

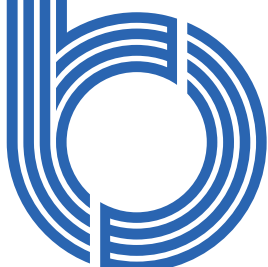


---

**ANNUAL  
REPORT  
2019**

## Contents

<b>Board of Directors</b>	<b>1</b>
<b>Shariaa Committee</b>	<b>2</b>
<b>Executive Management</b>	<b>3</b>
<b>Senior Management</b>	<b>4</b>
<b>Report of the Board of Directors' Chairman to the General Assembly</b>	<b>5</b>
<b>Chief Executive Officer Report</b>	<b>13</b>
<b>Shariaa Committee Report</b>	<b>15</b>
<b>External Auditor Report</b>	<b>17</b>
<b>Consolidated Financial Statements as at December 31, 2019</b>	<b>23</b>
<b>Directory of head office , branches and subsidiary companies</b>	<b>63</b>



## Mission

" To offer a unique Guest Experience to our customers  
in order to maximize stakeholders value "

## Vision

" To be the bank of choice "

## Values

Respect

Integrity

Speed

Precision

Initiative



## Board of Directors



Mr. Mansour Gaiser Bteish  
Acting Chairman



Mr. Tarig Sir  
Elkhatim  
Member



Mr. Mohamed Farah  
Mohamed  
Member



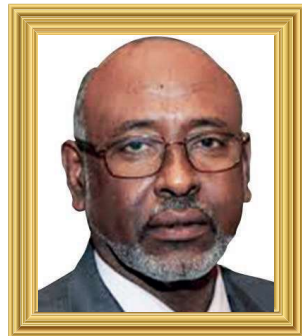
Mr. Abdulsalam  
Jawhar Alsaleh  
Member



Ms. Amira Ali Al-Alami  
Member



Mr. Al-Sharef Ahmed  
Badur  
Member



Prof. Ahmed Magzoub  
Ahmed  
Member

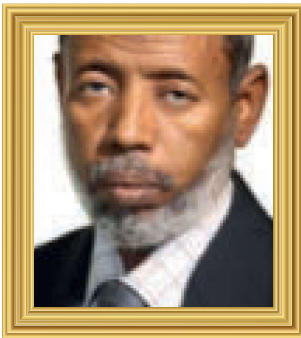


Mr. Yousif Ahmed  
El- Tiany  
Chief Executive Officer  
& Member

## Shariah Committee



Prof. Abdalla Elzubair  
Abdelrahman  
Chairman, SSB



Dr. Mohamed Ali  
Yousif Ahmed  
Member, SSB



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. Yassir Gaffer Hamid  
Chief Financial Officer

## Senior Management



Ms. Manal Kamal  
Osman  
Compliance Officer



Mr. Abualama Mohamed  
Fadlalah  
Head, Risk Department



Ms. Salma Haroun Ali  
Head, Financial  
Institution Department



Mr. Mostaein Sad  
Aldeen Mohamed  
Head, Account  
Department



Mr. EL-Shazali Jamaeldin  
Abdelkarim  
Head, Treasury  
Department



Mr. Abdelrazag Mustafa  
Abdelrazag  
Head, Strategic  
Department



Ms. Marwa Mustafa Abbadi  
Head , Information  
Technology Department



Mr. Yousif Musa Alnaeem  
Head , Central  
Processing Department



Mr. Alsadig Babiker Mohieldin  
Head, Administration  
Department





**Report of the Board of Directors` Chairman to the General Assembly  
the 15th General Assembly Annual Ordinary Meeting  
Khartoum - 29/10/2020**

It is my pleasure to welcome you to this Ordinary Meeting of the General Assembly (No.15) of United Capital Bank Company to discuss the topics of the agenda and particularly the Final Accounts of the Bank for the year 2019.

**The Sudanese economy faced many challenges during the year 2019 which can be summarized in the following :**

- Significant political change took place with a popular revolution that led to the falling of the existing regime in April 2019.
- A steady deterioration in the exchange rate of the national currency against the foreign currencies in spite of the parallel market (and that exceeded the ceiling of 105 pounds until the preparation of this report) the considerable efforts exerted by the government to prevent the downwards trend.
- An increase in the inflation rates to reach more than %70 by the end of 2019 as the highest rate of inflation in many years.
- The persistent scarcity of foreign currency resources to meet the increasing demand of the economy, and the government remained relying heavily on external support from the Kingdom of Saudi Arabia and the United Arab Emirates.
- The persistence shortage of national currency banknotes and the emergence of two prices for commodities, which led to the distortion of the commodity market system. Nevertheless, significant improvement has occurred since the beginning of the last quarter of the year.
- The continuous difficulty of dealing with foreign banks despite the lift of US economic and commercial embargo. However, a relative improvement in the relationships with some correspondent banks occurred.
- There is no a clear vision by the government on how to tackle the economic crisis, specially huge fiscal deficit, the imbalances of the trade balance and the impact of government subsidies to the strategic goods on the government budget.

**The Important Activities of the Bank during the year 2019 :**

despite the difficulties faced by the economy in general and the banking system in particular, the bank strengthened its leading position in 2019 by concentrating on financing of large corporates and strategic projects in addition to its role in the management of syndicated financing facilities beside managing collaterals on behalf of third parties. The most prominent activities are represented by the following:

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

The bank continued its activity throughout the year in the commercial financing, especially in pre export financing such as Gold, Cattle, Gum Arabic, Sesame and other crops; in addition to the financing of agricultural and industrial inputs and financing for local trading. The total imports (Documentary credits and collections) during the year amounted to around EUR 213 million compared to about EUR 41.9 million in the previous year.

The total exports proceeds of the bank's customers in 2019 amounted to about EUR 31 million compared to around EUR 37.6 million in the previous year.

### **Second: Management and arranging of syndicated financing:**

The Bank is currently managing two long term syndicated financing facilities portfolios for the White Nile Sugar Company and Gezira scheme syndication.

### **Third: Managing of collaterals for Banking Institutions:**

The Bank continued its tripartite collateral 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 under the syndication 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 release of cotton; ensuring adequate insurance cover following up the export procedures; and receive the proceeds and transfer them to the African Export and Import Bank in return for a significant commission to the bank. This agreement will continue for 5 extendable years.

### **Fourth: Vertical expansion:**

The Bank has 3 branches operating in Khartoum State. It was planned to establish one more branch during 2019. However due to the Political situation that the country went through, this project has been postponed for the coming year and this is because the bank is adopting a conservative vertical expansion consistent with its overall strategy towards providing corporate banking services.

In this context, the Bank adopts an expansion strategy based on the establishment of small cash outlets inside the premises of its customers, in order to attract more deposits whether current or investment. During the previous years, two cash outlets were opened in Sudatel Co. and Al-Ahfad University for Women, in addition to the establishment of four cash outlets in Migana Co. premises in Omdurman, Sudatel Tower, Sudatel – Dar Al Hatif, in Maersk premises, beside planning of establishing two more cash outlets in Central Trading Company (CTC) premises as well as in the Head Quarters of the Arab Authority for Agricultural Investment and Development and in first quarter of 2020.



## **Fifth: Institutional Development:**

Believing in the importance of institutional achievement 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 pillars as well as a clear vision that envisages United Capital Bank as the bank of choice for its 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 (respect, integrity, speed, precision and initiative).

The strategic map for the year 2019 has also been detailed in a way that ensures that the set goals are achieved. Balanced Score Cards - have been designed in the same context for the institution and the entire personnel to achieve the required balance between the different aspects of the strategy - financial perspective, customer perspective, internal perspective and the learning/growth perspective.

The strategic plan of the Bank for 2019 included 27 programs and 62 projects from which about 78% have been achieved as per 31/12/2019. In this context, it is worth to mention that the dramatic political change that occurred and the subsequent instability during the year 2019 had a great impact on the failure to complete some important projects such as the "Mobile Banking" and "Corporate Internet Banking".

In its preparation for the period following the removal of the embargo imposed on Sudan, the bank sought a credit rating and it was assigned an Investment Grade on the national scale by the Islamic International Rating Agency in Bahrain for the years 2017 ,2016 and 2018. The Bank has also been assigned a credit rating and it was assigned to A - Long term and A 2 - Short term scales in 2018 and 2019 by the "Capital Intelligence" institution in Cyprus as the first bank in Sudan to be rated thereby.

In this context, and in the line with international standards for compliance systems, the Bank assigned a contract with the Center for International Private Enterprise (CIPE), which is an institution concerned with standards for combating and reducing corruption. UCB also assigned a contract with Sigma which is an American enterprise specialized in the assessing the risks of financial crimes. Both institutions have started the evaluation procedures for the bank during the year 2019, and it is expected to get the results of their evaluation during the year 2020, God willing.

