

UNITED CAPITAL BANK
(Public Limited Company)
CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2020

UNITED CAPITAL BANK

CONTENTS OF THE CONSOLIDATED FINANCIAL STATEMENTS

<i>Note No.</i>		<i>Page No.</i>
	SHARIAH SUPERVISORY BOARD (SSB) REPORT	
	AUDITOR'S REPORT	
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	2
	CONSOLIDATED INCOME STATEMENT	3
	CONSOLIDATED STATEMENT OF CASH FLOWS	4
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	5
	CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS	6
	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
1	INCORPORATION AND ACTIVITIES	7
2	BASIS OF PREPARATION	7
3	SIGNIFICANT ACCOUNTING POLICIES	9
4	CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS	14
5	INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	14
6	INVESTMENTS IN SECURITIES	15
7	FINANCE TO CUSTOMERS	16
8	OTHER INVESTMENTS	18
9	OTHER ASSETS	19
10	PROPERTY AND EQUIPMENT	20
11	DUE TO BANKS AND FINANCIAL INSTITUTIONS	21
12	CUSTOMERS' DEPOSITS	21
13	OTHER LIABILITIES	21
14	INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS	22
15	OTHER INVESTMENT DEPOSITS	22
16	SHARE CAPITAL	22
17	SHARE PREMIUM	22
18	RESERVES	22
19	INCOME FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	23
20	INCOME FROM INVESTMENTS IN SECURITIES	24
21	INCOME FROM FINANCE TO CUSTOMERS	24
22	OTHER INVESTMENTS	24
23	RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	24
24	FEE INCOME	25
25	NET (LOSS) / PROFIT FROM FOREIGN CURRENCY REVALUATION	25
26	GENERAL AND ADMINISTRATIVE EXPENSES	25
27	EARNING PER SHARE	26
28	RELATED PARTY TRANSACTIONS	26
29	COMMITMENTS AND CONTINGENCIES	28
30	RESTRICTED INVESTMENT ACCOUNTS	29
31	CAPITAL ADEQUACY	30
32	FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	31
33	SEGMENTAL INFORMATION	36
34	SHARIAH SUPERVISORY COMMITTEE	36
35	COMPARATIVE FINANCIAL STATEMENTS	36
36	SUBSEQUENT EVENTS	37

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 2020-31 Dec 2020)
Corresponding to (6 Jumada I, 1441- 16 Jumada I, 1442AH)

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 investment accounts 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, 2020, 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 Almarwarid 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 2020, the SSB decides the following:
 - A. The contracts, operations and transactions executed by the bank within the year ending on 31 Dec 2020 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 2020.
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 

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

Opinion

We have audited the consolidated financial statements of **United Capital Bank**, which comprise of the consolidated statement of financial position, the consolidated statements of profit or loss and other comprehensive income, changes in partners' account and cash flows for the year ended 31 December 2020, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 36.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of 31st December 2020 and of its consolidated financial performance and its cash flows for the year then ended in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), International Financial Reporting Standards for items not covered by AAOIFI standards and the general principles as determined by the Bank's Shari'a Supervisory Committee.

Basis for opinion

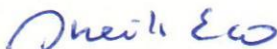
We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company within the meaning of the ethical requirements as set out in the International Standards on Auditing and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the consolidated Financial Statements

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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.


Sheikh & Co.

Khartoum, Sudan

January 2022



UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

ASSETS	<i>Notes</i>	2020 <i>SDG</i>	2019 <i>SDG</i>
Cash and balances with banks and financial institutions	4	3,513,300,940	1,945,808,807
Investments with banks and financial institutions	5	480,823,750	469,486,499
Investments in securities	6	25,982,608	20,810,477
Finance to customers, net	7	6,868,472,962	4,008,882,013
Other investments	8	-	-
Other assets	9	156,402,031	135,128,499
Property and equipment, net	10	996,839,138	1,010,418,017
TOTAL ASSETS		12,041,821,429	7,590,534,312
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks and financial institutions	11	111,519,784	99,529,082
Customers' deposits	12	5,424,110,474	2,850,479,486
Other Liabilities	13	700,040,674	392,224,624
TOTAL LIABILITIES		6,235,670,932	3,342,233,192
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Investment deposits -banks and financial institutions	14	1,707,855,672	1,050,547,179
Investment deposits-other	15	1,254,362,225	831,765,480
TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		2,962,217,897	1,882,312,659
SHAREHOLDERS' EQUITY			
Share capital	16	240,000,000	240,000,000
Share premium	17	4,500,000	4,500,000
Reserves	18	2,163,551,036	1,867,263,214
Retained earnings		435,853,269	254,193,664
Total Shareholders' equity of the parent company		2,843,904,305	2,365,956,878
Non-controlling interest		28,295	31,583
TOTAL SHAREHOLDERS' EQUITY		2,843,932,600	2,365,988,461
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		12,041,821,429	7,590,534,312
COMMITMENTS AND CONTINGENCIES	29	2,505,878,715	1,735,839,515

