12	776,766,420	661,577,655
Other Liabilities	13	219,291,412	506,704,005
TOTAL LIABILITIES		1,077,965,518	1,333,157,560
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Investment deposits -banks and financial institutions	14	252,703,002	230,845,019
Investment deposits-other	15	323,221,082	154,097,931
TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		575,924,084	384,942,950
SHAREHOLDERS' EQUITY			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Statutory reserve	18	40,571,337	37,935,448
Fair value reserve		151,714	16,177
Foreign currencies revaluation reserve	19	57,047,992	-
Retained earnings		79,801,873	158,648,713
Proposed dividends	20	45,600,000	-
Total Shareholders' equity of the parent company		467,672,916	441,100,338
Non-controlling interest		26,393	22,910
TOTAL SHAREHOLDERS' EQUITY		467,699,309	441,123,248
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		2,121,588,911	2,159,223,758
COMMITMENTS AND CONTINGENCIES	32	679,875,648	972,748,942

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on March 08, 2018.

Yousif Ahmed El-Tinay
CEO

Mansour Qaiser Bteish
Vice-Chairman

Tarig Hamza Zain Elabdein
Chairman

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
CONSOLIDATED INCOME STATEMENT
For the year ended December 31, 2017

	Notes	2017 SDG	2016 SDG
INCOME FROM :			
Investments with banks and financial institutions	21	16,809,884	13,469,879
Investments in securities	22	3,262,093	13,196,463
Finance to customers	23	141,154,969	99,317,729
Other investments		-	3,968,550
Total income from financing and investments		161,226,946	129,952,621
Less: Return to unrestricted investment account holders	24	(43,195,909)	(46,928,623)
Less : Finance Cost		-	(4,470,868)
Net income from investments and financing		118,031,037	78,553,130
Fee income	25	40,254,837	32,836,642
Re-imburement of finance cost	26	32,227,324	-
Foreign exchange gain, net	27	22,810,850	17,516,083
Total operating income		213,324,048	128,905,855
EXPENSES			
Staff cost		(60,273,082)	(31,719,151)
General and administrative expenses	28	(28,538,254)	(24,069,359)
Depreciation	10	(5,275,554)	(4,890,279)
Provision for finance losses	7.1.3	(68,284,050)	(37,857,914)
Provision for impairment		1,920,000	(6,405,472)
Total operating expenses		(160,450,940)	(104,942,175)
Net operating profit before zakat and income tax		52,873,108	23,963,680
Zakat expense		(3,279,784)	(6,121,287)
Income tax expense		(23,152,800)	(10,195,306)
Net profit		26,440,524	7,647,087
Less: net profit attributable to non-controlling interest		(3,483)	(3,492)
Net profit attributable to equity holders of the parent company		26,437,041	7,643,595
Earnings per share	29	1.10	0.32


Yousif Ahmed El-Tinay
 CEO


Mansour Qaiser Bteish
 Vice-Chairman


Tarig Hamza Zain Elabdein
 Chairman

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UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2017

	Notes	2017 SDG	2016 SDG
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		26,437,041	7,643,595
Adjustments to reconcile net profit:			
Depreciation and amortization		5,275,554	4,890,279
Zakat		3,279,784	6,121,287
Income tax		23,152,800	10,195,306
Provision for staff end of service benefits		4,779,233	2,044,440
Provision for finance losses		66,364,050	44,263,386
Provision for staff bonus		9,530,471	4,237,889
Return to unrestricted investment account holders		43,195,909	46,928,623
(Gain) loss on disposal of property and equipment		822,046	(13,186)
Net cash flow from operating activities		<u>182,836,888</u>	<u>126,311,619</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(12,654,472)	(1,939,029)
Proceeds from sale of investment		61,127,500	326,223,000
Acquisition of property and equipment		(6,198,107)	(4,303,443)
Proceeds from sale of property and equipment		1,101,339	316,168
Deferred sales receivables		(225,041,134)	(2,936,111)
Mudaraba financing		(66,315,329)	(131,679,443)
Musharaka financing		95,140,562	(123,925,097)
Net cash flow from investment activities		<u>(152,839,641)</u>	<u>61,756,045</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(61,930,448)	(41,405,034)
Cash margin on LCs & LGs		(8,906,225)	4,379,757
Other assets		33,387,690	21,079,423
Due to banks and financial institutions		(82,968,214)	(7,628,054)
Customers deposits		115,188,765	225,268,867
Other liabilities		(258,019,892)	188,664,077
Net movement in non-controlling interest		3,484	3,493
Dividends paid		-	(36,000,000)
Net increase in equity of unrestricted investment accounts		147,785,225	(281,420,931)
Net cash flow from financing activities		<u>(115,459,615)</u>	<u>72,941,598</u>
Net increase in cash & cash equivalents		(85,462,368)	261,009,262
Cash and cash equivalents at beginning of the year		710,502,954	449,493,692
Cash and cash equivalents at end of the year	30	<u>625,040,586</u>	<u>710,502,954</u>


