

**UNITED CAPITAL BANK**  
**(Public Limited Company)**  
**CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**December 31, 2022**

# 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
	<b>NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS</b>	
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	DEFERRED SALES RECEIVABLE, NET	16
8	MUDARABAH AND MUSHARAKAH, NET	19
9	OTHER INVESTMENTS	19
10	OTHER ASSETS	19
11	PROPERTY AND EQUIPMENT, NET	21
12	DUE TO BANKS AND FINANCIAL INSTITUTIONS	22
13	CUSTOMERS' DEPOSITS	22
14	OTHER LIABILITIES	22
15	INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS	23
16	OTHER INVESTMENT DEPOSITS	23
17	SHARE CAPITAL	23
18	SHARE PREMIUM	24
19	RESERVES	24
20	INCOME FROM INVESTMENTS WITH BANKS AND FINANCIAL INSTITUTIONS	24
21	INCOME FROM INVESTMENTS IN SECURITIES	25
22	INCOME FROM DEFERRED SALES RECEIVABLE	25
23	INCOME FROM MUDARABAH AND MUSHARAKAH	25
24	OTHER INVESTMENTS	25
25	RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	25
26	FEE INCOME	26
27	OTHER INCOME	26
28	FOREIGN CURRENCY REVALUATION GAIN	26
29	GENERAL AND ADMINISTRATIVE EXPENSES	26
30	EARNINGS PER SHARE	27
31	RELATED PARTY TRANSACTIONS	27
32	COMMITMENTS AND CONTINGENCIES	29
33	RESTRICTED INVESTMENT ACCOUNTS	30
34	CAPITAL ADEQUACY	31
35	FINANCIAL INSTRUMENTS AND RISK MANAGEMENT	32
36	SEGMENTAL INFORMATION	37
37	SHARIAH SUPERVISORY COMMITTEE	37
38	COMPARATIVE FINANCIAL STATEMENTS	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 2022-31 Dec 2022)  
Corresponding to (28 Jumada I, 1443 - 07 Jumada II, 1444 AH)**

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, 2022 , 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 Almawarid 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.

**United Capital Bank**

✉ [www.ucb-sd.com](http://www.ucb-sd.com)

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5. Accordingly, and based on the review conducted by SSB over the operations and the activities of the bank business control for the year 2022, the SSB decides the following:
  - A. The contracts, operations and transactions executed by the bank within the year ending on 31 Dec 2022 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. The prohibited revenue as to 31 December 2022 was a small amount and has been reported to the SSB and will be distributed in accordance with the provisions and principles of the Sharia .
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
2. Dr. Mohamed Ali Yousif Ahmed
3. Dr. Mohamed Elrasheed Saeed

Chairman, SSB. 

Member, SSB. 

Member, SSB. 

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## 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 2022, and a summary of significant accounting policies and other explanatory notes as set out on pages 7 to 37.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as of 31st December 2022 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 as adopted in Sudan 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 as adopted in Sudan 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.*

**Sheikh & Co.**

**Khartoum, Sudan**

**March 2023**

**Sheikh & Co**



# UNITED CAPITAL BANK

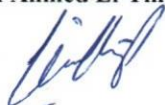
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2022

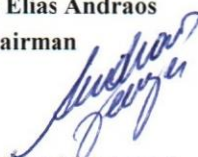
	Notes	2022 SDG	2021 SDG
<b>ASSETS</b>			
Cash and balances with banks and financial institutions	4	25,449,515,411	25,504,756,673
Investments with banks and financial institutions	5	1,103,271,813	4,606,519,207
Investments in securities	6	66,262,873	36,973,316
Deffered sales receiveable, net	7	26,815,117,604	16,972,507,062
Mudarabah and Musharakah, net	8	11,069,945,706	1,950,446,627
Other investments	9	-	-
Other assets	10	1,269,909,925	671,646,328
Property and equipment, net	11	1,318,438,413	1,207,753,909
<b>TOTAL ASSETS</b>		<b>67,092,461,745</b>	<b>50,950,603,122</b>
<b>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND</b>			
<b>LIABILITIES</b>			
Due to banks and financial institutions	12	453,026,056	300,819,418
Customers' deposits	13	30,663,650,343	23,154,297,748
Other Liabilities	14	4,643,399,792	3,516,431,173
<b>TOTAL LIABILITIES</b>		<b>35,760,076,191</b>	<b>26,971,548,339</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
Investment deposits -banks and financial institutions	15	7,422,106,323	2,983,034,717
Investment deposits-other	16	7,855,888,147	10,323,517,837
<b>TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>		<b>15,277,994,470</b>	<b>13,306,552,554</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	240,000,000	240,000,000
Share premium	18	4,500,000	4,500,000
Reserves	19	9,392,480,440	9,599,523,122
Retained earnings		6,417,385,404	828,448,765
<b>Total Shareholders' equity of the parent company</b>		<b>16,054,365,844</b>	<b>10,672,471,887</b>
Non-controlling interest		25,240	30,342
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>16,054,391,084</b>	<b>10,672,502,229</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>		<b>67,092,461,745</b>	<b>50,950,603,122</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	32	<b>14,499,159,565</b>	<b>17,534,824,417</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Mar 09, 2023.

Yousif Ahmed El-Tinay  
CEO



Georges Elias Andraos  
Vice-Chairman



Algaily Tagelden Abushama  
Chairman



The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2022

	Notes	2022 SDG	2021 SDG
<b>INCOME FROM :</b>			
Investments with banks and financial institutions	20	70,357,530	37,636,509
Investments in securities	21	3,790,145	755,699
Income from deferred sales receiveable	22	4,519,603,969	1,757,753,592
Income from Mudarabe and Musharakah finance	23	645,526,402	521,081,664
Other investments	24	68,692,125	289,012,044
<b>Total income from financing and investments</b>		<b>5,307,970,171</b>	<b>2,606,239,508</b>
Less: Return to unrestricted investment account holders	25	(1,232,313,407)	(571,863,979)
<b>Net income from investments and finance</b>		<b>4,075,656,764</b>	<b>2,034,375,529</b>
Fee income	26	1,887,438,157	668,609,847
Other income	27	931,090,123	30,619,652
Net gain (loss) from foreign exchange transactions		210,156,888	(25,243,462)
Foreign currency revaluation gain	28	3,838,210,815	7,415,706,238
<b>Total operating income</b>		<b>10,942,552,747</b>	<b>10,124,067,804</b>
<b>EXPENSES</b>			
Staff cost		(2,012,730,812)	(1,070,353,521)
General and administrative expenses	29	(2,326,961,995)	(811,348,587)
Depreciation	11	(159,275,711)	(78,162,070)
Bank of Sudan Penalties		(9,646,364)	(402,500)
<b>Total operating expenses</b>		<b>(4,508,614,882)</b>	<b>(1,960,266,678)</b>
<b>Net operating profit before provisions, zakat and income tax</b>		<b>6,433,937,865</b>	<b>8,163,801,126</b>
Provision for finance losses	7.2	(195,326,229)	(70,460,580)
Provision for doubtful debts	10.1.2	(85,824,208)	(1,700,772)
<b>Net operating profit before zakat and income tax</b>		<b>6,152,787,428</b>	<b>8,091,639,774</b>
Zakat expense		(413,402,027)	(72,784,167)
Income tax expense		(357,496,546)	(190,236,244)
<b>Net profit</b>		<b>5,381,888,855</b>	<b>7,828,619,363</b>
Less: net profit attributable to non-controlling interest		5,102	(2,047)
<b>Net profit attributable to equity holders of the parent</b>		<b>5,381,893,957</b>	<b>7,828,617,316</b>
<b>Earnings per share</b>	30	<b>224.25</b>	<b>326.19</b>