Also, the bank has obtained a license from Visa International to issue Visa Cards to be at the forefront of the banks providing this service in Sudan, and it's expected to launch this service during the second quarter of 2020.

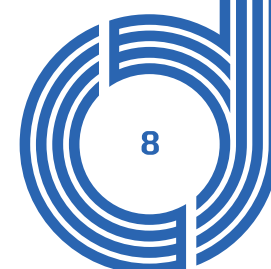
## Sixth: The Financial Performance:

The structure of the Bank's assets has been designed to achieve high returns, whilst maintaining a reasonable degree of liquidity. The net income from financing and investment during the year 2019 reached SDG 597 million compared to SDG 344 million in 2018, and this increase was attributed to the increase in finance income by 84% and to the increase of income from investment in securities, while there was a decrease in the income from investment with banks and financial institutions by 28% due to the decrease in the volume of investments by 127% with local banks.

The revenues from securities in banking services amounted to SDG 202 million compared to SDG 69 million during 2018 recording an increase of 192% due to the increase in Letters of credit and collection related to wheat import. It is worth to mention that the bank recorded in 2018 gains from the re-evaluation of financial assets and liabilities in foreign currencies by about SDG 269 million, while recording losses about SDG 41 million in 2019 due to the appreciation of SDG to SDG 45.11 per USD 2018) 1: SDG 47.6 per USD 1).

The net profits, after Zakat and Taxes, decreased from around SDG 944 million in 2018 to SDG 162 million in 2019 (with a decrease of 83%) and the table below shows the comparison of the major items in the Income Statement between 2019 and 2018:

Statement	Actual 2018	Actual 2019	Change
	Thousand SDG	Thousand SDG	%
Bank's operating income	412,064	794,484	93%
Return on unrestricted investment folders	(58,837)	(199,879)	240%
Operating expenses and staff cost	(241,700)	(314,362)	30%
Net income from operations	111,527	280,243	151%
Gains & losses of foreign exchange currency revaluation	268,730	(41,457)	-115%
Provision of Financing losses	614,603	17,128	-97%
Provision of decrease in investment amount	(7,512)	2,983	-140%
Net income before Zakat, Taxes & Minority rights	987,348	258,897	-74%
Zakat, Taxes & Minority right	(43,337)	(96,421)	122%
Net income after Zakat & Taxes	944,011	162,476	-83%



## The main reasons for the drop in net profit over the previous year were the following:

1. The Bank realized gains from the revaluation of financial assets and liabilities in foreign currencies in 2018 by about SDG 269 million as a result of the devaluation of the Sudanese pound during the year from SDG 8.93 against USD 1 to SDG 47.6 against USD 1, while a loss was recorded from the revaluation of financial assets and liabilities in foreign currencies during the year 2019 by about SDG 41 as a result of the slight appreciation of the Sudanese pound against the foreign currencies where by the exchange rate reached SDG 45.1 against USD 1 compared to SDG 47.6 in December 2018, given the fact that the bank maintains long foreign currency position.
2. Reversal of Specific Credit Loss Provision by about SDG 615 million in 2018, while there was a reversal of credit loss the provision in 2019 by about SDG 17 million.

It is worth to note that there is a decrease in the earnings per share in 2019 from SDG 39.57 to SDG 6.77 and this decrease was attributable to the losses on the revaluation of the financial assets and liabilities in foreign currencies as mentioned earlier.

It is worthwhile to mention here that the bank was classified as “Strong” at the end of the year according to the self-assessment using the corporate governance and early warning indicators. Noting that we have not so far received the evaluation of the Central Bank of Sudan regarding the bank’s rating as of 2019/12/31.

## Revenues were diversified during the year as follows:

Item	2019 %	2018 %	Change %
Revenues from finance to customers'	76%	46%	65%
Gain on revaluation of foreign currencies	-6%	39%	-115%
Revenues from banking services and commissions	27%	10%	170%
Revenues from deposits in banks	3%	5%	-40%
Revenues from bonds and sukuk	0.3%	0.2%	50%
Total	100%	100%	

The volume of the net direct financing portfolio, after the deduction of the deferred profits, amounted to SDG 4,009 million in 2019 compared to SDG 2,206 million by the end of 2018, with an increase of 82%. This increase in the volume of the financing portfolio was due to the increase in the financing opportunities, which goes in line with the bank’s policies concentrating on providing exports finance and production activities.

On the other hand, we note that the bank's financing portfolio is distributed across all economic sectors by using different Islamic financing modes. The total volume of the portfolio when adding the documentary credits and letters of guarantee reaches about SDG 4,649 million. The non-performing loans ratio to the total size of the portfolio stood at 0.2% at the end of 2019 compared to 0.6% at the end of 2018.

The Bank's Balance Sheet as of 31 December 2019 was characterized by an acceptable degree of liquidity. The maturity profile of assets and liabilities was as follows:

### Amounts are in millions of SDG

Item	Less than 3 months	3 – 6 months	6 -12 months	More than a year	Total
Assets	3,363	959	1,261	2,007	7,591
Liabilities	4,792	240	126	2,433	7,591

In this context, I am pleased to report the most important financial indicators of the bank during the period 2014 to 2019:

### Amounts are in millions of SDG

Statement	2014	2015	2016	2017	2018	2019
Total assets	1,984	2,008	2,159	2,122	5,905	7,591
Total deposits and current accounts	975	1,056	1,047	1,353	3,127	4,733
Shareholders' equity	455	469	441	468	2,263	2,366
Net finance to customers' after credit loss provisions on deferred profits	1,137	938	1,137	1,197	2,206	4,009
Net profit before Taxes and Zakat	92	73	24	53	987	259
Net profit after Taxes and Zakat	69	53	8	26	644	162
Earnings per share	2.85	2.21	0.32	1.1	39.33	6.77

Based on the above, it is clear that the bank's assets increased from SDG 5,905 million at the end of 2018 to SDG 7,591 million by the end of 2019, with an increase of 29%. Also, the total shareholders' equity increased from SDG 2,263 million at the end of 2018 to SDG 2,366 million at the end of 2019, with an increase of 5%

It is worth mentioning that the bank adheres to all International regulatory requirements, 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 maximum possible level of transparency and disclosure in its financial statements, including all types of financial and operational risks in line with the generally accepted international standards.

Furthermore, the bank pays special attention to the training and development of its staff by allowing them to participate 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 Chamber of Zakat in addition to the charitable contributions to individuals and institutions.

### The Financial Performance of Subsidiary Companies:

United Capital Bank invests around SDG 50 million in a form of equity participation in subsidiary companies as shown in the table below:

Company	Activity	Contribution %
Al Mawarid Investment CO. Ltd.	Commercial	99.99%
Almal United for Securities CO. Ltd	Financial services	99.00%

### Summary of the financial performance of the subsidiary companies as per below:

#### 1. Al Mawarid Investment CO. Ltd.:

Al Mawarid Investment Company Limited is private joint stock company limited, registered in the Republic of Sudan under the Companies Act of 1925. It was established on 8 January, 2009 with a paid up capital of two million Sudanese pounds, but later in July 2011 the company was suspended.

In June 2018, the company's activity was revitalized and its capital increased to 50 million pounds, in order to enhance the financial position of the company and enable it carry out its commercial activity. Below we provide a review summary of the company's financial performance during the year 2019 compared to the years 2018-2017.

Statement	2017	2018	2019
Revenue from investment	-	9,206	14,765
Revenue from local trade	-	925	7,668
Other revenues	-	-	7,292
Net income before Zakat and Taxes	-	5,383	20,295
Net income	(269)	3,209	12,743
Earning per share for the year	(1.35)	0.64	2.55

#### 2. Almal United for Securities CO. Ltd.:

Almal United Securities is a private company with limited liability established in April 2008 under the Companies Act of 1925 after its name was changed from Al-Siddiq Securities Company where the bank purchased the company's shares from former owners and the company acts as a commission agent in the field of buying and selling securities, marketing and selling securities issues, as well as working as a financial advisor through managing the portfolios of others and their investments in securities.

The summary of the financial performance of the company during 2019 in comparison with the years 2018-2017 is shown in the below table:

**Amounts are in millions of SDG**

Statement	2017	2018	2019
Revenues from primary market activities	490	234	415
Revenues from secondary market activities	156	204	199
Revenues from other investments	267	395	815
Net income before Zakat and Taxes	383	132	565
Net income	351	130	389
Earnings per share for the year	14.0	5.2	15.5

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.

