

# **Bank of Khartoum**

(Public Limited Liability Company)

## **Consolidated Financial Statements**

**31 December 2018**

**Bank of Khartoum**

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**Consolidated Financial Statements**

**31 December 2018**

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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
BANK OF KHARTOUM (PUBLIC LIMITED COMPANY)**

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**Opinion**

We have audited the consolidated financial statements of Bank of Khartoum (the Bank) and its subsidiaries (together, the “Group”), which comprise the consolidated statement of financial position as at December 31, 2018, 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 summary of significant accounting policies and other explanatory information.

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, 2018, and its financial performance and its cash flows for the year then ended in accordance with Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and International Financial Reporting Standards (IFRS) for matters not covered by (AAOIFI) standards.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors’ 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 International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the Code of Ethics issued by the AAOIFI.

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)**

### **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:

#### **Impairment of financing assets**

Financing assets comprise 34% of the total assets of the Group as at 31 December 2018. The provision of impairment of these assets is a subjective area due to the level of judgment applied by management in determining the impairment provision. Due to the significance of the financing assets and the related estimation uncertainty, this is considered a key audit matter.

Guidelines set by the Central Bank of Sudan (CBOS) require deduction of general provision for impairment calculated at 1% of all financing assets that are not subject to specific provision. Past due financing accounts are subject to specific provision at varying rates based on the mode of finance and default time. Collaterals are deducted from the assets based on the types of collaterals at varying rates specified by the CBOS.

Our audit procedures included understanding the nature by the transactions, in addition to assessment and examination of the internal controls followed in granting and controlling the financing operations. We also reviewed management assessment of the risk and risk mitigants associated with the financing operations with the respect to collection procedures, follow-up of past due accounts and assessment of future cash inflows that may require recognition of impairment provisions in accordance with CBOS guidelines.

## **Independent Auditor's Report (continued)**

### **Impairment of financing assets (continued)**

We audited the provision for impairment for a sample of financing assets and we have also assessed the appropriateness of disclosures on the consolidated financial statements regarding financing assets and impairment provision with reference to relevant AAOIFI standards and the Central Bank of Sudan guidelines.

### **Foreign currency revaluation reserve**

Due to fluctuation of foreign exchange rates and the material devaluation of the Sudanese pound during the year 2018 and the significant impact of these matters on the consolidated financial statements, foreign currency risk has been considered as a key audit matter.

Our audit procedures focused on assessment of the level of exposure of the Group and the adequacy of the policies and measures implemented by management to monitor exposures and keep them and any related possible losses at acceptable level.

Our procedures also included verification of the Group's compliance with relevant AAOIFI and IFRS standards as well as the directives of the Central Bank of Sudan which require that foreign currency revaluation gains should be deducted from retained earnings and be disclosed separately in the consolidated statement of financial position.

### **Impairment of goodwill**

As at 31 December 2018, the Group recorded goodwill of SDG 182,605 as included in note (13) to the consolidated financial statements. In accordance with the applicable financial reporting standards, goodwill is subject to impairment reviews at least on annual basis. Such impairment analysis requires significant amount of judgement and are subject to a higher risk of estimation uncertainty.

Our audit procedures included the assessment of the Group's process with respect to recognition and measurement of goodwill impairment, including the assumptions used in addition to assessment of the appropriateness of the key assumptions forming the Group's value-in-use calculation.

Audit procedures also focused on the accuracy and completeness of the information provided by management to support their assessment.

## **Independent Auditor's Report (continued)**

### **Other matter**

The consolidated financial statements of the Group as at December 31, 2017 and for the year ended have been audited by another auditor who expressed an unmodified opinion on those consolidated Financial Statements dated 27 February 2018.

### **Other information included in the Group's annual report for year 2018**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than 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 conclusion thereon.

In connection with our audit of the 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 and take appropriate actions in accordance with ISAs.

### **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 issued by the AAOIFI as well as IFRSs in matters that are not covered by the AAOIFI standards and comply with the applicable Sudanese laws and regulations with regard to the preparation and presentation 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 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.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the 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)**

### **Auditors' 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 auditors' 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 auditors' 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 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)

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 auditors' 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, CPA, CGMA**