Yousif Ahmed El-Tinay  
CEO

Georges Elias Andraos  
Vice-Chairman

Algaily Tagelden Abushama  
Chairman

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



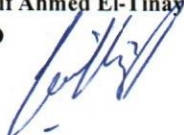
# UNITED CAPITAL BANK

## CONSOLIDATED STATEMENT OF CASH FLOWS

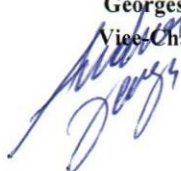
For the year ended December 31, 2022

	Notes	2022 SDG	2021 SDG
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		5,381,893,957	7,828,617,316
<b>Adjustments to reconcile net profit:</b>			
Depreciation and amortization		159,275,711	78,162,070
FC revaluation gain		(3,838,210,815)	(7,415,706,238)
Zakat		413,402,027	72,784,167
Income tax		357,496,546	190,236,244
Provision for staff end of service benefits		2,953,004	(63,623,164)
Provision for finance losses		195,326,229	70,460,580
Provision for doubtful debts		85,824,208	1,700,772
Provision for staff bonus		475,312,397	452,867,381
Return to unrestricted investment account holders		1,232,313,407	571,863,979
Gain on disposal of property and equipment		(927,010,420)	(28,895,929)
<b>Net cash flow from operating activities</b>		<b><u>3,538,576,251</u></b>	<b><u>1,758,467,178</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of investments		(29,289,557)	(12,741,215)
Investments with banks and financial institutions		3,503,247,394	(4,125,695,457)
Acquisition of property and equipment		(383,121,207)	(289,076,843)
Proceeds from sale of property and equipment		1,040,171,412	28,895,930
Deferred sales receivables		(6,108,700,714)	(4,159,714,470)
Mudaraba financing		(224,851,892)	(575,850,757)
Musharaka financing		(8,985,672,429)	26,330,158
<b>Net cash flow from investment activities</b>		<b><u>(11,188,216,993)</u></b>	<b><u>(9,107,852,654)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net (increase)/decrease in operating assets:</b>			
Other assets		(598,263,595)	(515,244,297)
Due to banks and financial institutions		152,206,638	189,299,634
Customers deposits		7,509,352,595	17,730,187,274
Other liabilities		(208,019,563)	2,164,125,874
Net movement in non-controlling interest		(5,103)	2,046
Net increase in equity of unrestricted investment accounts		739,128,509	9,772,470,678
<b>Net cash flow from financing activities</b>		<b><u>7,594,399,481</u></b>	<b><u>29,340,841,209</u></b>
<b>Net increase in cash &amp; cash equivalents</b>		<b>(55,241,261)</b>	<b>21,991,455,733</b>
Cash and cash equivalents at beginning of the year		<u>25,504,756,673</u>	<u>3,513,300,940</u>
<b>Cash and cash equivalents at end of the year</b>	4	<b><u>25,449,515,412</u></b>	<b><u>25,504,756,673</u></b>

Yousif Ahmed El-Tinay  
CEO



Georges Elias Andraos  
Vice Chairman



Algaily Tagelden Abushama  
Chairman



The attached notes 1 to 38 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	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	Total	Non-controlling interest	Total Shareholders' equity
	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG
<b>Balance at January 1, 2022</b>	240,000,000	4,500,000	224,553,641	886,718,432	8,488,251,049	-	828,448,765	10,672,471,887	30,342	10,672,502,229
Net Profit for the year	-	-	-	-	-	-	5,381,893,957	5,381,893,957	(5,102)	5,381,888,855
Transfer to statutory reserve	19.1	-	-	15,446,359	-	-	(15,446,359)	-	-	-
Net change in fair value reserve		-	-	-	-	-	-	-	-	-
Fixed assets revaluation surplus	19.2	-	-	-	(110,415,926)	-	110,415,926	-	-	-
Foreign Currencies revaluation reserve	19.3	-	-	-	-	(112,073,115)	112,073,115	-	-	-
<b>Balance at December 31, 2022</b>	<u>240,000,000</u>	<u>4,500,000</u>	<u>240,000,000</u>	<u>776,302,506</u>	<u>8,376,177,934</u>	<u>-</u>	<u>6,417,385,404</u>	<u>16,054,365,844</u>	<u>25,240</u>	<u>16,054,391,084</u>
Balance at January 1, 2021	240,000,000	4,500,000	195,548,213	895,408,277	1,072,544,811	49,735	435,853,270	2,843,904,306	28,295	2,843,932,601
Net Profit for the year	-	-	-	-	-	-	7,828,617,316	7,828,617,316	2,047	7,828,619,363
Transfer to statutory reserve	19.1	-	-	29,005,428	-	-	(29,005,428)	-	-	-
Net change in fair value reserve		-	-	-	-	(49,735)	-	(49,735)	-	(49,735)
Fixed assets revaluation surplus	19.2	-	-	-	(8,689,845)	-	8,689,845	-	-	-
Foreign Currencies revaluation reserve	19.3	-	-	-	-	7,415,706,238	(7,415,706,238)	-	-	-
Balance at December 31, 2021	<u>240,000,000</u>	<u>4,500,000</u>	<u>224,553,641</u>	<u>886,718,432</u>	<u>8,488,251,049</u>	<u>-</u>	<u>828,448,765</u>	<u>10,672,471,887</u>	<u>30,342</u>	<u>10,672,502,229</u>

Yousif Ahmed El-Tinay  
CEO



Georges Elias Andraos  
Vice-Chairman



Algaily Tagelden Abushama  
Chairman



The attached notes 1 to 38 form an integral part of these consolidated financial statements.