Yousif Ahmed El-Tinay
CEO


Mansour Qaiser Bteish
Vice-Chairman


Tarig Hamza Zain Elabdein
Chairman

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2017

	Attributable to shareholders' of the parent company										
	Share capital	Share premium	Statutory reserve	Fair value reserve	F. currencies revaluation reserve	Retained earnings	Proposed dividends	Total	Non-controlling interest	Total Shareholders' equity	
Note	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	
Balance at January 1, 2017	240,000,000	4,500,000	37,935,448	16,177	-	158,648,713	-	441,100,338	22,910	441,123,248	
Net Profit for the year	-	-	-	-	-	26,437,041	-	26,437,041	3,483	26,440,524	
Transfer to statutory reserve	-	-	2,635,889	-	-	(2,635,889)	-	-	-	-	
Net change in fair value reserve	-	-	-	135,537	-	-	-	135,537	-	135,537	
Foreign Currencies revaluation reserve	-	-	-	-	57,047,992	(57,047,992)	-	-	-	-	
Dividends paid	-	-	-	-	-	-	-	-	-	-	
Proposed dividends	-	-	-	-	-	(45,600,000)	45,600,000	-	-	-	
Balance at December 31, 2017	240,000,000	4,500,000	40,571,337	151,714	57,047,992	79,801,873	45,600,000	467,672,916	26,393	467,699,309	
Balance at January 1, 2016	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	-	-	374,133	-	-	(374,133)	-	-	-	-	
Net change in fair value reserve	-	-	-	872,580	-	-	-	872,580	-	872,580	
Foreign Currencies revaluation reserve	-	-	-	-	(57,047,992)	57,047,992	-	-	-	-	
Dividends paid	-	-	-	-	-	-	(36,000,000)	(36,000,000)	-	(36,000,000)	
Proposed dividends	-	-	-	-	-	-	-	-	-	-	
Balance at December 31, 2016	240,000,000	4,500,000	37,935,448	16,177	-	158,648,713	-	441,100,338	22,910	441,123,248	

Yousif Ahmed El-Tinay
CFO

Mansour Qaiser Bteish
Vice-Chairman

Tariff Hamza Zahn Elabdain
Chairman

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS

For the year ended December 31, 2017

	Note	White Nile Sugar Portfolio	Gezira Scheme Portfolio	Cotton Syndication	Arab Investment Corporation	Musharakah Investment	Total
		SDG	SDG	SDG	SDG		SDG
Balance at January 1, 2017	33	211,010,214	86,662,263	354,927,922	141,803,496	16,733,563	811,137,458
Additions during period		-	-	-	15,820,216	-	15,820,216
Cash withdrawal during period		(23,373,329)	(17,352,452)	(364,697,669)	-	(8,810,343)	(414,213,793)
Investment profit		-	-	12,573,291	-	-	12,573,291
Bank's share as mudarib		-	-	(2,803,544)	-	-	(2,803,544)
FX revaluation		55,689,149	-	-	-	-	55,689,149
Balance at December 31, 2017	33	243,326,034	69,329,811	-	157,623,712	7,923,220	478,202,777
Balance at January 1, 2016		193,941,269	104,924,034	506,186,632	121,809,496	900,000	927,761,431
Additions during period		-	-	-	19,994,000	15,833,563	35,827,563
Cash withdrawal during period		-	(18,261,771)	(166,818,141)	-	-	(185,079,912)
Investment profit		-	-	20,745,907	-	-	20,745,907
Bank's share as mudarib		-	-	(5,186,476)	-	-	(5,186,476)
FX revaluation		17,068,945	-	-	-	-	17,068,945
Balance at December 31, 2016		211,010,214	86,662,263	354,927,922	141,803,496	16,733,563	811,137,458

Yousif Ahmed El-Tinay
CEO

Mansour Kaiser Breish
Vice-Chairman

Tarig Hamza Zain Elabdein
Chairman

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

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. 00249 183 235 000, web site : www.bankalmal.net.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

The consolidated financial statements are presented in Sudanese Pounds (SDG) which is the Bank's functional and presentation currency.

