

UNITED CAPITAL BANK
(Public Limited Company)

Consolidated
Financial Statements
December 31, 2023

Elmamoun Hamid & Co.



Certified Accountants & Consultants

المأمون حامد وشركاه

محاسبون قانونيون ومستشارون

UNITED CAPITAL BANK

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In the Name of Allah, Most Gracious, Most Merciful

Praise be to Allah, Lord of the worlds, and prayers and peace be upon the faithful Messenger of Allah

Sharia Supervisory Board's Report for the General Assembly of Shareholders of United Capital Bank – Khartoum

For the Period: (01 Jan 2023- 31 Dec 2023)

Corresponding to (8 Jumada II, 1444- 28 Jumada II, 1445 AH)

Pursuant to the Control Standard for Islamic Financial Institutions No. (1) of the Sharia Supervisory Board (SSB) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and pursuant to the Licensing Regulations for Practicing Banking for the Year 2004, issued by the Central Bank of Sudan, and pursuant to the Central Bank of Sudan Circular (8/2022) Implementing Risk-Based Supervision: **The Sharia Supervisory Board present to the General Assembly the following report:**

1. The SSB has held many meetings and reviewed the executed contracts presented to it, and gave such advices and directives that might render them sound from a Sharia point of view.
2. The SSB has viewed the External Auditor's report, the Statement of Financial Position, the Income statement, the Cash Flow statement, and the notes thereof for the year ended Dec 31, 2023, and has listened to the answers of the bank's officers on the questions posed thereon, as well as the final accounts for Almal for Securities Company limited and Almarawid Investment Company limited.
3. The SSB draws the attention to the fact that it's the responsibilities of the bank management to ensure that the bank acts in compliance with the provisions of the Sharia; and the SSB's responsibility is only to give

United Capital Bank

✉ www.ucb-sd.com

Swift Code: CBSKSDKH



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an independent opinion on the bank activities according to its own surveillance, and in making a report thereon.

4. Accordingly, and based on the review conducted by SSB over the operations and the activities of the bank business control for the year 2023, the SSB decides the following:
 - A. The contracts, operations and transactions executed by the bank within the year ended Dec 31, 2023 and reviewed by the SSB have been in accordance with the provisions and principles of the Sharia.
 - B. The distribution of profits and charging of losses on the investment accounts are consistent with the provisions and principles of Sharia.
 - C. The Zakat calculation has been in accordance with the Zakat Law and the Chamber of Zakat circulars.
 - D. The prohibited revenue was not existed during the year ended Dec 2023.
5. The SSB extends its thanks to the bank's officers for their cooperation in achieving its mission, supplicating to enhance and keep them in their right path.

Sharia Supervisory Board:

1. Prof. Abdalla Elzubair Abdelrahman

Chairman, SSB

2. Dr. Mohamed Ali Yousif Ahmed

Member, SSB

3. Dr. Mohamed Elrasheed Saeed

Member, SSB

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of United Capital Bank (Public Limited Company)

Opinion

We have audited the consolidated financial statements of United Capital Bank (the "Bank/UCB") and its two subsidiaries (together, the "Group"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of income, changes in equity, cash flows and changes in restricted investments for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Financial Accounting Standards ("FASs") issued by The Accounting and Auditing Organization for Islamic Institutions ("AAOIFI"), as modified by the Central Bank of Sudan, and the applicable requirements of the Central Bank of Sudan set out in Note (2.2.1) to the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI. 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 Group and we have fulfilled our ethical responsibilities in accordance with the AAOIFI's Code of Ethics for Accountants and Auditors of Islamic Financial Institutions (AAOIFI Code), and we have fulfilled our other ethical responsibilities in accordance with the AAOIFI Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT (continued)

Material Uncertainty Related to Going Concern

We draw attention to Notes 2.2 and 2.2.2 to the consolidated financial statements, which describe the negative effects of the military operations ongoing in Sudan since April 15, 2023 on the Group's operations. These events or conditions, along with other matters as set forth in Notes 2.2 and 2.2.2 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern should the scope of military operations expand to include the safe locations where the Group currently conducts its operations. However, in the opinion of the Group's management, as long as such expansion in the scope of war does not occur, the Group is expected to continue its operations. Accordingly, the attached consolidated financial statements have been prepared on the going concern basis.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is a description of the key audit matters that we considered and how we addressed each matter in the context of our audit:

1- Provision for finance losses

The Bank's financing portfolio represents approximately 57% of the Group's total assets as of December 31, 2023. Accordingly, this portfolio and the related provisions for financing losses have been identified as a key audit matter, particularly in the context of the operating environment described in Note (2.1) to the consolidated financial statements. The management addressed the resulting losses in Note (2.1) to the consolidated financial statements.

INDEPENDENT AUDITOR’S REPORT (continued)

Key Audit Matters (continued)

The 2023 consolidated financial statements initially reflected financing losses of approximately SDG 16.7 billion, based on the policy outlined in the Central Bank of Sudan Circular No. 1/2008 (see Note 3.5.1). However, following the issuance of the Central Bank of Sudan’s general circular dated July 25, 2024, concerning "Temporary Controls for Addressing War Losses and Formation of Financing Provisions," the Bank adjusted down the financing loss provisions recorded in these consolidated financial statements to approximately SDG 9.3 billion, in accordance with the principles outlined in Note (2.1).

Our audit procedures included verifying that UCB, as other banks operating in Sudan, is complying with Central Bank of Sudan's directives on the recognition of impairment for financing losses, noting that, UCB does not apply AAOIFI standards in this respect, as outlined in Note (2.2.1). Furthermore, we reviewed the recalculation of provisions for financing losses in accordance with the Central Bank's revised guidelines issued on July 25, 2024, as well as the Group’s internal policies set out in Note (2.1) to these consolidated financial statements.

2- War losses

War losses were identified as a key audit matter due to their materiality and the significant judgments involved in management's assessment of these losses and the measurement of impairment provisions.

Our audit procedures focused on evaluating the assessment conducted by management to identify and measure the losses and damages attributable to the military operations. We also reviewed the procedures and internal controls applied by management in the estimation process to ensure the appropriate recognition of these losses, both in cash and other assets, in the consolidated financial statements. Additionally, we verified that the treatments adopted were in compliance with the relevant guidelines issued by the Central Bank of Sudan.

INDEPENDENT AUDITOR’S REPORT (continued)

Other Matter

The consolidated financial statements for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on March 2023.

Other Information Included in the Group's Annual Report for year 2023

The directors are responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated financial statements and our auditor’s report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information, if we conclude that there is a material misstatement therein, we are required to report the matter to those charged with governance. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Financial Accounting Standards (“FASs”) issued by The Accounting and Auditing Organization for Islamic Institutions (“AAOIFI”) as modified by the Central Bank of Sudan (Central Bank), and the applicable requirements of the Central Bank of Sudan as stated in Note (2.2.1) of the financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements (continued)

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 Auditing Standards for Islamic Financial Institutions issued by AAOIFI 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.

As part of an audit in accordance with Auditing Standards for Islamic Financial Institutions issued by AAOIFI, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

Elmamoun Hamid & Co.