**Date: 27 May 2019**



**Bank of Khartoum****Consolidated Statement of Financial Position****As at 31 December 2018**

	Notes	2018 <u>SDG' 000</u>	2017 <u>SDG' 000</u>
<b><u>ASSETS</u></b>			
Cash and balances with banks and financial institutions	5	37,510,942	9,433,811
Investment accounts with banks and financial institutions	6	855,051	258,641
Deferred sales receivables, net	7	29,255,272	14,509,572
Investment in Sukuk and financial securities	8	3,563,541	5,652,313
Investment in Mudaraba and Musharaka, net	9	404,684	457,707
Investment property	10	2,819,164	694,199
Assets available for sale	11	268,214	479,125
Other assets	12	9,668,792	1,994,153
Intangible assets, net	13	299,931	310,009
Property, plant and equipment, net	14	3,026,798	1,893,841
<b>TOTAL ASSETS</b>		<b>87,672,389</b>	<b>35,683,371</b>
<b><u>LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</u></b>			
<b>LIABILITIES</b>			
Current accounts	15	29,328,079	12,038,694
Margins on letters of credit & guarantee	16	5,887,142	946,648
Other liabilities	17	7,096,993	1,838,441
Provisions	18	587,527	335,031
<b>Total liabilities</b>		<b>42,899,741</b>	<b>15,158,814</b>
<b>EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS</b>	19	<b>39,284,785</b>	<b>17,216,465</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	20	1,016,645	753,070
Share premium		50,473	50,473
Reserves	21	3,096,552	1,114,806
Retained earnings		885,602	1,284,730
<b>Total shareholders' equity of the Bank</b>		<b>5,049,272</b>	<b>3,203,079</b>
<b>Non-controlling interest</b>		<b>438,591</b>	<b>105,013</b>
<b>Total shareholders' equity</b>		<b>5,487,863</b>	<b>3,308,092</b>
<b>TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY</b>		<b>87,672,389</b>	<b>35,683,371</b>



**Faisal Abbas Mohamed Fadul**  
**Acting Group Chief Executive Officer**



**Mohamed Elmurtada Abdelrahem**  
**Board Member**



**Mohamed Saeed Alsharif**  
**Chairman**

**Bank of Khartoum****Consolidated Income Statement****For the year ended 31 December 2018**

		2018	2017
	Note	SDG' 000	SDG' 000
<b>Income from:</b>			
Deferred sales	22	2,553,111	1,462,171
Investments:-	23		
Investments with banks and financial institutions	23/1	6,603	3,665
Investment in Sukuk and financial securities	23/2	686,749	501,289
Investment in Mudaraba and Musharaka	23/3	74,884	41,194
		<u>768,236</u>	<u>546,148</u>
<b>Total income from deferred sales and investments</b>		<b>3,321,347</b>	<b>2,008,319</b>
<b>Less:</b> Return to unrestricted investment account holders	24	<b>(1,220,347)</b>	<b>(628,607)</b>
<b>Net income from deferred sales and investments</b>		<b>2,101,000</b>	<b>1,379,712</b>
Net Profit (Loss) from foreign exchange transactions		(82,391)	39,168
Income from banking services	25	1,484,780	948,264
Other income	26	118,700	99,865
<b>Total revenue</b>		<b>3,622,089</b>	<b>2,467,009</b>
Net Profit (Loss) from foreign currency revaluation		1,635,363	(146,439)
<b>Total operating income</b>		<b>5,257,452</b>	<b>2,320,570</b>
<b>Expenses:</b>			
Staff cost	27	(1,072,409)	(442,413)
General and administrative expenses	28	(1,172,682)	(607,112)
Provision for finance and investment risk	7/1	(656,619)	(159,684)
Other Provision	29	(633,889)	-
Bank of Sudan penalties		(124)	(62)
<b>Total expenses</b>		<b>(3,535,723)</b>	<b>(1,209,271)</b>
<b>Net profit before Zakat and tax provisions</b>		<b>1,721,729</b>	<b>1,111,299</b>
Zakat provision	18	(68,529)	(23,159)
Tax provision	12/8	(124,113)	(251,794)
<b>Net profit for the year</b>		<b>1,529,087</b>	<b>836,346</b>
<b>Attributable to:</b>			
Equity holders of the Bank		1,516,748	827,431
Non- controlling interest		12,339	8,915
<b>Net profit for the year</b>		<b>1,529,087</b>	<b>836,346</b>
<b>Earnings per share (SDG)</b>	30	<b>1.99</b>	<b>1.47</b>