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

2. BASIS OF PREPARATION (continued)

2.4 Basis of consolidation (continued)

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.

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

2. BASIS OF PREPARATION (continued)

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

The fair values of financial instruments that are not quoted in an active market are determined by using valuation techniques such as:

- * recent arm's length market transactions;
- * current fair value of an instrument that is substantially the same;
- * the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. There are a number of investments where this estimation cannot be reliably determined. As a result, these investments are carried at cost less provision for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

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:

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

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Revenue recognition (continued)

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

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

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

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

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

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

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

3.13 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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

	Notes	2017 SDG	2016 SDG
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	11,775,555	23,918,751
Central Bank of Sudan - Current account	4.1	252,750,587	305,180,112
Foreign correspondent banks – Current accounts	4.1	<u>32,421,444</u>	<u>67,084,091</u>
Sub-total		296,947,586	396,182,954
Central Bank of Sudan - Statutory Cash Reserve	4.1	147,457,252	85,526,804
Cash margin on letters of credit with correspondent banks	4.1	<u>11,908,944</u>	<u>3,002,719</u>
Total		<u>456,313,782</u>	<u>484,712,477</u>

	2017 SDG	2016 SDG
4.1 Foreign currency balances included in the above balances are as follows:		
Cash in hand	1,568,850	3,397,312
Central Bank of Sudan - Current account	226,472,848	160,805,425
Foreign correspondent banks – Current accounts	<u>32,421,444</u>	<u>67,084,091</u>
Sub-total	260,463,142	231,286,828
Central Bank of Sudan - Statutory cash reserve	49,958,681	35,296,616
Cash margin on letters of credit with correspondent banks	<u>11,908,944</u>	<u>3,002,719</u>
Total	<u>322,330,767</u>	<u>269,586,163</u>

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:

	2017 SDG	2016 SDG
Local banks	170,000,000	265,995,000
Foreign banks and financial institutions	<u>158,093,000</u>	<u>48,325,000</u>
Total	<u>328,093,000</u>	<u>314,320,000</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2017
6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:		<i>Note</i>	2017	2016
			<i>SDG</i>	<i>SDG</i>
Securities at fair value through equity				
Liquidity Management Fund- Not listed		6.1	11,986,714	10,320,177
Securities carried at cost				
Shahama Certificates - Listed		6.2	3,771,000	49,180,500
Less : provision for shahama impairment		6.2	-	(6,405,472)
Shasha Certificates - Listed		6.3	31,853,500	42,853,500
Sudan Academy Fund - Not listed		6.4	600,000	600,000
Total			<u>48,211,214</u>	<u>96,548,705</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.

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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

7- FINANCE TO CUSTOMERS, NET

		2017	2016
	Notes	SDG	SDG
7.1 By type			
Deferred sales receivables :			
Murabaha receivables		1,079,047,112	887,106,794
Istisna receivables		66,885,466	85,508,110
Ijara	7.1.1	104,549,014	57,944,979
Staff Financing		7,897,338	2,777,913
Total deferred sales receivables		1,258,378,930	1,033,337,796
Mudaraba & Musharaka :			
Mudaraba financing		214,772,292	148,456,963
Musharaka financing		34,382,302	129,522,864
Total finance to customers		1,507,533,524	1,311,317,623
Less : deferred profit		(142,999,081)	(85,492,813)
Total finance, net of deferred profit		1,364,534,443	1,225,824,810
Less : Income suspense-past-due accounts		(19,426,123)	(21,316,633)
Less : provision for finance losses	7.1.2	(148,440,189)	(67,556,908)
Total finance to customers, net		1,196,668,131	1,136,951,269

7.1.1 Ijara comprise:

Cost of leased property	77,737,607	39,071,362
Cost of leased motor vehicles	8,085,154	15,123,560
Cost of leased Plant & Equipment	2,760,662	-
Deferred rental	15,965,591	3,750,057
Total	104,549,014	57,944,979

7.1.2 Movements in the provision for finance losses:

	2017	2016
	SDG	SDG
The accumulated provision for finance losses is as follows:		
General Provision:		
Balance at beginning of the year	10,618,014	9,775,970
Provided during the period	2,817,557	842,044
Balance at the end of the year	13,435,571	10,618,014
Specific Provision:		
Balance at beginning of the year	56,938,894	19,923,024
Provided during the year	75,125,756	37,423,420
Recoveries of amounts previously provided	(9,659,263)	(407,550)
FX Changes	12,599,231	-
Balance at the end of the year	135,004,618	56,938,894
Total accumulated provision at end of the year	148,440,189	67,556,908