Yousif Ahmed El-Tinay
CEO

Amira Ali Al Alami
Board Member

Mansour Qaiser Bteish
Acting Chairman

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2020

	Notes	2020 SDG	2019 SDG
INCOME FROM :			
Investments with banks and financial institutions	19	18,033,403	22,826,358
Investments in securities	20	1,397,160	2,326,563
Finance to customers	21	854,634,405	542,807,712
Other investments	22	94,918,330	29,357,010
Total income from financing and investments		968,983,298	597,317,643
Less: Return to unrestricted investment account holders	23	(220,325,832)	(199,878,841)
Net income from investments and financing		748,657,466	397,438,802
Fee income	24	193,135,527	202,319,457
Recovery of provision for impairment		2,121,284	2,983,488
Net (loss) / profit from foreign currency revaluation	25	250,961,162	(41,457,076)
Total operating income		1,194,875,439	561,284,671
EXPENSES			
Staff cost		(227,960,533)	(138,173,373)
General and administrative expenses	26	(194,344,433)	(122,172,831)
Depreciation	10	(61,889,608)	(54,016,230)
Net Loss from foreign exchange transactions		(704,773)	(5,152,694)
Total operating expenses		(484,899,347)	(319,515,128)
Net operating profit before provisions, zakat and income tax		709,976,092	241,769,543
Provision for finance losses	7.1.3	(27,776,421)	17,128,407
Net operating profit before zakat and income tax		682,199,671	258,897,950
Zakat expense		(32,335,183)	(17,387,189)
Income tax expense		(141,272,479)	(79,029,433)
Net profit		508,592,009	162,481,328
Less: net profit attributable to non-controlling interest		3,288	(3,889)
Net profit attributable to equity holders of the parent company		508,595,297	162,477,439
Earnings per share	27	21.19	6.77



Yousif Ahmed El-Tinay
CEO



Amira Ali Al Alami
Board Member



Mansour Qaiser Bteish
Acting Chairman

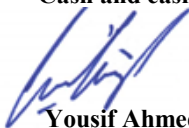
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UNITED CAPITAL BANK

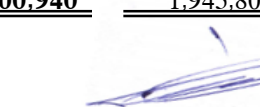
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 20120

	<i>Notes</i>	2020 <i>SDG</i>	2019 <i>SDG</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		508,595,297	162,477,439
Adjustments to reconcile net profit:			
Depreciation and amortization		61,889,608	54,016,230
FC revaluation gain		(250,961,162)	46,609,770
Zakat		32,335,183	17,387,189
Income tax		141,272,479	79,029,433
Provision for staff end of service benefits		22,675,449	11,643,974
Provision for finance losses		27,776,421	(17,128,407)
Provision for impairment		-	(2,983,488)
Provision for staff bonus		42,491,654	29,622,583
Return to unrestricted investment account holders		220,325,832	199,878,841
Gain on disposal of property and equipment		(12,500)	(750,916)
Net cash flow from operating activities		806,388,261	579,802,648
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(5,820,000)	(4,001,881)
Proceeds from sale of investment		-	4,241,496
Acquisition of property and equipment		(48,310,729)	(65,761,475)
Proceeds from sale of property and equipment		12,500	2,544,809
Deferred sales receivables		(2,760,048,925)	(858,882,036)
Mudaraba financing		383,007,456	(906,894,419)
Musharaka financing		(259,364,737)	(67,049,163)
Net cash flow from investment activities		(2,690,524,435)	(1,895,802,669)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (increase)/decrease in operating assets:			
Investments with banks and financial institutions		(11,337,251)	378,793,501
Other assets		(21,273,532)	(62,249,158)
Due to banks and financial institutions		11,990,702	(62,511,260)
Customers deposits		2,573,630,988	1,053,313,025
Other liabilities		69,041,283	(98,408,044)
Net movement in non-controlling interest		(3,289)	3,889
Dividends paid		(30,000,000)	(60,000,000)
Net increase in equity of unrestricted investment accounts		859,579,406	352,164,846
Net cash flow from financing activities		3,451,628,307	1,501,106,799
Net increase in cash & cash equivalents		1,567,492,133	185,106,778
Cash and cash equivalents at beginning of the year		1,945,808,807	1,760,702,029
Cash and cash equivalents at end of the year	4	3,513,300,940	1,945,808,807


Yousif Ahmed El-Tinay
CEO


Amira Ali Al Alami
Board Member


Mansour Qaiser Bteish
Acting Chairman

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UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2020