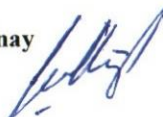
# UNITED CAPITAL BANK

## CONSOLIDATED STATEMENT OF CHANGES IN RESTRICTED INVESTMENTS

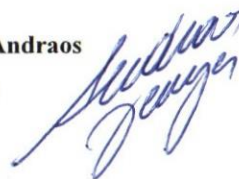
*For the year ended December 31, 2022*

		White Nile Sugar Portfolio	Gezira Scheme Portfolio	Arab Investment Corporation	Mudaraba investment	Musharakah Investment	Total
	Note	SDG	SDG	SDG	SDG	SDG	SDG
<b>Balance at January 1, 2022</b>	33	8,441,347,939	-	267,027,712	-	65,000,000	8,773,375,651
Additions during period		-	-	-	19,460,778	2,647,952,625	2,667,413,403
Cash withdrawal during period		(5,709,927,299)	-	-	-	(1,053,690,533)	(6,763,617,832)
FX revaluation		606,537,816	-	-	-	-	606,537,816
<b>Balance at December 31, 2022</b>	33	<u>3,337,958,456</u>	<u>-</u>	<u>267,027,712</u>	<u>19,460,778</u>	<u>1,659,262,092</u>	<u>5,283,709,038</u>
<b>Balance at January 1, 2021</b>	33	1,166,976,943	17,339,639	202,332,212	-	10,760,324	1,397,409,118
Additions during period		-	-	64,695,500	-	54,239,676	118,935,176
Cash withdrawal during period		-	(17,339,639)	-	-	-	(17,339,639)
FX revaluation		7,274,370,996	-	-	-	-	7,274,370,996
<b>Balance at December 31, 2021</b>	33	<u>8,441,347,939</u>	<u>-</u>	<u>267,027,712</u>	<u>-</u>	<u>65,000,000</u>	<u>8,773,375,651</u>

Yousif Ahmed El-Tinay  
CEO



Georges Elias Andraos  
Vice-Chairman



Algaily Tagelden Abushama  
Chairman



The attached notes 1 to 38 form an integral part of these consolidated financial statements.



# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*Year ended December 31, 2022*

### **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 more than 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 38 form an integral part of these consolidated financial statements.

*Year ended December 31, 2022*

## **2. BASIS OF PREPARATION (continued)**

### **2.4 Basis of consolidation (continued)**

All inter-company balances, transactions, income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

Non-controlling interest represent the portion of profit or loss and net assets not owned by the Bank and are presented separately in the income statement and within the equity in the consolidated statement of the financial position, separate from parent shareholders' equity.

### **2.5 Critical accounting judgments and estimates**

In the application of the Bank's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **2.5.1 Impairment losses on financing portfolio**

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

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

In addition , in accordance with the Central Bank of Sudan instructions , minimum general provision of 1% is made on all finance balances not subject to specific provisions.

#### **2.5.2 Impairment of equity-type instruments through equity**

The Bank exercises judgment to consider impairment on equity-type instruments through equity. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates other factors including the normal volatility in securities price, the financial health of the investee, industry sector performance and cash flows.

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

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

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

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



**2. BASIS OF PREPARATION (continued)**

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

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

**3.1 Property and Equipment**

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

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

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

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

**3.2 Impairment and uncollectibility of assets**

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

**3.3 Investment in securities**

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

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

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

*Year ended December 31, 2022*

### **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.

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*Year ended December 31, 2022*

### **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**

End-of-service benefits provision for subsidiaries is calculated in accordance with the provisions of the Sudanese Labor Law and the internal policy of the subsidiaries .

#### **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.

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

*Year ended December 31, 2022*

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.12 Revenue recognition (continued)**

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

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

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

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

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

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

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

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

#### **3.13 Settlement date accounting**

All regular purchases and sales of financial assets are recognized on the settlement date i.e. the date on which the asset is delivered to the counterparty. Regular purchases and sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### **3.14 Return to Unrestricted Investment Account Holders**

Return to Unrestricted Investment Account Holders is calculated based on the income generated from all financing and investment assets after deducting the expense related to the investment pool "Mudarib expense". Mudarib expenses include all expenses directly attributed to the investment and financing activities and the general provision for finance losses. All general and administrative expenses of the Bank including the specific provisions for finance losses are charged to revenue allocated to the shareholders' equity. The Bank's "Mudarib Profit" is deducted from depositors' share of income before distribution.

The financing and investment income is allocated between the unrestricted investment account holders and the shareholders' equity according to the contribution of each of the two parties in the invested funds according to the Bank's standard policies approved by the Bank's Sharia Supervisory Committee.

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



*Year ended December 31, 2022*

**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, 2022

	<i>Notes</i>	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
<b>4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS</b>			
Cash in hand	4.1	<b>2,122,412,793</b>	4,424,225,855
Central Bank of Sudan - Current account	4.1	<b>14,042,579,805</b>	9,733,504,284
Foreign correspondent banks – Current accounts	4.1	<b>2,583,621,862</b>	3,940,632,278
<b>Sub-total</b>		<b>18,748,614,460</b>	18,098,362,417
Central Bank of Sudan - Statutory Cash Reserve	4.1	<b>5,616,328,594</b>	4,311,600,673
Cash margin on letters of credit with correspondent banks	4.1	<b>1,084,572,357</b>	3,094,793,583
<b>Total</b>		<b>25,449,515,411</b>	25,504,756,673

	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
<b>4.1 Foreign currency balances included in the above balances are as follows:</b>		
Cash in hand	<b>1,392,144,290</b>	3,617,380,214
Central Bank of Sudan - Current account	<b>12,139,731,783</b>	7,240,609,628
Foreign correspondent banks – Current accounts	<b>2,583,621,862</b>	3,940,632,278
<b>Sub-total</b>	<b>16,115,497,935</b>	14,798,622,120
Central Bank of Sudan - Statutory cash reserve	<b>2,130,239,817</b>	1,841,752,464
Cash margin on letters of credit with correspondent banks	<b>1,084,572,357</b>	3,094,793,583
<b>Total</b>	<b>19,330,310,109</b>	19,735,168,167

**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:

	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
Foreign banks and financial institutions	<b>1,103,271,813</b>	4,606,519,207
<b>Total</b>	<b>1,103,271,813</b>	4,606,519,207

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

### 6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	<i>Note</i>	2022 <i>SDG</i>	2021 <i>SDG</i>
<b>Securities at fair value through equity</b>			
Liquidity Management Fund- Not listed	6.1	<b>63,300,873</b>	31,986,316
<b>Securities carried at cost</b>			
Shahama Certificates - Listed	6.2	<b>1,962,000</b>	3,987,000
Shasha Certificates - Listed	6.3	<b>1,090,720</b>	1,090,720
Less : provision for Shasha impairment	6.3	<b>(1,090,720)</b>	(1,090,720)
Sudan Academy Fund - Not listed	6.4	<b>1,000,000</b>	1,000,000
<b>Total</b>		<b>66,262,873</b>	<b>36,973,316</b>

#### 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 6,000,000 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.