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2017
7- FINANCE TO CUSTOMERS (continued)
7.1.3 Net provided (recovery) of provision for credit losses for the year in the consolidated income statement

	<i>Notes</i>	2017 <i>SDG</i>	2016 <i>SDG</i>
General Provision:			
Total provided of general provision	a	2,817,557	842,044
Specific Provision:			
Provided during the year		75,125,756	37,423,420
Recoveries of amounts previously provided		(9,659,263)	(407,550)
Total provided of the specific provision	b	65,466,493	37,015,870
Net provided of the provision expense for the year (a+b)		68,284,050	37,857,914

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, 2017 total past due installments, including profit margins is SDG 162,190,453 (2016: 244,551,650).

	2017 <i>SDG</i>	2016 <i>SDG</i>
7.2 By Industry		
Manufacturing	449,074,459	476,109,727
Trading	308,008,221	182,272,111
Mining	63,936,095	67,234,713
Real Estates	137,574,236	68,903,214
Agriculture	74,012,833	204,742,733
Transportation	1,544,227	4,134,884
Micro Finance	44,801,190	77,987,955
Other	428,582,263	229,932,286
Total finance	1,507,533,524	1,311,317,623
Less: deferred profit	(142,999,081)	(85,492,813)
Total finance, net of deferred profit	1,364,534,443	1,225,824,810
Less Income suspense-past-due accounts	(19,426,123)	(21,316,633)
less: Provision for finance losses	7.1.2 (148,440,189)	(67,556,908)
Finance to customers, net	1,196,668,131	1,136,951,269

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2017

7- FINANCE TO CUSTOMERS (continued)

	<i>Notes</i>	2017	2016
7.3 By Portfolio		SDG	SDG
Performing finance to customers		1,345,343,071	1,066,765,973
Non-performing finance to customers	7.3.1	162,190,453	244,551,650
Total finance to customers		1,507,533,524	1,311,317,623
Less : deferred profit		(142,999,081)	(85,492,813)
Total finance to customers, net of deferred profit		1,364,534,443	1,225,824,810
Income suspense -past-due accounts		(19,426,123)	(21,316,633)
General provision	7.1.2	(13,435,571)	(10,618,014)
Specific provision	7.1.2	(135,004,618)	(56,938,894)
Total provision & income suspense		(167,866,312)	(88,873,541)
Finance to customers, net		1,196,668,131	1,136,951,269

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, 2017 the total of past-due installments excluding profit margins amounted to SDG 144,333,275 (2016: 203,767,089).

		2017	2016
8. OTHER INVESTMENTS		SDG	SDG
Investments in companies			
Al-Hadah Grain Silos for Investments	8.1	10,705,738	10,705,738
Less: Provision for Impairment		(10,705,738)	(10,705,738)
Total		-	-

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

		2017	2016
9- OTHER ASSETS		SDG	SDG
Cotton Inventory		-	14,346,678
Commission receivable (Gezira Scheme Syndication)		3,755,850	4,677,982
Accrued income		12,612,827	25,184,832
Prepaid expenses		4,598,416	2,549,505
Deferred expenses		2,682,890	3,477,607
Sundry receivables - Seen Development Co.		-	8,372,436
Sundry receivables - CBOS		1,692,690	296,677
Other		265,442	90,088
Total		25,608,115	58,995,805

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended December 31, 2017
10- PROPERTY AND EQUIPMENT, NET

<u>Cost</u>	Land and Buildings		IT equipment		Office equipment, Furniture & fixtures		Motor vehicles		Intangible assets: Computer Software		Total	
	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	
Balance at January 1, 2017	71,802,031	6,985,280	6,951,091	8,310,059	10,876,885					104,925,346		
Acquisitions	69,778	3,006,507	1,579,102	1,542,720	-					6,198,107		
Disposals	(906,601)	(551,203)	(416,052)	(1,833,176)	(29,709)					(3,736,741)		
Balance at December 31, 2017	70,965,208	9,440,584	8,114,141	8,019,603	10,847,176					107,386,712		
Accumulated depreciation and amortization												
Balance at January 1, 2017	12,050,332	5,760,063	4,827,595	3,979,746	10,612,109					37,229,845		
Depreciation expense for the year	1,998,366	750,610	773,781	1,683,217	69,580					5,275,554		
Disposals	(768,014)	(436,558)	(318,329)	(290,455)	-					(1,813,356)		
Balance at December 31, 2017	13,280,684	6,074,115	5,283,047	5,372,508	10,681,689					40,692,043		
Net book value at December 31, 2017	57,684,524	3,366,469	2,831,094	2,647,095	165,487					66,694,669		
Net book value at December 31, 2016	59,751,699	1,225,217	2,123,496	4,330,314	264,776					67,695,502		