	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, 2020	240,000,000	4,500,000	149,573,684	895,408,277	821,583,649	697,604	254,193,663	-	2,365,956,877	31,583	2,365,988,460	
Net Profit for the year	-	-	-	-	-	-	508,595,297	-	508,595,297	(3,288)	508,592,009	
Transfer to statutory reserve	18-1	-	45,974,529	-	-	-	(45,974,529)	-	-	-	-	
Net change in fair value reserve		-	-	-	-	(647,869)	-	-	(647,869)	-	(647,869)	
Fixed assets revaluation surplus	18-2	-	-	-	-	-	-	-	-	-	-	
Foreign Currencies revaluation reserve	18-3	-	-	-	-	250,961,162	(250,961,162)	-	-	-	-	
Dividends paid		-	-	-	-	-	(30,000,000)	-	(30,000,000)	-	(30,000,000)	
Balance at December 31, 2020		240,000,000	4,500,000	195,548,213	895,408,277	1,072,544,811	49,735	435,853,269	-	2,843,904,305	28,295	2,843,932,600
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	18-1	-	-	14,935,008	-	-	-	(14,935,008)	-	-	-	-
Net change in fair value reserve		-	-	-	-	-	662,867	-	-	662,867	-	662,867
Fixed assets revaluation surplus	18-2	-	-	-	(1,441,341)	-	-	1,441,341	-	-	-	-
Foreign Currencies revaluation reserve	18-3	-	-	-	-	(41,457,076)	-	41,457,076	-	-	-	-
Dividends paid		-	-	-	-	-	-	(60,000,000)	(60,000,000)	-	(60,000,000)	
Balance at December 31, 2019		240,000,000	4,500,000	149,573,684	895,408,277	821,583,649	697,604	254,193,664	-	2,365,956,878	31,583	2,365,988,461



Yousif Ahmed El-Tinay
CEO



Amira Ali Al Alami
Board Member



Mansour Qaiser Bteish
Acting Chairman

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UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS

For the year ended December 31, 2020

		White Nile Sugar Portfolio	Gezira Scheme Portfolio	Arab Investment Corporation	Musharakah Investment	Total
	Note	SDG	SDG	SDG	SDG	SDG
Balance at January 1, 2020	29	894,134,281	34,664,906	202,332,212	18,172,500	1,149,303,899
Additions during period		-	-	-	-	-
Cash withdrawal during period		-	(17,325,267)	-	(7,412,176)	(24,737,443)
FX revaluation		<u>272,842,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>272,842,662</u>
Balance at December 31, 2020	29	<u>1,166,976,943</u>	<u>17,339,639</u>	<u>202,332,212</u>	<u>10,760,324</u>	<u>1,397,409,118</u>
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		<u>(62,211,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(62,211,423)</u>
Balance at December 31, 2019	29	<u>894,134,281</u>	<u>34,664,906</u>	<u>202,332,212</u>	<u>18,172,500</u>	<u>1,149,303,899</u>


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The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

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.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Basis of consolidation

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

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

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

2. BASIS OF PREPARATION (continued)

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Property and Equipment

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

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

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

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

3.2 Impairment and uncollectibility of assets

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

3.3 Investment in securities

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

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.

Year ended December 31, 2020

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 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 proportion basis over the period of the contract based on the outstanding balance, where profits are allocated between financial periods within the contract term using the effective rate of return method. 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.

Year ended December 31, 2020

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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

	<i>Notes</i>	2020 <i>SDG</i>	2019 <i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	557,031,342	208,720,593
Central Bank of Sudan - Current account	4.1	1,638,374,219	998,226,151
Foreign correspondent banks – Current accounts	4.1	248,987,597	135,786,492
Sub-total		2,444,393,158	1,342,733,236
Central Bank of Sudan - Statutory Cash Reserve	4.1	830,038,592	478,842,107
Cash margin on letters of credit with correspondent banks	4.1	238,869,190	124,233,464
Total		3,513,300,940	1,945,808,807

	2020 <i>SDG</i>	2019 <i>SDG</i>
4.1 Foreign currency balances included in the above balances are as follows:		
Cash in hand	283,804,907	79,827,709
Central Bank of Sudan - Current account	1,197,184,387	585,688,993
Foreign correspondent banks – Current accounts	248,987,597	135,786,492
Sub-total	1,729,976,891	801,303,194
Central Bank of Sudan - Statutory cash reserve	247,673,938	62,852,274
Cash margin on letters of credit with correspondent banks	238,869,190	124,233,464
Total	2,216,520,019	988,388,932

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:

	2020 <i>SDG</i>	2019 <i>SDG</i>
Local banks	100,000,000	100,990,499
Foreign banks and financial institutions	380,823,750	368,496,000
Total	480,823,750	469,486,499

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	<i>Note</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
Securities at fair value through equity			
Liquidity Management Fund- Not listed	6.1	21,195,608	16,492,477
Securities carried at cost			
Shahama Certificates - Listed	6.2	3,787,000	4,318,000
Shasha Certificates - Listed	6.3	1,090,720	3,212,004
Less : provision for Shasha impairment	6.3	(1,090,720)	(3,212,004)
Sudan Academy Fund - Not listed	6.4	1,000,000	-
Total		25,982,608	20,810,477

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 Mudarabah contract in closed-ended renewable fund managed by 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.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