Elmamoun Hamid Abdelrahman, CPA, CGMA
License No. 1020

Date: October 23, 2024



UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2023

	Notes	2023 SDG	2022 SDG
ASSETS			
Cash and balances with banks and financial institutions	4	27,359,957,133	25,449,515,411
Investments with banks and financial institutions	5	4,828,891,048	1,103,271,813
Investments in securities	6	-	66,262,873
Deffered sales receiveable, net	7	33,849,164,753	26,815,117,604
Mudarabah and Musharakah, net	8	11,144,681,793	11,069,945,706
Other investments	9	-	-
Other assets	10	1,133,617,714	1,269,909,925
Property and equipment, net	11	843,580,771	1,318,438,413
TOTAL ASSETS		79,159,893,212	67,092,461,745
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND LIABILITIES			
LIABILITIES			
Due to banks and financial institutions	12	445,906,244	453,026,056
Customers' deposits	13	34,255,926,910	30,663,650,343
Other Liabilities	14	4,745,829,908	4,643,399,792
TOTAL LIABILITIES		39,447,663,062	35,760,076,191
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Investment deposits -banks and financial institutions	15	9,984,786,612	7,422,106,323
Investment deposits-other	16	14,910,995,440	7,855,888,147
TOTAL EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS		24,895,782,052	15,277,994,470
SHAREHOLDERS' EQUITY			
Share capital	17	240,000,000	240,000,000
Share premium	18	4,500,000	4,500,000
Reserves	19	16,277,831,581	9,392,480,440
Retained earnings		(1,705,908,578)	6,417,385,404
Total Shareholders' equity of the parent company		14,816,423,003	16,054,365,844
Non-controlling interest		25,095	25,240
TOTAL SHAREHOLDERS' EQUITY		14,816,448,098	16,054,391,084
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
		79,159,893,212	67,092,461,745
COMMITMENTS AND CONTINGENCIES	34	2,145,917,320	14,499,159,565

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on Oct 23, 2024.


Yousif Ahmed El-Tinay
CEO


Georges Elias Andraos
Vice-Chairman


Algaily Tagelden Abushama
Chairman

attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

CONSOLIDATED INCOME STATEMENT

For the year ended December 31, 2023

	Notes	2023 SDG	2022 SDG
INCOME FROM :			
Investments with banks and financial institutions	20	142,017,227	70,357,530
Investments in securities	21	39,910	3,790,145
Income from deffered sales receiveable	22	4,277,679,636	4,519,603,969
Income from Mudarabe and Musharakah finance	23	233,907,527	645,526,402
Other investments	24	-	68,692,125
Total income from financing and investments		4,653,644,300	5,307,970,171
Less: Return to unrestricted investment account holders	25	(1,278,439,160)	(1,232,313,407)
Net income from investments and finance		3,375,205,140	4,075,656,764
Fee income	26	950,650,024	1,887,438,157
Other income	27	186,481,348	931,090,123
Net gain (loss) from foreign exchange transactions		(151,231,724)	210,156,888
Foreign currency revaluation gain	28	10,577,392,207	3,838,210,815
Total operating income		14,938,496,995	10,942,552,747
EXPENSES			
Staff cost		(1,625,189,330)	(2,012,730,812)
General and administrative expenses	29	(2,048,347,497)	(2,326,961,995)
Depreciation	11	(173,518,828)	(159,275,711)
Bank of Sudan Penalties		-	(9,646,364)
Total operating expenses		(3,847,055,655)	(4,508,614,882)
Total operating profit before provisions, unusual item, zakat and income tax		11,091,441,340	6,433,937,865
Provision for finance losses	7.2	(9,259,364,042)	(195,326,229)
Provision for impairment and doubtful debts	30	(488,544,649)	(85,824,208)
Net operating profit before unusual item, zakat and income tax		1,343,532,649	6,152,787,428
Unusual item - War Losses	31	(2,462,338,516)	-
Zakat expense		(118,981,040)	(413,402,027)
Income tax expense		(156,078)	(357,496,546)
Net profit/(loss)		(1,237,942,985)	5,381,888,855
Less: net profit attributable to non-controlling interest		144	5,102
Net profit attributable to equity holders of the parent		(1,237,942,841)	5,381,893,957
Earnings per share	32	(51.58)	224.25


Yousif Ahmed El-Tinay
CEO


Georges Elias Andraos
Vice-Chairman


Algaily Tagelden Abushama
Chairman


The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

	<i>Notes</i>	2023 SDG	2022 SDG
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit/(loss) for the year		(1,237,942,841)	5,381,893,957
Adjustments to reconcile net profit:			
Depreciation and amortization		173,518,828	159,275,711
Zakat		118,981,040	413,402,027
Income tax		156,078	357,496,546
Provision for staff end of service benefits		1,614,604	2,953,004
Provision for finance losses		9,259,364,042	195,326,229
Provision for doubtful debts		880,336,847	85,824,208
Provision for staff bonus		-	475,312,397
Return to unrestricted investment account holders		1,278,439,160	1,232,313,407
Net loss (gain) on disposal of property and equipment		138,603,841	(927,010,420)
Net cash flow from operating activities		<u>10,613,071,599</u>	<u>7,376,787,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments		(19,488,814)	(29,289,557)
Proceeds from sale of investment		1,000,000	-
Investments with banks and financial institutions		(3,725,619,235)	3,503,247,394
Acquisition of property and equipment		(251,302,225)	(383,121,207)
Proceeds from sale of property and equipment		22,245,000	1,040,171,412
Deferred sales receivables		(14,901,771,048)	(9,946,911,529)
Mudaraba financing		(400,000,000)	(224,851,892)
Musharaka financing		(1,066,376,230)	(8,985,672,429)
Net cash flow from investment activities		<u>(20,341,312,552)</u>	<u>(15,026,427,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (increase)/decrease in operating assets:			
Other assets		136,292,211	(598,263,595)
Due to banks and financial institutions		(7,119,812)	152,206,638
Customers deposits		3,592,276,567	7,509,352,595
Other liabilities		(422,114,569)	(208,019,564)
Net movement in non-controlling interest		(144)	(5,103)
Net increase in equity of unrestricted investment accounts		8,339,348,422	739,128,509
Net cash flow from financing activities		<u>11,638,682,675</u>	<u>7,594,399,480</u>
Net increase in cash & cash equivalents		1,910,441,722	(55,241,262)
Cash and cash equivalents at beginning of the year		<u>25,449,515,411</u>	<u>25,504,756,673</u>
Cash and cash equivalents at end of the year	4	<u><u>27,359,957,133</u></u>	<u><u>25,449,515,411</u></u>


Yousif Ahmed El-Tinay
CEO


Georges Elias Andraos
Vice-Chairman


Algaily Tagelden Abushama
Chairman


Attached notes 1 to 40 form an integral part of these consolidated financial statements.