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

	<i>Notes</i>	2017	2016
11- DUE TO BANKS AND FINANCIAL INSTITUTIONS		<i>SDG</i>	<i>SDG</i>
Local banks		20,122,336	109,164,192
Foreign banks		<u>61,785,350</u>	<u>55,711,708</u>
Total		<u>81,907,686</u>	<u>164,875,900</u>
12- CUSTOMERS' DEPOSITS		<i>SDG</i>	<i>SDG</i>
Current accounts - Individuals		122,233,649	74,663,109
Current accounts - Corporate		<u>622,209,215</u>	<u>563,274,067</u>
Total current accounts	12.1	<u>744,442,864</u>	637,937,176
Margins - LCs, LGs & other deposits	12.1	<u>32,323,556</u>	<u>23,640,479</u>
Total		<u>776,766,420</u>	<u>661,577,655</u>
12.1- Foreign currency deposits included in customers' deposits:		<i>SDG</i>	<i>SDG</i>
Current accounts		235,826,652	196,240,034
Margins - LCs, LGs & other deposits		<u>21,108,809</u>	<u>19,732,383</u>
Total		<u>256,935,461</u>	<u>215,972,417</u>
13- OTHER LIABILITIES		<i>SDG</i>	<i>SDG</i>
Bills payable		13,613,530	6,335,679
Zakat payable		10,654,492	10,569,938
Business profit tax payable		30,047,148	15,159,445
Provision for Staff end of service benefits		11,533,337	6,754,104
Board of Directors remuneration		5,093,514	3,622,752
Unearned commissions		5,933,104	9,287,141
Dividends payable		79,504,237	66,135,818
Payable on parallel Istisnaa		28,528,264	35,919,092
Accounts payable and accrued expenses		23,662,704	20,570,714
Funds collected form syndications managed by the Bank		10,488,078	331,867,925
Others		233,004	481,397
Total		<u>219,291,412</u>	<u>506,704,005</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

14. INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	2017	2016
	SDG	SDG
Local banks and financial institutions	194,848,416	184,848,416
Foreign banks and financial institutions	39,752,942	24,752,942
Sub-total	234,601,358	209,601,358
Return to Unrestricted Investment Account Holders	24,001,643	26,873,811
Payments on account of profit during the year	(5,899,999)	(5,630,150)
Total	252,703,002	230,845,019

15. OTHER INVESTMENT DEPOSITS

Corporations	285,654,709	117,999,919
Individuals	21,689,645	16,163,064
Quasi-government	1,000,000	4,000,000
Sub-total	308,344,354	138,162,983
Return to Unrestricted Investment Account holders	19,249,066	20,432,286
Payments on account of profit during the year	(4,036,996)	(4,276,320)
Annual subscriptions to Deposits Guarantee Fund	(335,342)	(221,018)
Total	323,221,082	154,097,931

Investment deposits include balances in foreign currencies equivalent to SDG 24,390,818 (2016: 11,837,928)

16- SHARE CAPITAL

	2017	2016
	SDG	SDG
Authorized, issued and paid up share capital : 24 million shares of SDG 10 each (2016: 24 million shares of SDG 10 each)	240,000,000	240,000,000

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 directives of the Central Bank of Sudan, the foreign currencies revaluation gains must be deducted from retained earnings and be disclosed in a separate line in the statement of financial position. .When these gains become realized they must be transferred directly to retained earnings. However, we have been directed by the Central Bank of Sudan to reverse the transaction made last year of which the foreign currencies revaluation gains (generated in previous years) were credited to retained earnings until new directives are issued in this regard.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

	2017	2016
	SDG	SDG
20- PROPOSED DIVIDENDS		
Proposed dividends	<u>45,600,000</u>	<u>-</u>

The Board of Directors has resolved, to recommend to the Annual General Assembly meeting of the shareholders to approve distribution of cash dividends equal to 19% of the Bank's paid up capital as at December 31, 2017 (2016: 0%), from prior years retained earnings, subject to the approval of Central Bank of Sudan.