**Faisal Abbas Mohamed Fadul**

Acting Group Chief Executive Officer

**Mohamed Elmurtada Abdelrahem**

Board Member

**Mohamed Saeed Alsharif**

Chairman

**Bank of Khartoum**

**Consolidated Statement of Changes in Equity  
For the year ended 31 December 2018**

	Share Capital	Share Premium	Statutory Reserves	General Banking Risk Reserve (a)	Fair Value Revaluation reserve	Fixed assets revaluation reserve	General reserve	Foreign Currency Revaluation Reserve	foreign currencies translation reserve (b)	Retained earnings	Attributable to equity holders of the parent Company	Non- controlling interest	Total Equity
	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000
<b>At 01 January, 2018</b>	753,070	50,473	233,203	182,251	35,864	505,189	311,032	(146,862)	(5,871)	1,284,730	<b>3,203,079</b>	105,013	<b>3,308,092</b>
Cash dividend Paid (Note 31)	-	-	-	-	-	-	-	-	-	(135,553)	<b>(135,553)</b>	-	<b>(135,553)</b>
Share Dividends distribution	263,575	-	-	-	-	-	-	-	-	(263,575)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	1,516,748	<b>1,516,748</b>	12,339	<b>1,529,087</b>
Net changes in Fair value (c)	-	-	-	-	21,682	1,274,500	-	-	(151,277)	-	<b>1,144,905</b>	849,665	<b>1,994,570</b>
Foreign currency revaluation (d)	-	-	-	-	-	-	-	(792,638)	-	-	<b>(792,638)</b>	(528,426)	<b>(1,321,064)</b>
Prior year adjustments (e)	-	-	-	-	-	112,731	-	-	-	-	<b>112,731</b>	-	<b>112,731</b>
Transfer to reserves	-	-	<b>34,683</b>	<b>260,120</b>	-	-	52,024	1,169,921	-	(1,516,748)	-	-	-
<b>At 31 December, 2018</b>	<b>1,016,645</b>	<b>50,473</b>	<b>267,886</b>	<b>442,371</b>	<b>57,546</b>	<b>1,892,420</b>	<b>363,056</b>	<b>230,421</b>	<b>(157,148)</b>	<b>885,602</b>	<b>5,049,272</b>	<b>438,591</b>	<b>5,487,863</b>
At 01 January, 2017	602,456	50,473	168,727	113,310	53,049	153,526	200,957	23,569	(819)	677,317	2,042,565	96,954	2,139,519
Share Dividends	150,614	-	-	-	-	-	-	-	-	(150,614)	-	-	-
Profit for the year	-	-	-	-	-	-	-	-	-	827,431	827,431	8,915	836,346
Net changes in Fair value	-	-	-	-	(17,185)	351,663	-	-	(5,052)	-	329,426	-	329,426
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	1,107	1,107	(993)	114
Prior year adjustments	-	-	(2,948)	-	-	-	8,939	-	-	(3,441)	2,550	137	2,687
Transfer to reserves	-	-	67,424	68,941	-	-	101,136	(170,431)	-	(67,070)	-	-	-
At 31 December, 2017	753,070	50,473	233,203	182,251	35,864	505,189	311,032	(146,862)	(5,871)	1,284,730	3,203,079	105,013	3,308,092

(a) It is prohibited to dispose of the General Banking Risk Reserve without the prior approval from the Central Bank of Sudan

(b) Foreign currency translation differences arising from the consolidation of the financial statements of the Bank's foreign branches whose financial statements are presented in US. Dollars and UAE Dirham.

(c) Represents the Bank's share (60%) of the fair value of the investment property at 31 December 2018 presented in the financial statements of Alwaha Real Estate Company (note 15).

(d) Represents the Bank's share (60%) of the foreign currency revaluation reserve of Alwaha Real Estate Company.

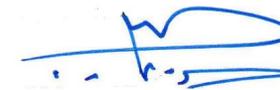
(e) Difference of fixed asset revaluation reserve for 2017.



**Faisal Abbas Mohamed Fadul**  
Acting Group Chief Executive Officer



**Mohamed Elmurtada Abdelrahem**  
Board Member



**Mohamed Saeed Alsharif**  
Chairman

**Bank of Khartoum****Consolidated Statement of Cash Flows  
For the year ended 31 December 2018**

	Notes	2018 <u>SDG'000</u>	2017 <u>SDG'000</u>
<b>Cash flows from Operating Activities</b>			
Profit for the year		<u>1,529,087</u>	<u>836,346</u>
<b>Adjustments for non-cash items:</b>			
Depreciation and amortization	28	180,457	131,688
Provision for end of service benefits *	18	17,776	3,454
Provision for finance risk	7/1	656,619	159,684
Zakat provision	18	68,529	23,159
Tax provision	12/8	124,112	251,794
Other provisions	29	633,889	-
Differences in translation of foreign currencies		(151,277)	(5,052)
Investment property valuation reserve		1,274,500	-
Foreign Currency revaluation reserve		(792,638)	-
Fair value revaluation reserve		(10,275)	-
Prior year adjustments		112,731	2,688
(Gain) on revaluation of shahama certificates		(232,423)	(300,343)
(Profits) on sale of property and equipment	24	(14,470)	(503)
		<u>3,396,617</u>	<u>1,102,915</u>
<b>Changes in operating assets, liabilities and unrestricted investment account holders</b>			
Miscellaneous Provisions		42,078	(85,885)
		<u>3,438,695</u>	<u>1,017,030</u>
<b>Net cash flows from operating activities</b>			
<b>Cash flows from investment activities</b>			
Investment accounts with banks and financial institutions		(596,410)	(112,324)
Investment in Sukuk and financial securities		2,353,152	(3,408,430)
Deferred sales receivables		(15,402,319)	(5,395,718)
Investment in Musharaka and Mudaraba		53,023	(125,052)
Investment property		(2,237,696)	(1,554)
Investments in subsidiaries		-	114
Net change in non-controlling interests		321,239	-
Other investments		210,911	(25,913)
Purchase of tangible and intangible assets		(1,176,135)	(451,984)
		<u>(16,474,234)</u>	<u>(9,520,861)</u>
<b>Net cash (used in) investment activities</b>			
<b>Cash flows from financing activities:</b>			
Other assets		(8,308,528)	(608,781)
Current accounts		17,289,385	6,418,182
Unrestricted investment account holders		22,068,320	8,471,394
Margins on letters of guarantee and credit		4,940,494	483,761
Other Liabilities		5,258,552	747,314
Cash dividends paid		(135,553)	-
		<u>41,112,670</u>	<u>15,511,870</u>
<b>Net cash flows from financing activities</b>			
<b>Net increase in cash and Balances with banks and financial</b>			
Cash and cash equivalents at the beginning of the year		9,433,811	2,425,772
		<u>37,510,942</u>	<u>9,433,811</u>
<b>Cash and cash equivalents at the end of the year</b>			

\* The addition during the year does not include any impact of change in foreign currencies differences.