7- FINANCE TO CUSTOMERS, NET

		2020	2019
		<i>SDG</i>	<i>SDG</i>
7.1 By type	<i>Notes</i>		
Deferred sales receivables :			
Murabaha receivables		4,905,353,191	2,680,232,017
Istisna receivables		1,350,621,944	95,750,283
Ijara	7.1.1	985,482	2,060,367
Staff Financing		13,663,266	3,261,033
Total deferred sales receivables		6,270,623,883	2,781,303,700
Less : deferred profit		(739,569,483)	(263,336,914)
Total deferred sales receivables, net of deferred profit		5,531,054,400	2,517,966,786
Mudaraba & Musharaka :			
Mudaraba financing		839,297,351	1,222,304,807
Musharaka financing		581,330,158	321,965,421
Total finance to customers		1,420,627,509	1,544,270,228
Total finance		6,951,681,909	4,062,237,014
Less : provision for finance losses	7.1.2	(83,208,947)	(53,355,001)
Total finance to customers, net		6,868,472,962	4,008,882,013

		2020	2019
		<i>SDG</i>	<i>SDG</i>
7.1.1 Ijara comprise:			
Cost of leased motor vehicles		856,543	1,230,193
Cost of leased Plant & Equipment		-	431,380
Deferred rental		128,939	398,794
Total		985,482	2,060,367

		2020	2019
		<i>SDG</i>	<i>SDG</i>
7.1.2 Movements in the provision for finance losses:			
The accumulated provision for finance losses is as follows:			
General Provision:			
Balance at beginning of the year		46,977,082	42,194,713
Provided during the period		27,776,421	4,782,369
FX Changes		2,077,527	-
Balance at the end of the year		76,831,030	46,977,082
Specific Provision:			
Balance at beginning of the year		6,377,917	28,905,663
Recoveries of amounts previously provided		-	(21,910,775)
FX Changes		-	(616,969)
Balance at the end of the year		6,377,917	6,377,919
Total accumulated provision at end of the year		83,208,947	53,355,001

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

7- FINANCE TO CUSTOMERS (continued)

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

	<i>Notes</i>	2020 <i>SDG</i>	2019 <i>SDG</i>
General Provision:			
Total provided of general provision	a	<u>27,776,421</u>	<u>4,782,368</u>
Specific Provision:			
Recoveries of amounts previously provided		<u>-</u>	<u>(21,910,775)</u>
Total recovery of specific provision	b	<u>-</u>	<u>(21,910,775)</u>
Net provided of the provision expense for the year (a+b)		<u>27,776,421</u>	<u>(17,128,407)</u>

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.

7.2 By Industry		2020 <i>SDG</i>	2019 <i>SDG</i>
Industrial		3,896,107,525	2,451,829,205
Export		2,202,874,912	1,019,870,420
Service		150,033,416	297,586,607
Micro Finance & Social Dimension		412,630,685	169,426,952
Mining		159,420,472	128,176,786
Local Trade		423,784,769	67,604,295
Real-State		59,682,255	57,305,820
Import		14,061,711	47,266,342
Transportation		11,684,330	16,981,221
Agriculture		28,255,107	2,575,556
Other		332,716,210	66,950,724
Total finance		<u>7,691,251,392</u>	<u>4,325,573,928</u>
Less: deferred profit		<u>(739,569,483)</u>	<u>(263,336,914)</u>
Total finance, net of deferred profit		<u>6,951,681,909</u>	<u>4,062,237,014</u>
less: Provision for finance losses	7.1.2	<u>(83,208,947)</u>	<u>(53,355,001)</u>
Finance to customers, net		<u>6,868,472,962</u>	<u>4,008,882,013</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

7- FINANCE TO CUSTOMERS (continued)

	<i>Notes</i>	2020	2019
7.3 By Portfolio		SDG	SDG
Performing finance to customers		7,684,873,475	4,319,196,011
Non-performing finance to customers	7.3.1	<u>6,377,917</u>	<u>6,377,917</u>
Total finance to customers		7,691,251,392	4,325,573,928
Less : deferred profit		<u>(739,569,483)</u>	<u>(263,336,914)</u>
Total finance to customers, net of deferred profit		6,951,681,909	4,062,237,014
General provision	7.1.2	(76,831,030)	(46,977,082)
Specific provision	7.1.2	<u>(6,377,917)</u>	<u>(6,377,919)</u>
Total provision		<u>(83,208,947)</u>	<u>(53,355,001)</u>
Finance to customers, net		<u>6,868,472,962</u>	<u>4,008,882,013</u>

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, 2020 the total of past-due installments excluding profit margins amounted to SDG 6,207,680 (2019: 6,207,680). While the total past due installments, including profit margins as at December 31, 2020 is SDG 6,377,917 (2019: 6,377,917).