	2017	2016
	SDG	SDG
21- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS		
Realized income from deposits with banks & financial institutions:		
Local banks	10,573,805	8,121,577
Foreign banks	423,205	293,394
	<u>10,997,010</u>	<u>8,414,971</u>
Accrued income from deposits with banks & financial institutions:		
Local banks	5,812,874	5,054,908
Total Income from investment with banks and financials institutions	<u>16,809,884</u>	<u>13,469,879</u>

	2017	2016
	SDG	SDG
22- INCOME FROM INVESTMENT IN SECURITIES		
Shahama certificates	2,458,427	5,623,184
Shasha certificates	70,708	2,711,973
Liquidity Management Fund	673,399	4,825,777
Sudan Academy for Financial and Banking Studies Fund	59,559	35,529
Total	<u>3,262,093</u>	<u>13,196,463</u>

	2017	2016
	SDG	SDG
23- INCOME FROM FINANCE TO CUSTOMERS		
Income from deferred sales receivables :		
Murabaha	97,563,284	83,922,243
Istisnaa/ Mugawala	7,805,887	3,980,726
Ijarah	2,446,130	3,929,043
Salam	4,037,995	3,713,952
Subtotal	<u>111,853,296</u>	<u>95,545,964</u>
Income from Mudaraba & Musharaka :		
Mudaraba	17,371,583	574,758
Musharakah	11,930,090	3,197,007
Subtotal	<u>29,301,673</u>	<u>3,771,765</u>
Total	<u>141,154,969</u>	<u>99,317,729</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017

<i>Notes</i>	2017	2016
	<i>SDG</i>	<i>SDG</i>
24- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	53,016,703	50,992,409
Bank's share as Mudarib	(9,820,794)	(10,376,165)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib	43,195,909	40,616,244
Support provided by the Bank from its share as Mudarib	-	6,312,379
Unrestricted Investment Account Holders' share of profit after the Bank's support	43,195,909	46,928,623
Average profit distribution rates :		
Investment accounts in local currency (SDG)	10.24%	10.39%
Investment accounts in foreign currencies	1.00%	4.64%

	2017	2016
	<i>SDG</i>	<i>SDG</i>
25- FEE INCOME		
Letters of credit	7,728,548	2,369,139
Letters of guarantees	3,368,886	6,091,153
Administration fees	3,481,166	3,261,673
Draft cheques, transfers and remittances	3,419,519	4,373,166
Management of restricted investment accounts	3,072,853	792,168
Brokerage fees	646,248	523,554
Portfolio Managed by Bank	11,539,638	7,693,468
Insurance agency commissions	3,650,751	2,221,143
Fee from other banking services	3,347,228	5,511,178
Total	40,254,837	32,836,642

26- RE-IMBURSEMENT OF FINANCE COST

Finance cost charged by correspondent banks in the years prior to 2016 due to late remittance has been reimbursed by CBOS in 2017

	2017	2016
	<i>SDG</i>	<i>SDG</i>
27- FOREIGN EXCHANGE GAIN, NET		
Transaction gain , net	156,826	(162,292)
Revaluation gain	22,654,024	17,678,375
Total	22,810,850	17,516,083

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

	Notes	2017 SDG	2016 SDG
28- GENERAL AND ADMINISTRATIVE EXPENSES			
Bank premises expense	28.1	4,324,463	4,342,378
Communications		1,021,807	892,159
Maintenance of equipment, furniture & motor vehicles		3,218,797	2,382,156
Computer expenses		3,466,383	2,389,225
Marketing & promotion		2,912,215	2,331,863
Office supplies		972,864	582,739
Business travel		1,175,079	512,670
Legal and consultants expenses		987,495	1,123,951
Training		830,171	444,847
Subscriptions		1,523,354	1,315,504
Board and General Assembly expenses		4,525,958	5,062,507
Bank charges		34,942	32,866
Donations		303,001	241,340
Cash Insurance		1,313,402	972,089
Central Bank of Sudan penalties		5,000	28,000
Catering Service		627,730	594,610
Loss on disposal of fixed assets		-	3,111
Other		1,295,593	817,344
Total		28,538,254	24,069,359

28.1- Bank premises expense

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

	2017 SDG	2016 SDG
29- EARNINGS PER SHARE		
Net income for the year	26,437,041	7,643,595
Weighted average number of shares outstanding	24,000,000	24,000,000
Earnings per share (in SDG)	1.10	0.32

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.