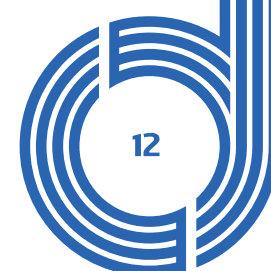
I would like furthermore to convey the Board of Director's thanks to the Shari'a Supervisory Board of the Bank for its valuable and wise guidance on the Shari'a matters submitted thereto and for the assistance provided to the bank's management to apply the Islamic Shari'a principles in all transactions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

The Board would like to extend its gratitude to the employees of the bank and its executive management for their dedicated efforts, loyalty, and perseverance.

May Allah grant success

**Mansour Qaiser Bteish**

**Vice-Chairman**





# Chief Executive Officer's Report



## Chief Executive Officer & General Manager's Report

### First: The Global Economy During the Year 2019

The year 2019 witnessed global economic conflicts; the most prominent of which was the trade barriers that the United States led towards a group of countries, especially China. This led to a decline in the growth rate in the global economy to about 3% in 2019, down from 3.7% in 2018, and 3.8% in 2017.

The decline in the global economic growth rate and the increase in trade barriers had a great impact which led to a further decline in the growth rate of international trade, reaching 1% during the first half of 2019, which is the slowest rate witnessed in international trade since 2012, according to the estimates of the International Monetary Fund (IMF) report on the World Economic Outlook by the end of 2019.

### Second: The Sudanese Economy During the Year 2019

After the lifting of the American economic sanctions imposed on Sudan since 1997, which took place during the fourth quarter of the year 2017, it was expected that the Sudanese economy would witness an improvement from an influx of foreign investments and an increase in exports to address the scarcity of foreign exchange resources, but there was no noticeable improvement. This was mainly due to the fact that the Sudanese economy had faced difficulty in reintegrating into the world economy as a result of not removing Sudan from the list of countries sponsoring terrorism.

### Third: The Ratings and Awards That the Bank Won During the Year 2019:

In the year 2019, the bank was granted a national credit rating "Investment Grade" by the Islamic International Rating Agency (IIRA) in Bahrain.

Also, in May 2019, the bank was granted a national credit rating of A- in the long term and with a grade of A2 in the short term by Capital Intelligence, which is based in Cyprus.

During the past few years (2014-2019), United Capital Bank achieved steady growth in all fields as shown below (in millions SDG) :-

	2014	2015	2016	2017	2018	2019
Total assets	1,984	2,008	2,159	2,122	5,905	7,591
Finance to Customers, net	1,137	938	1,137	1,197	2,206	4,009
Shareholder's equity	455	469	441	468	2,269	2,366
Customer's Deposits	358	436	662	777	1,797	2,850
Equity of investment account holders	617	619	385	576	1,330	1,882
Gross income	142	146	129	213	622	553
Net Profit (before tax & zakat )	92	73	24	53	987	258

Moreover, the bank was able, during the relatively short period of its life, to form a solid base of clients in the areas of deposits and financing.

Over the past years, the Executive Management has focused on establishing solid business rules by developing a strategy for the bank for the years 2019-2023, aiming to address weaknesses and at the same time taking advantage of strengths and exploiting opportunities to enable the bank to achieve its operational goals. The best qualified banking cadres in the local market at all levels were attracted, as the number of employees reached 150 by the end of 2019.

The bank is also seeking to obtain a license from Visa International to issue Visa cards to be at the forefront of banks that provide this service in Sudan and it is expected that this service will be launched before the end of the year 2020, so that the UCB will be one of the first banks to issue Visa cards in Sudan

# Financial Statements



**In the Name of Allah, Most Gracious, Most Merciful  
Praise be to Allah & Peace be upon his messenger Mohamed & all his other messengers**

**Shari'a Supervisory Board's Report for the General Assembly  
of the Shareholders of United Capital Bank- Khartoum**

**For the Period: (01 Jan 2019-31 Dec 2019)  
Corresponding to (25 Rabi I, 1440- 05 Junada I, 1441AH)**



Pursuant to the control standards of the Islamic Financial Institutions No. (1), related to the Sharia Supervisory Board (SSB), issued by the Accounting & Auditing Organization for Islamic Financial Institutions (AAOIFI), and pursuant to the Licensing Requirements of Banking Regulation Act of 2004, issued by the Central Bank of Sudan;

The Sharia Supervisory Board presents to the General Assembly the following report:

1. The SSB has held many meetings within which it has reviewed the executed contracts presented to it and gave such advices and directives that might render them sound from a Sharia point of view. In addition, the SSB has issued many Sharia opinions and directives in respect of the issues and questions referred to it by the officers of the bank.
2. The SSB has assured that the absolute investment policy is sound.
3. The SSB has viewed the External Auditor's report, the Statement of Financial Position, Income Statement, the Cash Flow Statement, and the notes thereof for the year ended Dec 31, 2019, and has listened to the answers of the bank's officers on the questions posed thereon, as well as the final accounts for Almal for Securities Company limited and Almarawid Investment Company limited .

4. The SSB draws the attention to the fact that it's the responsibility of the bank management to assure that the bank acts in compliance with the provisions of the Sharia; and the SSB's responsibility is only to give an independent opinion on the bank activities according to its own surveillance, and in making a report to you.
5. Accordingly, and based on the review conducted by SSB over the operations and the activities of the bank business control for the year 2019, the SSB decides the following:
  - A. The contracts, operations and transactions executed by the bank within the year ending on 31 Dec 2019 and reviewed by the SSB have been in accordance with the provisions and principles of the Sharia.
  - B. The profits distribution and the charging of losses on the investment accounts are consistent with the basis approved by the SSB, in compliance with the provisions and principles of the Sharia.
  - C. The Zakat calculation has been in accordance with the Zakat Law and the Chamber of Zakat circulars.
  - D. There was no illegal revenue generated by the bank during 2019.
6. The SSB extends its thanks to the bank's officers for their cooperation in achieving its missions, supplicating to enhance and keep you in your right path.

**Sharia Supervisory Board:**

1. Prof. Abdalla Elzubair Abdelrahman, Chairman, SSB. 
2. Dr. Mohamed Ali Yousif Ahmed, Member, SSB 



## 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 (37),Which comprise the Consolidated Statement of Financial Position as at 31, December 2019 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 31December 2019 and its Consolidated Financial Performance , its Consolidated Cash Flows , Changes in Equity and the Consolidated of changes in Restricted Investments for the year then ended in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank , the applicable regulations of the Central Bank of Sudan , Companies Ordinance 2015 and 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.*



Mohamed A. Haggag & Co.

### **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 53% 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 (this relates to comparative 2018).*





*Mohamed A. Haggag & Co.*

**Fixed Assets Revaluation Surplus :**

*As a result of the significant devaluation in the SDG against the foreign currencies, UCB's Board of Directions 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 (31) ( 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 :**

*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 about SDG 269 million .*



*Mohamed A. Haggag & Co.*

### **Related Party Transactions**

*The Related Party Transactions Note (27) 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.*

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

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

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



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

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

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

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

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

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

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

*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.*



*Mohamed S. Haggag & Co.*

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

### **Report on Other Legal and Regulatory Requirements**

*As regard compliance with companies' Ordinance 2015 requirement:-*

*1/ We have obtained all the information and explanations we considered necessary for the purposes our audit.*

*2/ The Consolidated financial statements have been prepared in all material respects in accordance with companies' ordinance 2015, the applicable regulations of the Central Bank of Sudan. Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and International financial Reporting Standards (IFRSs) and the banks memorandum article and Association.*

*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 composed of Securities at fair value through equity and Securities carried after deducting impairment provision .*

*5/ Note (27) shows balances with related parities arising commercial transactions in the normal course of business at an arm's length basis and disclosed in the consolidated financial Statements*

*6/ We are not aware of any violations of the provisions of the applicable regulations of the Central Bank of Sudan . 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 2019.*

*7/ Note (25) shows Donations as social contribution during the year.*

  
**Mohamed Suliman Abdalla Haggag**

*Fellow Chartered certified Accountant - U. K.*

**Partner**

**Mohamed Suliman Haggag & Co.**



**Date : 2 / 3 / 2020**

# UNITED CAPITAL BANK

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	2019 SDG	2018 SDG
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	4	1,945,808,807	1,760,702,029
Investments with banks and financial institutions	5	469,486,499	848,280,000
Investments in securities	6	20,810,477	17,403,737
Finance to customers, net	7	4,008,882,013	2,205,537,759
Other investments	8	-	-
Other assets	9	135,128,499	72,879,341
Property and equipment, net	10	1,010,418,017	1,000,466,665
<b>TOTAL ASSETS</b>		<b>7,590,534,312</b>	<b>5,905,269,531</b>
<b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions	11	99,529,082	162,040,342
Customers' deposits	12	2,850,479,486	1,797,166,461
Other Liabilities	13	392,224,624	352,949,490
<b>TOTAL LIABILITIES</b>		<b>3,342,233,192</b>	<b>2,312,156,293</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
Investment deposits -banks and financial institutions	14	1,050,547,179	373,464,880
Investment deposits-other	15	831,765,480	956,804,092
<b>TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		<b>1,882,312,659</b>	<b>1,330,268,972</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Reserves	18	1,867,263,214	1,894,563,756
Retained earnings		254,193,664	63,752,816
Proposed dividends		-	60,000,000
<b>Total Shareholders' equity of the parent company</b>		<b>2,365,956,878</b>	<b>2,262,816,572</b>
Non-controlling interest		31,583	27,694
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>2,365,988,461</b>	<b>2,262,844,266</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>		<b>7,590,534,312</b>	<b>5,905,269,531</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>1,735,839,515</b>	<b>1,963,931,454</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Feb 27, 2020.