**Faisal Abbas Mohamed Fadul**  
Acting Group Chief Executive Officer



**Mohamed Elmurtada Abdelrahem**  
Board Member



**Mohamed Saeed Alsharif**  
Chairman

**Bank of Khartoum****Consolidated Statement of Changes in Restricted Investments****For the year ended 31 December 2018**

	<b>2018</b> <b><u>SDG' 000</u></b>	2017 <u>SDG' 000</u>
<b>Balance at 1 January 2018</b>	<b>140,748</b>	147,716
Withdrawal during the year	<b>(9,157)</b>	(6,968)
Profit for the year (a)	<b>8,172</b>	2,504
Profit distributions	<b>(7,354)</b>	(2,256)
Management expenses *	<b>(817)</b>	(248)
<b>Balance at 31 December, 2018</b>	<b><u>131,592</u></b>	<u>140,748</u>

**(a) Profit for the year**

<b>Total profit for the year</b>	<b>8,854</b>	2,713
Bank's share as Mudarib	<b>(682)</b>	(209)
<b>Net Profit after deduction of Bank's share</b>	<b><u>8,172</u></b>	<u>2,504</u>

\* The above management expenses represent the expenses incurred by Bank of Khartoum in his capacity as manager of the portfolio.

Equity holders of the portfolio comprise a number of banks participating based on the restricted Mudaraba contract with total funding of SDG 210 million.

The portfolio funds are invested in the economic housing portfolio. Bank of Khartoum is managing this fund for 11 years and its contribution in the fund amounts to SDG 15 million.

## **Bank of Khartoum**

### **Notes to the Consolidated Financial Statements**

#### **For the year ended at 31 December 2018**

#### **1. Incorporation and Activities:**

Bank of Khartoum (the Bank) was established in the year 1913 under the name of Anglo Egyptian Bank. Over the years, the Bank held many names and eventually in 1975 a presidential decree was issued by which the Bank was named as Bank of Khartoum. In 1983, the bank merged with ELshab Bank as a result of a presidential decree. In 1993 the Bank merged with Unity Bank and National Export and Import Bank. On January 1, 2002, the Bank was converted to a public limited liability company under the Companies' Act of 1925 (now replaced by the Companies Act, 2015). In 2005, the Government of Sudan sold 60% of its shareholding in the Bank to Dubai Islamic Bank. In 2008 Emirates and Sudan Bank merged with Bank of Khartoum.

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

The Group provides financial and banking services, investment and other related economical activities in accordance with the Islamic Sharia'a Principles, laws and regulatory requirements for banking and finance in Sudan.

The group carries its operations from its head office which is located at the intersection of Alqasar Avenue with Al- Gamhoria avenue in Khartoum and through its 107 branches (covering Khartoum and main cities Sudan), and two international branches in Bahrin and Abu Dhabi and its subsidiaries.

The group includes the Bank, the international branches and the following subsidiaries:

<b><u>Company</u></b>	<b><u>Activity</u></b>	<b><u>% of ownership</u></b>
Sudacash for Exchange Company Ltd.	Financial services	100
A2Z for Company for Sale by Installment Ltd.	Trading	100
National Trading and Services Company Ltd.	Trading	100
Sanabil for Financial Securities Company Ltd.	Financial services	100
Canar Telecommunication Company. Ltd.	Telecommunication	97.6
Wahat AlKhartoum Urban Development Co. Ltd.	Real Estate	60
Irada Microfinance Company. Ltd.	Financial	80
Alfahad Valuable Assets in Transit Company. Ltd.	Services	50

**2. Basis of preparation**

**2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Financial Accounting Standards (FAS) issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Shariah rules and principles as determined by the Shariah Supervisory Committee of the Bank and the applicable regulations of the Central Bank of Sudan and the Sudanese Companies' Act of 2015. In accordance with the requirement of AAOIFI, for matters where no AAOIFI standards exist, the Bank applies the relevant International Financial Reporting Standards (IFRS).

**2.2 Basis of measurement**

The consolidated financial statements have been prepared on the historical cost basis except for re-measurement at fair value of securities classified as investments at fair value through the consolidated income statement of and through equity.

The bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.

**2.3 Functional and presentation currency**

The consolidated financial statements are presented in the Sudanese Pound which is the functional currency of the Bank (the parent company).

**2.4 Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Bank and all its subsidiaries which are subject to the Bank's control. The financial statements of the subsidiaries are prepared for the same reporting year of the parent company, using consistent accounting policies.

The Group's policy states that the financial statements of the subsidiaries are fully consolidated in the financial statements from the date they are acquired, which is the date on which the Group obtains control. This situation continues unless the Group loses control.

All intra-group balances, transactions, income, expenses, profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets not held by the Bank and are presented separately in the income statement and within equity in the consolidated statement of financial position, separate from the shareholders' equity of the parent company.