UNITED CAPITAL BANK


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2023

	Attributable to shareholders' of the parent company									
	Share capital	Share premium	Statutory reserve	Fixed assets revaluation surplus	F. currencies revaluation reserve	Retained earnings	Total	Non-controlling interest	Total Shareholders' equity	
	Note	SDG	SDG	SDG	SDG	SDG	SDG	SDG	SDG	
Balance at January 1, 2023		240,000,000	4,500,000	240,000,000	776,302,506	8,376,177,934	6,417,385,404	16,054,365,844	25,240	16,054,391,084
Net Profit for the year		-	-	-	-	-	(1,237,942,841)	(1,237,942,841)	(145)	(1,237,942,986)
Transfer to statutory reserve	19.1	-	-	-	-	-	-	-	-	-
Transfer of surplus for assets sold/write off	19.2	-	-	-	(21,249,014)	-	21,249,014	-	-	-
Net movement during the year	19.3	-	-	-	-	6,906,600,155	(6,906,600,155)	-	-	-
Balance at December 31, 2023		240,000,000	4,500,000	240,000,000	755,053,492	15,282,778,089	(1,705,908,578)	14,816,423,003	25,095	14,816,448,098
Balance at January 1, 2022		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)	-	-	-
Transfer of surplus for assets sold/write off	19.2	-	-	-	(110,415,926)	-	110,415,926	-	-	-
Net movement during the year	19.3	-	-	-	-	(112,073,115)	112,073,115	-	-	-
Balance at December 31, 2022		240,000,000	4,500,000	240,000,000	776,302,506	8,376,177,934	6,417,385,404	16,054,365,844	25,240	16,054,391,084


Yousif Ahmed El-Tinay
 CEO


Georges Elias Andraos
 Vice-Chairman


Algaily Tagelden Abushama
 Chairman


The attached notes 1 to 40 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, 2023

		White Nile Sugar Portfolio	Arab Investment Corporation	Mudaraba investment	Musharakah Investment	Total
	Note	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Balance at January 1, 2023	35	3,337,958,456	267,027,712	19,460,778	1,659,262,092	5,283,709,038
Additions during period		-	-	7,482,305	58,125,000	65,607,305
Cash withdrawal during period		(3,337,958,456)	-	(15,238,519)	(1,370,447,478)	(4,723,644,453)
FX revaluation		-	-	-	907,278,013	907,278,013
Balance at December 31, 2023	35	<u>-</u>	<u>267,027,712</u>	<u>11,704,564</u>	<u>1,254,217,627</u>	<u>1,532,949,903</u>
Balance at January 1, 2022	35	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
Balance at December 31, 2022	35	<u>3,337,958,456</u>	<u>267,027,712</u>	<u>19,460,778</u>	<u>1,659,262,092</u>	<u>5,283,709,038</u>


Yousif Ahmed El-Tinay
 CEO


Georges Elias Andraos
 Vice-Chairman


Aigaly Tagelden Abushama
 Chairman

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

1. INCORPORATION AND ACTIVITIES

United Capital Bank (the Group -UCB) is a public limited company registered in the Republic of Sudan on November 25, 2007 under the Companies' Ordinance of 1925 . The Bank was initially registered on August 8, 2005 as a private limited company and commenced banking operations on August 1, 2006.

The Bank's shares were listed for trading at the Khartoum Stock Exchange with effect from November 25, 2007.

The Bank is engaged in providing a full range of Islamic banking services to corporate and institutional customers.

The Bank operates through four branches (2022: 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 in Port sudan city is located at Jabal Al-Sit Tower, Building No 1,Block (D/10) West, Othman Digna Street, Greek District

As of December 31, 2023, the bank employed 37 employees (2022: 170 employees).

The Bank more than 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 the Republic of Sudan 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 the Republic of Sudan 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.(the two subsidiaries).

The accompanying financial statements include the (financial statements) of the Bank and the two subsidiaries (together referred to as the "Group").

2. OPERATING ENVIRONMENT AND BASIS OF PREPARATION

2.1 OPERATING ENVIRONMENT

Since mid-April 2023, Khartoum State and several other states in Sudan have witnessed large-scale military conflict between the Sudanese Army and the Rapid Support Forces, which continued to spread to additional states and is on-going till date of issuance of these financial statements. This military conflict has led to a cessation of both government and private sector activities in Khartoum and other war-affected states, bankruptcy of some institutions, and the displacement of the majority of residents. Massive depreciation of the national currency, unemployment rates have surged, and inflation has accelerated significantly to un-precedented hyper-inflation levels. Properties and both private and public facilities have been subjected to looting, burning, and destruction, affecting the Group's assets, including main and subsidiary cash vaults and safe boxes, as well as property and equipment.

The war has resulted in the suspension of the Group's activities until management was able to relocate its critical systems, equipment and programs to the city of Port Sudan located in the Red-Sea State. The Bank was able to resume the operations of the Head office and all its branches in Kahrtoom in addition to the new branch in Portsudan in October 2023.

The negative impact of the war on the activities of clients was proportionally reflected in the quality of banks' loan portfolio and losses from the realization of credit risk. Losses from operational risk have significantly increased and continue to increase due to continuing hostilities.

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

2.1 OPERATING ENVIRONMENT (continued)

Central Bank of Sudan (“CBoS”) post-war directives on treatment of war losses and finance loss provisions:

On 25 July 2024, CBoS issued temporary directives to all banks operating in Sudan Subject to certain restrictions which can be summarized as follows :

(a) To allow treatment of direct war losses represented in loss of cash, property and equipment and other assets, as deferred losses to be charged to income over a period of 8 to 10 years.

(b) To allow extension of the maturities of past-due financing facilities outstanding before outbreak of the war on 15 April 2023 for 18 additional months and, hence to start booking provisions with effect from 15 October 2025.

Central Bank of Sudan (CBoS) post-war directives on treatment of war losses and finance loss provisions (co

However, the Group has fully charged all the war-related losses of cash, property and equipment, and other assets which the Group has recognized as fully impaired (stolen or totally damaged), amounting to SDG 2,462,338,516 to the consolidated income statement for 2023. Additionally, a provision for impairment of SDG 485,684,886 has been charged to income for investment in securities and receivables for which no reliable information regarding their condition was available as of the reporting date, as assessed by the Group’s management.

With reference to the temporary policy issued by the Central Bank concerning the method of calculating credit losses provisions as outlined in paragraph "1.5.3" the Group has charged to income for the year 2023, general and specific provisions for finance loss totaling SDG. 9,259,320,065 for certain defaulting customers based on the following criteria:

(a) Customers with no indicators for their disability to repay their obligation when it falls due. Provision 1%

(b) Customers who were exposed to substantial losses that led to significant reduction or total cessation of their businesses. Provision 2-20%

(c) Customers who were not accessible to the Group by any means of communication. Provision 50%

(d) Customers who were contacted, but did not show any response to the Group’s call for remedial action. Provision 50%

In total, the Group has adjusted down its loan loss provision from SDG. 16,748,672,010 based on the CBoS pre-war policy to SDG.9,725,990,449 based on the new CBoS post-war policy, as implemented by the Group.

The management focuses on maintaining the Group’s stable operations, which corresponds to the existing circumstances and available information. However, against the background of the current situation, the possibility of the emergence of external factors that may have a negative impact on the stability of the banking system in general, and therefore on the results of operations and financial condition of the Group, the nature and consequences of which cannot be determined at the present time, is not excluded.