Yousif Ahmed El-Tinay  
CEO

Amira Ali Al Alami  
Board Member

Mansour Qaiser Bteish  
Acting Chairman

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

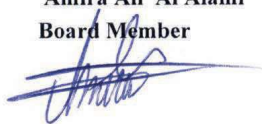
For the year ended December 31, 2019

	Notes	2019 SDG	2018 SDG
<b>INCOME FROM :</b>			
Investments with banks and financial institutions	19	22,826,358	31,819,963
Investments in securities	20	2,326,563	1,024,501
Finance to customers	21	572,164,722	311,234,166
<b>Total income from financing and investments</b>		<b>597,317,643</b>	<b>344,078,630</b>
Less: Return to unrestricted investment account holders	22	(199,878,841)	(58,836,736)
<b>Net income from investments and financing</b>		<b>397,438,802</b>	<b>285,241,894</b>
Fee income	23	202,319,457	69,212,995
Foreign exchange gain (loss), net	24	(46,609,770)	267,501,550
<b>Total operating income</b>		<b>553,148,489</b>	<b>621,956,439</b>
<b>EXPENSES</b>			
Staff cost		(138,173,373)	(137,609,151)
General and administrative expenses	25	(122,172,831)	(95,275,253)
Depreciation	10	(54,016,230)	(8,809,590)
Central Bank of Sudan penalties		-	(5,750)
<b>Total operating expenses</b>		<b>(314,362,434)</b>	<b>(241,699,744)</b>
<b>Net operating profit before provisions, zakat and income tax</b>		<b>238,786,055</b>	<b>380,256,695</b>
Provision for finance losses	7.1.3	17,128,407	614,603,013
Provision for impairment		2,983,488	(7,511,500)
<b>Net operating profit before zakat and income tax</b>		<b>258,897,950</b>	<b>987,348,208</b>
Zakat expense		(17,387,189)	(14,855,495)
Income tax expense		(79,029,433)	(28,480,398)
<b>Net profit</b>		<b>162,481,328</b>	<b>944,012,315</b>
Less: net profit attributable to non-controlling interest		(3,889)	(1,300)
<b>Net profit attributable to equity holders of the parent</b>		<b>162,477,439</b>	<b>944,011,015</b>
<b>Earnings per share</b>	26	<b>6.77</b>	<b>39.33</b>

Yousif Ahmed El-Tinay  
CEO



Amira Ali Al Alami  
Board Member



Mansour Qaiser Bteish  
Acting Chairman



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

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Notes	2019 SDG	2018 SDG
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		162,477,439	944,011,015
<b>Adjustments to reconcile net profit:</b>			
Depreciation and amortization		54,016,230	8,809,590
FC revaluation gain		46,609,770	(267,501,550)
Zakat		17,387,189	14,855,495
Income tax		79,029,433	28,480,398
Provision for staff end of service benefits		11,643,974	20,306,912
Provision for finance losses		(17,128,407)	(614,603,013)
Provision for impairment		(2,983,488)	7,511,500
Provision for staff bonus		29,622,583	66,947,251
Return to unrestricted investment account holders		199,878,841	58,836,736
Gain on disposal of property and equipment		(750,916)	(429,999)
<b>Net cash flow from operating activities</b>		<b>579,802,648</b>	<b>267,224,335</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(4,001,881)	(2,386,000)
Proceeds from sale of investment		4,241,496	26,223,000
Acquisition of property and equipment		(65,761,475)	(45,736,597)
Proceeds from sale of property and equipment		2,544,809	434,627
Deferred sales receivables		(858,882,036)	(73,752,563)
Mudaraba financing		(906,894,419)	(100,638,096)
Musharaka financing		(67,049,163)	(220,533,956)
<b>Net cash flow from investment activities</b>		<b>(1,895,802,669)</b>	<b>(416,389,585)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net (increase)/decrease in operating assets:</b>			
Investments with banks and financial institutions		378,793,501	(520,187,000)
Other assets		(62,249,158)	(47,271,226)
Due to banks and financial institutions		(62,511,260)	80,132,656
Customers deposits		1,053,313,025	1,020,400,041
Other liabilities		(98,408,044)	270,569,574
Net movement in non-controlling interest		3,889	1,300
Dividends paid		(60,000,000)	(45,600,000)
Net increase in equity of unrestricted investment accounts		352,164,846	695,508,152
<b>Net cash flow from financing activities</b>		<b>1,501,106,799</b>	<b>1,453,553,497</b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>185,106,778</b>	<b>1,304,388,247</b>
Cash and cash equivalents at beginning of the year		1,760,702,029	456,313,782
Cash and cash equivalents at end of the year	4	<u>1,945,808,807</u>	<u>1,760,702,029</u>

Yousif Ahmed El-Tinay  
CEO

Amira Ali Al Alami  
Board Member

Mansour Qaiser Bteish  
Acting Chairman

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

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, 2019	240,000,000	4,500,000	134,638,676	896,849,618	863,040,725	34,737	63,752,816	60,000,000	2,262,816,572	27,694	2,262,844,266
Net Profit for the year	-	-	-	-	-	-	162,477,439	-	162,477,439	3,889	162,481,328
Transfer to statutory reserve	-	-	14,935,008	-	-	662,867	(14,935,008)	-	-	-	-
Net change in fair value reserve	-	-	-	-	-	-	-	-	662,867	-	662,867
Fixed assets revaluation surplus	-	-	-	(1,441,341)	-	-	1,441,341	-	-	-	-
Foreign Currencies revaluation reserve	-	-	-	-	(41,457,076)	-	41,457,076	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)
<b>Balance at December 31, 2019</b>	<b>240,000,000</b>	<b>4,500,000</b>	<b>149,573,684</b>	<b>895,408,277</b>	<b>821,583,649</b>	<b>697,604</b>	<b>254,193,664</b>	<b>-</b>	<b>2,365,956,878</b>	<b>31,583</b>	<b>2,365,988,461</b>
Balance at January 1, 2018	240,000,000	4,500,000	40,571,337	-	57,047,992	151,714	79,801,873	45,600,000	467,672,916	26,394	467,699,310
Net Profit for the year	-	-	-	-	-	-	944,011,015	-	944,011,015	1,300	944,012,315
Transfer to statutory reserve	-	-	94,067,339	-	-	-	(94,067,339)	-	-	-	-
Net change in fair value reserve	-	-	-	-	-	(116,977)	-	-	(116,977)	-	(116,977)
Fixed assets revaluation surplus	-	-	-	896,849,618	-	-	-	-	896,849,618	-	896,849,618
Foreign Currencies revaluation reserve	-	-	-	-	805,992,733	-	(805,992,733)	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	(45,600,000)	(45,600,000)	-	(45,600,000)
Proposed dividends	-	-	-	-	-	-	(60,000,000)	60,000,000	-	-	-
Balance at December 31, 2018	240,000,000	4,500,000	134,638,676	896,849,618	863,040,725	34,737	63,752,816	60,000,000	2,262,816,572	27,694	2,262,844,266

Yousif Ahmed EL-Tinay  
CEO

Amira Ali Al Alami  
Board Member

Mansour Qaiser Bteish  
Acting Chairman

The attached notes 1 to 34 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, 2019

	Note	White Nile Sugar Portfolio	Gezira Scheme Portfolio	Arab Investment Corporation	Musharakah Investment	Total
		SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2019	29	956,345,704	51,997,359	182,332,212	58,570,748	1,249,246,023
Additions during period		-	-	20,000,000	-	20,000,000
Cash withdrawal during period		-	(17,332,453)	-	(40,398,248)	(57,730,701)
FX revaluation		(62,211,423)	-	-	-	(62,211,423)
<b>Balance at December 31, 2019</b>	<b>29</b>	<b>894,134,281</b>	<b>34,664,906</b>	<b>202,332,212</b>	<b>18,172,500</b>	<b>1,149,303,899</b>
Balance at January 1, 2018	29	243,326,034	69,329,811	157,623,712	7,923,220	478,202,777
Additions during period		-	-	24,708,500	50,647,528	75,356,028
Cash withdrawal during period		-	(17,332,452)	-	-	(17,332,452)
FX revaluation		713,019,670	-	-	-	713,019,670
<b>Balance at December 31, 2018</b>	<b>29</b>	<b>956,345,704</b>	<b>51,997,359</b>	<b>182,332,212</b>	<b>58,570,748</b>	<b>1,249,246,023</b>

Yousif Ahmed El-Tinay  
CEO

Amira Ali Al Alami  
Board Member

Mansour Qaiser Bteish  
Acting Chairman

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Year ended December 31 , 2019

### 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 three 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](http://www.bankalmal.net).

