



 **United Capital Bank**
بنك المال المتحد

Annual Report 2018



Awards & Rating

- 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.
- United Capital Bank (UCB) was assigned in 2017 and 2018 Investment Grade National Scale Rating from Islamic International Rating Agency (IIRA) in Bahrain .
- United Capital Bank (UCB) was assigned in year 2018 National Scale Rating (A-) for long-term and A2 rating for short-term from Capital Intelligence (CI) in Cyprus as first bank in Sudan to be rated by CI.



Contents

Our Mission , Vision and Values	5
Board of Directors	6
Sharia'h Committee	7
Executive Management	8
Senior Management	9
Report of the Board of Directors` Chairman to the General Assembly	12
Chief Executive Officer's Report	20
Shariah Supervisory Board Report	28
External Auditors' Report	30
Consolidated Financial Statements as of 31 December 2018	36
Directory of Head office, branches and subsidiary companies	71



Board of Directors



Mr. Tarig Hamza Zain El-Abdein
Chairman



Mr. Mansour Bteish
Vice-Chairman



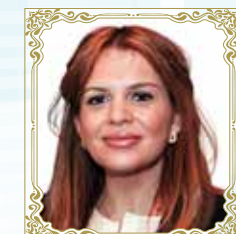
Mr. Tarig Sir Elkhatim
Member



Mr. Mohamed Farah Idris
Member



Mr. Abdulsalam Jawhar Alsaleh
Member



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

Shariah Committee



Prof. Kheider Ali Idris
Chairman



Dr. Eltigani Abdel Gadir Ahmed
Member



Dr. Hammad Mohamed Ahmed
Member



Dr. Mohammed Mahjoub Bashary
Shariah Controller & Committee Secretary

Executive Management



Mr. Yousif Ahmed El-Tinay
Chief Executive Officer



Mr. Osama
Elfadil Ibrahim
DCEO & Chief
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 Department



Mr. Elamin Mohamed
Ahmed
Head, Internal Audit
Department



Mrs. Salma Haroun Ali
Head, Financial
Institutions Department



Mr. El-Shazali Jamaeldin
Abdelkarim
Head, Treasury
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



Chairman's Report

Report of the Board of Directors` Chairman to the General Assembly

The 14th General Assembly Annual Ordinary Meeting

March 14, 2019 - Khartoum

Introduction:

I am pleased to welcome you to this Ordinary Meeting of the General Assembly (No. 14) for United Capital Bank Company to discuss the topics put up in the agenda, particularly the Final Accounts of the Bank for the year 2018.

The Sudanese economy faced many challenges during the year 2018 as follows:

- A steady decline of the national currency exchange rate against the foreign currencies in the parallel market despite the considerable controlling efforts exerted by the government .
- Devaluation of the Sudanese pound exchange rate to narrow the gap between the official rate and the parallel rate and to attract more foreign currency resources to the banking system.
- A continuous lack of foreign currency resources required to meet the increasing need of those dealing therein, in addition to the shortage of national currency bank notes.
- Persistent difficulty in the transactions with the foreign banks despite the removal of the American economic and trade embargo, however, it is worthy to mention the relative improvement in the relationships with some corresponding banks.
- The inflation rates rose from 32.9% at the beginning of the year to 72.94% at the end thereof, recording the highest rates in many years.

Despite these challenges, the budgetary performance of the financial year 2018 has shown a significant improvement in some macroeconomic indicators, as the preliminary data of the economic index for the same year showed an increase in the real growth rate of the Gross Domestic Product (GDP) from 5.3 % in the year 2017 to 5.7% in 2018.

The most important activities of the bank during the year 2018:

Despite the difficulties faced by the economy in general and the banking system in particular, the bank upheld its distinguished position throughout the year 2018 in the area of financing large companies and important projects in addition to its role in the arrangement and management of syndicated financing and securities to third parties. The most prominent activities are represented by the following:

First: Commercial Finance

The bank continued its activity throughout the past year in the area of commercial finance, especially in the fields of export finance such as Gold, Cattle, Gum Arabic, Sesame and other

crops in addition to the financing of agricultural and industrial production inputs and finance for commercial purposes for the Bank's customers.

The total imports (Documentary credits and collections) amounted to around EUR 41.9 million during the year compared to about EUR 7.5 million during the previous year. The total exports (outgoing proceeds) by the bank's customers during the year amounted to about EUR 37.6 million , compared to about EUR 88 million during the year before.

Second: Contribution to the organization and management of investment portfolios

The Bank is currently managing two long term financing portfolios for the White Nile Sugar Company and for the purchase of lands to Algazeera Scheme.

Third: Management of guarantees for banking institutions

The Bank continued its tripartite guarantee management agreement signed in 2016 with the African Export and Import Bank and Sudan Cotton Company Limited to oversee the stock of the cotton produced via the agricultural finance portfolios managed by the Bank with a total inventory value of approximately US \$ 124 million. According to this agreement, the bank will monitor the storage and selling of cotton; insurance and follow up the export procedures; and receive the proceeds and transfer them to the African Export and Import Bank in exchange for a significant commission for the bank. This agreement will continue for five extend-able years.

Fourth: Vertical expansion

As you are aware, the bank has three operating branches in total and they are all operating in Khartoum state. It was hoped that two more branches would be established in 2018 to increase the number of branches up to 5 branches. However, this step has been postponed, because the bank is keen to expand vertically in a careful and informed manner that helps it carry out its prescribed role in corporate finance.

In this context, the Bank adopts an expansion strategy based on the establishment of small cash outlets inside the companies it deals with in order to attract more deposits in both of its current and investment sectors. During the previous year, two cash outlets were opened in Sudatel and Al-Ahfad University for Women buildings. An additional outlet was constructed in the buildings of Mayghana Company in Omdurman during the year and will be opened in the first quarter of 2019.

Fifth: Institutional development:

Believing in the importance of institutional performance through the strategic planning as a method that helps in achieving sustainability and ensuring the attainment of strategic objectives, a strategy has been developed for the years 2019-2023 aimed at addressing weaknesses and taking advantage of strengths and opportunities to enable the UCB to achieve its operational objectives.

The strategic plan is based on many axes as well as a clear vision that envisages United Capital Bank as the bank of choice for customers with its mission of providing a unique guest experience to its customers in order to maximize the stakeholders value relying on its core values of (integrity, respect, speed, precision and initiative).

The strategic map for the year 2019 has also been elaborated in a way that ensures that the set goals are achieved. Performance cards - Balanced Score Cards - have been designed in

the same context for the institution and the entire personnel to achieve balance between the different axes of the strategy - financial perspective, customer perspective, internal perspective and the Learning/Growth perspective.

The strategic plan of the Bank for 2019 includes 27 programs and 62 projects of which implementation will be pursued during the current year.

In its preparation for the period following the removal of the embargo imposed on Sudan, the bank sought a credit classification and it was assigned the national (Investment Grade) rating by the Islamic International Rating Agency in Bahrain for the years 2016, 2017 and 2018. The Bank has also been assigned the national credit rating of BBB scale by the "Capital Intelligence" institution in Cyprus in March 2018 as the first bank in Sudan to be rated thereby. This rating has been upgraded to A - Long term and A 2 - Short term scales in June 2018.

In this context, UCB also plans to undergo a comprehensive assessment by Sigma, the American company, which is an assessment institution specialized in the corporate governance and the risk of financial crimes, UCB is also seeking to obtain a license confirming the Bank's commitment to the full application of compliance with anti-corruption standards from the Center for International Private Enterprise (CIPE).

The financial performance during the year

The financial structure of the Bank's assets has achieved high returns, while maintaining a reasonable level of liquidity. The net income from financing and investment reached SDG 285 million compared to SDG 118 million in 2017 due to a 54% increase in the return of the customers financing and the return on investments in banks and financial institutions by 89%, in addition to the recovery of SDG 103 million resulting from outstanding profits related to the sale-at-a profit Murabaha transaction with the White Nile Sugar Company Limited, which has been restructured as will be mentioned later in this report.

The revenues of the banking services amounted to SDG 69 million compared to SDG 40 million during 2017 (with an increase of 72%).

The net profits, after Zakat and taxes, increased from SDG 26 million in 2017 to SDG 944 million in 2018 (with an increase of 3,471%). The main reasons for the increase in profits over the past year were the following:

1. The increase in financing profits by SDG 73 million with an increase of 54% over the past year due to the increase in the rate of profits on financing operations along with the increase in the average volume of the bank's financing portfolio by 40%, that is, SDG 1,725 million compared to SDG 1,231 million in the preceding year.
2. The recovery of SDG 103 million as an outstanding profit from Murabaha transaction with the White Nile Sugar Company Limited.
3. The increased profits of the investments with banks and financial institutions that reached about SDG 32 million in 2018 compared to about SDG 17 million in 2017, with an increase of about 89%.
4. The increase in the revenues of banking services that reached about SDG 69 million by the end of 2018 compared to about SDG 40 million in the previous year with a growth percentage of 72%.

5. The Bank achieved profits from the revaluation of foreign currencies by about SDG 269 million (December 2017: profits amounted to about SDG 22.7 million), with an increase of 1,086% compared to the previous year as a result of the decline of the Sudanese pound against the foreign currencies where the US dollar's average exchange rate amounted to about SDG 47.6 in 2018 compared to SDG 8.9 in December 2017.

6. The full recovery of the provision for financing losses that was created to meet the Non performing financing of the White Nile Sugar Company by about SDG 615 million and adding it as a profit in the statement of income for the year 2018 because the bank has obtained a letter of guarantee from the Central Bank of Sudan for the payment of the full debt.