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

7- DEFERRED SALES RECEIVABLE,NET

	<i>Notes</i>	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
<b>Deferred sales receivables :</b>			
Murabaha receivables		<b>27,582,440,972</b>	17,530,850,052
Istisna receivables		<b>3,313,377,765</b>	1,503,560,634
Ijara	7.1	-	296,162
Staff Financing		<b>576,445,452</b>	9,023,620
<b>Total deferred sales receivables</b>		<b>31,472,264,189</b>	19,043,730,468
Less : deferred profit		<b>(4,337,962,402)</b>	(1,874,492,551)
Less : provision for finance losses	7.2	<b>(319,184,183)</b>	(196,730,855)
<b>Total deferred sales receivables, net of deferred profit</b>		<b>26,815,117,604</b>	16,972,507,062

	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
<b>7.1 Ijara comprise:</b>		
Cost of leased motor vehicles	-	275,930
Deferred rental	-	20,232
<b>Total</b>	-	296,162

7.2 MOVEMENTS IN THE PROVISION FOR FINANCE LOSSES:

The accumulated provision for finance losses is as

	<i>Note</i>	<b>2022</b>	
		<b>Mudaraba and Musharakah</b>	<b>Deferred sales receivables</b>
		<i>SDG</i>	<i>SDG</i>
<b>General Provision for :</b>			
Balance at beginning of the year		<b>19,701,481</b>	<b>190,352,938</b>
Provided during the period		<b>91,025,242</b>	<b>94,164,547</b>
FX Changes		-	<b>24,530,258</b>
<b>Balance at the end of the year</b>		<b>110,726,723</b>	<b>309,047,743</b>
<b>Specific Provision:</b>			
Balance at beginning of the year		-	<b>6,377,917</b>
Provided during the year		-	<b>10,136,440</b>
Bad debts written-off		-	<b>(6,377,917)</b>
FX Changes		-	-
<b>Balance at the end of the year</b>		-	<b>10,136,440</b>
<b>Total accumulated provision at end of the year</b>		<b>110,726,723</b>	<b>319,184,183</b>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

7.2 MOVEMENTS IN THE PROVISION FOR FINANCE LOSSES (continued):

The accumulated provision for finance losses is as follows:

		2021		
	Note	Mudaraba and Musharakah SDG	Deferred sales receivables SDG	Total SDG
<b>General Provision for :</b>				
Balance at beginning of the year		14,206,276	62,624,754	76,831,030
Provided during the period	7.2.1	5,495,205	64,965,375	70,460,580
FX Changes		-	62,762,809	62,762,809
Balance at the end of the year		<u>19,701,481</u>	<u>190,352,938</u>	<u>210,054,419</u>
<b>Specific Provision:</b>				
Balance at beginning of the year		-	6,377,917	6,377,917
Provided during the year		-	-	-
Bad debts written-off		-	-	-
Balance at the end of the year		<u>-</u>	<u>6,377,917</u>	<u>6,377,917</u>
<b>Total accumulated provision at end of the year</b>		<u>19,701,481</u>	<u>196,730,855</u>	<u>216,432,336</u>

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

	Notes	2022 SDG	2021 SDG
<b>General Provision:</b>			
Addition during the period		185,189,789	70,460,580
Recoveries of amounts previously provided		-	-
Total provided of general provision	a	<u>185,189,789</u>	<u>70,460,580</u>
<b>Specific Provision:</b>			
Provided during the year		10,136,440	-
Recoveries of amounts previously provided		-	-
Total recovery of specific provision	b	<u>10,136,440</u>	<u>-</u>
<b>Net provided of the provision expense for the year (a+b)</b>		<u>195,326,229</u>	<u>70,460,580</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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

	2022	2021
	<i>SDG</i>	<i>SDG</i>
<b>7.3 FINANCE TO CUSTOMERS BY INDUSTRY</b>		
Finance to customers include Deferred sales receivables, Mudaraba and Musharakah.		
Industrial	4,980,800,087	11,260,473,472
Export	10,235,055,451	4,396,700,794
Service	877,974,062	238,213,658
Micro Finance & Social Dimension	1,520,000,000	695,148,108
Mining	323,180,325	75,000,000
Real-State	32,610,158	37,323,403
Import	19,141,234,908	4,182,931,573
Transportation	3,269,546,739	97,013,543
Agriculture	1,696,089,436	21,849,500
Other	576,445,452	9,224,525
<b>Total Finance to customers</b>	<b>42,652,936,618</b>	<b>21,013,878,576</b>
Less: deferred profit	<b>(4,337,962,402)</b>	<b>(1,874,492,551)</b>
<b>Total finance to customers, net of deferred profit</b>	<b>38,314,974,216</b>	<b>19,139,386,025</b>
less: Provision for finance losses	7.2 <b>(429,910,906)</b>	<b>(216,432,336)</b>
<b>Finance to customers, net</b>	<b>37,885,063,310</b>	<b>18,922,953,689</b>

	<i>Notes</i>	2022	2021
		<i>SDG</i>	<i>SDG</i>
<b>7.4 FINANCE TO CUSTOMERS BY PORTFOLIO</b>			
Performing finance to customers (Deferred sales receivables, Modaraba and Maharajah)		42,495,460,414	21,007,500,659
Non-performing finance to customers	7.4.1	157,476,204	6,377,917
<b>Total finance to customers</b>		<b>42,652,936,618</b>	<b>21,013,878,576</b>
Less : deferred profit		<b>(4,337,962,402)</b>	<b>(1,874,492,551)</b>
<b>Total finance to customers, net of deferred profit</b>		<b>38,314,974,216</b>	<b>19,139,386,025</b>
General provision	7.2	<b>(419,774,466)</b>	<b>(210,054,419)</b>
Specific provision	7.2	<b>(10,136,440)</b>	<b>(6,377,917)</b>
Total provision		<b>(429,910,906)</b>	<b>(216,432,336)</b>
<b>Finance to customers , net</b>		<b>37,885,063,310</b>	<b>18,922,953,689</b>

7.4.1 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, 2022 the total of past-due installments excluding profit margins amounted to SDG 137,543,750 (2021: 6,207,680). While the total past due installments, including profit margins as at December 31, 2022 is SDG 157,476,204 (2021: 6,377,917).