Year ended December 31, 2023

2.2 BASIS OF PREPARATION :

2.2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with the regulations for banks as issued by the Central Bank of Sudan (“CBoS”). These regulations require banks and other financial institutions regulated by the CBoS to adopt the Financial Accounting Standards (“FASs”) issued by the Accounting and Auditing Organization for Islamic Financial institutions (“AAOIFI”), as modified by the CBoS. One of these modifications is the implementation by banks of the CBoS circular no. (1/2008), giving directives about “granting finance and establishment of provisions” in place of FAS 30 on “Impairment, credit losses and onerous commitments” issued by AAOIFI. Banks operating in Sudan including UCB have consistently adopted CBoS policy per circular 1/2008 in prior years (see note 2.2.5.1).

2.2.2 Going Concern

These consolidated financial statements were prepared on a going concern basis. During the preparation of the financial statements, the Group’s management assessed the Group’s ability to continue its operations in future, taking into account hostilities in Sudan, which have already caused and continue to cause significant negative consequences for the economy of the country as a whole and for the Group's customers as described in Note 2.1

As at 31 December 2023, the total amount of cash and cash equivalents is SDG 27,359,957,133. Also, the Group has not yet observed significant outflows from clients’ accounts (deposit and current) compared to this date.

Due to financing losses and the continued depreciation of the Sudanese pound against foreign currencies, the capital adequacy ratio is expected to decline to around 7% (-9.3% excluding tier 1 capital) by the end of June 2024, while the minimum required by the Central Bank of Sudan is 12%. Management believes that, with the necessary measures selling some portion of the net FC position , and in line with the current business model, the decline in the capital adequacy ratio can be addressed within a period of 9-10 months.

Management and those charged with governance in the Group monitor the development of the current situation in Sudan caused by the military operations, and takes measures, if necessary, to minimize any negative consequences as much as possible and provide a full range of banking service. There is still a material uncertainty, due to the unpredictable impact of ongoing hostilities and the spread of the military operation to safe states particularly the Red Sea State may cast significant doubt on the Group’s ability to continue as a going concern and, therefore, it will not be able to realize its assets and repay its liabilities in the ordinary course of business.

Based on the going concern assessment and confirmation described above, management has concluded that the Bank will be able to continue as a going concern.

2.2 Basis of measurement

The financial statements are prepared on the historical cost concept except for :

- 1- The re-measurement at fair value of investment securities carried at fair value through income statement and equity.
- 2- The fixed assets revaluated in 2018 wich include Land & Builing, Motor vehicles and Corebanking system

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Year ended December 31, 2023

2.2 BASIS OF PREPARATION (continued)

2.2.3 Functional and presentation currency

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

2.2.4 Basis of consolidation

The consolidated financial statements **of the Group** comprise the financial statements of the Bank and its subsidiaries , Almal United Company Limited and Almarawid 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.

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.

2.2.5 Critical accounting judgments and estimates

In the application of the **Group'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.

2.2.5.1 Impairment losses on financing portfolio

The Group 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.

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Year ended December 31, 2023

2.2 BASIS OF PREPARATION (continued)

2.2.5.2 Impairment of equity-type instruments through equity

The Group 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 Group evaluates other factors including the normal volatility in securities price, the financial health of the investee, industry sector performance and cash flows.

2.2.5.3 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.

2.2.5.3 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 :	
– Group'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.

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Year ended December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Impairment and uncollectibility of assets

The carrying amounts of the Group'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 Group fall into the equity-type category which are subject to the following policies:

3.3.1 Equity-type instruments at fair value through equity:

Those are instruments which are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity. These are initially recognized at cost, being the fair value of the consideration given, plus transaction costs. Subsequent to acquisition, these are re-measured at fair value on individual basis. Unrealized gains or losses arising from a change in the fair value are recognized directly in owner's equity under "fair value reserve" until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in owners' equity is recognized in the consolidated income statement.

3.3.2 Equity-type instruments carried at cost:

Those are have a quoted market price as they are not listed in the market or do not have an active market or their fair value cannot be determined in any other appropriate method, are recognized at cost less any impairment in value –if any. Any gain on such investment is calculated on the lowest profit's rate distributed in the last three years.

Gain or Loss on these investments is recognized when these investments are disinvested.

3.4 Investments with banks and financial institutions

Placements in investment accounts based on the Mudaraba contract with banks and financial institutions are stated at cost less provision for impairment, if any.

3.5 Finance to customers

Deferred receivables from Murabaha, Salam, Istisna and Ijarah are stated net of deferred profit, 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.

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.5.1 Impairment provisions on financing portfolio**

Past due and impaired facilities are monitored as irregular facilities and are classified into the following categories which are then used to determine the provisions.

Category	Criteria	Specific Provisions
Watch list	Past due less than 90 days	2%
Substandard	past due for 91 – 180 days	20%
Doubtful	past due for 181 – 365 days	50%
Bad	Past due in excess of 365 days	100%

3.5.1 Impairment provisions on financing portfolio (continued)

The group may also include a credit facility in one of the above categories based on management’s judgement of a customer’s financial and/or non-financial circumstances.

In addition to the specific provisions, a general provision of 1% is made on all applicable facilities (net of certain restricted categories of collateral) which are not subject to specific provisioning.

Moreover the group is following more conservative approach by excluding any collaterals and suspended portion of the income for all default deals subject to specific provision.

Temporary Change of accounting policy:

On 25 July 2024, the CBoS issued a circular on “Temporary Controls for Addressing War Losses and Formation of Financing Provisions”. Which allowed banks to extend the maturities of credit facilities granted before outbreak of the war for 18 months effective from 15 April 2023 through 14 October 2025.

The Bank has adopted the change prospectively and, hence, recalculated the provisions for 2023 accordingly. expect some delals subject to the above mentioned criteria in note 1.2 where the bank recognized specific provision up to 50% from the commitment.

“Renegotiated and/or modified financing to customers

Under certain circumstances, the Bank seeks to restructure financing to customers rather than taking possession of collateral. This may involve extending the repayment arrangements and the agreement of new terms and conditions for a credit facility.

The rescheduled facility will be subject to the classification criteria set by Central Bank of Sudan. Management continuously reviews modified financing to customers to ensure that all criteria are met and that future payments are likely to occur. Management also assesses whether there has been significant increase in credit risk. The non-performing financing for which the bank has entered into a settlement with the customer, remains classified as non-performing. this classification is based on the original due date, in accordance with the guidelines set by the Central Bank of Sudan. The provision for finance losses is calculated according the rates specified in the Central Bank of Sudan Circular No. (1/2008) based on the new due dates following the rescheduling

Year ended December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporary policy adjustment post-war: In line with the Central Bank of Sudan Circular dated 24/07/2024, banks are allowed to defer the maturities of credit facilities granted before outbreak of the war, including the rescheduled facilities. consequently, the provision is calculated based on the new due dates by applying the rates specified in Central Bank of Sudan Circular No. (1/2008). The management has adopted a more conservative approach by increasing provision on certain customers deemed to have relatively high credit risk under the prevailing wartime conditions, in alignment with Central Bank of Sudan's directives.

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.

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 Group 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 Group'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 Group 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 .

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Year ended December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 **Group'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.

Year ended December 31, 2023

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Return to Unrestricted Investment Account Holders

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

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

3.15 Restricted investment accounts

Restricted investment accounts represent funds belonging to the Bank’s customers for which it has assumed investment management responsibility. Such funds are invested on behalf of the customers by the Bank acting as mudarib or agent, or the funds may be invested by the Bank in its own name under the terms of a specific Mudaraba contract with the customers.