In the same contexts, the earnings per share in 2018 reached 39.33 pounds compared to SDG 1.1 in 2017. The increase in the earnings per share was attributable to the increase in the profits achieved by the bank as mentioned earlier.

Moreover, the bank was rated as "Strong" at the end of the year according to the self-evaluation using the basic performance ratios issued by the Central Bank of Sudan according to the indicators of institutional control and early warning (CAEL). Noting that we have not so far received the evaluation of the Central Bank of Sudan regarding the bank's rating.

The Bank's revenues varied during the year were as follow :

The Bank's revenue was diversified as follows :

Statement	2018	2017	Change
Revenue from customer financing	46%	55%	(9%)
Gain on revaluation of foreign currencies	39%	10%	29%
Revenue from banking services and commissions	10%	15%	(5%)
Income from deposits in the banks	5%	7%	(2%)
Refundable cost of financing	0%	12%	(%12)
Income from bonds and instruments	0%	1%	(%1)
Total	100%	100%	

The volume of the net direct financing portfolio, after the deduction of the deferred profits, amounted to SDG 2,277 million in 2018 compared to SDG 1,365 million by the end of 2017, with an increase of 67%. This increase in the volume of the financing portfolio was due to the increase in the bank's financing opportunities, which came in line with its policies based on the financing of the exports and the productive projects.

On the other hand, we note that the bank's financing portfolio is distributed across all economic sectors and using many Islamic financing modes. The total volume of the portfolio when adding the documentary credits and letters of guarantee reaches about SDG 2,992 million. The ratio of default financing installments to the total size of the portfolio reached about 0.6% at the end of 2018 compared to 9% at the end of 2017.

All of the above was due to the rescheduled installments of the White Nile Sugar Company Limited in accordance with the letter of guarantee by the Central Bank of Sudan and its

endorsement to the removal of the company from the list of defaults as well as the collection of other troubled debts in addition to the significant improvement in the structure of guarantees and all of that has led to an improvement in the quality of the bank's financing portfolio.

The Bank's balance sheet as at 31 December 2018 was characterized by an acceptable liquidity ratio. The maturity profile of the assets and liabilities was as follows:

(Amounts in millions of Sudanese pounds)

Statement	Less than 3 months	3-6 months	6-12 months	More than a year	Total
Assets	3,050	322	758	1,775	5,905
Liabilities	2,987	264	214	2,440	5,905

In this context, I am pleased to report the most important financial indicators of the bank during the period from 2013 to 2018: (amounts in millions of Sudanese pounds)

Statement	2013	2014	2015	2016	2017	2018
Total assets	1,685	1,984	2,008	2,159	2,122	5,905
Total deposits and current accounts	737	975	1,056	1,047	1,353	3,127
Shareholders' equity	420	455	469	441	468	2,263
Net of customer financing after the deduction of financing provisions and deferred profits	960	1,137	938	1,137	1,197	2,206
Net profit before taxes and Zakat	82	92	73	24	53	987
Net profit after taxes and Zakat	61	69	53	8	26	944
Earnings per share	2.52	2.85	2.21	0.32	1.1	39.33

Based on the above, it is clear that the bank's assets increased from SDG 2,122 million at the end of 2017 to SDG 5,905 million by the end of 2018, with an increase of 178%. Also, the total shareholders' equity increased from SDG 468 million at the end of 2017 to SDG 2,263 million at the end of 2018, with an increase of 384%.

It is worth mentioning that the bank is committed to all International Conditions of Control, the Regulations and Directives of the Central Bank of Sudan, the International Accounting Standards and the Islamic Accounting Standards.

Moreover, the bank is committed to the practice of the highest possible level of transparency and disclosure in its financial statements, including all types of financial and operational risks in line with the commonly accepted International Standards.

Furthermore, the bank pays special attention to the training and development of its staff by allowing them the opportunities of participation in specialized training courses and conferences held inside and outside Sudan. At the same time, the bank performs its social responsibility through the Zakat paid to the Zakat Chambers and the charitable contributions to individuals and institutions.

Finally, I wish, on behalf of the bank's Board of Directors, to express our thanks and gratitude to the Central Bank of Sudan for its appreciated efforts, good regulatory supervision and support to the bank, which have had a great impact in the realization of the above achievements throughout the year. Our gratefulness is also extended to all customers of the bank and our correspondents abroad for trusting us.

I would like furthermore to convey the Board of Director's thanks to the Shari'a Regulatory Body of the Bank for its valuable and wise guidance on the Shari'a matters submitted thereto and for the assistance provided to the bank's management to meet the terms of applying the Islamic formulas in all transactions as well as to the external auditor for his attention that enabled the bank to issue the financial statements in a relatively short time.

I need not forget, in conclusion, to thank the employees of the bank and its executive management for their dedicated effort, loyalty, and perseverance.

May Allah grant success

Tariq Hamza Zain El Abidin

Chairman of the Board of Directors



Chief Executive Officer's Report

Chief Executive Officer's Report

First: The global economy during the year 2018

The World Bank's report of January 2019, entitled "Global Economic Prospects" shows that the global growth has declined to 3.0% in 2018 after it reached 3.1% during 2017, in conjunction with the slowdown in the growth of international commodities trade and the fluctuation of their prices that affected the economies of many countries. Also, the countries' economies have witnessed clear variations in their performance and activity during 2018. In the developed economies, the growth rate for the year 2018 was about 2.2%, which is lower than that in 2017, where the growth rate was 2.3%. The economy of the United States of America ranked top as the growth remained strong at 2.9%, a high rate compared to 2017 in which the US economy was 2.2%.

In the emerging economies and emerging markets, the economic growth declined in 2018 to 4.2%, down from the 2017 rate of 4.3%. Many countries suffered from a severe current account deficit and financial pressures, as well as increased debts on many of these countries, which reduces the movement of these countries in responding to the emergency conditions or even the community demands of improving the economic conditions and addressing the rise of prices.

Second: The Sudanese economy during the year 2018

Despite the lifting of the 1997 US economic embargo imposed on Sudan that took place during the last quarter of 2017, the performance of the national economy during the year 2018 did not improve as expected pertaining to the influx of foreign investments and the increase of exports to address the scarcity of foreign exchange resources and the deterioration of the Sudanese pound's rate against the foreign currencies, especially in the parallel market. This is attributed to many global, regional and local variables, in addition to the fact that Sudan has not been removed from the list of state sponsors of terrorism, which has made it difficult to reintegrate the Sudanese economy into the global economy. The negative impact of conflicts in the oil-producing regions has also continued on South Sudan oil transit fees and the increase in the costs of securing the bordering areas.

Third: Ratings and awards received by the Bank during the year 2018

In 2018, the Bank was granted a national credit rating of "Investment Grade" by the International Islamic Ratings Agency in Bahrain.

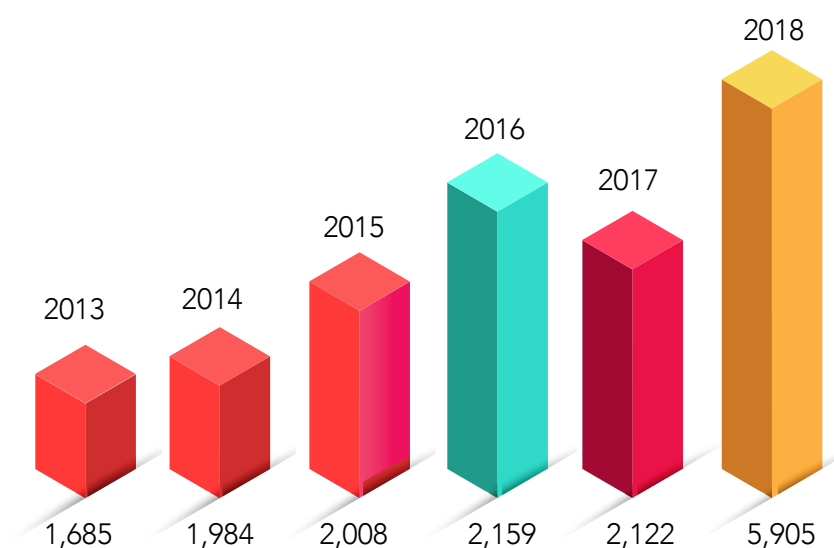
The bank was also granted national credit ratings in June 2018, namely A- Long term and A 2 Short term by the Capital Intelligence, which is based in Cyprus.

	2013	2014	2015	2016	2017	2018
Total assets	1,685	1,984	2,008	2,159	2,122	5,905
Net customer financing portfolio	960	1,137	938	1,137	1,197	2,206
Shareholders' equity	420	455	469	441	468	2,263
Total customer deposits	294	358	436	662	777	1,797
Entitlements of investment account holders	443	617	619	385	576	1,330
Gross income	128	142	146	129	213	1,237
(Net profit (before Zakat and taxes	82	92	73	24	53	987

Thus, the Bank has managed to form a solid customers base in the areas of deposits and financing during this relatively short period of its existence.