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

**8 - MUDARABA & MUSHARAKA**

Modaraba financing		<b>1,640,000,000</b>	1,415,148,108
Mutharika financing		<b>9,540,672,429</b>	555,000,000
<b>Total Modaraba and Maharajah</b>		<b>11,180,672,429</b>	1,970,148,108
Less : provision for finance losses	7.2	<b>(110,726,723)</b>	(19,701,481)
<b>Total Modaraba and Maharajah, net</b>		<b>11,069,945,706</b>	1,950,446,627

	<i>Notes</i>	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
<b>9. OTHER INVESTMENTS</b>			
<b>Investments in companies</b>			
Al-Hadal Grain Silos for Investments	9.1	<b>10,705,738</b>	10,705,738
Less: Provision for Impairment		<b>(10,705,738)</b>	(10,705,738)
<b>Subtotal</b>		<b>-</b>	-
<b>Equity participation</b>			
Microfinance Guarantee Agency	9.2	<b>1,316,000</b>	1,316,000
Less: Provision for Impairment		<b>(1,316,000)</b>	(1,316,000)
<b>Subtotal</b>		<b>-</b>	-
<b>Total</b>		<b>-</b>	-

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

9.2 Represents the bank's share in Microfinance Guarantee Agency (Tessier), 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.

<b>10. OTHER ASSETS</b>	<i>Notes</i>	<b>2022</b> <i>SDG</i>	2021 <i>SDG</i>
Sundry receivables	10.1	<b>510,654,562</b>	169,730,191
Deferred expenses	10.2	<b>157,222,443</b>	8,773,936
Prepaid expenses	10.3	<b>201,693,158</b>	101,985,515
Accrued income		<b>1,371,029</b>	15,292,635
National Switch		<b>13,085,706</b>	1,302,641
Assets acquired for financing		<b>113,707,365</b>	207,411,610
Sundry receivables - CBOS	10.4	<b>264,447,296</b>	162,633,936
Fund under settlement (petty cash float)		<b>5,176,299</b>	1,201,892
Other		<b>2,552,067</b>	3,313,972
<b>Total</b>		<b>1,269,909,925</b>	671,646,328

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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*Year ended December 31, 2022*

### **10. OTHER ASSETS (continued)**

#### **10.1 Sundry receivables**

10.1.1- About 93% of the balance represent trading accounts receivable in subsidiaries' records, while the remaining balance represents receivable accounts in United Capital Bank records.

10.1.2- Trading accounts receivables in subsidiaries nettled by 1% amounted to SDG 56,935,068 been doubtful debts according to subsidiaries polices.

#### **10.2 Deferred expenses:**

The bank grant cars to some of the senior staff according to specific conditions, the bank bears 80-85% of its value while the employee bears 15-20%. 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 . The deferred expenses represent the outstanding balance of the cars, which will be amortized over the contracted period (5 years) of each employee.

#### **10.3 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.

#### **10.4 Sundry receivables - CBOS:**

Represents the counter value of the Central Bank of Sudan's purchases of 70% of foreign currencies, It is paid immediately by credited our accounts at the Central Bank when the process of credited of foreign currency completed.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2022

11. 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>
<b>Cost</b>						
Balance at January 1, 2022	824,568,497	221,539,643	128,884,572	143,705,286	92,402,177	1,411,100,175
Acquisitions	118,116,437	58,207,040	71,232,519	92,825,688	42,739,523	383,121,207
Disposals	(124,132,354)	(346,380)	(44,867)	(6,900,000)	–	(131,423,601)
<b>Balance at December 31, 2022</b>	<b>818,552,580</b>	<b>279,400,303</b>	<b>200,072,224</b>	<b>229,630,974</b>	<b>135,141,700</b>	<b>1,662,797,781</b>
<b>Accumulated depreciation and</b>						
Balance at January 1, 2022	30,479,156	44,307,464	56,165,661	29,918,583	42,475,402	203,346,266
Depreciation expense for the year	8,821,114	53,770,756	30,030,145	52,008,536	14,645,160	159,275,711
Disposals	(9,849,461)	(346,321)	(55,205)	(8,011,622)	–	(18,262,609)
<b>Balance at December 31, 2022</b>	<b>29,450,809</b>	<b>97,731,899</b>	<b>86,140,601</b>	<b>73,915,497</b>	<b>57,120,562</b>	<b>344,359,368</b>
<b>Net book value at December 31, 2022</b>	<b>789,101,771</b>	<b>181,668,404</b>	<b>113,931,623</b>	<b>155,715,477</b>	<b>78,021,138</b>	<b>1,318,438,413</b>
Net book value at December 31, 2021	794,089,341	177,232,178	72,718,911	113,786,703	49,926,776	1,207,753,909

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

	<i>Notes</i>	<b>2022</b>	2021
<b>12. DUE TO BANKS AND FINANCIAL INSTITUTIONS</b>		<b><i>SDG</i></b>	<b><i>SDG</i></b>
Local banks		149,091,908	4,339,270
Foreign banks		303,934,148	296,480,148
<b>Total</b>		<b>453,026,056</b>	<b>300,819,418</b>
		<b>2022</b>	2021
<b>13. CUSTOMERS' DEPOSITS</b>		<b><i>SDG</i></b>	<b><i>SDG</i></b>
Current accounts - Corporate		20,967,836,951	13,857,647,506
Current accounts - Individuals		6,815,802,830	5,075,140,592
Saving accounts		804,500,094	453,623,298
Total current accounts	13.1	28,588,139,875	19,386,411,396
Margins of LCs & LGs	13.1	2,075,510,468	3,767,886,352
<b>Total</b>		<b>30,663,650,343</b>	<b>23,154,297,748</b>
		<b>2022</b>	2021
<b>13.1- Foreign currency deposits included in customers' deposits:</b>		<b><i>SDG</i></b>	<b><i>SDG</i></b>
Current accounts		11,533,100,033	7,186,448,329
Margins of LCs & LGs		2,039,908,544	3,720,655,662
<b>Total</b>		<b>13,573,008,577</b>	<b>10,907,103,991</b>
		<b>2022</b>	2021
<b>14. OTHER LIABILITIES</b>		<b><i>SDG</i></b>	<b><i>SDG</i></b>
Bills payable		490,594,701	760,577,718
Zakat payable		402,964,298	72,797,341
Business profit tax payable		354,078,723	274,283,840
Provision for Staff end of service benefits		5,489,512	2,536,508
Board of Directors remuneration		286,068,852	233,441,392
Provision for annual bonus		475,312,397	452,867,381
Guarantees against legal cases		-	25,000,000
Unearned commissions		158,771,955	86,811,920
Dividends payable		26,278	6,462,568
Payable on parallel Istisnaa		1,027,248,748	2,748,748
Accounts payable		779,957,954	866,357,154
Accrued expenses		123,931,541	39,899,506
Stamp Duties		-	95,358,103
Unclaimed cheque Payable		49,367,546	222,732,438
Unclaimed Account balances		205,638,011	213,926,029
Purchase of foreign currencies for the CBOS		262,450,276	159,912,463
Others		21,499,000	718,064
<b>Total</b>		<b>4,643,399,792</b>	<b>3,516,431,173</b>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