	<i>Notes</i>	2020	2019
8. OTHER INVESTMENTS		SDG	SDG
Investments in companies			
Al-Hadah Grain Silos for Investments	8.1	10,705,738	10,705,738
Less: Provision for Impairment		<u>(10,705,738)</u>	<u>(10,705,738)</u>
Subtotal		<u>-</u>	<u>-</u>
Equity participation			
Microfinance Gurantee Agency	8.2	1,316,000	1,316,000
Less: Provision for Impairment		<u>(1,316,000)</u>	<u>(1,316,000)</u>
Subtotal		<u>-</u>	<u>-</u>
Total		<u>-</u>	<u>-</u>

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

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.

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

9- OTHER ASSETS	<i>Notes</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
Sundry receivables	9.1	105,970,748	103,616,100
Deferred expenses	9.2	13,371,615	13,627,935
Prepaid expenses	9.3	26,154,733	12,883,370
Accrued income		2,357,373	4,646,424
National Switch		1,974,708	-
Sundry receivables - CBOS		1,789,421	-
Fund under settlement (petty cash float)		2,660,441	305,499
Other		2,122,992	49,171
Total		156,402,031	135,128,499

9.1 Sundry receivables

About 99% of the balance represent receivable accounts in the subsidiaries' records, while the remaining balance represents receivable accounts in United Capital Bank 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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2020

10- PROPERTY AND EQUIPMENT, NET

	Land and Buildings	IT equipment	Office equipment, Furniture & fixtures	Motor vehicles	Intangible assets: Computer Software	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Cost						
Balance at January 1, 2020	811,366,137	61,181,705	72,548,225	45,841,577	90,690,403	1,081,628,047
Acquisitions	1,459,850	26,364,714	9,957,725	8,784,666	1,743,774	48,310,729
Disposals	-	-	-	-	-	-
Balance at December 31, 2020	812,825,987	87,546,419	82,505,950	54,626,243	92,434,177	1,129,938,776
Accumulated depreciation and						
Balance at January 1, 2020	13,213,880	10,338,793	19,612,581	11,707,493	16,337,283	71,210,030
Depreciation expense for the year	9,258,195	11,521,271	16,333,489	11,826,740	12,949,913	61,889,608
Disposals	-	-	-	-	-	-
Balance at December 31, 2020	22,472,075	21,860,064	35,946,070	23,534,233	29,287,196	133,099,638
Net book value at December 31, 2020	790,353,912	65,686,355	46,559,880	31,092,010	63,146,981	996,839,138
Net book value at December 31, 2019	798,152,257	50,842,912	52,935,644	34,134,084	74,353,120	1,010,418,017

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

	<i>Notes</i>	2020	2019
11- DUE TO BANKS AND FINANCIAL INSTITUTIONS		<i>SDG</i>	<i>SDG</i>
Local banks		68,742,981	51,391,209
Foreign banks		42,776,803	48,137,873
Total		<u>111,519,784</u>	<u>99,529,082</u>
12- CUSTOMERS' DEPOSITS		<i>SDG</i>	<i>SDG</i>
Current accounts - Corporate		4,068,178,782	2,045,958,662
Current accounts - Individuals		928,843,059	565,609,193
Saving accounts		77,432,347	45,811,056
Total current accounts	12.1	5,074,454,188	2,657,378,911
Margins of LCs & LGs	12.1	349,656,286	193,100,575
Total		<u>5,424,110,474</u>	<u>2,850,479,486</u>
12.1- Foreign currency deposits included in customers' deposits:		<i>SDG</i>	<i>SDG</i>
Current accounts		1,130,035,803	372,442,500
Margins of LCs & LGs		347,884,428	192,323,020
Total		<u>1,477,920,231</u>	<u>564,765,520</u>
13- OTHER LIABILITIES		<i>SDG</i>	<i>SDG</i>
Bills payable		128,158,991	72,427,125
Zakat payable		32,345,082	19,313,964
Business profit tax payable		182,606,671	81,900,974
Provision for Staff end of service benefits		66,159,672	43,484,223
Board of Directors remuneration		28,268,662	25,208,571
Provision for annual bonus		42,491,654	29,622,583
Unearned commissions		41,860,183	30,812,122
Dividends payable		14,174,016	4,079,920
Payable on parallel Istisnaa		40,818,721	8,202,343
Accounts payable and accrued expenses		95,595,858	52,069,576
Unclaimed Account balances		27,251,077	23,396,886
Others		310,087	1,706,337
Total		<u>700,040,674</u>	<u>392,224,624</u>

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

14. INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	2020	2019
	SDG	SDG
Local banks and financial institutions	1,435,000,000	800,000,000
Foreign banks and financial institutions	147,602,415	127,019,100
Sub-total	1,582,602,415	927,019,100
Return to Unrestricted Investment Account Holders	153,538,503	135,861,412
Payments on account of profit during the year	(28,285,246)	(12,333,333)
Total	1,707,855,672	1,050,547,179