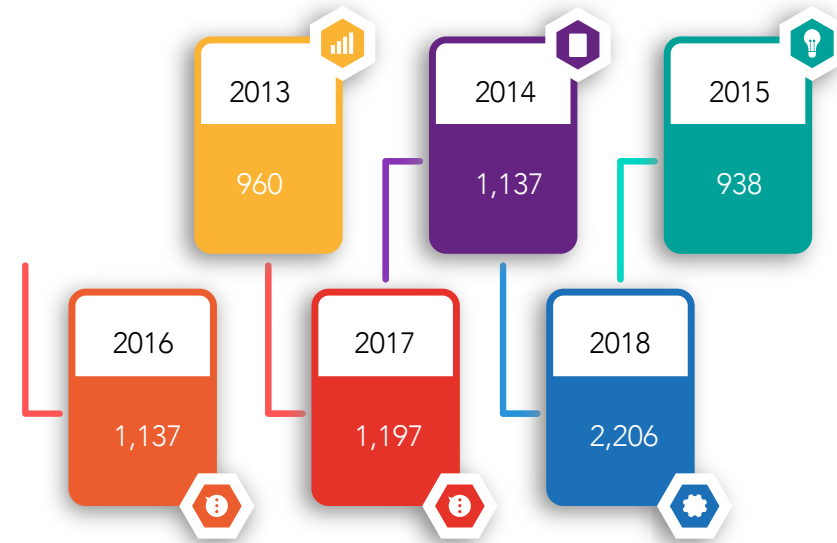
Total Assets (SDG MILLION)

Total Assets (SDG MILLION)	
2013	1,685
2014	1,984
2015	2,008
2016	2,159
2017	2,122
2018	5,905



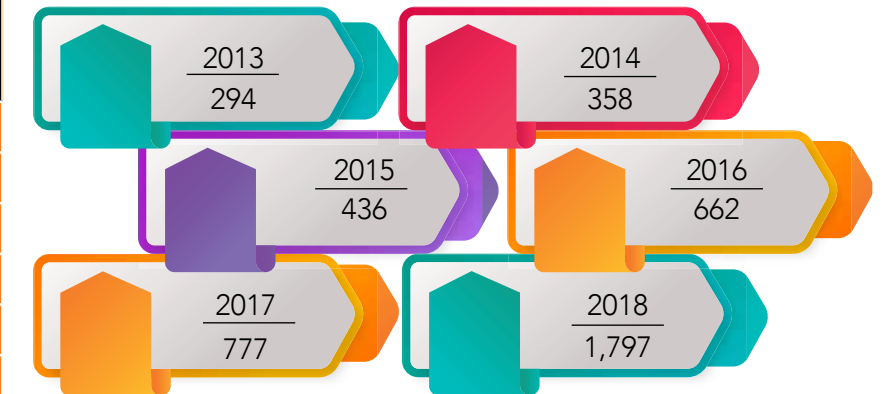
Net customer portfolio

Net customer portfolio (SDG MILLION)	
2013	960
2014	1,137
2015	938
2016	1,137
2017	1,197
2018	2,206



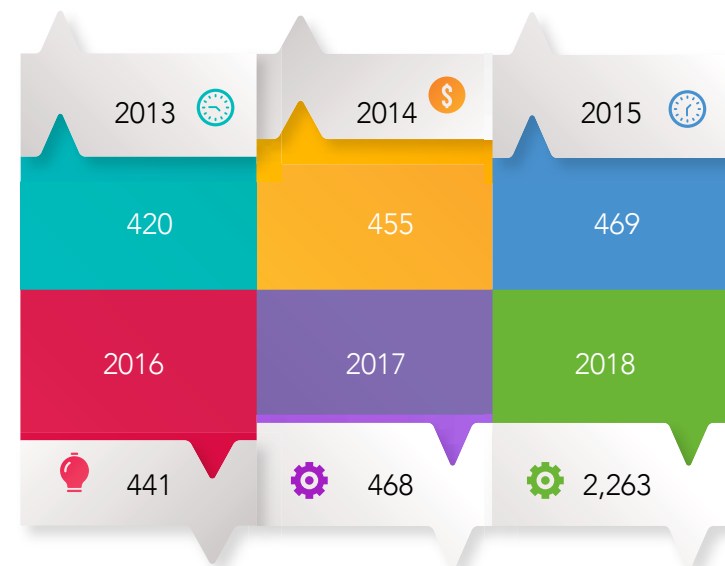
Total customer deposits

Total customer deposits	
2013	294
2014	358
2015	436
2016	662
2017	777
2018	1,797



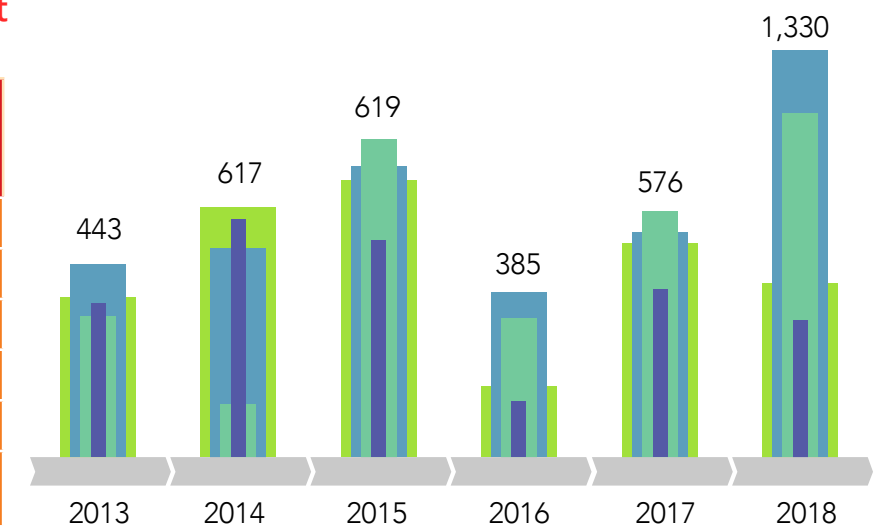
Share holder's Equity

Share holder's Equity (SDG MILLION)	
2013	420
2014	455
2015	469
2016	441
2017	468
2018	2,263



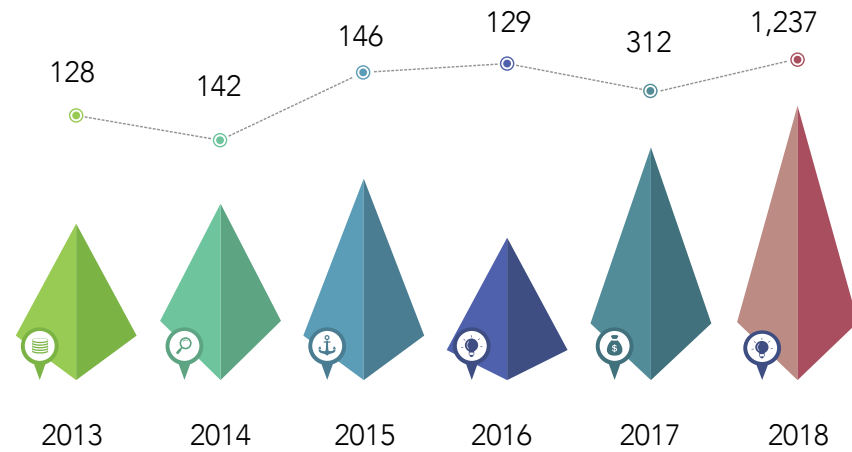
Entitlement of investment account holders

Entitlement of investment account	
2013	443
2014	617
2015	619
2016	385
2017	576
2018	1,330



Gross Income (SDG MILLION)

Gross Income (SDG MILLION)	
2013	128
2014	142
2015	146
2016	129
2017	312
2018	1,237



Over the past years, the management has focused on establishing strong business rules and attracting the best-qualified banking staff at all levels where the number of its personnel reached 137 by the end of 2018.

The Bank's organizational structure consists of several departments, each of which performs its entrusted duties with the highest degree of competence and professionalism and in full coordination with other departments in the spirit of one team.

Fourth: The role of the United Capital Bank in social responsibility:

The Bank's vision of its social responsibility is based on a number of principles and objectives:

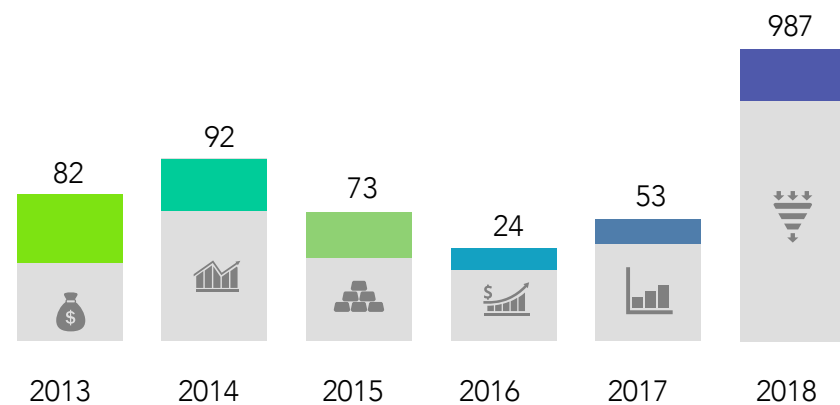
- Build bridges of effective communication with all social sectors to identify activities that need support and bringing success to the social partnership.
- Establish positive cooperation for the implementation of a range of activities in the society by sponsoring key activities in many sectors such as education, health, sports, environment, and programs targeting people with special needs.