### 15 INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	2022 SDG	2021 SDG
Local banks and financial institutions	6,650,000,000	2,050,000,000
Foreign banks and financial institutions	31,121,000	642,132,942
<b>Sub-total</b>	<b>6,681,121,000</b>	<b>2,692,132,942</b>
Return to Unrestricted Investment Account Holders	932,338,747	352,453,373
Payments on account of profit during the year	(191,353,424)	(61,551,598)
<b>Total</b>	<b>7,422,106,323</b>	<b>2,983,034,717</b>

### 15.1 CONCENTRATION OF INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

Customer "1"	2,000,000,000	350,000,000
Customer "2"	1,300,000,000	450,000,000
Customer "3"	1,250,000,000	-
Other	2,131,121,000	1,892,132,942
<b>Total</b>	<b>6,681,121,000</b>	<b>2,692,132,942</b>

### 16. OTHER INVESTMENT DEPOSITS

Corporations	5,213,441,076	8,938,343,513
Individuals	1,132,924,403	344,959,502
Quasi-government	1,299,696,819	814,195,109
<b>Sub-total</b>	<b>7,646,062,298</b>	<b>10,097,498,124</b>
Return to Unrestricted Investment Account holders	304,357,325	231,248,717
Payments on account of profit during the year	(86,282,284)	(2,566,667)
Annual subscriptions to Deposits Guarantee Fund	(8,249,192)	(2,662,337)
<b>Total</b>	<b>7,855,888,147</b>	<b>10,323,517,837</b>

### 16.1 CONCENTRATION OF OTHER INVESTMENT DEPOSITS

Customer "1"	1,843,138,551	1,520,038,452
Customer "2"	1,279,663,520	315,196,335
Customer "3"	1,073,233,007	878,219,131
Other	3,450,027,220	7,384,044,206
<b>Total</b>	<b>7,646,062,298</b>	<b>10,097,498,124</b>

All investment deposits (in note "15" and "16" above) include balances in foreign currencies equivalent to SDG 4,333,272,190 (2021: 7,126,925,720)

	2022 SDG	2021 SDG
<b>17. SHARE CAPITAL</b>		
Authorized, issued and paid up share capital :		
24 million shares of SDG 10 each (2020: 24 million shares of SDG 10 each)	240,000,000	240,000,000

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

### 18. SHARE PREMIUM

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

	<i>Notes</i>	<b>2022</b>	2021
<b>19. RESERVES</b>		<b>SDG</b>	<b>SDG</b>
Statutory reserve	19.1	<b>240,000,000</b>	224,553,641
Fixed assets revaluation surplus	19.2	<b>776,302,506</b>	886,718,432
Foreign currencies revaluation reserve	19.3	<b>8,376,177,934</b>	8,488,251,049
<b>Total</b>		<b><u>9,392,480,440</u></b>	<u>9,599,523,122</u>

### 19.1 - 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 .

### 19.2 - 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.

	<b>2022</b>	2021
	<b>SDG</b>	<b>SDG</b>
Balance in 1/1	<b>886,718,432</b>	895,408,277
Revaluation surplus of assets sold	<b>(110,415,926)</b>	(8,689,845)
<b>Total</b>	<b><u>776,302,506</u></b>	<u>886,718,432</u>

### 19.3 - 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>	<b>2022</b>	2021
<i>The details of foreign currencies revaluation reserves :</i>		<b>SDG</b>	<b>SDG</b>
Opening balance		<b>8,488,251,049</b>	1,072,544,811
Foreign currencies revaluation gain	28	<b>3,838,179,121</b>	7,415,706,238
Realized gain from foreign currency position		<b>(3,950,252,236)</b>	-
		<b><u>8,376,177,934</u></b>	<u>8,488,251,049</u>

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

	<b>2022</b>	2021
	<b>SDG</b>	<b>SDG</b>
Local banks	<b>7,603,289</b>	6,558,232
Foreign banks	<b>62,754,241</b>	31,078,277
<b>Total Income from investment with banks and financials institutions</b>	<b><u>70,357,530</u></b>	<u>37,636,509</u>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

	Notes	2022 SDG	2021 SDG
<b>21. INCOME FROM INVESTMENT IN SECURITIES</b>			
Liquidity Management Fund	6.1	3,215,112	-
Shahama certificates	6.2	474,087	686,646
Sudan Academy for Financial and Banking Studies	6.4	100,946	69,053
<b>Total</b>		<b>3,790,145</b>	<b>755,699</b>
<b>22. INCOME FROM DEFERRED SALES RECEIVABLES</b>			
		2022 SDG	2021 SDG
Murabaha		4,168,906,909	1,358,763,448
Istisnaa/ Mugawala		350,680,828	398,890,567
Ijarah		16,232	99,577
<b>Subtotal</b>		<b>4,519,603,969</b>	<b>1,757,753,592</b>
<b>23. INCOME FROM MUDARABA AND MUSHARAKAH</b>			
Mudaraba		108,547,124	310,143,210
Musharakah		536,979,278	210,938,454
<b>Total</b>		<b>645,526,402</b>	<b>521,081,664</b>
<b>24. OTHER INVESTMENTS</b>			
Represents profits of trading and investment activities in subsidiary companies.			
<b>25. RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>			
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib		1,953,955,895	914,654,450
Bank's share as Mudarib		(721,596,118)	(330,952,362)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib		1,232,359,777	583,702,088
FX Changes		(46,370)	(11,838,109)
<b>Unrestricted Investment Account Holders' share of profit , net</b>		<b>1,232,313,407</b>	<b>571,863,979</b>
<b>Average profit distribution rates :</b>			
Investment accounts in local currency (SDG)		16.43%	15.23%
Investment accounts in foreign currencies		1.64%	0.77%