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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

#### 2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries , Almal United Company Limited and AlMawarid Investment Co. Ltd. The financial statements of the

subsidiaries are prepared for the same reporting year as that of the Bank , using consistent ac

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Bank obtains counting policies

.control, and continues to be consolidated until the date that such control cease



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

## **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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 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:

	Useful life (years)
Land & Builing :	40
Bank's Building :	10
Leased Buildings (Lease tenure) :	4
IT equipment :	5
Motor vehicles :	4
Computer software & Corebanking system :	8-4

Land & Builing :Bank's Building :Leased Buildings (Lease tenure) :IT equipment :Motor vehicles :Computer software & Corebanking system :4-8Useful life (years)4010454The 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.

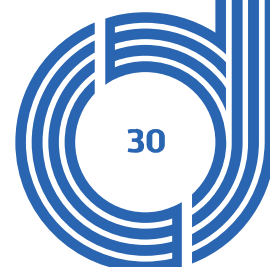
##### 3.2 Impairment and uncollectibility of assets

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:



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

### **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, credit loss provision and suspended profit - if any.

Financing through Mudaraba contract is stated at cost less credit loss provision and provision impairment - if any.

Financing through Musharakah is stated at gross principal amount less any liquidation, credit loss provision 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

### **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.

Provision for finance losses is based on the assessment of collectability of each debt separately, in accordance with the directives of the Central Bank of Sudan and the Bank's policy

#### **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.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

### **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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

### **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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

	Notes	2019 SDG	2018 SDG
<b>4 - CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS</b>			
Cash in hand	4.1	<b>208,720,593</b>	163,868,264
Central Bank of Sudan - Current account	4.1	<b>998,226,151</b>	845,649,071
Foreign correspondent banks – Current accounts	4.1	<b>135,786,492</b>	297,674,372
<b>Sub-total</b>		<b>1,342,733,236</b>	1,307,191,707
Central Bank of Sudan - Statutory Cash Reserve	4.1	<b>478,842,107</b>	349,055,283
Cash margin on letters of credit with correspondent banks	4.1	<b>124,233,464</b>	104,455,039
<b>Total</b>		<b>1,945,808,807</b>	1,760,702,029
		<b>2019 SDG</b>	<b>2018 SDG</b>

**4.1 Foreign currency balances included in the above balances are as follows:**

Cash in hand	<b>79,827,709</b>	132,381,608
Central Bank of Sudan - Current account	<b>585,688,993</b>	836,944,646
Foreign correspondent banks – Current accounts	<b>135,786,492</b>	297,674,372
<b>Sub-total</b>	<b>801,303,194</b>	1,267,000,626
Central Bank of Sudan - Statutory cash reserve	<b>62,852,274</b>	137,683,464
Cash margin on letters of credit with correspondent banks	<b>124,233,464</b>	104,455,039
<b>Total</b>	<b>988,388,932</b>	1,509,139,129

**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:

	2019 SDG	2018 SDG
Local banks	<b>100,990,499</b>	200,000,000
Foreign banks and financial institutions	<b>368,496,000</b>	648,280,000
<b>Total</b>	<b>469,486,499</b>	848,280,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	Notes	2019	2018
<b>Securities at fair value through equity</b>		<b>SDG</b>	<b>SDG</b>
Liquidity Management Fund-Not listed	6.1	<b>16,492,477</b>	12,732,737
<b>Securities carried at cost</b>			
Shahama Certificates - Listed	6.2	<b>4,318,000</b>	4,071,000
Shasha Certificates - Listed	6.3	<b>3,212,004</b>	6,853,500
Less : provision for Shasha impairment	6.3	<b>(3,212,004)</b>	(6,853,500)
Sudan Academy Fund - Not listed	6.4	-	600,000
Total		<b>20,810,477</b>	17,403,737

#### 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.

**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. This fund was fully liquidated in December 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 7- FINANCE TO CUSTOMERS, NET

		2019	2018
7.1 By type	Notes	SDG	SDG
<b>Deferred sales receivables :</b>			
Murabaha receivables		2,680,232,017	1,816,127,961
Istisna receivables		95,750,283	51,818,850
Ijara	7.1.1	2,060,367	6,446,607
Staff Financing		3,261,033	4,203,742
Total deferred sales receivables		<u>2,781,303,700</u>	<u>1,878,597,160</u>
<b>Mudaraba &amp; Musharaka :</b>			
Mudaraba financing		1,222,304,807	315,410,388
Musharaka financing		321,965,421	254,916,258
<b>Total finance to customers</b>		<u>4,325,573,928</u>	<u>2,448,923,806</u>
Less : deferred profit		(263,336,914)	(172,285,671)
<b>Total finance, net of deferred profit</b>		<u>4,062,237,014</u>	<u>2,276,638,135</u>
Less : provision for finance losses	7.1.2	(53,355,001)	(71,100,376)
<b>Total finance to customers, net</b>		<u><u>4,008,882,013</u></u>	<u><u>2,205,537,759</u></u>
		2019	2018
		SDG	SDG
<b>7.1.1 Ijara comprise:</b>			
Cost of leased motor vehicles		1,230,193	2,804,883
Cost of leased Plant & Equipment		431,380	2,824,139
<b>Deferred rental</b>		398,794	817,585
<b>Total</b>		<u><u>2,060,367</u></u>	<u><u>6,446,607</u></u>

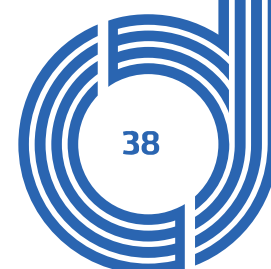
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

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

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

**The accumulated provision for finance losses is as follows:**

	<b>2019</b>	2018
	<b>SDG</b>	SDG
<b>General Provision:</b>		
Balance at beginning of the year	<b>42,194,713</b>	13,435,571
Provided during the period	<b>4,782,369</b>	28,759,142
Balance at the end of the year	<b>46,977,082</b>	42,194,713
<b>Specific Provision:</b>		
Balance at beginning of the year	<b>28,905,663</b>	135,004,618
Provided during the year	-	22,474,351
Recoveries of amounts previously provided	<b>(21,910,775)</b>	(128,573,306)
FX Changes	<b>(616,969)</b>	-
Balance at the end of the year	<b>6,377,919</b>	28,905,663
<b>Total accumulated provision at end of the year</b>	<b>53,355,001</b>	71,100,376



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

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

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

<b>General Provision:</b>	<b>Notes</b>	<b>2019 SDG</b>	<b>2018 SDG</b>
Total provided of general provision	a	<b>4,782,369</b>	28,759,142
<b>Specific Provision:</b>			
Provided during the year		-	22,474,351
Recoveries of amounts previously provided		<b>(21,910,775)</b>	(128,573,306)
FX Changes of recovered amounts	7.1.3.1	-	(537,263,200)
Total recovery of specific provision	b	<b>(21,910,775)</b>	(643,362,155)
<b>Net provided of the provision expense for the year</b>		<b>(17,128,406)</b>	(614,603,013)

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.