The Bank has made contributions to a number of activities and areas of social responsibility. In addition, UCB has contributed to the support of many entities, including, but not limited to, sponsorship of orphans and the disabled, therapeutic costs for the poor and the needy, support for students and rehabilitation of schools. The most important projects with the nature of social responsibility and financed by UCB in the past years targeted the following:

Organization	Purpose
Economic housing finance portfolio	Financing of housing for those with low income
Dams Implementation Unit	The settlement of those affected by the heightening of Rosaris dam and Upper Atbara and Setait dams.
North Kordofan State	Connecting the electricity network for the citizens
West Kordofan Authority	Construction of basic schools in the state

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

Net Profit (before tax & Zakat) (SDG MILLION)	
2013	82
2014	92
2015	73
2016	24
2017	53
2018	987



Financial Statements





United Capital Bank

In the name of ALLAH the merciful

Allah bless our prophet Mohammed and his family and his companions.

Shariah Supervisory Board (SSB) Report for the Period:
 1 /1/ 2018 - 31 /12/ 2018 corresponding to
 14 Rabei Thani, 1439H - 24 Rabei Thani, 1440H)

Submitted to

The United Capital Bank General Meeting

Pursuant to Islamic Financial Institutions Control Standard No. (1), issued by the Accounting and Auditing Organization for Financial Institutions, (AAOIFI) Bahrain, the SSB submits the following financial report to the general meeting:

1. SSB reviewed the contract executed by the bank, instructed rectification of the mistakes therein and issued a host of fatwas and directions on the matters referred to it by the bank management.
2. SSB confirmed the integrity of the polices for the absolute investment accounts.
3. The Shariah Supervisory Board (SSB) held a number of meetings where it reviewed the auditor's report, balance sheet, income and cash flows statements and the footnotes thereon, in respect of the financial year ending on 31/12/2018. The board received answers from the bank officials with regard to the questions it raised. The Board, as well, reviewed the final accounts of Almal United for securities Company and the Almaraid Investment Company.
4. The liability of ensuring that the bank is operating pursuant to the provisions of Shariah rests on the bank's management, while the SSB liability is limited to expressing an independent opinion based on its supervision of the bank's operations, compilation and submission of the report to the general meeting.



Page 1 of 2

سبي رقم 411 مربع 65
 شارع مأمون بحيري، جنوب الساحة الخضراء، الخرطوم
 ص.ب: 8210 الممارات، الخرطوم، السودان
 تلفون: +249 183 247700
 فاكس: +249 183 235000
 سويفت: CBSKSDKH

Plot 411 , Square 65
 Mamoun Beheiry Street, South The
 Green Square, Khartoum
 P.O.Box : 8210, Al Amaral,
 Tel : +249 183 247700
 Fax : +249 183 235000
 Swift Code : CBSKSDKH

www.bankalmaal.net



5. As the SSB has supervised the transactions executed during the year, 2018, it has the pleasure to report the following:
 - A. The contracts concluded by the bank and reviewed by the board during the year ending on 31/12/2018 were pursuant to the provisions of Shariah.
 - B. The distribution of dividends and appropriation of losses to the investment accounts is in line with the basis approved by SSB pursuant to the Sharia provisions.
 - C. Zakat account is made pursuant to the Zakat Act, circulars of the Zakat chamber and the directives of the SSB.
 - D. No existence of illegitimate gain.
6. We hereby extend our gratitude to the bank's management for their cooperation that has facilitated the accomplishment of our task and we plead to Allah to reward those who have contributed to this great Islamic work.

Shariah supervisory board:

Signed: Prof. Elkhadir Ali Idrees - Chairman. Signed: Dr. Eltijani Abdulgadir Ahmed. Signed: Dr. Hammad Mohammed Ahmed Elbasheer. 

Page 2 of 2

سبي رقم 411 مربع 65
 شارع مأمون بحيري، جنوب الساحة الخضراء، الخرطوم
 ص.ب: 8210 الممارات، الخرطوم، السودان
 تلفون: +249 183 247700
 فاكس: +249 183 235000
 سويفت: CBSKSDKH

Plot 411 , Square 65
 Mamoun Beheiry Street, South The
 Green Square, Khartoum
 P.O.Box : 8210, Al Amaral,
 Tel : +249 183 247700
 Fax : +249 183 235000
 Swift Code : CBSKSDKH

www.bankalmaal.net



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 (35), which comprise the Consolidated Statement of Financial Position as at 31 December 2018 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 2018 and its Consolidated Financial Performance, its Consolidated Cash Flows, Changes in Equity and the Consolidated 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.



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 37.35% of the group's total assets as at 31 December 2018, 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. However the, Central Bank of Sudan has issued a letter of guarantee to settle the due balance of one of the finance customers for which the bank had made a provision of US 14.1 million amounting to SDG 671,468,278 which has been credited to profits of 2018.

Mohamed S. Haggag & Co.
Chartered Certified Accountants
Management & Financial Consultants
Chartered Certified Accountants U.K



محمد سنجار حجاز وشركاه
محاسبون ومراجعون قانونيون
مختصون بإدارة الأعمال والمالية
زملاء الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Fixed Assets Revaluation Surplus :

As a result of the significant devaluation in the SDG against the foreign currencies, UCB's Board of Directors decided at its meeting No. 50-4/ 2018 held on Nov 8, 2018 to re-evaluate the fixed assets of the bank after obtaining the Central Bank of Sudan approval for the revaluation .The revaluation resulted in an increase in the value of the fixed Assets amounting to SDG 897. Million approximately our audit procedures revealed that the ratio of the increase in fixed asset value is 1345% . The difference has been credited to reserves as Fixed Asset Revaluation Surplus (Note18-2) .

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 34 (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 .

Foreign currencies Revaluation Reserves :

During 2018 the central Bank of Sudan decided to increase the SDG indicative rate against the foreign currencies three time on January , February and October Accordingly , at year - end the declared rate whereby all the banking transactions and the revaluation of the financial assets and liabilities are carried out had increased to SDG 47.6 against the US Dollar (Dec 31, 2017 : SDG 8.9 against the US Dollar).This resulted in a revaluation gain about SDG 269 million . Reference with note 26-1.

The audit procedures were extended to ensure that the bank has complied with Central Bank of Sudan instructions as regard foreign exchange treatment . 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 separate line in the statement of financial position .

Ph.: (83) 784639 - Fax : (83) 776851
P.O.Box : 11256 - Khartoum - Sudan
E-mail: mshaggag@hotmail.com
Flat - 4 - 6th Floor AlMubarak Building - Hurria st. Khartoum
Web site: www.hasibeen.com

iii

تلفونات : ٨٣ ٧٨٤٦٣٩ - فاكس : ٨٣ ٧٧٦٨٥١
ص. ب : ١١٢٥٦ الخرطوم - السودان
المقر : شقة رقم (٤) الطابق السادس
صدارة المبارك شارع الحرية - الخرطوم

Mohamed S. Haggag & Co.
Chartered Certified Accountants
Management & Financial Consultants
Chartered Certified Accountants U.K



محمد سنجار حجاز وشركاه
محاسبون ومراجعون قانونيون
مختصون بإدارة الأعمال والمالية
زملاء الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

Related Party Transactions

The Related Party Transactions Note (30) has been considered as key audit matter. the related parties as defined by the bank comprise the major shareholders (who own more than 5% of equity shares) members of the Board of Director, entities controlled by them or under their joint control , associates , key management personal and their close family members. 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 ascertain 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 AAOIFI, 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.

Ph.: (83) 784639 - Fax : (83) 776851
P.O.Box : 11256 - Khartoum - Sudan
E-mail: mshaggag@hotmail.com
Flat - 4 - 6th Floor AlMubarak Building - Hurria st. Khartoum
Web site: www.hasibeen.com

iv

تلفونات : ٨٣ ٧٨٤٦٣٩ - فاكس : ٨٣ ٧٧٦٨٥١
ص. ب : ١١٢٥٦ الخرطوم - السودان
المقر : شقة رقم (٤) الطابق السادس
صدارة المبارك شارع الحرية - الخرطوم

Mohamed S. Haggag & Co.
 Chartered Certified Accountants
 Management & Financial Consultants
 Chartered Certified Accountants U.K.



محمد سليمان حجاج وشركاه
 محاسبون ومراجعون قانونيون
 مستشارون إداريون وماليون
 زملاء 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, whether 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 will 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.

Ph.: (83) 784639 - Fax : (83) 776851
 P.O.Box : 11256 - Khartoum - Sudan
 E-mail: mshaggag@hotmail.com
 Flat - 4 - 6th Floor Almubarak Building - Hurria st, Khartoum
 Web site: www.hasibeen.com

تلفون: ٨٣ ٧٧٦٨٥١ - فاكس: ٨٣ ٧٨٤٦٣٩
 ص. ب: ١١٢٥٦ الخرطوم - السودان
 المقر: شقة رقم (٤) الطابق السادس
 صدارة المبارك شارع الحرية - الخرطوم

Mohamed S. Haggag & Co.
 Chartered Certified Accountants
 Management & Financial Consultants
 Chartered Certified Accountants U.K.



محمد سليمان حجاج وشركاه
 محاسبون ومراجعون قانونيون
 مستشارون إداريون وماليون
 زملاء الجمعية الملكية للمحاسبين القانونيين - المملكة المتحدة

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 of 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 (30) shows balances with related parties arising commercial transactions in the normal course of business at an arm's length basis and disclosed in the consolidated financial Statements

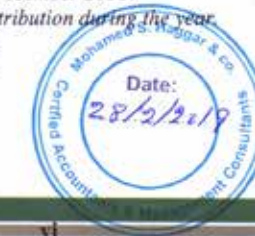
6/ We are not aware of any violations of the provisions of the Central Bank of Sudan instructions. Or Companies Ordinance 2015 or financial Accounting Standards occurred during the year which might have had a material adverse effect on the Bank's Consolidated financial position or performance as and for the year ended 31 December 2018.