15. OTHER INVESTMENT DEPOSITS

Corporations	1,147,753,888	714,658,470
Individuals	49,241,053	54,261,014
Sub-total	1,196,994,941	768,919,484
Return to Unrestricted Investment Account holders	66,833,146	65,064,478
Payments on account of profit during the year	(8,000,000)	(1,169,664)
Annual subscriptions to Deposits Guarantee Fund	(1,465,862)	(1,048,818)
Total	1,254,362,225	831,765,480

All investment deposits (in note "14" and "15" above) include balances in foreign currencies equivalent to SDG 551,711,158 (2019: 455,528,896)

16- SHARE CAPITAL

	2020	2019
	SDG	SDG
Authorized, issued and paid up share capital : 24 million shares of SDG 10 each (2019: 24 million shares of SDG 10 each)	240,000,000	240,000,000

17- SHARE PREMIUM

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

18- RESERVES	<i>Notes</i>	2020	2019
		SDG	SDG
Statutory reserve	18.1	195,548,213	149,573,684
Fixed assets revaluation surplus	18.2	895,408,277	895,408,277
Foreign currencies revaluation reserve	18.3	1,072,544,811	821,583,649
Fair value reserve		49,735	697,604
Total		2,163,551,036	1,867,263,214

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 .

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

18- RESERVES (continued)

18-2 - FIXED ASSETS REVALUATION SURPLUS

As a result of the significant devaluation in the SDG against the foreign currencies, UCB's Board of Directors decided 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 20, 2018, and led to a surplus of about SDG 897 million at that time.

	<i>Notes</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
Balance in 1/1		895,408,277	896,849,618
Revaluation surplus of assets sold		-	(1,441,341)
Total		<u>895,408,277</u>	<u>895,408,277</u>

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.

	<i>Notes</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
<i>The details of foreign currencies revaluation reserves :</i>			
Opening balance		821,583,649	863,040,725
Foreign currencies revaluation gain (loss)		250,961,162	(41,457,076)
		<u>1,072,544,811</u>	<u>821,583,649</u>

19- INCOME FROM INVESTMENT WITH BANKS AND FINANCIAL INSTITUTIONS

	2020	2019
	<i>SDG</i>	<i>SDG</i>
Local banks	16,572,705	15,199,694
Foreign banks	1,460,698	7,626,664
Total Income from investment with banks and financials institutions	<u>18,033,403</u>	<u>22,826,358</u>

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

	2020	2019
	<i>SDG</i>	<i>SDG</i>
20- INCOME FROM INVESTMENT IN SECURITIES		
Shahama certificates	620,299	1,098,705
Liquidity Management Fund	764,702	1,201,956
Sudan Academy for Financial and Banking Studies Fund	12,159	25,902
Total	1,397,160	2,326,563

	2020	2019
	<i>SDG</i>	<i>SDG</i>
21- INCOME FROM FINANCE TO CUSTOMERS		
Income from deferred sales receivables :		
Murabaha	407,258,995	394,906,512
Istisnaa/ Mugawala	93,835,955	12,442,237
Ijarah	181,407	12,281,044
Subtotal	501,276,357	419,629,793
Income from Mudaraba & Musharaka :		
Mudaraba	294,599,027	81,448,079
Musharakah	58,759,021	41,729,840
Subtotal	353,358,048	123,177,919
Total	854,634,405	542,807,712

22 - OTHER INVESTMENTS

Represents profits of trading and investment activities in subsidiary companies.

	2020	2019
<i>Notes</i>	<i>SDG</i>	<i>SDG</i>
23- RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib	367,911,050	293,742,370
Bank's share as Mudarib	(147,539,401)	(93,863,529)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib	220,371,649	199,878,841
FX Changes	(45,817)	-
Unrestricted Investment Account Holders' share of profit , net	220,325,832	199,878,841
Average profit distribution rates :		
Investment accounts in local currency (SDG)	12.53%	12.24%
Investment accounts in foreign currencies	0.75%	0.71%

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

	2020	2019
	<i>SDG</i>	<i>SDG</i>
24- FEE INCOME		
Letters of credit	119,554,859	161,988,097
Letters of guarantees	12,658,286	11,515,501
Administration fees	14,467,752	12,177,367
Draft cheques, transfers and remittances	36,323,038	5,715,346
Ledger Fees	3,666,786	3,021,841
Management of restricted investment accounts	-	1,064,848
Brokerage fees	130,519	613,721
Portfolio Managed by Bank	1,221,110	1,844,264
Insurance agency commissions	36,556	116,936
Fee from other banking services	5,076,621	4,261,536
Total	193,135,527	202,319,457

25- NET (LOSS) / PROFIT FROM FOREIGN CURRENCY REVALUATION

During 2020 the Central Bank of Sudan decided to devalue the SDG exchange rate against the foreign currencies. Accordingly, the declared price at which all banking transactions are executed and the revaluation of the financial assets and liabilities are carried out had increased to SDG 55.1 against the US Dollar (Dec 31, 2019 : SDG 45.1 against the US Dollar). This resulted in a revaluation gain of about SDG 251 million.