**2- Basis of preparation (continued)**

**2.5 Judgments and significant accounting estimates**

The preparation of consolidated financial statements under the financial accounting standards requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on ongoing basis. The Adjustments in accounting estimates are recognized at the year in which the estimates are reviewed and any future periods affected.

The information on critical areas of uncertainty about critical estimates and judgments in applying accounting policies which have the most significant effect on the amounts recognized in the consolidated financial statements are described as follows:

**2.5.1 The main sources of doubt in estimates**

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. A continuous assessment of estimates and judgments is made based on historical experience and other factors including future expectations that are reasonable under the circumstances.

**2.5.2 Provisions for financing and investment losses**

Assets measured at historical cost are valued to determine whether there is any impairment in value that is described in the significant accounting policies.

The specific components of the counterparty to the total impairment provisions apply to individually assessed financial assets to determine whether there is any impairment in value that requires a specific provision to be recorded and based on management's best estimate of the present value of the cash flows expected to be received.

In estimating these cash flows, management determines the financial position of the counterparty and the net realizable value of any related collateral. Each asset is assessed for impairment according to its characteristics. The credit risk management independently approves the exit strategy and estimates the recoverable cash flows from that asset. Accordingly, a provision is recorded and the amount of the provision is determined in accordance with the directives of the Central Bank of Sudan.

In addition, in accordance with the instructions of the Central Bank of Sudan, a general provision is calculated at 1% of the total outstanding finance portfolio that is not subject to a specific provision, without regard to the guarantees provided.

**2- Basis of preparation (continued)**

**2.5 Judgments and significant accounting estimates preparation (continued)**

**2.5.3 Determination of fair values**

The fair value of financial assets and liabilities which are not traded in an active market is determined using alternative valuation techniques based on:

- Recent market transactions on purely commercial terms.
- The current fair value of another instrument that is substantially the same.
- Expected cash flows discounted using current equations applied to instruments with similar terms and risk characteristics.

The determination of cash flows and discount factors for investments in unquoted equity securities requires significant estimates. There are a number of investments that cannot be reliably estimated and, as a result, these investments are carried at cost less provision for impairment.

**3. Summary of significant accounting policies**

**3.1 Transactions in foreign currencies**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies, are translated at the exchange rates prevailing on the balance sheet date. Realized and unrealized gains or losses on foreign exchange are credited or charged to the consolidated income statement.

According to the directives of the Central Bank of Sudan unrealized gains recognized in the consolidated income statement, are transferred to equity and held under "foreign currencies revaluation reserve" account.

**3.2 Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, balances with banks (current accounts), and balances with the central bank including statutory cash reserves, which represent restricted balances held by the Central Bank of Sudan.

**3.3 Investments in Sukuk and financial securities**

Based on the accounting standard No. 30, investment instruments in sukuk and financial securities are generally classified as debt instruments that are managed on a contractual basis, and equity instruments which comprise instruments that give the investor rights in the remaining net assets of the investee. Accordingly, all the investment in Sukuk and financial securities of the Bank are classified as equity instruments under AAOIFI Financial Accounting Standard No. 25 and are subject to the following policies:

**3- Summary of significant accounting policies (continued)**

**3.3 Investments in Sukuk and financial securities (continued)**

**3.3.1 Investments in sukuk at fair value through consolidated income statement**

Comprise held-to-maturity investments which are recognized at cost on acquisition, including the cost of acquisition. At the end of the financial period, these instruments are revalued at fair value and unrealized gains or losses arising on revaluation are recognized in the consolidated income statement. As for securities that do not have active financial markets, the related revenues are estimated based on the profits distributed during the previous years.

**3.3.2 Investments in sukuk at fair value through equity**

Comprise investments held for an indefinite period with the possibility of selling them for liquidity purposes. These investments are recognized at cost on acquisition, including the cost of acquisition. At the end of the financial period these investments are revalued and unrealized gains or losses arising from revaluation are recognized at fair value through equity under fair value reserve. When such investments are derecognized or disposed of the cumulative gain or loss recognized in equity is transferred to the consolidated statement of income.

**3.3.3. Investments in sukuk held at cost**

Comprise an investment in securities for which fair value cannot be determined at market prices or other appropriate methods. Such securities are recognized at cost less impairment in value if any. Gains or losses from such investments are recognized in the consolidated statement of income upon disposal or impairment of such investments.

**3.4 Deferred sales receivable**

Deferred Sales receivable comprise Murabaha, Deferred Sales, Salam, Mugawala and Ijara.

**3.4.1 Murabaha, Deferred Sales and Ijara**

Historical cost is the basis for the measurement and recognition of the assets acquired for the purpose of selling by Murabaha or Murabaha for the purchase ordered or Deferred Sales at the date of acquisition. Assets are measured at the expected cash value and the cost that was used to measure the asset at the time of acquisition is reduced by an impairment allowance that reflects the difference between the cost of acquisition and the expected net realizable value.

**3-Summary of significant accounting policies (continued)**

**3.4 Deferred sales receivable policies (continued)**

**3.4.2 Salam**

Salam is recognized when the capital is paid (in cash, or in kind) to the Bank's customer or put at his disposal. The capital is measured at the amount paid or at the fair value of the asset provided from the Group. If the Bank's customer fails to deliver whole or part of the goods or if the goods are defective, the Group recognizes an allowance for impairment.