Restricted investment accounts and the attributable investment income or loss are not included in the Bank’s consolidated financial statements and are directly paid to the customers after deducting of the Bank’s stated commission as agent or profit share as Mudarib.

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, 2023

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
4- CASH AND BALANCES WITH BANKS AND FINANCIAL INSTITUTIONS			
Cash in hand	4.1	252,567,966	2,122,412,793
Central Bank of Sudan - Current account	4.1	17,058,650,694	14,042,579,805
Local Banks -Current accounts		10,366,742	-
Foreign correspondent banks – Current accounts	4.1	1,329,411,060	2,583,621,862
Sub-total		18,650,996,462	18,748,614,460
Central Bank of Sudan - Statutory Cash Reserve	4.1	8,708,455,875	5,616,328,594
Cash margin on letters of credit with correspondent banks	4.1	504,796	1,084,572,357
Total		27,359,957,133	25,449,515,411

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

	2023 <i>SDG</i>	2022 <i>SDG</i>
Cash in hand	201,455,145	1,392,144,290
Central Bank of Sudan - Current account	15,791,079,446	12,139,731,783
Foreign correspondent banks – Current accounts	1,329,411,060	2,583,621,862
Sub-total	17,321,945,651	16,115,497,935
Central Bank of Sudan - Statutory cash reserve	4,548,351,501	2,130,239,817
Cash margin on letters of credit with correspondent banks	504,796	1,084,572,357
Total	21,870,801,948	19,330,310,109

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:

	2023 <i>SDG</i>	2022 <i>SDG</i>
Local banks	54,123,228	-
Foreign banks and financial institutions	4,774,767,820	1,103,271,813
Total	4,828,891,048	1,103,271,813

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

6- INVESTMENTS IN SECURITIES

Comprise the following equity-type instruments:	Note	2023	2022
		SDG	SDG
Securities at fair value through equity			
Liquidity Management Fund- Not listed	6.1	82,789,687	63,300,873
Less : provision for Liquidity Management Fund impairment		(82,789,687)	-
Securities carried at cost			
Shahama Certificates - Listed	6.2	1,962,000	1,962,000
Less : provision for shahama impairment		(1,962,000)	-
Shasha Certificates - Listed	6.3	-	1,090,720
Less : provision for Shasha impairment	6.3	-	(1,090,720)
Sudan Academy portfolio Not Listed	6.4	-	1,000,000
Total		-	66,262,873

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 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

7- DEFERRED SALES RECEIVABLE, NET

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
Deferred sales receivables :			
Murabaha receivables		43,541,675,128	27,582,440,972
Istisna receivables		3,050,172,518	3,313,377,765
LCs Over due		109,022,884	-
Staff Financing		454,377,862	576,445,452
Total deferred sales receivables		47,155,248,392	31,472,264,189
Less : deferred profit		(3,250,799,799)	(4,337,962,402)
Income suspense		(1,831,616,280)	-
Less : provision for finance losses	7.1	(8,223,667,560)	(319,184,183)
Total deferred sales receivables, net of deferred profit		33,849,164,753	26,815,117,604

7.1 MOVEMENTS IN THE PROVISION FOR FINANCE LOSSES:

The accumulated provision for finance losses is as		2023		
<i>Note</i>	Mudaraba and Musharakah <i>SDG</i>	Deferred sales receivables <i>SDG</i>	Total <i>SDG</i>	
General Provision for :				
Balance at beginning of the year	110,726,723	309,047,743	419,774,466	
Provided during the period	(95,446,723)	(132,645,481)	(228,092,204)	
FX Changes	-	36,759,478	36,759,478	
Balance at the end of the year	15,280,000	213,161,740	228,441,740	
Specific Provision:				
Balance at beginning of the year	-	10,136,440	10,136,440	
Provided during the year	7.1.1	1,487,086,866	8,000,369,380	9,487,456,246
Bad debts written-off		-	-	-
FX Changes		-	-	-
Balance at the end of the year		1,487,086,866	8,010,505,820	9,497,592,686
Total accumulated provision at end of the year		1,502,366,866	8,223,667,560	9,726,034,426

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

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

The accumulated provision for finance losses is as follows:

		2022		
	Note	Mudaraba and Musharakah SDG	Deferred sales receivables SDG	Total SDG
General Provision for :				
Balance at beginning of the year		14,206,276	195,848,143	210,054,419
Provided during the period	7.1.1	96,520,447	88,669,342	185,189,789
FX Changes		-	24,530,258	24,530,258
Balance at the end of the year		<u>110,726,723</u>	<u>309,047,743</u>	<u>419,774,466</u>
Specific Provision:				
Balance at beginning of the year		-	6,377,917	6,377,917
Provided during the year	7.1.1	-	10,136,440	10,136,440
Bad debts written-off		-	(6,377,917)	(6,377,917)
Balance at the end of the year		-	10,136,440	10,136,440
Total accumulated provision at end of the year		<u>110,726,723</u>	<u>319,184,183</u>	<u>429,910,906</u>

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

	Notes	2023 SDG	2022 SDG
General Provision:			
Addition during the period		(228,092,204)	185,189,789
Recoveries of amounts previously provided		-	-
Total recovery of general provision	a	<u>(228,092,204)</u>	<u>185,189,789</u>
Specific Provision:			
Provided during the year		9,487,456,246	10,136,440
Recoveries of amounts previously provided		-	-
Total provided of specific provision	b	<u>9,487,456,246</u>	<u>10,136,440</u>
Net provided of the provision expense for the year (a+b)		<u>9,259,364,042</u>	<u>195,326,229</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

		2023	2022
		<i>SDG</i>	<i>SDG</i>
7.2 FINANCE TO CUSTOMERS BY INDUSTRY			
Finance to customers include Deferred sales receivables, Mudaraba and Musharakah.			
Industrial		2,470,757,318	4,980,800,087
Export		12,843,342,808	10,235,055,451
Service		1,087,867,900	877,974,062
Micro Finance & Social Dimension		4,118,500,160	1,520,000,000
Mining		263,497,435	323,180,325
Real-State		28,039,001	32,610,158
Import		33,557,940,819	19,141,234,908
Transportation		3,088,155,967	3,269,546,739
Agriculture		1,889,817,782	1,696,089,436
Other		454,377,861	576,445,452
Total Finance to customers		59,802,297,051	42,652,936,618
Less: deferred profit		(3,250,799,799)	(4,337,962,402)
Total finance to customers, net of deferred profit		56,551,497,252	38,314,974,216
Less Income suspense		(1,831,616,280)	-
less: Provision for finance losses	7.1	(9,726,034,426)	(429,910,906)
Finance to customers, net		44,993,846,546	37,885,063,310
		59,802,297,051	42,495,460,414
7.3 FINANCE TO CUSTOMERS BY PORTFOLIO			
Performing finance to customers (Deferred sales receivables, Modaraba and Maharajah)		59,802,297,051	42,495,460,414
Non-performing finance to customers	7.3.1	-	157,476,204
Total finance to customers		59,802,297,051	42,652,936,618
Less : deferred profit		(3,250,799,799)	(4,337,962,402)
Income suspense		(1,831,616,280)	-
Total finance to customers, net of deferred profit		54,719,880,972	38,314,974,216
General provision	7.1	(228,441,740)	(419,774,466)
Specific provision	7.1	(9,497,592,686)	(10,136,440)
Total provision		(9,726,034,426)	(429,910,906)
Finance to customers , net		44,993,846,546	37,885,063,310

7.3.1 Based on the definition of the default and credit losses provision calculation as stated by the Central Bank of Sudan in section (7.1.1), the amount of defaulted financing installments as of December 31, 2023, was zero (Dec 31, 2022: SDG 157,476,204).