	<i>Notes</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
26- GENERAL AND ADMINSTRATIVE EXPENSES			
Bank premises expense	26.1	27,727,641	13,150,398
Communications		4,669,615	3,106,589
Maintenance of equipment, furniture & motor vehicles		17,418,493	10,687,443
Computer expenses		22,204,910	13,060,147
Marketing & promotion		21,790,044	7,803,918
Office supplies		5,954,730	5,447,661
Business travel		1,228,049	3,648,400
Legal and consultants expenses		34,887,557	10,807,582
Training		3,067,498	6,398,465
Subscriptions		7,537,399	5,272,328
Board and General Assembly expenses		19,295,186	31,084,603
Bank charges		694,136	526,599
Donations		1,020,000	575,500
Cash Insurance		1,475,186	1,178,359
Cash Sorting		12,032,230	3,075,647
Central Bank of Sudan penalties		-	-
Catering Service		7,864,831	3,541,406
Visa expenses		374,299	-
Government dues		715,701	265,293
Other		4,386,928	2,542,493
Total		194,344,433	122,172,831

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

26.1- Bank premises expense

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

	2020	2019
	<i>SDG</i>	<i>SDG</i>
27- EARNINGS PER SHARE		
Net income for the year	508,595,297	162,477,439
Weighted average number of shares outstanding	24,000,000	24,000,000
Earnings per share (in SDG)	21.19	6.77

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.

28- RELATED PARTY TRANSACTIONS

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

	<u>2020</u>		
	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2020
<u>Balance sheet items:</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	10,500,249	-	10,500,249
Financing and investing assets	1,278,100,626	25,132,535	1,303,233,161
Due to banks and financial institutions	-	-	-
Current and investments deposits	975,297,161	3,506,979	978,804,140
<u>Income statement items:</u>			
Profit from financing	306,364,177	694,155	307,058,332
Fees income	13,288,880	-	13,288,880
<u>Key Management Personnel compensation:</u>			
Salaries and other benefits	-	51,409,110	51,409,110
Post-employment benefits	-	13,623,196	13,623,196

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

28- RELATED PARTY TRANSACTIONS (continued)

	Major shareholders, Directors and their affiliated entities	2019	
		Key Management Personnel	Total at December 31, 2019
<u>Balance sheet items:</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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
<u>Income statement items:</u>			
Profit from financing	163,568,425	1,682,587	165,251,012
Fees income	31,611,760	-	31,611,760
<u>Key Management Personnel compensation:</u>			
Salaries and other benefits	12,642,590	49,685,477	62,328,067
Post-employment benefits	-	7,378,082	7,378,082

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

29- COMMITMENTS AND CONTINGENCIES

Commitments and contingencies at December 31, are as follows :

	<i>Notes</i>	2020	2019
		<i>SDG</i>	<i>SDG</i>
29.1.Financing - related commitments and contingencies :			
Letters of credit		830,166,218	403,052,866
Letters of guarantees		278,303,379	183,482,750
Total financing - related commitments and contingencies		1,108,469,597	586,535,616
29.2 Non-financing related commitments :			
Restricted investment accounts	29	1,397,409,118	1,149,303,899
Total commitments and contingencies		2,505,878,715	1,735,839,515

29- COMMITMENTS AND CONTINGENCIES (continued)

29.2 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:

2020	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Letters of credit	762,048,954	68,117,264	-	-	830,166,218
Letters of guarantee	220,795,385	8,112,119	49,395,875	-	278,303,379
Total	982,844,339	76,229,383	49,395,875	-	1,108,469,597
2019	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
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
Total	384,949,114	200,901,468	685,034	-	586,535,616

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

30. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 1,397,409,118 as at December 31, 2020 (2019: SDG 1,149,303,899). 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:

	<i>2020</i>	<i>2019</i>
	<i>SDG</i>	<i>SDG</i>
a) By type of assets :		
Murabaha finance	1,184,316,582	928,799,187
Musharaka finance	10,760,324	18,172,500
Shahama Securities	176,452,000	176,452,000
Shama Certificates	24,640,500	24,640,500
Sudatel Shares	1,239,712	1,239,712
Total	<u>1,397,409,118</u>	<u>1,149,303,899</u>
b) By sector :		
Banks and financial institutions	1,386,648,794	1,131,131,399
Individuals	10,760,324	18,172,500
Total	<u>1,397,409,118</u>	<u>1,149,303,899</u>

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

31. CAPITAL ADEQUACY

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

	Eligible Capital		Capital Adequacy Ratio	
	2020	2019	2020	2019
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	875,265,099	1,469,850,996	18%	30%
Core and supplementary capital (Tier 2)	1,837,697,399	1,920,075,724	38%	39%

The Central Bank of the Sudan Circular No. 6/2009 issued at March 11, 2009 requires all banks operating in the Sudan to maintain a Risk Weighted Asset Ratio (the 'Basel Ratio') at a minimum of 12% (Basel II : 8 %)

Tier 1 Capital comprises share capital and premium, statutory reserve and retained earnings at the period/year end, less prescribed deductions.