**3.4.3 Mugawala**

Mugawala is recognized upon signing of the contract at the nominal value and revenue is recognized based on the percentage of the completion of the contract.

**3.5 Investment in Mudaraba and Musharaka**

**3.5.1 Mudaraba**

Mudaraba investments are stated at the end of the period at the amount paid or put at the disposal of the Mudariba. This amount is reduced by the amounts recover from the Mudaraba capital and any provision for impairment, if any.

**3.5.2. Musharaka**

Musharaka investments are shown in the consolidated statement of financial position at the historical cost less any liquidation or any identified investment risk, if any.

**3.6 Other investments**

Other investments are recognized at cost less any permanent impairment in the value of these investments.

**3.7 Investment property**

Investment property comprise properties that are held either to earn rental income and / or for capital appreciation (including properties under construction for such purpose). The initial recognition is carried at cost and subsequently measured at fair value.

The fair value of the investment properties is determined by valuers with appropriate and recognized professional qualifications, good experience in property valuation. Also, they should consider the ability to generate economic benefits from the best use of such property.

**3-Summary of significant accounting policies (continued)**

**3.7 Investment property**

The change in fair value is included in the fair value reserve within equity, and the recognition of the asset is ceased when it is derecognised or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising from the reversal of recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statement of income in the period in which the recognition of the asset ceases.

Transfers are made to investment properties only when there has been a change in use evidenced by the end of the occupancy of the property by the owner, the commencement of an operating lease to another party or the completion of the construction or development work.

**3.8 Other assets**

Other assets are measured at cost net of allowance for doubtful debt if any. Allowance for doubtful debt is estimated when collection of the asset is not probable. Bad debts are written off when collection becomes not possible.

**3.9 Intangible assets**

Intangible assets are measured at historical cost less accumulated amortization and impairment, if any.

Intangible assets are amortized on straight line basis over the useful life of the assets.

Intangible assets are reviewed for impairment annually and any impairment in value of the net realizable value. Intangible assets are re-listed at their recoverable amount in cases where the carrying amount is higher than its recoverable amount.

any impairment losses in value of intangible assets is recognized in the income statement.

The carrying values of intangible assets are reviewed for impairment in cases which indicate that carrying values are not recoverable.

Intangible assets are stated at recoverable amounts where caring values exceed recoverable amounts. Losses arising from permanent diminution in the value of intangible assets are recognized in the consolidated income statement.

**3.10 Goodwill**

Goodwill arising on the acquisition of a business combination is initially measured at historical cost, which represents the excess of the cost of acquisition over the net fair value of the identifiable assets and liabilities acquired. Following initial recognition, goodwill is measured at cost less any impairment loss. Goodwill is reviewed for the purpose of determining impairment annually or more frequently if events or changes in circumstances indicate a potential for impairment.

**3-Summary of significant accounting policies (continued)**

**3.11 Property and Equipment**

Property and Equipment are recorded at historical cost less accumulated depreciation and any impairment in value.

Land and buildings that were subjected to revaluation are stated on the statement of Financial position at fair value less accumulated depreciation or any permanent impairment in value at date of revaluation. Revaluations is carried out periodically to ensure that carrying values of land and buildings do not differ significantly from fair values. (see note 14).

Property and equipment are depreciated on the straight-line basis over their useful lives taking in to consideration the rates determined by the Tax Chamber authorities as follows:

Freehold Land	not depreciated
Building	15 - 40 years
Furniture and equipment	3 – 10 years
Vehicles	6 – 7 years

The carrying amounts of the Property and Equipment are reviewed at each reporting date to determine if there is any indication or objective evidence of impairment. If the recoverable values are less than the carrying values, then the difference is charged to the consolidated income statement.

**3.12 Revenue Recognition from financing and investing activities**

**3.12.1 Profit or losses from Murabaha, Deferred sales and Mugawala**

Revenue from murabaha and deferred sales is capitalized as deferred revenue and is recognized in the income statement on a time – apportioned basis over the period of the contract based on the outstanding balance.

Mugawala profits from contracts beginning and ending in the same financial period are recognized on the basis of the final liquidation. Deferred income on Mugawala contracts carried at future financial periods is recognized on an accrual basis at a fixed rate of return, so that each financial period is allocated with its share of profits.

**3.12.2 Profit or losses from Salam**

Gains or losses on salam operations are recognized when the risks and rewards of ownership of the goods have been transferred to the buyer and the amount of profit is reliably measurable.

The value of Salam at the end of the financial period is measured at the expected realizable cash value. Losses are recognized when goods are received and sale. The difference between the amount of the Salam and the net selling price of the goods is recognized as gain or loss in the Consolidated financial statement.

**3-Summary of significant accounting policies (continued)**

**3.12 Revenue Recognition from financing and investing activities (continued)**

**3.12.3 Profit or losses from Mudaraba**

Mudaraba profits / losses are recognized in the income statement at the time of liquidation or to extent of profits being distributed or at declaration date or when such profits can reasonably be estimated. The losses are recognized by reducing the capital amount of Mudaraba.