**7.1.3.1FX Changes of recovered amounts**

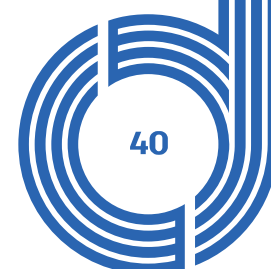
The FX Changes are due to the increase in the equivalent value (in SDG) of the provisions in foreign currencies (of about USD 14.1 million), which was created before the devaluation of the SDG during 2018.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

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

<b>7.2 By Industry</b>	<b>2019</b>	<b>2018</b>
	<b>SDG</b>	<b>SDG</b>
Industrial	<b>2,451,829,205</b>	1,389,321,663
Export	<b>1,019,870,420</b>	597,652,509
Service	<b>297,586,607</b>	61,226,401
Micro Finance & Social Dimension	<b>169,426,952</b>	54,069,772
Mining	<b>128,176,786</b>	58,271,211
Local Trade	<b>67,604,295</b>	-
Real -State	<b>57,305,820</b>	88,015,039
Import	<b>47,266,342</b>	453,140
Transportation	<b>16,981,221</b>	6,393,516
Agriculture	<b>2,575,556</b>	44,966,116
Other	<b>66,950,724</b>	148,554,439
<b>Total finance</b>	<b>4,325,573,928</b>	2,448,923,806
Less: deferred profit	<b>(263,336,914)</b>	(172,285,671)
<b>Total finance, net of deferred profit</b>	<b>4,062,237,014</b>	2,276,638,135
less: Provision for finance losses	<b>(53,355,001)</b>	(71,100,376)
<b>Finance to customers, net</b>	<b>4,008,882,013</b>	2,205,537,759

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

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

	Notes	2019 SDG	2018 SDG
<b>7.3 By Portfolio</b>			
Performing finance to customers		<b>4,319,196,012</b>	2,431,977,403
Non-performing finance to customers	7.3.1	<b>6,377,916</b>	16,946,403
<b>Total finance to customers</b>		<b>4,325,573,928</b>	2,448,923,806
Less : deferred profit		<b>(263,336,914)</b>	(172,285,671)
<b>Total finance to customers, net of deferred profit</b>		<b>4,062,237,014</b>	2,276,638,135
General provision	7.1.2	<b>(46,977,082)</b>	(42,194,713)
Specific provision	7.1.2	<b>(6,377,919)</b>	(28,905,663)
Total provision		<b>(53,355,001)</b>	(71,100,376)
<b>Finance to customers, net</b>		<b>4,008,882,013</b>	2,205,537,759

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, 2019 the total of past-due installments excluding profit margins amounted to SDG 6,207,680 (2018: 14,679,413). While the total past due installments, including profit margins as at December 31, 2019 is SDG 16,946,403 :2018) 6,377,916).

**8. OTHER INVESTMENTS**

	Notes	2019 SDG	2018 SDG
<b>Investment in companies</b>			
Al-Hadah Grain Silos for Investments	8.1	<b>10,705,738</b>	10,705,738
Less: Provision for Impairment		<b>(10,705,738)</b>	(10,705,738)
Subtotal		-	-
Equity participation			
Microfinance Gurantee Agency	8.2	<b>1,316,000</b>	658,000
Less: Provision for Impairment		<b>(1,316,000)</b>	(658,000)
Subtotal		-	-
<b>Total</b>		-	-

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

**8.2** Represents the bank's share in Microfinance Guarantee Agency (Tayssir), which was established by the government to expand microfinance services through covering part of the risk of the Microfinance Finance Institutions (MFIs) by letter of guarantee issued according to specific conditions. The agency's capital is about SDG 550 million, in which banks contribute about SDG100 million, distributed equally to banks by SDG 2.632 thousand for each bank to be paid in four equal installments, the value of each installment is about SDG 658 thousand. The bank's management decided to build a provision of 100% for this contribution due to the high risk of recovery.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

<b>9- OTHER ASSETS</b>	<b>Notes</b>	<b>2019 SDG</b>	<b>2018 SDG</b>
Sundry receivables	9.1	<b>103,616,100</b>	14,996,930
Deferred expenses	9.2	<b>13,627,935</b>	5,783,997
Prepaid expenses	9.3	<b>12,883,370</b>	6,058,998
Accrued income		<b>4,646,424</b>	13,261,966
Assets aquired for financing		-	26,948,136
Sundry receivables - CBOS		-	4,976,407
Other		<b>354,670</b>	852,907
<b>Total</b>		<b><u>135,128,499</u></b>	<b><u>72,879,341</u></b>

**9.1 Sundry receivables**

Represent receivable accounts in the subsidiaries' records

**9.2 Deferred expenses:**

The bank grant cars to some of the senior staff according to specific conditions, the bank bears 80% of its value while the employee bears 20%. The car's ownership is registered in the employee's name and being mortgaged in favor of the bank, provided that the employee continues to work with the bank for a period of 5 years, if not, the employee must pay the outstanding balance of his car. The deferred expenses represent the outstanding balance of the cars, which will be amortized over the contracted period (5 years) of each employee.

**9.3 Prepaid expenses:**

Represents the annual support for the core banking system, insurance, lease contracts, advertisement and promotion expenses paid in advance, and are amortized within the operating expenses as per the accrual basis.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended December 31, 2019

**10 – PROPERTY AND EQUIPMENT, NET**

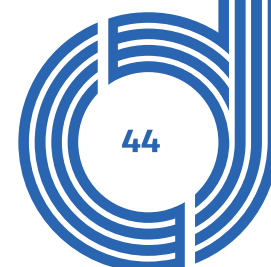
	Land and Buildings		IT equipment		Office equipment, Furniture & fixtures		Motor vehicles		Intangible assets: Computer Software		Total	
	SDG		SDG		SDG		SDG		SDG		SDG	
<b>Cost</b>												
Balance at January 2019, .1	800,491,693		28,790,805		61,860,482		36,200,000		90,690,403		1,018,033,383	
Acquisitions	10,874,444		33,057,711		10,687,743		11,141,577		-		65,761,475	
Disposals	-		(666,811)		-		(1,500,000)		-		(2,166,811)	
<b>Balance at December 2019, .31</b>	<b>811,366,137</b>		<b>61,181,705</b>		<b>72,548,225</b>		<b>45,841,577</b>		<b>90,690,403</b>		<b>1,081,628,047</b>	
<b>Accumulated depreciation and amortization</b>												
Balance at January 2019, .1	4,173,806		3,468,022		5,358,734		965,384		3,600,772		17,566,718	
Depreciation expense for the year	9,040,074		6,870,771		14,253,847		11,115,027		12,736,511		54,016,230	
Disposals	-		-		-		(372,918)		-		(372,918)	
<b>Balance at December 2019, .31</b>	<b>13,213,880</b>		<b>10,338,793</b>		<b>19,612,581</b>		<b>11,707,493</b>		<b>16,337,283</b>		<b>71,210,030</b>	
<b>Net book value at December 31, 2019</b>	<b>798,152,257</b>		<b>50,842,912</b>		<b>52,935,644</b>		<b>34,134,084</b>		<b>74,353,120</b>		<b>1,010,418,017</b>	
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	

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

	Notes	2019	2018
<b>11-DUE TO BANKS AND FINANCIAL INSTITUTIONS</b>		<b>SDG</b>	<b>SDG</b>
Local banks		51,391,209	55,301,727
Foreign banks		48,137,873	106,738,615
<b>Total</b>		<b>99,529,082</b>	<b>162,040,342</b>
		<b>2019</b>	<b>2018</b>
<b>12-CUSTOMERS' DEPOSITS</b>		<b>SDG</b>	<b>SDG</b>
Current accounts-Corporate		2,045,958,662	1,205,287,574
Current accounts-Individuals		565,609,193	275,823,265
Saving accounts		45,811,056	30,164,107
Total current accounts	12.1	2,657,378,911	1,511,274,946
Margins of LCs & LGs	12.1	193,100,575	285,891,515
<b>Total</b>		<b>2,850,479,486</b>	<b>1,797,166,461</b>
		<b>2019</b>	<b>2018</b>
<b>12.1-Foreign currency deposits included in customers' deposits:</b>		<b>SDG</b>	<b>SDG</b>
Current accounts		372,442,500	591,409,202
Margins of LCs & LGs		192,323,020	227,923,271
<b>Total</b>		<b>564,765,520</b>	<b>819,332,473</b>
		<b>2019</b>	<b>2018</b>
<b>13-OTHER LIABILITIES</b>		<b>SDG</b>	<b>SDG</b>
Bills payable		72,427,125	42,378,435
Zakat payable		19,313,964	19,043,586
Business profit tax payable		81,900,974	38,639,211
Provision for Staff end of service benefits		43,484,223	31,840,249
Board of Directors remuneration		25,208,571	39,001,220
Provision for annual bonus		29,622,583	66,947,251
Unearned commissions		30,812,122	9,475,932
Dividends payable		4,079,920	4,290,381
Payable on parallel Istisnaa		8,202,343	16,665,888
Accounts payable and accrued expenses		52,069,576	61,306,370
Unclaimed Account balances		23,396,886	22,256,382
Others		1,706,337	1,104,585
<b>Total</b>		<b>392,224,624</b>	<b>352,949,490</b>

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

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

	2019 SDG	2018 SDG
Local banks and financial institutions	800,000,000	182,857,587
Foreign banks and financial institutions	127,019,100	162,277,996
Sub-total	<u>927,019,100</u>	<u>345,135,583</u>
Return to Unrestricted Investment Account Holders	135,861,412	30,729,297
Payments on account of profit during the year	(12,333,333)	(2,400,000)
<b>Total</b>	<u><b>1,050,547,179</b></u>	<u><b>373,464,880</b></u>