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
8 - MUDARABA & MUSHARAKA			
Modaraba financing		2,040,000,000	1,640,000,000
Mutharika financing		10,607,048,659	9,540,672,429
Total Modaraba and Maharajah		12,647,048,659	11,180,672,429
Less : provision for finance losses	7.1	(1,502,366,866)	(110,726,723)
Total Modaraba and Maharajah, net		11,144,681,793	11,069,945,706
9. OTHER INVESTMENTS			
Investments in companies			
Al-Hadal Grain Silos for Investments	9.1	10,705,738	10,705,738
Less: Provision for Impairment		(10,705,738)	(10,705,738)
Subtotal		-	-
Equity participation			
Microfinance Guarantee Agency	9.2	1,316,000	1,316,000
Less: Provision for Impairment		(1,316,000)	(1,316,000)
Subtotal		-	-
Total		-	-

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.

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
10. OTHER ASSETS			
Sundry receivables	10.1	24,402,480	510,654,562
Deferred expenses	10.2	97,148,242	157,222,443
Prepaid expenses	10.3	195,461,518	201,693,158
Accrued income		52,464,424	1,371,029
National Switch		-	13,085,706
Assets aquired for financing		136,805,567	113,707,365
Sundry receivables - CBOS	10.4	411,546,163	264,447,296
Fund under settlement (petty cash float)		215,789,320	5,176,299
Other		-	2,552,067
Total		1,133,617,714	1,269,909,925

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 2023

10. OTHER ASSETS (continued)

10.1 Sundry receivables

10.1. About 84% of the balance represent receivable accounts in United Capital Bank records, while the remaining balance represents trading accounts receivable in subsidiaries' records.

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, 2023

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>
Cost						
Balance at January 1, 2023	818,552,580	279,400,303	200,072,224	229,630,974	135,141,700	1,662,797,781
Acquisitions	114,276,380	57,883,588	48,412,257	30,730,000	-	251,302,225
Disposals / write off	(22,194,880)	(6,676,589)	(38,401,174)	(224,267,323)	(10,271)	(291,550,237)
Balance at December 31, 2023	910,634,080	330,607,302	210,083,307	36,093,651	135,131,429	1,622,549,769
Accumulated depreciation and						
Balance at January 1, 2023	29,450,809	97,731,899	86,140,601	73,915,497	57,120,562	344,359,368
Depreciation expense for the year	11,129,931	66,977,892	27,920,134	48,171,364	19,319,507	173,518,828
Disposals / write off	(2,682,508)	(4,653,409)	(25,177,889)	(98,177,320)	(10,270)	(130,701,396)
Balance at December 31, 2023	37,898,232	160,056,382	88,882,846	23,909,541	76,429,799	387,176,800
Net book value at December 31, 2023	872,735,848	170,550,920	121,200,461	12,184,110	58,701,630	1,235,372,969
Provisoin for impairment	(206,715,422)	(110,737,805)	(74,338,971)	-	-	(391,792,198)
Net book value after provision at December 31, 2023	666,020,426	59,813,115	46,861,490	12,184,110	58,701,630	843,580,771
Net book value at December 31, 2022	789,101,771	181,668,404	113,931,623	155,715,477	78,021,138	1,318,438,413

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

	<i>Notes</i>	2023	2022
12. DUE TO BANKS AND FINANCIAL INSTITUTIONS		<i>SDG</i>	<i>SDG</i>
Local banks		10,622,215	149,091,908
Foreign banks		435,284,029	303,934,148
Total		<u>445,906,244</u>	<u>453,026,056</u>
13. CUSTOMERS' DEPOSITS		<i>SDG</i>	<i>SDG</i>
Current accounts - Corporate		22,892,306,859	20,967,836,951
Current accounts - Individuals		8,969,985,528	6,815,802,830
Saving accounts		1,388,582,913	804,500,094
Total current accounts	13.1	<u>33,250,875,300</u>	28,588,139,875
Margins of LCs & LGs	13.1	<u>1,005,051,610</u>	2,075,510,468
Total		<u>34,255,926,910</u>	<u>30,663,650,343</u>
13.1- Foreign currency deposits included in customers' deposits:		<i>SDG</i>	<i>SDG</i>
Current accounts		17,072,040,379	11,533,100,033
Margins of LCs & LGs		968,877,976	2,039,908,544
Total		<u>18,040,918,355</u>	<u>13,573,008,577</u>
14. OTHER LIABILITIES		<i>SDG</i>	<i>SDG</i>
Bills payable		1,068,350,633	490,594,701
Zakat payable		515,595,338	402,964,298
Business profit tax payable		317,090,390	354,078,723
Provision for Staff end of service benefits		7,104,116	5,489,512
Board of Directors remuneration		217,396,859	286,068,852
Provision for annual bonus		135,099,486	475,312,397
Guarantees against legal cases		263,258,854	-
Unearned commissions		16,270,949	158,771,955
Dividends payable		26,278	26,278
Payable on parallel Istisnaa		2,748,748	1,027,248,748
Accounts payable		1,315,589,527	779,957,954
Accrued expenses		325,157,505	123,931,541
Stamp Duties		97,650,045	-
Unclaimed cheque Payable		50,578,194	49,367,546
Unclaimed Account balances		331,636,861	205,638,011
Purchase of foreign currencies for the CBOS		-	262,450,276
Others		82,276,125	21,499,000
Total		<u>4,745,829,908</u>	<u>4,643,399,792</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

15 INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
Local banks and financial institutions		9,104,685,680	6,650,000,000
Foreign banks and financial institutions		17,380,000	31,121,000
Sub-total	15.1	9,122,065,680	6,681,121,000
Return to Unrestricted Investment Account Holders		895,166,822	932,338,747
Payments on account of profit during the year		(32,445,890)	(191,353,424)
Total		9,984,786,612	7,422,106,323

15.1 CONCENTRATION OF INVESTMENT DEPOSITS OF BANKS AND FINANCIAL INSTITUTIONS

Customer "1"	3,254,685,680	2,000,000,000
Customer "2"	2,050,000,000	1,300,000,000
Customer "3"	2,000,000,000	1,250,000,000
Other	1,817,380,000	2,131,121,000
Total	9,122,065,680	6,681,121,000

16. OTHER INVESTMENT DEPOSITS

Corporations	10,501,697,919	5,213,441,076
Individuals	2,580,192,751	1,132,924,403
Quasi-government	1,481,151,192	1,299,696,819
Sub-total	14,563,041,862	7,646,062,298
Return to Unrestricted Investment Account holders	397,245,358	304,357,325
Payments on account of profit during the year	(49,291,780)	(86,282,284)
Annual subscriptions to Deposits Guarantee Fund	-	(8,249,192)
Total	14,910,995,440	7,855,888,147

16.1 CONCENTRATION OF OTHER INVESTMENT DEPOSITS

Customer "1"	3,065,946,433	1,843,138,551
Customer "2"	3,000,000,000	1,279,663,520
Customer "3"	1,811,284,482	1,073,233,007
Other	6,685,810,947	3,450,027,220
Total	14,563,041,862	7,646,062,298

All investment deposits (in note "15" and "16" above) include balances in foreign currencies equivalent to SDG 7,191,916,663 (2022: 4,333,272,190)

	2023 <i>SDG</i>	2022 <i>SDG</i>
17. SHARE CAPITAL		
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

18. SHARE PREMIUM

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

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

	<i>Notes</i>	2023	2022
19. RESERVES		<i>SDG</i>	<i>SDG</i>
Statutory reserve	19.1	240,000,000	240,000,000
Fixed assets revaluation surplus	19.2	755,053,492	776,302,506
Foreign currencies revaluation reserve	19.3	15,282,778,089	8,376,177,934
Total		<u>16,277,831,581</u>	<u>9,392,480,440</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 obtaining 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.