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

		2022	2021
		<i>SDG</i>	<i>SDG</i>
<b>26. FEE INCOME</b>			
Letters of credit		257,159,809	189,342,659
IBC & OBC documentary commissions		663,567,754	213,575,106
Letters of guarantees		99,805,943	20,596,015
Visa Card commissions		320,462,167	143,221,413
Administration fees		117,874,189	34,555,204
Draft cheques, transfers and remittances		270,007,140	40,855,365
Ledger Fees		14,680,839	5,049,116
Brokerage fees		-	587,479
Portfolio Managed by Bank		16,809,764	12,199,112
Insurance agency commissions		66,728,104	1,063,461
Fee from other banking services		60,342,448	7,564,917
<b>Total</b>		<b>1,887,438,157</b>	<b>668,609,847</b>
<b>27. OTHER INCOME</b>			
Gain on Sale of Fixed Assets		927,010,420	28,895,929
Miscellaneous Other Income		4,079,703	1,723,723
<b>Total</b>		<b>931,090,123</b>	<b>30,619,652</b>
<b>28. FOREIGN CURRENCY REVALUATION GAIN</b>			
<p>On Mar 2022 the Central Bank of Sudan decided to move to a floating exchange rate policy. 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 about SDG 580 against the US Dollar (Dec 31, 2021 : SDG 443 against the US Dollar). This resulted in a revaluation gain of about SDG 3,838 million.</p>			
	<i>Notes</i>	2022	2021
<b>29. GENERAL AND ADMINSTRATIVE EXPENSES</b>		<i>SDG</i>	<i>SDG</i>
Bank premises expense	29.1	259,249,470	95,199,910
Communications		54,750,672	23,483,647
Maintenance of equipment, furniture & motor vehicles		209,937,662	70,230,636
Computer expenses		146,596,170	23,162,757
Marketing & promotion		180,013,673	90,710,904
Office supplies		60,927,756	23,899,512
Business travel		28,224,840	10,894,678
Legal and consultants expenses		289,814,302	102,410,199
Training		51,817,662	19,606,857
Subscriptions		129,960,322	42,015,103
Board and General Assembly expenses		164,235,006	8,336,520
Board Remunerations		261,301,220	70,860,176
Bank charges		31,919,163	25,779,086
Donations		8,320,000	4,738,878
Cash Insurance		20,110,587	11,005,770
Cash Sorting		110,514,255	60,625,120
Catering Service		39,464,261	26,528,772
Visa expenses		210,937,985	87,319,379
Government dues		6,628,154	-
Banking Service Expenses		38,597,493	7,204,386
Other		23,641,342	7,336,297
<b>Total</b>		<b>2,326,961,995</b>	<b>811,348,587</b>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

# UNITED CAPITAL BANK

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

### 29.1- Bank premises expense

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

### 30. EARNINGS PER SHARE

Net income for the year

Weighted average number of shares outstanding

Earnings per share (in SDG)

2022	2021
<i>SDG</i>	<i>SDG</i>
<u>5,381,893,957</u>	7,828,617,316
<u>24,000,000</u>	24,000,000
<u>224.25</u>	326.19

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.

### 31. RELATED PARTY TRANSACTIONS

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

	<u>2022</u>		
	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2021
<u>Balance sheet items:</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Cash and balances with banks and financial institutions	72,976,837	-	72,976,837
Financing and investing assets	12,977,395,713	7,445,095	12,984,840,808
Due to banks and financial institutions	-	-	-
Current and investments deposits	4,539,972,302	9,356,732	4,549,329,034
<u>Income statement items:</u>			
Profit from financing	1,084,162,099	508,913	1,084,671,012
Fees income	333,758,837	-	333,758,837
<u>Key Management Personnel compensation:</u>			
Salaries and other benefits	-	408,317,870	408,317,870
Social Insurance	-	34,905,843	34,905,843

The attached notes 1 to 38 form an integral part of these consolidated financial statements.



UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

31. RELATED PARTY TRANSACTIONS (continued)

	2021		
	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2020
<b><u>Balance sheet items:</u></b>	<b><u>SDG</u></b>	<b><u>SDG</u></b>	<b><u>SDG</u></b>
Cash and balances with banks and financial institutions	68,025,357	-	68,025,357
Financing and investing assets	4,790,853,787	8,259,415	4,799,113,202
Due to banks and financial institutions	-	-	-
Current and investments deposits	5,726,461,001	53,958,120	5,780,419,121
<b><u>Income statement items:</u></b>			
Profit from financing	447,870,014	500,847	448,370,861
Fees income	109,009,998	-	109,009,998
<b><u>Key Management Personnel compensation:</u></b>			
Salaries and other benefits	-	337,750,883	337,750,883
Social Insurance	-	54,697,442	54,697,442

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

**32. COMMITMENTS AND CONTINGENCIES**

Commitments and contingencies as at December 31, as follows :

	<i>Notes</i>	<b>2022</b>	2021
		<b>SDG</b>	<b>SDG</b>
<b>32.1.Financing - related commitments and contingencies :</b>			
Letters of credit		<b>4,620,410,408</b>	6,657,418,943
Letters of guarantees		<b>4,595,040,119</b>	2,104,029,823
<b>Total financing - related commitments and contingencies</b>		<b>9,215,450,527</b>	8,761,448,766
<b>32.2 Non-financing related commitments :</b>			
Restricted investment accounts	33	<b>5,283,709,038</b>	8,773,375,651
<b>Total commitments and contingencies</b>		<b>14,499,159,565</b>	17,534,824,417

**32.2 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:**

<b>2022</b>	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	<b>4,620,410,408</b>	-	-	-	<b>4,620,410,408</b>
Letters of guarantee	<b>1,893,990,630</b>	<b>145,000,000</b>	<b>238,175,625</b>	<b>2,317,873,864</b>	<b>4,595,040,119</b>
<b>Total</b>	<b>6,514,401,038</b>	<b>145,000,000</b>	<b>238,175,625</b>	<b>2,317,873,864</b>	<b>9,215,450,527</b>

<b>2021</b>	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	5,122,705,048	1,534,713,895	-	-	6,657,418,943
Letters of guarantee	109,299,706	226,643,225	1,768,086,892	-	2,104,029,823
<b>Total</b>	5,232,004,754	1,761,357,120	1,768,086,892	-	8,761,448,766

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

**33. RESTRICTED INVESTMENT ACCOUNTS**

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 5,283,709,038 as at December 31, 2022 ( 2021: SDG 8,773,375,651). 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>2022</i>	<i>2021</i>
	<i>SDG</i>	<i>SDG</i>
<b>a) By type of assets :</b>		
Murabaha finance	<b>3,337,958,457</b>	8,441,347,939
Mudaraba Finance	<b>19,460,777</b>	-
Musharaka finance	<b>1,659,262,092</b>	65,000,000
Shahama Securities	<b>241,147,500</b>	241,147,500
Shama Certificates	<b>24,640,500</b>	24,640,500
Sudatel Shares	<b>1,239,712</b>	1,239,712
<b>Total</b>	<b><u>5,283,709,038</u></b>	<b><u>8,773,375,651</u></b>
<b>b) By sector :</b>		
Banks and financial institutions	<b>3,624,446,946</b>	8,708,375,651
Individuals	<b>1,659,262,092</b>	65,000,000
<b>Total</b>	<b><u>5,283,709,038</u></b>	<b><u>8,773,375,651</u></b>

**34. CAPITAL ADEQUACY**

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

	Eligible Capital		Capital Adequacy Ratio	
	2022	2021	2022	2021
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital ( Tier 1 )	<b>6,557,199,966</b>	1,047,002,856	<b>22%</b>	4%
Core and supplementary capital ( Tier 2)	<b>10,845,344,130</b>	5,475,793,541	<b>37%</b>	20%

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

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

Tier 2 Capital comprises the elements of Tire1 in addition to fair value revaluation and a prescribed amount of eligible portfolio (general) provisions less prescribed deductions.