#### 15- OTHER INVESTMENT DEPOSITS

Corporations	714,658,470	882,968,552
Individuals	54,261,014	43,981,416
Sub-total	<u>768,919,484</u>	<u>926,949,968</u>
Return to Unrestricted Investment Account holders	65,064,478	33,203,952
Payments on account of profit during the year	(1,169,664)	(2,570,664)
Annual subscriptions to Deposits Guarantee Fund	(1,048,818)	(779,164)
<b>Total</b>	<u><b>831,765,480</b></u>	<u><b>956,804,092</b></u>

All investment deposits (in note "14" and "15") include balances in foreign currencies equivalent to SDG 455,528,896 (618,521,980 :2018)

#### 16- SHARE CAPITAL

	2019 SDG	2018 SDG
Authorized, issued and paid up share capital : 24 million shares of SDG 10 each (24 :2018 million shares of SDG 10 each)	<u><b>240,000,000</b></u>	<u>240,000,000</u>

#### 17- SHARE PREMIUM

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

	Notes	2019 SDG	2018 SDG
<b>18- RESERVES</b>			
Statutory reserve	18.1	149,573,684	134,638,676
Fixed assets revaluation surplus	18.2	895,408,277	896,849,618
Foreign currencies revaluation reserve	18.3	821,583,649	863,040,725
Fair value reserve		697,604	34,737
<b>Total</b>		<u><b>1,867,263,214</b></u>	<u><b>1,894,563,756</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 18- RESERVES (Continued):

##### 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 .

##### 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 in November 2018 to re-evaluate the fixed assets of the bank after obtained the Central Bank of Sudan approval. The evaluation was conducted on December 2018 ,20, and led to a surplus of about SDG 897 million at that time.

	Notes	2019 SDG	2018 SDG
Balance in 1/1		896,849,618	-
Fixed assets revaluation surplus		-	896,849,618
Revaluation surplus of assets sold		(1,441,341)	-
<b>Total</b>		<b>895,408,277</b>	<b>896,849,618</b>

##### 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	2019 SDG	2018 SDG
The details of foreign currencies revaluation reserves :			
Opening balance		863,040,725	57,047,992
Foreign currencies revaluation gain (loss)		(41,457,076)	268,729,533
FC revaluation gain from specific provision recovery	7.1.3.1	-	537,263,200
<b>Total</b>		<b>821,583,649</b>	<b>863,040,725</b>

##### 19- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS

	2019 SDG	2018 SDG
Local banks	15,199,694	21,640,581
Foreign banks	7,626,664	10,179,382
<b>Total income from investment with banks and financials institutions</b>	<b>22,826,358</b>	<b>31,819,963</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

	2019	2018
<b>20- INCOME FROM INVESTMENT IN SECURITIES</b>	<b>SDG</b>	<b>SDG</b>
Shahama certificates	1,098,705	513,340
Liquidity Management Fund	1,201,956	487,397
Sudan Academy for Financial and Banking Studies Fund	25,902	23,764
<b>Total</b>	<b>2,326,563</b>	<b>1,024,501</b>
<b>21- INCOME FROM FINANCE TO CUSTOMERS</b>	<b>2019</b>	<b>2018</b>
	<b>SDG</b>	<b>SDG</b>
Income from deferred sales receivables :		
Murabaha	402,574,650	240,812,711
Istisnaa/ Mugawala	12,442,237	8,819,654
Ijarah	12,281,044	20,657,841
Subtotal	427,297,931	270,290,206
Income from Mudaraba & Musharaka :		
Mudaraba	88,970,022	24,447,664
Musharakah	55,896,769	16,496,296
Subtotal	144,866,791	40,943,960
<b>Total</b>	<b>572,164,722</b>	<b>311,234,166</b>
<b>22- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		
	<b>Notes</b>	
	<b>2019</b>	<b>2018</b>
	<b>SDG</b>	<b>SDG</b>
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	294,791,188	90,345,554
Bank's share as Mudarib	(93,863,529)	(30,756,336)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib	200,927,659	59,589,218
Annual subscriptions to Deposits Guarantee Fund	(1,048,818)	(752,482)
Unrestricted Investment Account Holders' share of profit , net	199,878,841	58,836,736
Average profit distribution rates :		
Investment accounts in local currency (SDG)	12.24%	9.64%
Investment accounts in foreign currencies	0.71%	1.00%

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

	<b>2019</b>	2018
	<b>SDG</b>	SDG
<b>23- FEE INCOME</b>		
Letters of credit	<b>161,988,097</b>	32,658,882
Letters of guarantees	<b>11,515,501</b>	3,710,535
Administration fees	<b>12,177,367</b>	5,584,556
Draft cheques, transfers and remittances	<b>5,715,346</b>	14,965,349
Ledger Fees	<b>3,021,841</b>	1,450,678
Management of restricted investment accounts	<b>1,064,848</b>	4,340,600
Brokerage fees	<b>613,721</b>	437,851
Portfolio Managed by Bank	<b>1,844,264</b>	1,291,143
Insurance agency commissions	<b>116,936</b>	1,295,320
Fee from other banking services	<b>4,261,536</b>	3,478,081
<b>Total</b>	<b>202,319,457</b>	69,212,995

	<b>Notes</b>	<b>2019</b>	2018
		<b>SDG</b>	SDG
<b>24- FOREIGN EXCHANGE GAIN, NET</b>			
Foreign currencies transaction Gain (Loss)		<b>(5,152,694)</b>	(1,227,983)
Foreign currencies revaluation gain	26.1	<b>(41,457,076)</b>	268,729,533
<b>Total</b>		<b>(46,609,770)</b>	267,501,550

**24 -1 FOREIGN CURRENCIES REVALUATIONGAIN**

As a result of the improvement in the exchange price of the SDG against the foreign currencies in 2019, where the SDG exchange price was 45.1 against the US dollar (December 2018 ,31 : USD 1 = SDG 47.6 ), the bank recorded FX revaluation losses by about SDG 41 million . While the bank had recorded FX revaluation gain by about SDG 269 million in 2018 as a result of the devaluation of the SDG to 47.6 against the US dollar (December 2017 ,31: USD 1 = SDG 8.9).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

	Notes	2019 SDG	2018 SDG
<b>25- GENERAL AND ADMINSTRATIVE EXPENSES</b>			
Bank premises expense	25.1	<b>13,150,398</b>	8,566,543
Communications		<b>3,106,589</b>	2,078,738
Maintenance of equipment, furniture & motor vehicles		<b>10,687,443</b>	5,708,825
Computer expenses		<b>13,060,147</b>	8,333,687
Marketing & promotion		<b>7,803,918</b>	3,285,045
Office supplies		<b>5,447,661</b>	2,822,648
Business travel		<b>3,648,400</b>	3,627,215
Legal and consultants expenses		<b>10,807,582</b>	4,018,356
Training		<b>6,398,465</b>	4,518,415
Subscriptions		<b>5,272,328</b>	3,805,782
Board and General Assembly expenses		<b>31,084,603</b>	41,800,105
Bank charges		<b>526,599</b>	218,666
Donations		<b>575,500</b>	417,885
Cash Insurance		<b>1,178,359</b>	569,685
Cash Sorting		<b>3,075,647</b>	678,079
Catering Service		<b>3,541,406</b>	1,351,985
Government dues		<b>265,293</b>	1,725,049
Other		<b>2,542,493</b>	1,748,545
<b>Total</b>		<b>122,172,831</b>	95,275,253

**25.1- Bank premises expense**

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

	2019 SDG	2018 SDG
<b>26- EARNINGS PER SHARE</b>		
Net income for the year	<b>162,477,439</b>	944,011,015
Weighted average number of shares outstanding	<b>24,000,000</b>	24,000,000
Earnings per share (in SDG)	<b>6.77</b>	39.33

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 27- 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:

Balance sheet items:	2019		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2019
	SDG	SDG	SDG
Cash and balances with banks and financial institutions	11,963,719	-	11,963,719
Financing and investing assets	1,164,223,744	27,385,055	1,191,608,799
Due to banks and financial institutions	13,237,799	-	13,237,799
Current and investments deposits	855,109,450	238,494	855,347,944
Non-controlling interest	-	-	-
<b>Income statement items:</b>			
Profit from financing	163,568,425	1,682,587	165,251,012
Fees income	31,611,760	-	31,611,760
Bank charges	-	-	-
<b>Key Management Personnel compensation:</b>			
Salaries and other benefits	12,642,590	49,685,477	62,328,067
Post - employment benefits	-	7,378,082	7,378,082



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**27- RELATED PARTY TRANSACTIONS (continued) :**