	2023	2022
	<i>SDG</i>	<i>SDG</i>
Balance at 1/1	776,302,506	886,718,432
Transfer of surplus for assets sold/write off	(21,249,014)	(110,415,926)
Balance at 31/12	<u>755,053,492</u>	<u>776,302,506</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>	2023	2022
<i>The details of foreign currencies revaluation reserves :</i>		<i>SDG</i>	<i>SDG</i>
Opening balance		8,376,177,934	8,488,251,049
Foreign currencies revaluation gain for the year	28	10,575,154,930	3,838,179,121
Realized gain from foreign currency position during the year		(3,668,554,775)	(3,950,252,236)
Net movement during the year		<u>6,906,600,155</u>	<u>(112,073,115)</u>
Total		<u>15,282,778,089</u>	<u>8,376,177,934</u>

20. INCOME FROM INVESTMENT WITH BANKS AND

FINANCIAL INSTITUTIONS

	2023	2022
	<i>SDG</i>	<i>SDG</i>
Local banks	8,586,461	7,603,289
Foreign banks	133,430,766	62,754,241
Total Income from investment with banks and financials institutions	<u>142,017,227</u>	<u>70,357,530</u>

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

	Notes	2023 <i>SDG</i>	2022 <i>SDG</i>
21. INCOME FROM INVESTMENT IN SECURITIES			
Liquidity Management Fund	6.1	-	3,215,112
Shahama certificates	6.2	-	474,087
Sudan Academy for Financial and Banking Studies	6.4	39,910	100,946
Total		39,910	3,790,145
22. INCOME FROM DEFERRED SALES RECEIVABLES			
		2023 <i>SDG</i>	2022 <i>SDG</i>
Murabaha		5,053,277,251	4,168,906,909
Istisnaa/ Mugawala		772,752,476	350,680,828
Ijarah		45,502,893	16,232
Subtotal		5,871,532,620	4,519,603,969
Income Suspense		(1,593,852,984)	-
Total		4,277,679,636	4,519,603,969
23. INCOME FROM MUDARABA AND MUSHARAKAH			
Mudaraba		-	108,547,124
Musharakah		233,907,527	536,979,278
Total		233,907,527	645,526,402
24. OTHER INVESTMENTS			
Represents profits of trading and investment activities in subsidiary companies.			
		2023 <i>SDG</i>	2022 <i>SDG</i>
25. RETURN TO UNRESTRICTED INVESTMENT ACCOUNT HOLDERS			
Unrestricted investment account holders' share of profit before the Bank's share as Mudarib		1,287,775,784	1,953,955,895
Bank's share as Mudarib		(360,397,744)	(721,596,118)
Unrestricted Investment Account Holders' share of profit after the Bank's share as Mudarib		927,378,040	1,232,359,777
Shareholders' cession		351,061,120	-
FX Changes		-	(46,370)
Unrestricted Investment Account Holders' share of profit , net		1,278,439,160	1,232,313,407
Average profit distribution rates :			
Investment accounts in local currency (SDG)		6.10%	16.43%
Investment accounts in foreign currencies		0.00%	1.64%

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

	2023 <i>SDG</i>	2022 <i>SDG</i>
26. FEE INCOME		
Letters of credit	23,824,329	257,159,809
IBC &OBC documentary commissions	277,261,351	663,567,754
Letters of guarantees	69,134,249	99,805,943
Visa Card commissions	209,914,134	320,462,167
Administration fees	135,882,712	117,874,189
Draft cheques, transfers and remittances	106,658,027	270,007,140
Ledger Fees	31,124,989	14,680,839
Portfolio Managed by Bank	75,031,299	16,809,764
Insurance agency commissions	-	66,728,104
Fee from other banking services	21,818,934	60,342,448
Total	950,650,024	1,887,438,157
27. OTHER INCOME		
Gain on Sale of Fixed Assets	21,207,989	927,010,420
Miscellaneous Other Income	165,273,359	4,079,703
Total	186,481,348	931,090,123

28. FOREIGN CURRENCY REVALUATION GAIN

After the Central Bank of Sudan's decision to liberalize the exchange rate in 2022 and due to the war in Sudan 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 937 against the US Dollar as at Dec 31, 2023 (Dec 31, 2022 : SDG 580 against the US Dollar). This resulted in a revaluation gain of about SDG 10,575 million.

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
29. GENERAL AND ADMINSTRATIVE EXPENSES			
Bank premises expense	29.1	405,492,153	259,249,470
Communications		49,475,048	54,750,672
Maintenance of equipment, furniture & motor vehicles		159,387,176	209,937,662
Computer expenses		237,702,504	146,596,170
Marketing & promotion		102,945,532	180,013,673
Office supplies		20,673,255	60,927,756
Business travel		185,875,200	28,224,840
Legal and consultants expenses		348,940,781	289,814,302
Training		6,732,197	51,817,662
Subscriptions		111,170,853	129,960,322
Board and General Assembly expenses		36,866,143	164,235,006
Board Remunerations		-	261,301,220
Bank charges		15,070,866	31,919,163
Donations		580,000	8,320,000
Cash Insurance		7,518,215	20,110,587
Cash Sorting		40,329,381	110,514,255
Catering Service		25,401,820	39,464,261
Visa expenses		254,809,200	210,937,985
Government dues		137,563	6,628,154
Banking Service Expenses		11,750,631	38,597,493
Other		27,488,979	23,641,342
Total		2,048,347,497	2,326,961,995

29.1- Bank premises expense

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

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

	2023	2022
	<i>SDG</i>	<i>SDG</i>
30. PROVISION FOR IMPAIRMENT AND DOUBTFUL DEBTS		
Provision for doubtful debts in subsidiaries	403,836,835	85,824,208
Provision for securities impairment	84,707,814	-
Total	488,544,649	-

	2023	2022
	<i>SDG</i>	<i>SDG</i>
31. WAR LOSSES		
31.1 Derecognized assets: The following assets have been written-off the books based on evidence obtained and accepted by management that they are stolen and/or damaged:		
Stolen cash from vaults, ATMs and cash in transit	1,475,698,727	-
Fixed assets losses (Stolen and damaged)	209,638,573	-
Other assets losses (Custodies & inventories, Head of department)	117,094,679	-
War losses in subsidiaries	268,114,339	-
Total assets derecognised	2,070,546,318	-
31.2 Provision for impairment of fixed assets	391,792,198	-
Total	2,462,338,516	-

31.2.1 Represent 50% of the net book value of all assets in HQ's building, excluding the value of land.

	2023	2022
	<i>SDG</i>	<i>SDG</i>
32. EARNINGS PER SHARE		
Net income for the year	(1,237,942,841)	5,381,893,957
Weighted average number of shares outstanding	24,000,000	24,000,000
Earnings per share (in SDG)	(51.58)	224.25

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.