7/ Note (27) shows Donations as social contribution during the year

Mohamed Suliman Abdalla Haggag
 Fellow Chartered certified Accountant - U. K.

Partner

Mohamed Suliman Haggag & Co.



Date : 28 / 2 / 2019

Ph.: (83) 784639 - Fax : (83) 776851
 P.O.Box : 11256 - Khartoum - Sudan
 E-mail: mshaggag@hotmail.com
 Flat - 4 - 6th Floor Almubarak Building - Hurria st, Khartoum
 Web site: www.hasibeen.com

تلفون: ٨٣ ٧٧٦٨٥١ - فاكس: ٨٣ ٧٨٤٦٣٩
 ص. ب: ١١٢٥٦ الخرطوم - السودان
 المقر: شقة رقم (٤) الطابق السادس
 صدارة المبارك شارع الحرية - الخرطوم

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	2018 SDG	2017 SDG
ASSETS			
Cash and balances with banks and financial institutions	4	1,760,702,029	456,313,782
Investments with banks and financial institutions	5	848,280,000	328,093,000
Investments in securities	6	17,403,737	48,211,214
Finance to customers, net	7	2,205,537,759	1,196,668,131
Other investments	8	-	-
Other assets	9	72,879,341	25,608,115
Property and equipment, net	10	1,000,466,665	66,694,669
TOTAL ASSETS		5,905,269,531	2,121,588,911
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and financial institutions	11	162,040,342	81,907,686
Customers' deposits	12	1,797,166,461	776,766,420
Other Liabilities	13	352,949,490	219,291,412
TOTAL LIABILITIES		2,312,156,293	1,077,965,518
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Investment deposits -banks and financial institutions	14	373,464,880	252,703,002
Investment deposits-other	15	956,804,092	323,221,082
TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		1,330,268,972	575,924,084
SHAREHOLDERS' EQUITY			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Reserves	18	1,894,563,756	97,771,043
Retained earnings		63,752,816	79,801,873
Proposed dividends	19	60,000,000	45,600,000
Total Shareholders' equity of the parent company		2,262,816,572	467,672,916
Non-controlling interest		27,694	26,393
TOTAL SHAREHOLDERS' EQUITY		2,262,844,266	467,699,309
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		5,905,269,531	2,121,588,911
COMMITMENTS AND CONTINGENCIES	31	1,963,931,454	679,875,648

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Feb 23, 2019.


Yousif Ahmed El-Tinay
CEO


Mansour Qaiser Bteish
Vice-Chairman


Tariq Hamza Zain Elabdein
Chairman

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

2

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2018

	Notes	2018 SDG	2017 SDG
INCOME FROM :			
Investments with banks and financial institutions	20	31,819,963	16,809,884
Investments in securities	21	1,024,501	3,262,093
Finance to customers	22	311,234,166	141,154,969
Total income from financing and investments		344,078,630	161,226,946
Less: Return to unrestricted investment account holders	23	(58,836,736)	(43,195,909)
Net income from investments and financing		285,241,894	118,031,037
Fee income	24	69,212,995	40,254,837
Re-imbursement of finance cost	25	-	32,227,324
Foreign exchange gain, net	26	267,501,550	22,810,850
Total operating income		621,956,439	213,324,048
EXPENSES			
Staff cost		(137,609,151)	(60,273,082)
General and administrative expenses	27	(95,275,253)	(28,533,254)
Depreciation	10	(8,809,590)	(5,275,554)
Central Bank of Sudan penalties		(5,750)	(5,000)
Provision for finance losses	7.1.3	614,603,013	(68,284,050)
Provision for impairment		(7,511,500)	1,920,000
Total operating expenses		365,391,769	(160,450,940)
Net operating profit before zakat and income tax		987,348,208	52,873,108
Zakat expense		(14,855,495)	(3,279,784)
Income tax expense		(28,480,398)	(23,152,800)
Net profit		944,012,315	26,440,524
Less: net profit attributable to non-controlling interest		(1,300)	(3,483)
Net profit attributable to equity holders of the parent company		944,011,015	26,437,041
Earnings per share	28	39.33	1.10


Yousif Ahmed El-Tinay
CEO


Mansour Qaiser Bteish
Vice-Chairman


Tariq Hamza Zain Elabdein
Chairman

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

3

UNITED CAPITAL BANK
CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2018

	Notes	2018 SDG	2017 SDG
INCOME FROM :			
Investments with banks and financial institutions	20	31,819,963	16,809,884
Investments in securities	21	1,024,501	3,262,093
Finance to customers	22	311,234,166	141,154,969
Total income from financing and investments		344,078,630	161,226,946
Less: Return to unrestricted investment account holders	23	(58,836,736)	(43,195,909)
Net income from investments and financing		285,241,894	118,031,037
Fee income	24	69,212,995	40,254,837
Re-imbursement of finance cost	25	-	32,227,324
Foreign exchange gain, net	26	267,501,550	22,810,850
Total operating income		621,956,439	213,324,048
EXPENSES			
Staff cost		(137,609,151)	(60,273,082)
General and administrative expenses	27	(95,275,253)	(28,533,254)
Depreciation	10	(8,809,590)	(5,275,554)
Central Bank of Sudan penalties		(5,750)	(5,000)
Provision for finance losses	7.1.3	614,603,013	(68,284,050)
Provision for impairment		(7,511,500)	1,920,000
Total operating expenses		365,391,769	(160,450,940)
Net operating profit before zakat and income tax		987,348,208	52,873,108
Zakat expense		(14,855,495)	(3,279,784)
Income tax expense		(28,480,398)	(23,152,800)
Net profit		944,012,315	26,440,524
Less: net profit attributable to non-controlling interest		(1,300)	(3,483)
Net profit attributable to equity holders of the parent company		944,011,015	26,437,041
Earnings per share	28	39.33	1.10


 Yousif Ahmed El-Tinay
 CEO


 Mansour Qaiser Bteish
 Vice-Chairman


 Tarig Hamza Zain Elabdein
 Chairman

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

3

UNITED CAPITAL BANK
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Notes	2018 SDG	2017 SDG
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		944,011,015	26,437,041
Adjustments to reconcile net profit:			
Depreciation and amortization		8,809,590	5,275,554
FC revaluation gain		(267,501,550)	(22,810,850)
Zakat		14,855,495	3,279,784
Income tax		28,480,398	23,152,800
Provision for staff end of service benefits		20,306,912	4,779,233
Provision for finance losses		(607,091,513)	66,364,050
Provision for staff bonus		66,947,251	9,530,471
Return to unrestricted investment account holders		58,836,736	43,195,909
(Gain) loss on disposal of property and equipment		(429,999)	822,046
Net cash flow from operating activities		267,224,335	160,026,038
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(2,386,000)	(12,654,472)
Proceeds from sale of investment		26,223,000	61,127,500
Acquisition of property and equipment		(45,736,597)	(6,198,107)
Proceeds from sale of property and equipment		434,627	1,101,339
Deferred sales receivables		(73,752,563)	(225,041,134)
Mudaraba financing		(100,638,096)	(66,315,329)
Musharaka financing		(220,533,956)	95,140,562
Net cash flow from investment activities		(416,389,585)	(152,839,641)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (increase)/decrease in operating assets:			
Statutory cash reserve		(201,598,031)	(61,930,448)
Cash margin on LCs & LGs		(92,546,095)	(8,906,225)
Other assets		(47,271,226)	33,387,690
Due to banks and financial institutions		80,132,656	(82,968,214)
Customers deposits		1,020,400,041	115,188,765
Other liabilities		270,569,574	(235,209,042)
Net movement in non-controlling interest		1,300	3,484
Dividends paid		(45,600,000)	-
Net increase in equity of unrestricted investment accounts		695,508,152	147,785,225
Net cash flow from financing activities		1,679,596,371	(92,648,765)
Net increase in cash & cash equivalents			
Cash and cash equivalents at beginning of the year		1,530,431,121	(85,462,368)
		625,040,586	710,502,954
Cash and cash equivalents at end of the year	29	2,155,471,707	625,040,586


 Yousif Ahmed El-Tinay
 CEO


 Mansour Qaiser Bteish
 Vice-Chairman


 Tarig Hamza Zain Elabdein
 Chairman

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

4

UNITED CAPITAL BANK
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018

	Attributable to shareholders' of the parent company										
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation surplus	F. currencies revaluation reserve	Fair value reserve	Retained earnings	Proposed dividends	Total	Non-controlling interest	Total Shareholders' equity
Note	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2018	240,000,000	4,500,000	40,571,337	-	57,047,992	151,714	79,301,873	45,600,000	467,672,916	26,304	467,699,310
Net Profit for the year	-	-	-	-	-	-	944,011,015	-	944,011,015	1,300	944,012,315
Transfer to statutory reserve	-	-	94,967,339	-	-	(116,977)	(94,967,339)	-	-	-	-
Net change in fair value reserve	-	-	-	896,849,618	-	-	-	-	(116,977)	-	(116,977)
Fixed assets revaluation surplus	-	-	-	-	805,992,733	-	(805,992,733)	-	896,849,618	-	896,849,618
Foreign Currencies revaluation reserve	-	-	-	-	-	-	-	(45,600,000)	-	-	(45,600,000)
Dividends paid	-	-	-	-	-	-	(60,000,000)	60,000,000	-	-	-
Proposed dividends	-	-	-	-	-	-	63,52,816	60,000,000	2,262,816,572	27,694	2,262,844,266
Balance at December 31, 2018	240,000,000	4,500,000	134,638,676	896,849,618	863,040,725	34,737	63,52,816	60,000,000	2,262,816,572	27,694	2,262,844,266
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	-	57,047,992	151,714	79,301,873	45,600,000	467,672,916	26,393	467,699,309