**3.12.4 Profit or losses from Musharaka**

Profits and losses from Musharaka transactions that are completed in the same financial period are recognized at the time of liquidation. In the case when Musharaka is continued for more than one financial period, the bank recognizes its full share of profit when realized upon final liquidation or partially to the limit of distributed profit. Losses are recognized by reducing the capital amount of Musharaka.

**3.12.5 Contribution in financing portfolios**

The income is recognized according to Mudaraba contract on the accrual basis.

**3.12.6** Profit from investment deposits with banks and financial institutions based on the Mudaraba contract is recognized on the accrual basis.

**3.12.7** Revenue from investment in Sukuk and financial securities held at cost is recognized on the accrual basis.

**3.12.8** The Bank recognizes its share of profit from investment in shares of companies, including unconsolidated subsidiary companies, when dividends are declared.

**3.12.9 Income of banking services:**

Income from banking services is recognized when related services are provided to the customer.

**3.13 Provision for finance and investment risk**

Provision for finance and investment risk is based on the assessment of collectability of each debt and in accordance with the directives of the Central Bank of Sudan and the Bank's policy. Changes in provision for doubtful debts is recognized in the income statement. General provision for banking risks is recognized in equity based on approval by the Central Bank of Sudan.

**3.14 Zakat**

The bank is subject to Zakat, which is a religious tax, in accordance with laws and regulations of the Chamber of Zakat in Sudan. The Chamber is a government agency entrusted with the collection and disbursement of Zakat. The Bank pays its Zakat obligation in full to the Chamber of Zakat.

**3-Summary of significant accounting policies (continued)**

**3.15 Taxation**

The bank is subject to income tax as prescribed by the Chamber of taxation which is 30% of taxable income. Zakat is an allowable deduction for tax purposes.

**3.16 Return on unrestricted investment accounts holders**

Unrestricted investment accounts participate in revenue from investments which are distributed to investors (depositors and shareholders) according to their contribution in invested funds and profit distribution ratios of each account holder based on the terms of his investment contract.

Profit distribution rates, generally, range as follows:

- 60% - 70% for a range of saving accounts.
- 70% on the average for investment accounts.

Investment profits subject to distribution are charged with cost and expenses specifically related to these investments.

**3.17 Impairment and non- collectability of financial assets**

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognized in the statement of income.

**3.18 End of Service Benefits.**

The bank provides for post service benefits payable to staff using the agreement with the employees' union as the basis for calculations and in accordance with the Sudanese social security regulations.

**3.19 Liabilities**

Liabilities are recognized for the amounts payable in future for goods or services delivered, whether invoices are issued by suppliers or not.

**4. Sharia'a Supervisory Board**

The Bank's business activities are subject to the supervision of a Sharia'a Supervisory Board appointed by the general assembly. The board has the power to review all activities of the bank to ensure compliance with the Sharia'a regulations. The Sharia'a Board also issues an annual report to the shareholders.

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

		<b>December 2018</b>	December 2017
<b>5- <u>Cash and balances with banks and financial institutions</u></b>	<b>Note</b>	<b>SDG'000</b>	<b>SDG'000</b>
Cash in hand and ATMs		<b>737,012</b>	621,056
Current Accounts with the Central Banks /Local Currency		<b>7,867,352</b>	3,137,937
Current Accounts with the Central Banks /Foreign Currency		<b>1,850,039</b>	439,654
The Central Bank of Sudan window Account	5/1	<b>17,780,807</b>	1,174,810
Cash with foreign correspondent banks		<b>3,532,124</b>	1,778,174
<b>Subtotal</b>		<b>31,767,334</b>	7,151,631
Local Cash reserve with the Central Bank of Sudan	5/2	<b>3,430,250</b>	1,939,018
Foreign Cash reserve with the Central Bank of Sudan	5/2	<b>1,942,610</b>	343,162
Cash reserve with the Central Bank of Emirates		<b>370,748</b>	-
		<b>37,510,942</b>	9,433,811

**5/1- Central Bank of Sudan window Account**

These represent balances due to the Bank for opening letters of credit for importation of Wheat, petroleum products and Hajj. It depends on pledges to pay by the Central Bank of Sudan. The Central Bank of Sudan pays through its share of the Bank's purchases of foreign currency.

**5/2- Cash reserve with the Central Bank of Sudan**

Represent balances of the reserve held by the Central Bank of Sudan.

		<b>December 2018</b>	December 2017
<b>6- <u>Investment accounts with banks</u></b>	<b>Note</b>	<b>SDG'000</b>	<b>SDG'000</b>
Investment accounts with local banks and financial institutio	6/1	<b>474,231</b>	185,600
Investment accounts with foreign banks and financial institutions		<b>380,820</b>	73,041
		<b>855,051</b>	258,641

**6/1- Investment accounts with banks and financial institutions**

Represent investment accounts with banks and financial institutions that are invested on the basis of unrestricted Mudaraba in accordance with the requirements of Islamic Sharia.