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

	Risk Weighted Assets	
	2022	2021
	<u>SDG</u>	<u>SDG</u>
Credit Risk	<b>15,315,347,947</b>	24,315,849,704
Operational risk	<b>8,900,194,789</b>	4,403,117,256
Market risk	<b>10,756,009,560</b>	8,062,697,310
<b>Total Pillar 1 - Risk Weighted Assets</b>	<b><u>34,971,552,296</u></b>	<u>36,781,664,270</u>

*Year ended 31 December 2022*

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

***35.1 Financial instruments***

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

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

***35.2 Risk management***

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

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

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

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

***35.2.1 Profit rate risk***

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

In line with the policy approved by the Board of Directors, the Bank's Assets and Liabilities Committee Management (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 qualified assets at higher rates of return.



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

**35.2.2 Credit risk**

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

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

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

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

**35.2.3 Liquidity risk**

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

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

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2022 is as follows:

	2022				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
<b>Assets</b>					
Cash and balances with banks and financial institutions	25,449,515,411	-	-	-	25,449,515,411
Investments with banks and financial institutions	871,004,063	-	232,267,750	-	1,103,271,813
Investments in securities	65,219,000	-	1,043,873	-	66,262,873
Deffered sales receiveable, net	7,416,242,155	11,521,400,335	5,889,464,123	1,988,010,991	26,815,117,604
Mudarabah and Musharakah, net	2,748,944,091	6,718,607,415	345,094,200	1,257,300,000	11,069,945,706
Other investments	-	-	-	-	-
Other assets	990,465,808	62,258,455	59,320,718	157,864,944	1,269,909,925
Property and equipment, net				1,318,438,413	1,318,438,413
<b>TOTAL ASSETS</b>	<b>37,541,390,528</b>	<b>18,302,266,205</b>	<b>6,527,190,664</b>	<b>4,721,614,348</b>	<b>67,092,461,745</b>

**Liabilities and Shareholders' Equity**

Due to banks and financial institutions	453,026,056	-	-	-	453,026,056
Customers' deposits	30,263,441,750	15,977,617	35,829,350	348,401,626	30,663,650,343
Other Liabilities	3,798,091,978	492,004,039	305,759,550	47,544,225	4,643,399,792
Investment deposits of banks and financial institutions	4,908,365,323	2,500,000,000	13,741,000	-	7,422,106,323
Investment deposits-Other	5,038,247,624	509,501,764	2,308,138,759	-	7,855,888,147
Non-controlling interest	-	-	-	25,240	25,240
Shareholders' equity				16,054,365,844	16,054,365,844
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>44,461,172,731</b>	<b>3,517,483,420</b>	<b>2,663,468,659</b>	<b>16,450,336,935</b>	<b>67,092,461,745</b>

The attached notes 1 to 38 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2021 is as follows:

	2021				
	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>
<b>Assets</b>					
Cash and balances with banks and financial institutions	24,798,825,066	705,931,607	-	-	25,504,756,673
Investments with banks and financial institutions	4,296,505,937	310,013,270	-	-	4,606,519,207
Investments in securities	31,986,316	3,987,000	1,000,000	-	36,973,316
Deffered sales receiveable, net	3,575,624,341	5,040,892,613	5,168,236,254	3,187,753,854	16,972,507,062
Mudarabah and Musharakah, net	1,051,308,819	895,950,000	2,482,171	705,637	1,950,446,627
Other investments	-	-	-	-	-
Other assets	594,005,708	30,742,451	36,142,897	10,755,270	671,646,326
Property and equipment, net				1,207,753,909	1,207,753,909
<b>TOTAL ASSETS</b>	<b>34,348,256,187</b>	<b>6,987,516,941</b>	<b>5,207,861,322</b>	<b>4,406,968,670</b>	<b>50,950,603,120</b>

**Liabilities and Shareholders' Equity**

Due to banks and financial institutions	296,480,148	4,339,270	-	-	300,819,418
Customers' deposits	22,332,671,669	555,900,419	265,725,660	-	23,154,297,748
Other Liabilities	2,253,764,581	710,236,809	353,604,551	198,825,232	3,516,431,173
Investment deposits of banks and financial institutions	2,103,988,500	879,046,217	-	-	2,983,034,717
Investment deposits-Other	9,005,574,834	-	1,317,943,003	-	10,323,517,837
Non-controlling interest	-	-	-	30,341	30,341
Shareholders' equity				10,672,471,886	10,672,471,886
<b>TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY</b>	<b>35,992,479,732</b>	<b>2,149,522,715</b>	<b>1,937,273,214</b>	<b>10,871,327,459</b>	<b>50,950,603,120</b>

35.2.4 Foreign currency risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

35.2.4 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, 2022	Dec. 31, 2021
	Long (short)	Long (short)
Euro	436,007,423	1,549,713,790
US Dollar	395,157,747	3,014,722,490
Other currencies	<u>15,065,801,604</u>	<u>7,155,950,514</u>
Net FC position (Long position)	<u>15,896,966,774</u>	<u>11,720,386,794</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, 2022	Dec. 31, 2021
Euro	612.61	501.29
US Dollar	580.67	442.88
Emirates dirham (AED)	158.11	120.61
Saudi riyal (SAR)	153.94	117.94

35.2.5 Market risk

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

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

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

35.2.6 Risk of managing customers' investments

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

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

**35.2.7 Operational and other risks**

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

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

**36. SEGMENTAL INFORMATION**

For the years ended at December 31, 2022 and 2021 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, 2022 and 2021 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.

**37. SHARIAH SUPERVISORY COMMITTEE**

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

**38. COMPARATIVE FINANCIAL STATEMENTS**

Certain 2021 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.