Youssef Ahmed El-Tinay
CEO

Mansour Qaiser Bitchik
Vice-Chairman

Tareq Hamza Zain Elabdein
Chairman

The attached notes 1 to 37 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, 2018

	Note	White Nile Sugar Portfolio		Gezira Scheme Portfolio		Cotton Syndication		Arab Investment Corporation		Musharakah Investment		Total	
		SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2018	32	243,326,034	69,339,811	-	-	-	-	157,633,712	7,923,220	7,923,220	478,202,777	-	-
Additions during period	-	-	-	-	-	-	-	24,708,500	50,647,528	50,647,528	75,356,028	-	-
Cash withdrawal during period	-	-	(17,332,452)	-	-	-	-	-	-	-	(17,332,452)	-	-
FX revaluation	-	713,019,670	-	-	-	-	-	-	-	-	713,019,670	-	-
Balance at December 31, 2018	32	956,345,704	51,997,359	-	-	-	-	182,332,212	58,570,748	58,570,748	1,249,246,023	-	-
Balance at January 1, 2017	-	211,010,214	86,662,263	354,927,922	-	-	-	141,803,496	16,733,563	16,733,563	811,137,458	-	-
Additions during period	-	-	-	-	-	-	-	15,820,216	-	-	15,820,216	-	-
Cash withdrawal during period	-	(23,373,329)	(17,332,452)	(364,697,669)	-	-	-	(8,810,343)	(414,213,793)	(414,213,793)	(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	-	243,326,034	69,339,811	-	-	-	-	157,633,712	7,923,220	7,923,220	478,202,777	-	-

Youssef Ahmed El-Tinay
CEO

Mansour Qaiser Bitchik
Vice-Chairman

Tareq Hamza Zain Elabdein
Chairman

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

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 Almarwarid Investment Co. Ltd. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Bank , using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains control, and continues to be consolidated until the date that such control ceases.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

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.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

2. BASIS OF PREPARATION (continued)**2.5.3 Fair value of financial instruments that are not quoted in an active market**

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 :	
– Bank's Building	40
– Leased Buildings (Lease tenure)	10
• IT equipment	4
• Office equipment, furniture and fixtures	5
• Motor vehicles	4
• Computer software & Corebanking system	4-8

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

3.2 Impairment and uncollectibility of assets

The carrying amounts of the Bank's financial assets and tangible assets are reviewed at each balance sheet date to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the income statement.

3.3 Investment in securities

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

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

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.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.12 Revenue recognition (continued)**

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

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

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

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

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

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

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

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

3.13 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.

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

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

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 37 form an integral part of these consolidated financial statements.

13

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

	<i>Notes</i>	2018 <i>SDG</i>	2017 <i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	163,868,264	11,775,555
Central Bank of Sudan - Current account	4.1	845,649,071	252,750,587
Foreign correspondent banks – Current accounts	4.1	297,674,372	32,421,444
Sub-total		1,307,191,707	296,947,586
Central Bank of Sudan - Statutory Cash Reserve	4.1	349,055,283	147,457,252
Cash margin on letters of credit with correspondent banks	4.1	104,455,039	11,908,944
Total		1,760,702,029	456,313,782

	2018 <i>SDG</i>	2017 <i>SDG</i>
4.1 Foreign currency balances included in the above balances are as follows:		
Cash in hand	132,381,608	1,568,850
Central Bank of Sudan - Current account	836,944,646	226,472,848
Foreign correspondent banks – Current accounts	297,674,372	32,421,444
Sub-total	1,267,000,626	260,463,142
Central Bank of Sudan - Statutory cash reserve	137,683,464	49,958,681
Cash margin on letters of credit with correspondent banks	104,455,039	11,908,944
Total	1,509,139,129	322,330,767

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:

	2018 <i>SDG</i>	2017 <i>SDG</i>
Local banks	200,000,000	170,000,000
Foreign banks and financial institutions	648,280,000	158,093,000
Total	848,280,000	328,093,000

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

14

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	Note	2018 SDG	2017 SDG
Securities at fair value through equity			
Liquidity Management Fund- Not listed	6.1	12,732,737	11,986,714
Securities carried at cost			
Shahama Certificates - Listed	6.2	4,071,000	3,771,000
Shasha Certificates - Listed	6.3	6,853,500	31,853,500
Less : provision for Shasha impairment	6.3	(6,853,500)	-
Sudan Academy Fund - Not listed	6.4	600,000	600,000
Total		17,403,737	48,211,214

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 1000 Million divided into 1,000,000 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 ended in Jan 2017 but The Ministry of Finance was defaulted to pay on time. Therefore, the bank's decided to build provision for impairment 100% of the outstanding balance.

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 37 form an integral part of these consolidated financial statements.

15

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

7- FINANCE TO CUSTOMERS, NET

7.1 By type	Notes	2018 SDG	2017 SDG
Deferred sales receivables :			
Murabaha receivables		1,816,127,961	1,079,047,112
Istisna receivables		51,818,850	66,885,466
Ijara	7.1.1	6,446,607	104,549,014
Staff Financing		4,203,742	7,897,338
Total deferred sales receivables		1,878,597,160	1,258,378,930
Mudaraba & Musharaka :			
Mudaraba financing		315,410,388	214,772,292
Musharaka financing		254,916,258	34,382,302
Total finance to customers		2,448,923,806	1,507,533,524
Less : deferred profit		(172,285,671)	(142,999,081)
Total finance, net of deferred profit		2,276,638,135	1,364,534,443
Less : Income suspense-past-due accounts		-	(19,426,123)
Less : provision for finance losses	7.1.2	(71,100,376)	(148,440,189)
Total finance to customers, net		2,205,537,759	1,196,668,131
7.1.1 Ijara comprise:			
Cost of leased property		-	77,737,607
Cost of leased motor vehicles		2,804,883	8,085,154
Cost of leased Plant & Equipment		2,824,139	2,760,662
Deferred rental		817,585	15,965,591
Total		6,446,607	104,549,014

7.1.2 Movements in the provision for finance losses:	2018 SDG	2017 SDG
The accumulated provision for finance losses is as follows:		
General Provision:		
Balance at beginning of the year	13,435,571	10,618,014
Provided during the period	28,759,142	2,817,557
Balance at the end of the year	42,194,713	13,435,571
Specific Provision:		
Balance at beginning of the year	135,004,618	56,938,894
Provided during the year	22,474,351	75,125,756
Recoveries of amounts previously provided	(128,573,306)	(9,659,263)
FX Changes	-	12,599,231
Balance at the end of the year	28,905,663	135,004,618
Total accumulated provision at end of the year	71,100,376	148,440,189

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

16

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

7- FINANCE TO CUSTOMERS (continued)**7.1.3 Net provided (recovery) of provision for credit losses for the year in the consolidated income statement**

	Notes	2018 SDG	2017 SDG
General Provision:			
Total provided of general provision	a	<u>28,759,142</u>	2,817,557
Specific Provision:			
Provided during the year		22,474,351	75,125,756
Recoveries of amounts previously provided		(128,573,306)	(9,659,263)
FX Changes	7.1.3.1	(537,263,200)	-
Total recovery of specific provision	b	<u>(643,362,155)</u>	65,466,493
Net provided of the provision expense for the year (a+b)		<u>(614,603,013)</u>	68,284,050

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

7.1.3.1 FX Changes

The FX Changes are due to the increase in the equivalent value (in SDG) of the provisions in foreign currencies (of about USD 14.1 million), which was created before the devaluation of the SDG during 2018 (see Note 26/1).

	2018 SDG	2017 SDG
7.2 By Industry		
Agriculture	44,966,116	183,025,702
Industrial	1,389,321,663	428,992,460
Mining	58,271,211	63,936,095
Transportation	6,393,516	2,946,429
Micro Finance & Social Dimension	54,069,772	45,613,000
Local Trade	-	52,899,763
Real-State	88,015,039	146,463,679
Export	597,652,509	506,338,871
Import	453,140	-
Service	61,226,401	423,063
Other	148,554,439	76,894,462
Total finance	<u>2,448,923,806</u>	1,507,533,524
Less: deferred profit	(172,285,671)	(142,999,081)
Total finance, net of deferred profit	<u>2,276,638,135</u>	1,364,534,443
Less Income suspense-past-due accounts	-	(19,426,123)
less: Provision for finance losses	7.1.2 (71,100,376)	(148,440,189)
Finance to customers, net	<u>2,205,537,759</u>	1,196,668,131

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

17

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

7- FINANCE TO CUSTOMERS (continued)

	Notes	2018 SDG	2017 SDG
7.3 By Portfolio			
Performing finance to customers		2,431,977,403	1,345,343,071
Non-performing finance to customers	7.3.1	16,946,403	162,190,453
Total finance to customers		<u>2,448,923,806</u>	1,507,533,524
Less : deferred profit		(172,285,671)	(142,999,081)
Total finance to customers, net of deferred profit		<u>2,276,638,135</u>	1,364,534,443
Income suspense -past-due accounts		-	(19,426,123)
General provision	7.1.2	(42,194,713)	(13,435,571)
Specific provision	7.1.2	(28,905,663)	(135,004,618)
Total provision & income suspense		<u>(71,100,376)</u>	(167,866,312)
Finance to customers, net		<u>2,205,537,759</u>	1,196,668,131

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, 2018 the total of past-due installments excluding profit margins amounted to SDG 14,679,413 (2017: 144,333,275). While the total past due installments, including profit margins as at December 31, 2018 is SDG 16,946,403 (2017: 162,190,453).