33. 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:

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

33. RELATED PARTY TRANSACTIONS (continued)

2023

	Major shareholders, directors and their affiliated entities	Key Management Personnel	Total at December 31, 2021
Balance sheet items:	SDG	SDG	SDG
Cash and balances with banks and financial institutions	SDG	SDG	-
Financing and investing assets	52,140,825	-	52,140,825
Current and investments deposits	-	-	-
Income statement items:			
Profit from financing	-	-	-
Fees income	368,975,015	487,329	369,462,344
Key Management Personnel compensation:			
Salaries and other benefits	-	-	-
Social Insurance	-	466,616,093	466,616,093

2022

	Major shareholders, Directors and their affiliated entities	Key Management Personnel	Total at December 31, 2020
Balance sheet items:	SDG	SDG	SDG
Cash and balances with banks and financial institutions	-	-	-
Financing and investing assets	72,976,837	-	72,976,837
Current and investments deposits	-	-	-
Income statement items:			
Profit from financing	-	-	-
Fees income	1,084,162,099	508,913	1,084,671,012
Key Management Personnel compensation:			
Salaries and other benefits	-	-	-
Social Insurance	-	408,317,870	408,317,870

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

34. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies as at December 31, as follows :

	<i>Notes</i>	2023 <i>SDG</i>	2022 <i>SDG</i>
34.1. Financing - related commitments and contingencies :			
Letters of credit		-	4,620,410,408
Letters of guarantees		612,967,417	4,595,040,119
Total financing - related commitments and contingencies		612,967,417	9,215,450,527
34.2 Non-financing related commitments :			
Restricted investment accounts	35	1,532,949,903	5,283,709,038
Total commitments and contingencies		2,145,917,320	14,499,159,565

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:

2023	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	-	-	-	-	-
Letters of guarantee	607,967,417	5,000,000	-	-	612,967,417
Total	607,967,417	5,000,000	-	-	612,967,417

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

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

35. RESTRICTED INVESTMENT ACCOUNTS

The Bank manages restricted investment accounts, on a fiduciary basis, with assets totaling SDG 1,532,949,903 as at December 31, 2023 (2022: SDG 5,283,709,038). 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>2023</i>	<i>2022</i>
	<i>SDG</i>	<i>SDG</i>
a) By type of assets :		
Murabaha finance	-	3,337,958,457
Mudaraba Finance	11,704,562	19,460,777
Musharaka finance	1,254,217,629	1,659,262,092
Shahama Securities	241,147,500	241,147,500
Shama Certificates	24,640,500	24,640,500
Sudatel Shares	1,239,712	1,239,712
Total	<u>1,532,949,903</u>	<u>5,283,709,038</u>
b) By sector :		
Banks and financial institutions	278,732,274	3,624,446,946
Individuals	1,254,217,629	1,659,262,092
Total	<u>1,532,949,903</u>	<u>5,283,709,038</u>

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

36. 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	
	2023	2022	2023	2022
	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>	<u>SDG</u>
Core capital (Tier 1)	(1,010,159,875)	6,557,199,966	-1%	22%
Core and supplementary capital (Tier 2)	6,133,309,576	10,845,344,130	8%	37%

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	
	2023 <u>SDG</u>	2022 <u>SDG</u>
Credit Risk	48,914,148,542	15,315,347,947
Operational risk	14,537,532,043	8,900,194,789
Market risk	17,623,735,525	10,756,009,560
Total Pillar 1 - Risk Weighted Assets	81,075,416,110	34,971,552,296

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

Year ended 31 December 2023

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

37.1 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.

37.2 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:

37.2.1 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)

37.2.2 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.

37.2.3 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 2023

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The maturity profile of the assets and liabilities at December 31, 2023 is as follows:

Assets	2023				
	within 3 months	3-6 months	6m- 1 year	More than 1 year	Total
	SDG	SDG	SDG	SDG	SDG
Cash and balances with banks and financial institutions	27,359,957,133	-	-	-	27,359,957,133
Investments with banks and financial institutions	2,489,889,894	1,964,267,821	374,733,333	-	4,828,891,048
Investments in securities	-	-	-	-	-
Deffered sales receiveable, net	2,219,615,920	1,384,089,552	810,732,604	29,434,726,677	33,849,164,753
Mudarabah and Musharakah, net	1,574,082,607	1,219,615,261	3,070,062,994	5,280,920,931	11,144,681,793
Other investments	-	-	-	-	-
Other assets	914,281,374	73,112,113	146,224,227	-	1,133,617,714
Property and equipment, net				843,580,771	843,580,771
TOTAL ASSETS	34,557,826,928	4,641,084,747	4,401,753,158	35,559,228,379	79,159,893,212

Liabilities and Shareholders' Equity

Due to banks and financial institutions	445,906,244	-	-	-	445,906,244
Customers' deposits	34,213,259,083	500,000	-	42,167,827	34,255,926,910
Other Liabilities	780,813,760	1,040,296,367	428,459,826	2,496,259,955	4,745,829,908
Investment deposits of banks and financial institutions	8,034,786,612	1,950,000,000	-	-	9,984,786,612
Investment deposits-Other	2,655,072,464	4,043,686,701	3,001,089,209	5,211,147,066	14,910,995,440
Non-controlling interest	-	-	-	25,095	25,095
Shareholders' equity				14,816,423,003	14,816,423,003
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	46,129,838,163	7,034,483,068	3,429,549,035	22,566,022,946	79,159,893,212

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

Assets	2022				
	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>
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
TOTAL ASSETS	37,541,390,528	18,302,266,205	6,527,190,664	4,721,614,348	67,092,461,745

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
TOTAL LIABILITIES, AND SHAREHOLDERS' EQUITY	44,461,172,731	3,517,483,420	2,663,468,659	16,450,336,935	67,092,461,745

37.2.4 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.

The attached notes 1 to 40 form an integral part of these consolidated financial statements.

UNITED CAPITAL BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2023

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

37.2.4 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, 2023	Dec. 31, 2022
	Long (short)	Long (short)
Euro	589,903,230	436,007,423
US Dollar	(1,986,001,467)	395,157,747
Other currencies	25,574,384,445	15,065,801,604
Net FC position (Long position)	24,178,286,208	15,896,966,774

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, 2023	Dec. 31, 2022
Euro	1,033.89	612.61
US Dollar	936.83	580.67
Emirates dirham (AED)	255.10	158.11
Saudi riyal (SAR)	249.76	153.94

37.2.5 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.

37.2.6 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.

37. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

37.2.7 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.

38. SEGMENTAL INFORMATION

For the years ended at December 31, 2023 and 2022 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, 2023 and 2022 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.

39. 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.

40. COMPARATIVE FINANCIAL STATEMENTS

Certain 2022 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.