<b>Balance sheet items:</b>	2018		<b>Total at December 31, 2018 SDG</b>
	<b>Major shareholders, Directors and their affiliated entitles SDG</b>	<b>Key Management Personnel SDG</b>	
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	-	-	-
<b>Income statement items:</b>			
Profit from financing	70,091,666	907,491	70,999,157
Fees income	14,870,676	-	14,870,676
Bank charges	-	-	-
<b>Key Management Personnel compensation:</b>			
Salaries and other benefits	39,379,369	46,560,775	85,940,144
Post - employment benefits	-	5,301,421	5,301,421

**28- COMMITMENTS AND CONTINGENCIES :**

Commitments and contingencies at December 31, are as follows :

	<b>Notes</b>	<b>2019 SDG</b>	<b>2018 SDG</b>
<b>28.1.Financing - related commitments and contingencies :</b>			
Letters of credit		<b>403,052,866</b>	459,731,842
Letters of guarantees		<b>183,482,750</b>	254,953,589
<b>Total financing-related commitments and contingencies</b>		<b>586,535,616</b>	714,685,431
<b>28.2 Non-financing related commitments :</b>			
Restricted investment accounts	29	<b>1,149,303,899</b>	1,249,246,023
<b>Total commitments and contingencies</b>		<b>1,735,839,515</b>	1,963,931,454

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**28 - COMMITMENTS AND CONTINGENCIES (continued)**

**28.2 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:**

2019	within 3 months	3-6 months	6m-1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Letters of credit	204,341,398	198,711,468	-	-	403,052,866
Letters of guarantee	180,607,716	2,190,000	685,034	-	183,482,750
<b>Total</b>	<b>384,949,114</b>	<b>200,901,468</b>	<b>685,034</b>	-	<b>586,535,616</b>

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
<b>Total</b>	<b>383,196,675</b>	<b>331,488,756</b>	-	-	<b>714,685,431</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

#### 29. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 1,149,303,899 as at December 31, 2019 ( 2018 : SDG 1,249,246,023). 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.

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 :

	2019 SDG	2018 SDG
Murabaha finance	928,799,187	1,008,343,063
Musharaka finance	18,172,500	58,570,748
Shahama Securities	176,452,000	156,452,000
Shama Certificates	24,640,500	24,640,500
Sudatel Shares	1,239,712	1,239,712
<b>Total</b>	<b>1,149,303,899</b>	<b>1,249,246,023</b>

##### b) By sector

Banks and financial institutions	1,131,131,399	1,190,675,275
Individuals	18,172,500	58,570,748
<b>Total</b>	<b>1,149,303,899</b>	<b>1,249,246,023</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**30. 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	
	2019	2018	2019	2018
	SDG	SDG	SDG	SDG
Core capital ( Tier 1 )	<b>1,469,850,996</b>	1,498,995,789	<b>30%</b>	38%
Core and supplementary capital ( Tier 2)	<b>1,920,075,724</b>	1,944,772,830	<b>39%</b>	50%

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 Tier1 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	
	2019	2018
	SDG	SDG
Credit Risk	<b>4,986,577,073</b>	4,010,650,006
Operational risk	<b>576,198,025</b>	400,137,332
Market risk	<b>722,714,262</b>	529,323,677
<b>Total Pillar 1 - Risk Weighted Assets:</b>	<b><u>6,285,489,360</u></b>	<u>4,940,111,015</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

## **31- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **31.1 Financial instruments**

Financial instruments cover all financial assets and liabilities of the Bank. Financial assets include cash 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.

### **31.2 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:"

#### **31.2.1 Profit rate risk**

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

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

#### **31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

##### **31.2.2 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.

##### **31.2.3 Liquidity risk**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The maturity profile of the assets and liabilities at December 2019 ,31 is as follows:

Assets	2019				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	1,945,808,807	-	-	-	<b>1,945,808,807</b>
Investments with banks and financial institutions	469,486,499	-	-	-	<b>469,486,499</b>
Investments in securities	19,053,104	247,000	1,466,500	43,873	<b>20,810,477</b>
Finance to customers, net	852,025,954	916,393,917	1,254,383,957	986,078,185	<b>4,008,882,013</b>
Other investments	-	-	-	-	-
Other assets	76,994,386	42,853,771	5,058,892	10,221,450	<b>135,128,499</b>
Property and equipment, net	-	-	-	1,010,418,017	<b>1,010,418,017</b>
<b>TOTAL ASSETS</b>	<b>3,363,368,750</b>	<b>959,494,688</b>	<b>1,260,909,349</b>	<b>2,006,761,525</b>	<b>7,590,534,312</b>

**Liabilities and Shareholders' Equity**

Due to banks and financial institutions	85,949,664	-	13,579,418	-	<b>99,529,082</b>
Customers' deposits	2,790,115,291	60,261,440	102,755	-	<b>2,850,479,486</b>
Other Liabilities	223,622,723	67,396,079	34,526,004	66,679,818	<b>392,224,624</b>
Equity of unrestricted investment account holders	1,691,974,015	112,331,381	77,637,135	370,128	<b>1,882,312,659</b>
Non-controlling interest	-	-	-	31,583	<b>31,583</b>
Shareholders' equity	-	-	-	2,365,956,878	<b>2,365,956,878</b>
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>4,791,661,693</b>	<b>239,988,900</b>	<b>125,845,312</b>	<b>2,433,038,407</b>	<b>7,590,534,312</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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

Assets	2018				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	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	1 0,276,912	72,879,341
Property and equipment, net	10,879,033	10,879,033	21,758,065	956,950,534	1,000,466,665
<b>TOTAL ASSETS</b>	<b>3,049,818,068</b>	<b>322,284,536</b>	<b>757,911,650</b>	<b>1,775,255,277</b>	<b>5,905,269,531</b>

**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
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>2,987,331,784</b>	<b>263,915,921</b>	<b>213,955,729</b>	<b>2,440,066,097</b>	<b>5,905,269,531</b>





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended December 31 , 2019

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

##### 31.2.4 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, 2019	Dec. 31, 2018
	Long (short)	Long (short)
Euro	<b>83,911,860</b>	15,564,135
US Dollar	<b>664,046,328</b>	(251,308,484)
Other currencies	<b>334,150,306</b>	724,518,462
Net FC position (Long position)	<b>1,082,108,494</b>	488,774,113

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

The following are the exchange prevailing rates for the major currencies at year end under which all the financial assets and liabilities foreign currencies are valued :

Currency	Dec. 31, 2019	Dec. 31, 2018
Euro	<b>50.54</b>	54.41
US Dollar	<b>45.11</b>	47.62
Emirates dirham (AED)	<b>12.28</b>	12.97
Saudi riyal (SAR)	<b>12.03</b>	12.69

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Year ended December 31 , 2019**

#### **31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

##### **31.2.5 Market risk**

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

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

The Bank is not exposed to 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.

##### **31.2.6 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.

##### **31.2.7 Operational and other risks**

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an impact on the operations. The Bank seeks to minimize actual or potential losses from operational risks failure through a framework of policies and procedures that are approved by its Board of Directors and are applied to identify, assess, control and manage operational risk. 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.

#### **32. SEGMENTAL INFORMATION**

For the years ended at December 31, 2019 and 2018 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, 2019 and 2018 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended December 31 , 2019**

**33. 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.

**34. COMPARATIVE FINANCIAL STATEMENTS**

Certain 2018 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.





## Bank Deposit Security Fund Advertisement

Dear Citizen

Welcome to the Bank you chose for your financial transaction and be informed that :

- All your deposits ( current, saving and investment) in all banks working in the country are secured by the Bank Deposit Security Fund.
- In case of liquidation of a bank or cease of operations, the Fund commits to pay all deposits secured, up to the highest secured limit within one month time.
- The highest secured limit is adjustable from time to time in accordance with the development of the Fund resources.
- The Fund gives you a multiple security for your deposits if deposited in different banks.
- All banks working in the country are members of the Fund , as membership is mandatory.
- Deposits of non-Sudanese in local currency are covered by this security as the nationality of the depositor is not affecting the deposit security.
- ( Get it tied up and rely on HIM ) in other words, leave your money with us and be sure that it is in safe custody and at your hand at any moment of time after the wide spread of ATMs.



## Directory of Head Office, Branches and Subsidiary Companies

### Head Office

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

### Main Branch

Plot 411 , Square 65, Mamoun Beheiry St,  
South liberty 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 Sinaaat Street, Khartoum North  
P.O Pox : 1173 , Khartoum North , Sud  
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 , Sud  
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  
Liberty 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  
Liberty Square Khartoum  
P .O Pox : 8210 Al Amarat , Khartoum, Sudan  
Tel : 00249-183-247700  
Fax: 00249-183-235000