	Notes	2017 SDG	2016 SDG
30- CASH AND CASH EQUIVALENT			
Cash and balances with banks and financial institutions	4	456,313,782	484,712,477
Investment deposits with banks and financial institutions	5	328,093,000	314,320,000
Total		784,406,782	799,032,477
Central Bank of Sudan - Statutory cash reserve	4	(147,457,252)	(85,526,804)
Cash margin on letters of credit with correspondent banks		(11,908,944)	(3,002,719)
		625,040,586	710,502,954

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

31- 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:

2017			
	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2017
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	1,579,163	-	1,579,163
Financing and investing assets	629,388,208	31,890,095	661,278,303
Due to banks and financial institutions	33,761,404	1,008,345	34,769,749
Current and investments deposits	211,188,043	256,681	211,444,724
Non-controlling interest	-	-	-
Income statement items:			
Profit from financing	75,029,673	211,007	75,240,680
Fees income	-	-	-
Bank charges	-	-	-
Key Management Personnel compensation:			
Salaries and other benefits	4,492,958	16,522,302	21,015,260
Post-employment benefits	-	2,273,378	2,273,378

2016			
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2016
Balance sheet items:	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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
Income statement items:			
Profit from financing	-	-	-
Fees income	39,685	-	39,685
Bank charges	346,371	-	346,371
Key Management Personnel compensation:			
Salaries and other benefits	5,062,507	4,929,763	9,992,270
Post-employment benefits	-	552,158	552,158

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 Year ended 31 December 2017

32- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follows :

	<i>Notes</i>	2017 SDG	2016 SDG
32.1.Financing - related commitments and contingencies :			
Letters of credit		81,004,199	12,010,856
Letters of guarantees		120,668,672	149,600,628
Acceptances		-	-
Total financing - related commitments and contingencies		201,672,871	161,611,484
32.2 Non-financing related commitments :			
Restricted investment accounts	32	478,202,777	811,137,458
Total commitments and contingencies		<u>679,875,648</u>	<u>972,748,942</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017
32- COMMITMENTS AND CONTINGENCIES (continued)
Financing related commitments and contingencies

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

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

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

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

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

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

2017	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	28,075,557	52,928,642	-	-	81,004,199
Letters of guarantee	110,609,328	10,020,895	-	38,449	120,668,672
Total	138,684,885	62,949,537	-	38,449	201,672,871

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
Total	41,108,460	71,688,613	6,481,712	42,332,699	161,611,484

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

33. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 478,202,777 as at December 31, 2017 (2016 : SDG 811,137,458). 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 31 December are as follows:

a) By type of assets :

Murabaha finance	312,655,845	375,928,665
Istisnaa finance	-	163,779,376
Cotton Stock	-	112,892,358
Musharaka finance	7,923,220	16,733,563
Shahama Securities	128,673,216	112,853,000
Shama Certificates	24,640,500	24,640,500
Globel Investemnt House	3,100,520	3,100,520
Sudatel Shares	1,209,476	1,209,476
Total	<u>478,202,777</u>	<u>811,137,458</u>

b) By sector :

Banks and financial institutions	470,279,557	794,403,895
Individuals	7,923,220	16,733,563
Total	<u>478,202,777</u>	<u>811,137,458</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017
34. 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	
	2017	2016	2017	2016
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	467,521,202	441,084,162	55%	44%
Core and supplementary capital (Tier 2)	481,025,044	451,709,456	57%	45%

The Central Bank of the Sudan Circular No. 6/2009 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.

	Risk Weighted Assets	
	2017	2016
	<u>SDG</u>	<u>SDG</u>
Credit Risk	896,115,306	1,310,274,130
Operational risk	202,714,298	172,001,012
Market risk	69,551,858	179,895,130
Total Pillar 1 - Risk Weighted Assets	<u>1,168,381,462</u>	<u>1,662,170,272</u>

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

35- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

35.1 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.

35.2 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:

35.2.1 Profit rate risk

The profit rate risk refers to the risk due to change of profit rates, which might affect the future earnings of the Bank. Exposure to profit rate risk is managed by the Bank through diversification of assets portfolio and by matching the maturities of assets and liabilities.