8. OTHER INVESTMENTS

	2018 SDG	2017 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)
Subtotal	-	-
Equity participation		
Microfinance Gurantee Agency	658,000	-
Less: Provision for Impairment	(658,000)	-
Subtotal	-	-
Total	<u>-</u>	<u>-</u>

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

9- OTHER ASSETS

	2018 SDG	2017 SDG
Assets aquired for financing	26,948,136	-
Commission receivable	-	3,755,850
Accrued income	13,261,966	12,612,827
Prepaid expenses	6,058,998	4,598,416
Deferred expenses	5,783,997	2,682,890
Sundry receivables - CBOS	4,976,407	-
Sundry receivables -Other	14,996,930	1,830,082
Other	852,907	128,050
Total	<u>72,879,341</u>	25,608,115

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

18

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2018

10- PROPERTY AND EQUIPMENT, NET

	Land and Buildings		IT equipment		Office equipment, furniture & fixtures		Motor vehicles		Intangible assets: Computer Software		Total	
	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Cost												
Balance at January 1, 2018	70,965,208	9,410,875	8,114,140	8,019,603	10,876,885	107,386,711						
Acquisitions	11,250,022	17,990,794	6,689,854	7,359,899	2,446,028	45,736,597						
Revaluated Value	718,281,999	3,419,000	47,094,782	20,860,863	76,874,749	866,531,393						
Disposals	(5,536)	(1,507,414)	(38,294)	(40,365)	(29,709)	(1,621,318)						
Balance at December 31, 2018	800,491,693	29,313,255	61,860,482	36,200,000	90,167,953	1,018,033,383						
Accumulated depreciation and												
Balance at January 1, 2018	13,280,684	6,143,696	5,283,046	5,372,507	10,612,109	40,692,042						
Depreciation expense for the year	2,524,395	2,497,265	1,717,992	2,000,358	69,580	8,809,590						
Accumulated Dep. for Reval Assets	(11,630,217)	(2,405,698)	(1,604,011)	(6,367,118)	(8,311,180)	(30,318,224)						
Disposals	(1,056)	(1,536,978)	(38,293)	(40,363)	-	(1,616,690)						
Balance at December 31, 2018	4,173,806	4,698,285	5,358,734	965,384	2,370,509	17,566,718						
Net book value at December 31, 2018	796,317,887	24,614,970	56,501,748	35,234,616	87,797,444	1,000,466,665						
Net book value at December 31, 2017	57,684,524	3,366,469	2,831,094	2,647,095	165,487	66,694,669						

The revaluation of fixed assets (see Note 18.2) led to an increase in depreciation expenses of about SDG 3 million.

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

19

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

	Notes	2018 SDG	2017 SDG
11- DUE TO BANKS AND FINANCIAL INSTITUTIONS			
Local banks		55,301,727	17,244,002
Foreign banks		106,738,615	64,663,684
Total		162,040,342	81,907,686
12- CUSTOMERS' DEPOSITS			
Current accounts - Individuals		305,987,372	122,233,649
Current accounts - Corporate		1,205,287,574	622,209,215
Total current accounts	12.1	1,511,274,946	744,442,864
Margins - LCs, LGs & other deposits	12.1	285,891,515	32,323,556
Total		1,797,166,461	776,766,420
12.1- Foreign currency deposits included in customers' deposits:			
Current accounts		591,409,202	235,826,652
Margins - LCs, LGs & other deposits		227,923,271	21,108,809
Total		819,332,473	256,935,461
13- OTHER LIABILITIES			
Bills payable		42,378,435	13,613,530
Zakat payable		19,043,586	10,654,492
Business profit tax payable		38,639,211	30,047,148
Provision for Staff end of service benefits		31,840,249	11,533,337
Board of Directors remuneration		39,001,220	5,093,514
Provision for annual bonus		66,947,251	9,530,471
Unearned commissions		9,475,932	5,933,104
Dividends payable		4,290,381	79,504,237
Payable on parallel Istisnaa		16,665,888	28,528,264
Accounts payable and accrued expenses		61,306,370	14,132,233
Unclaimed Account balances		22,256,382	-
Funds collected form syndications managed by the Bank		-	10,488,078
Others		1,104,585	233,004
Total		352,949,490	219,291,412

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

20

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

14. INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS	2018	2017
	SDG	SDG
Local banks and financial institutions	182,857,587	194,848,416
Foreign banks and financial institutions	162,277,996	39,752,942
Sub-total	345,135,583	234,601,358
Return to Unrestricted Investment Account Holders	30,729,297	24,001,643
Payments on account of profit during the year	(2,400,000)	(5,899,999)
Total	373,464,880	252,703,002

15. OTHER INVESTMENT DEPOSITS	2018	2017
	Corporations	882,968,552
Individuals	43,981,416	21,689,645
Quasi-government	-	1,000,000
Sub-total	926,949,968	308,344,354
Return to Unrestricted Investment Account holders	33,203,952	19,249,066
Payments on account of profit during the year	(2,570,664)	(4,036,996)
Annual subscriptions to Deposits Guarantee Fund	(779,164)	(335,342)
Total	956,804,092	323,221,082

All investment deposits include balances in foreign currencies equivalent to SDG 618,521,980 (2017: 24,390,818)

16- SHARE CAPITAL	2018	2017
	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- RESERVES	Notes	2018	2017
		SDG	SDG
Statutory reserve	18.1	134,638,676	40,571,337
Fixed assets revaluation surplus	18.2	896,849,618	-
Foreign currencies revaluation reserve	18.3	863,040,725	57,047,992
Fair value reserve		34,737	151,714
Total		1,894,563,756	97,771,043

18-1 - STATUTORY RESERVE

In accordance with the requirements of the Central Bank of Sudan, a minimum of 10% of the Bank's net income for the year is transferred to statutory reserve until this reserve equals the paid up capital of the Bank. This reserve is not available for distribution .

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

21

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

18- RESERVES (continued)

18-2 - FIXED ASSETS REVALUATION SURPLUS

As a result of the significant devaluation in the SDG against the foreign currencies, UCB's Board of Directors decided at its meeting No. 50-4 / 2018 held on Nov 8, 2018 to re-evaluate the fixed assets of the bank after obtained the Central Bank of Sudan approval. The result of the revaluation led to a surplus of SDG 897 million.

18-3 - 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.

Notes	2018	2017
	SDG	SDG
<i>The details of foreign currencies revaluation reserves :</i>		
Opening balance	57,047,992	-
Foreign currencies revaluation gain	268,729,533	57,047,992
FC revaluation gain from specific provision recovery	7.1.3.1	537,263,200
	863,040,725	57,047,992

19- PROPOSED DIVIDENDS

	2018	2017
	SDG	SDG
Proposed dividends	60,000,000	45,600,000

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 25 % of the Bank's paid up capital as at December 31, 2018 (2017: 19%), from prior years retained earnings, subject to the approval of Central Bank of Sudan.

20- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS	2018	2017
	SDG	SDG
Realized income from deposits with banks & financial institutions:		
Local banks	15,518,152	10,573,805
Foreign banks	10,179,382	423,205
	25,697,534	10,997,010
Accrued income from deposits with banks & financial institutions:		
Local banks	6,122,429	5,812,874
Total Income from investment with banks and financial institutions	31,819,963	16,809,884

21- INCOME FROM INVESTMENT IN SECURITIES

	2018	2017
Shahama certificates	513,340	2,458,427
Shasha certificates	-	70,708
Liquidity Management Fund	487,397	673,399
Sudan Academy for Financial and Banking Studies Fund	23,764	59,559
Total	1,024,501	3,262,093

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

22

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

	2018 SDG	2017 SDG
22- INCOME FROM FINANCE TO CUSTOMERS		
Income from deferred sales receivables :		
Murabaha	240,812,711	97,563,284
Istisnaa/ Mugawala	8,819,654	7,805,887
Ijarah	20,657,841	2,446,130
Salam	-	4,037,995
Subtotal	270,290,206	111,853,296
Income from Mudaraba & Musharaka :		
Mudaraba	24,447,664	17,371,583
Musharakah	16,496,296	11,930,090
Subtotal	40,943,960	29,301,673
Total	311,234,166	141,154,969
	<i>Notes</i>	
23- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	2018 SDG	2017 SDG
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	90,345,554	53,352,045
Bank's share as Mudarib	(30,756,336)	(9,820,794)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib	59,589,218	43,531,251
Annual subscriptions to Deposits Guarantee Fund	(752,482)	(335,342)
Unrestricted Investment Account Holders' share of profit after the Bank's support	58,836,736	43,195,909
Average profit distribution rates :		
Investment accounts in local currency (SDG)	9.64%	10.24%
Investment accounts in foreign currencies	1.00%	1.00%
24- FEE INCOME	2018 SDG	2017 SDG
Letters of credit	32,658,882	7,728,548
Letters of guarantees	3,710,535	3,368,886
Administration fees	5,584,556	3,481,166
Draft cheques, transfers and remittances	14,965,349	3,419,519
Management of restricted investment accounts	4,340,600	3,072,853
Brokerage fees	437,851	646,248
Portfolio Managed by Bank	1,291,143	11,539,638
Insurance agency commissions	1,295,320	3,650,751
Fee from other banking services	4,928,759	3,347,228
Total	69,212,995	40,254,837

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

23

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

25- 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

	<i>Notes</i>	2018 SDG	2017 SDG
26- FOREIGN EXCHANGE GAIN, NET			
Foreign currencies transaction Gain (Loss)		(1,227,983)	156,826
Foreign currencies revaluation gain	26.1	268,729,533	22,654,024
Total		267,501,550	22,810,850

26-1 FOREIGN CURRENCIES REVALUATION

During 2018 the Central Bank of Sudan decided to increase the SDG indicative rate against the foreign currencies three times on January , February and October Accordingly, at year-end the declared rate whereby all the banking transactions and the revaluation of the financial assets and liabilities are carried out had increased to SDG 47.6 against the US Dollar (Dec 31, 2017 : SDG 8.9 against the US Dollar). This resulted in a revaluation gain of about SDG 269 million.