Tier 2 Capital comprises the elements of Tier 1 in addition to fair value revaluation and a prescribed amount of eligible portfolio (general) provisions less prescribed deductions.

The Bank has implemented the capital adequacy standard issued by the Islamic Financial Services Board (IFSB) (which is in line with Basel II) effective January 1, 2009 as required by the Central Bank of Sudan. The Bank uses the standardized approach of Basel II, as stipulated by the IFSB standard and the Central Bank of Sudan to calculate the Risk Weighted Assets and required Regulatory Capital for Pillar 1 (including credit risk, market risk and operational risk). Quarterly prudential returns are submitted to the Central Bank of Sudan showing the Capital Adequacy Ratio.

	Risk Weighted Assets	
	2020	2019
	<u>SDG</u>	<u>SDG</u>
Credit Risk	4,375,002,217	4,986,577,073
Operational risk	935,051,621	576,198,025
Market risk	795,279,612	722,714,262
Total Pillar 1 - Risk Weighted Assets	<u>6,105,333,450</u>	<u>6,285,489,360</u>

Year ended 31 December 2020

32- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1 Financial instruments

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

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

32.2 Risk management

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

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

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

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

32.2.1 Profit rate risk

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.2 Credit risk

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

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

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

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

32.2.3 Liquidity risk

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2020 is as follows:

	2020				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Assets					
Cash and balances with banks and financial institutions	3,513,150,439	150,501	-	-	3,513,300,940
Investments with banks and financial institutions	475,310,000	-	-	5,513,750	480,823,750
Investments in securities	24,982,608	-	-	1,000,000	25,982,608
Finance to customers, net	643,449,632	2,309,484,917	3,276,829,765	638,708,648	6,868,472,962
Other investments	-	-	-	-	-
Other assets	23,000,285	116,054,790	8,979,853	8,367,103	156,402,031
Property and equipment, net	-	-	-	996,839,138	996,839,138
TOTAL ASSETS	4,679,892,964	2,425,690,208	3,285,809,618	1,650,428,639	12,041,821,429

Liabilities and Shareholders' Equity

Due to banks and financial institutions	43,765,184	-	67,754,600	-	111,519,784
Customers' deposits	5,120,072,967	301,561,539	2,475,968	-	5,424,110,474
Other Liabilities	255,733,344	261,613,008	59,099,277	123,595,045	700,040,674
Investment deposits of banks and financial institutions	1,683,102,730	24,752,942	-	-	1,707,855,672
Investment deposits-Other	894,193,474	134,349,182	225,819,569	-	1,254,362,225
Non-controlling interest	-	-	-	28,295	28,295
Shareholders' equity	-	-	-	2,843,904,305	2,843,904,305
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	7,996,867,699	722,276,671	355,149,414	2,967,527,645	12,041,821,429

The attached notes 1 to 36 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

Liabilities and Shareholders' Equity

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

32.2.4 Foreign currency risk

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.4 Foreign currency risk (continued)

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

Currency	Dec. 31, 2020	Dec. 31, 2019
	Long (short)	Long (short)
Euro	154,082,931	83,911,860
US Dollar	602,497,700	664,046,328
Other currencies	<u>429,703,781</u>	<u>334,150,306</u>
Net FC position (Long position)	<u>1,186,284,412</u>	<u>1,082,108,494</u>

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, 2020	Dec. 31, 2020
Euro	67.75	50.54
US Dollar	55.14	45.11
Emirates dirham (AED)	15.01	12.28
Saudi riyal (SAR)	14.71	12.03

32.2.5 Market risk

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

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

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

32.2.6 Risk of managing customers' investments

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

Year ended 31 December 2020

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.2.7 Operational and other risks

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

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

33. SEGMENTAL INFORMATION

For the years ended at December 31, 2020 and 2019 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, 2020 and 2019 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.

34. SHARIAH SUPERVISORY COMMITTEE

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

35. COMPARATIVE FINANCIAL STATEMENTS

Certain 2019 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.

36. SUBSEQUENT EVENTS

On February 21, 2021, the Central Bank of Sudan decided to devalue the SDG exchange rate against other foreign currencies. Accordingly, the declared rate whereby all the banking transactions and the revaluation of the financial assets and liabilities are carried out had increased to SDG 378 against the US Dollar (Dec 31, 2020 : SDG 55.13 against the US Dollar). The main effects of the SDG devaluation were as follows:

- i. Recording FX revaluation gain of about SDG 5.8 billion.
- ii. The bank's total assets increased to about SDG 33.4 billion (December 31, 2020: SDG 12 billion)
- iii. Total shareholders' equity increased to about SDG 8.7 billion (December 31, 2020: SDG 2.8 billion)