In line with the policy approved by the Board of Directors, the Bank's Assets and Liabilities Management Committee (ALCO) performs regular reviews of the assets and liabilities situation of the Bank in order to ensure that the maturity gap between assets and liabilities is maintained at minimum level and also to ensure that financing and investments are made for quality assets at higher rates of return.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***Year ended 31 December 2017***35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****35.2.2 Credit risk**

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

The Bank attempts to manage its credit risk exposure through diversification of its financing and investment activities to avoid undue concentration of risk with individuals or group of customers in specific locations or economic sectors. The Bank pursues its policies to safeguard its interest and in a prudent manner obtains tangible or intangible securities and collaterals for financing, investments and contingent commitments. The Bank controls the credit risk arising from its financing and investment activities through its risk management and the approval process and use of risk control limits and monitoring procedures.

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

Note 7.2 discloses the economic sector distribution of financing to customers.

35.2.3 Liquidity risk

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

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

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2017 is as follows:

Assets	2017				
	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	456,313,782	-	-	-	456,313,782
Investments with banks and financial institutions	278,093,000	50,000,000	-	-	328,093,000
Investments in securities	48,211,214	-	-	-	48,211,214
Finance to customers, net	129,143,789	241,197,225	572,447,341	253,879,776	1,196,668,131
Other investments	-	-	-	-	-
Other assets	11,420,876	2,233,638	1,676,689	10,276,912	25,608,115
Property and equipment, net	-	-	-	66,694,669	66,694,669
TOTAL ASSETS	923,182,661	293,430,863	574,124,030	330,851,357	2,121,588,911

Liabilities and Shareholders' Equity

Due to banks and financial institutions	36,885,195	8,035,725	16,071,450	20,915,316	81,907,686
Customers' deposits	776,766,420	-	-	-	776,766,420
Other Liabilities	89,452,556	18,334,041	93,463,350	18,041,465	219,291,412
Equity of unrestricted investment account holders	475,010,426	69,229,013	30,684,645	1,000,000	575,924,084
Non-controlling interest	-	-	-	26,393	26,393
Shareholders' equity	-	-	-	467,672,916	467,672,916
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	1,378,114,597	95,598,779	140,219,445	507,656,090	2,121,588,911

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2017
35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	2016				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Assets					
Cash and balances with banks and financial institutions	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
TOTAL ASSETS	1,201,819,450	319,454,559	142,185,949	495,763,800	2,159,223,758

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 holders	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
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	1,399,536,368	146,514,941	80,757,939	532,414,510	2,159,223,758

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

35.2.4 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:

Currency	Dec. 31, 2017	Dec. 31, 2016
	Long (short)	Long (short)
Euro	(10,540,139)	46,681,987
US Dollar	(4,364,378)	101,250,900
Other currencies	102,507,689	44,472,242

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.

35.2.5 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.

35.2.6 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.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***Year ended 31 December 2017***35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****35.2.7 Operational and other risks**

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

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

36. SEGMENTAL INFORMATION

For the years ended at December 31, 2017 and 2016 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, 2017 and 2016 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.

37. 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.

38. COMPARATIVE FINANCIAL STATEMENTS

Certain 2016 comparative figures have been reclassified to conform to the current year's presentation. Such reclassifications did not have an impact on the previously reported net profit or retained earnings.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2017

39. SUBSEQUENT EVENTS

The Bank determines and declares the daily foreign exchange rate within specific range around an indicative rate determined by the Central Bank of Sudan plus an additional incentive calculated at a certain percentage of the rate declared by the Bank (31 December 2017: 123%). The declared rate plus incentive is used for all transactions except for certain transactions, determined by the Central Bank, while all the financial assets and liabilities of the bank recorded in foreign currencies are revaluated using the declared exchange rate only (without incentive)

In January 21, 2018 the Central Bank of Sudan decided to cancel the additional incentive and increase the indicative rate. Accordingly, the declared rate whereby all the banking transactions and the revaluation of the financial assets and liabilities are carried out had increased to SDG 20 against the US Dollar (Dec 31, 2017 : SDG 8.9 against the US Dollar). This resulted in a revaluation gain of about SDG 57 million. In February 6, 2018, the Central Bank decided to increase the indicative rate again to SDG 30 against the US Dollar, resulting in a revaluation gain of about SDG 51 million.

The attached notes 1 to 39 form an integral part of these consolidated financial statements.



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
E-Mail Address: 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, Khar-
toum 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

1- Al mal United for Securities Co, Ltd

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Sudan
Tel : 00249-183-247700
Fax: 00249-183-235000

2- Mawarid Investment Co.Ltd

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