	<i>Notes</i>	2018 SDG	2017 SDG
27- GENERAL AND ADMINSTRATIVE EXPENSES			
Bank premises expense	28.1	8,566,543	4,324,463
Communications		2,078,738	1,021,807
Maintenance of equipment, furniture & motor vehicles		5,708,825	3,218,797
Computer expenses		8,333,687	3,466,383
Marketing & promotion		3,285,045	2,912,215
Office supplies		2,822,648	972,864
Business travel		3,627,215	1,175,079
Legal and consultants expenses		4,018,356	987,495
Training		4,518,415	830,171
Subscriptions		3,805,782	1,523,354
Board and General Assembly expenses		41,800,105	4,525,958
Bank charges		218,666	34,942
Donations		417,885	303,001
Cash Insurance		569,685	1,313,402
Catering Service		1,351,985	627,730
Government dues & Stamps		1,725,049	-
Other		2,426,624	1,295,593
Total		95,275,253	28,533,254

27.1- Bank premises expense

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

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

24

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

	2018	2017
	SDG	SDG
28- EARNINGS PER SHARE		
Net income for the year	<u>944,011,015</u>	<u>26,437,041</u>
Weighted average number of shares outstanding	<u>24,000,000</u>	<u>24,000,000</u>
Earnings per share (in SDG)	<u>39.33</u>	<u>1.10</u>

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

	Notes	2018	2017
		SDG	SDG
29- CASH AND CASH EQUIVALENT			
Cash and balances with banks and financial	4	<u>1,760,702,029</u>	456,313,782
Investment deposits with banks and financial institutions	5	<u>848,280,000</u>	328,093,000
Total		<u>2,608,982,029</u>	784,406,782
Central Bank of Sudan - Statutory cash reserve	4	<u>(349,055,283)</u>	(147,457,252)
Cash margin on letters of credit with correspondent banks		<u>(104,455,039)</u>	(11,908,944)
		<u>2,155,471,707</u>	625,040,586

30- RELATED PARTY TRANSACTIONS

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

	2018		
	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2018
	SDG	SDG	SDG
Balance sheet items:			
Cash and balances with banks and financial institutions	6,379,755	-	6,379,755
Financing and investing assets	513,993,619	30,887,242	544,880,861
Due to banks and financial institutions	6,375,846	-	6,375,846
Current and investments deposits	764,537,992	432,895	764,970,887
Non-controlling interest	-	-	-
Income statement items:			
Profit from financing	70,091,666	907,491	70,999,157
Fees income	14,870,676	-	14,870,676
Key Management Personnel compensation:			
Salaries and other benefits	39,379,369	46,560,775	85,940,144
Post-employment benefits	-	5,301,421	5,301,421

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

30- RELATED PARTY TRANSACTIONS (continued)

	2017		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2017
	SDG	SDG	SDG
Balance sheet items:			
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

31- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follows :

	Notes	2018	2017
		SDG	SDG
31.1.Financing - related commitments and contingencies :			
Letters of credit		<u>459,731,842</u>	81,004,199
Letters of guarantees		<u>254,953,589</u>	120,668,672
Total financing - related commitments and contingencies		<u>714,685,431</u>	201,672,871
31.2 Non-financing related commitments :			
Restricted investment accounts	32	<u>1,249,246,023</u>	478,202,777
Total commitments and contingencies		<u>1,963,931,454</u>	<u>679,875,648</u>

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

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

31- COMMITMENTS AND CONTINGENCIES (continued)**31.2 Non-financing related commitments(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:

2018	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	129,170,015	330,561,827	-	-	459,731,842
Letters of guarantee	254,026,660	926,929	-	-	254,953,589
Total	383,196,675	331,488,756	-	-	714,685,431

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

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

27

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

32. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 1,249,246,023 as at December 31, 2018 (2017: SDG 478,202,777). 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 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	1,008,343.063	312,655,845
Musharaka finance	58,570.748	7,923,220
Shahama Securities	156,452.000	128,673,216
Shama Certificates	24,640.500	24,640,500
Global Investemnt House	-	3,100,520
Sudatel Shares	1,239,712	1,209,476
Total	1,249,246.023	478,202,777

b) By sector :

Banks and financial institutions	1,190,675.275	470,279,557
Individuals	58,570.748	7,923,220
Total	1,249,246.023	478,202,777

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

28

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

33. CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using the ratios and weights established by the Central Bank of Sudan which are in line with the requirements of the Islamic Financial Services Board (IFSB) and Basel Committee. These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and commitments at a weighted amount to reflect their relative risks.

	Eligible Capital		Capital Adequacy Ratio	
	2018	2017	2018	2017
	SDG	SDG	SDG	SDG
Core capital (Tier 1)	1,371,718,328	467,521,202	37%	55%
Core and supplementary capital (Tier 2)	1,817,495,369	481,025,044	49%	57%

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 Tier 1 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	
	2018	2017
	SDG	SDG
Credit Risk	4,010,650,006	896,115,306
Operational risk	400,137,332	202,714,298
Market risk	529,323,677	69,551,858
Total Pillar 1 - Risk Weighted Assets	4,940,111,015	1,168,381,462

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**34.1 Financial instruments**

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

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

34.2 Risk management

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

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

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

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

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 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**34.2.2 Credit risk**

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

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

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

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

34.2.3 Liquidity risk

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

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

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

31

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2018 is as follows:

	2018				
	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	1,749,618,802	11,083,227	-	-	1,760,702,029
Investments with banks and financial institutions	818,280,000	-	30,000,000	-	848,280,000
Investments in securities	15,318,237	-	1,466,500	619,000	17,403,737
Finance to customers, net	397,029,894	298,088,638	703,010,396	807,408,831	2,205,537,759
Other investments	-	-	-	-	-
Other assets	58,692,102	2,233,638	1,676,689	10,276,912	72,879,341
Property and equipment, net	10,879,033	10,879,033	21,758,065	956,950,534	1,000,466,665
TOTAL ASSETS	3,049,818,068	322,284,536	757,911,650	1,775,255,277	5,905,269,531

Liabilities and Shareholders' Equity

Due to banks and financial institutions	42,106,554	14,035,518	-	105,898,270	162,040,342
Customers' deposits	1,694,873,932	102,292,529	-	-	1,797,166,461
Other Liabilities	223,285,855	33,762,298	24,577,776	71,323,561	352,949,490
Equity of unrestricted investment account holders	1,027,065,443	113,825,576	189,377,953	-	1,330,268,972
Non-controlling interest	-	-	-	27,694	27,694
Shareholders' equity	-	-	-	2,262,816,572	2,262,816,572
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	2,987,331,784	263,915,921	213,955,729	2,440,066,097	5,905,269,531

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

32

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	2017				
	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	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 37 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**34.2.4 Foreign currency risk**

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

The Bank is exposed to foreign currency risk on transactions that are denominated in a currency other than the Sudanese Pound. The Bank has a set of limits to the level of exposure by currency and in total which are monitored on a daily basis to ensure that the net exposure is kept at an acceptable level.

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

Currency	Dec. 31, 2018	Dec. 31, 2017
	Long (short)	Long (short)
Euro	15,564,135	(10,540,139)
US Dollar	(251,308,484)	(4,364,378)
Other currencies	724,518,462	102,507,689
Net FC position (Long position)	488,774,113	87,603,172

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.

34.2.5 Market risk

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

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

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

34.2.6 Risk of managing customers' investments

The Bank provides investment administration services to third parties in relation to funds provided by them. These services give rise to legal and operational risk. Such risks are mitigated through detailed daily procedures to ensure compliance.

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2018

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**34.2.7 Operational and other risks**

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

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

35. SEGMENTAL INFORMATION

For the years ended at December 31, 2018 and 2017 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, 2018 and 2017 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. The bank operates through three branches, all of them were operating in the State of Khartoum.

36. SHARIAH SUPERVISORY COMMITTEE

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

37. COMPARATIVE FINANCIAL STATEMENTS

Certain 2017 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 37 form an integral part of these consolidated financial statements.

35

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: amal@bankalmal.net
 Swift Code :- CBSKSDKH

Main Branch

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

Khartoum North Branch

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

Omdurman Branch

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

Subsidiary Companies

1- Al mal United for Securities Co, Ltd

Plot 411, Square 65, Mamoun Beheiry St, South Green Square Khartoum

P .O Pox : 8210 Al Amarat , Khartoum, Sudan

Tel : 00249-183-247700

Fax: 00249-183-235000

2- Mawarid Investment Co.Ltd

Plot 411, Square 65, Mamoun Beheiry St, South Green Square Khartoum

P .O Pox : 8210 Al Amarat , Khartoum, Sudan

Tel : 00249-183-247700

Fax: 00249-183-235000