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

		<b>December 2018</b>	December 2017
<b>7- <u>Deferred Sales Receivables</u></b>	<b>Note</b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Murabaha	7/2	<b>21,916,220</b>	9,787,969
Deferred sales		<b>682,076</b>	910,392
Salam		<b>98,362</b>	82,976
Mugawala		<b>12,892,115</b>	7,250,814
Ijara		<b>6,324</b>	6,129
		<b>35,595,097</b>	18,038,280
Less: deferred profit	7/2	<b>(5,556,083)</b>	(3,313,132)
		<b>30,039,014</b>	14,725,148
Less: provision for finance & investment risks	7/1	<b>(783,742)</b>	(215,576)
Deferred Sales receivables, net	7/2	<b>29,255,272</b>	14,509,572
<b><u>Other Finance</u></b>			
Defaulted letters of guarantee		<b>14,337</b>	37,902
Defaulted letters of credit		<b>62,349</b>	38,236
		<b>76,686</b>	76,138
Provision for other finance	7/1	<b>(76,686)</b>	(76,138)
<b>Other Finance, net</b>		<b>-</b>	-
<b>Deferred Sales Receivables and other Finance, net</b>	7/2	<b>29,255,272</b>	14,509,572

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****7/1- Provision for finance & investment risks, net**

	<b>General Provision for Sales receivables SDG'000</b>	<b>Provision for other finance SDG'000</b>	<b>Provision for Mudaraba and Musharaka 'SDG'000</b>	<b>Total SDG'000</b>
<b>2018</b>				
Balance at beginning of the year	215,576	76,138	475	292,189
Provision during the year	608,183	42,323	6,113	656,619
Differences of translation of foreign currencies	107	-	-	107
Bad debts write off during the year	(40,124)	(41,775)	-	(81,899)
At 31 December 2018	<u>783,742</u>	<u>76,686</u>	<u>6,588</u>	<u>867,016</u>
	Note 7	Note 7	Note 9	
	<b>General Provision for Sales receivables SDG'000</b>	<b>Provision for other finance SDG'000</b>	<b>Provision for Mudaraba and Musharaka 'SDG'000</b>	<b>Total SDG'000</b>
<b>2017</b>				
At beginning of the year	132,505	-	-	132,505
Provision during the year	83,071	76,138	475	159,684
Differences of translation of foreign currencies	-	-	-	-
Bad debts write off during the year	-	-	-	-
At 31 December 2017	<u>215,576</u>	<u>76,138</u>	<u>475</u>	<u>292,189</u>
	Note 7	Note 7	Note 9	

**Bank of Khartoum**
**Notes to the Consolidated Financial Statements**
**For the year ended at 31 December 2018**
**7/2 Deferred sales receivables by sector**

2018	Murabaha SDG'000	Deferred sales SDG'000	Salam SDG'000	Mugawala SDG'000	Other SDG'000	Total SDG'000
Governments and quasi-government	1,365,464	-	82,976	11,505,887	-	12,954,327
Non-Banking financial institutions	-	-	-	687,936	-	687,936
Agricultural	785,373	-	15,386	80,588	-	881,347
Industrial	6,166,880	-	-	170,344	-	6,337,224
Transportation	130,482	155,902	-	-	285	286,669
Export & Import	3,149,033	275,791	-	-	-	3,424,824
Local Trade	3,404,975	6,945	-	294,153	-	3,706,073
Real Estate (Building & construction)	632,385	68,722	-	87,938	-	789,045
Other	6,281,628	174,716	-	65,269	6,039	6,527,652
<b>Total Deferred sales receivable</b>	<b>21,916,220</b>	<b>682,076</b>	<b>98,362</b>	<b>12,892,115</b>	<b>6,324</b>	<b>35,595,097</b>
Less: Deffered Profit	(2,300,750)	(107,514)	-	(3,146,925)	(894)	(5,556,083)
Less: provision for finance & investment risks	(122,524)	(3,781)	(23,067)	(634,052)	(318)	(783,742)
	<b>19,492,946</b>	<b>570,781</b>	<b>75,295</b>	<b>9,111,138</b>	<b>5,112</b>	<b>29,255,272</b>
<b>2017</b>						
Governments and semi-government	1,221,092	-	82,976	6,500,575	-	7,804,643
Non-Banking financial institutions	-	-	-	364,776	-	364,776
Agricultural	296,225	-	-	25	-	296,250
Industrial	2,012,982	24,664	-	25,476	-	2,063,122
Transportation	22,087	208,068	-	-	4,111	234,266
Export & Import	2,728,981	272,002	-	-	-	3,000,983
Local Trading	2,581,255	7,945	-	133,831	-	2,723,031
Real Estate (Buildings & constructors)	21,810	247,433	-	207,454	-	476,697
Other	903,895	150,280	-	18,319	2,018	1,074,512
<b>Total Deferred sales receivable</b>	<b>9,788,327</b>	<b>910,392</b>	<b>82,976</b>	<b>7,250,456</b>	<b>6,129</b>	<b>18,038,280</b>
Less: Deffered Profit	(1,434,300)	(77,649)	-	(1,800,330)	(853)	(3,313,132)
Less: provision for finance & investment risks	(98,027)	(16,687)	(4,185)	(96,360)	(317)	(215,576)
	<b>8,256,000</b>	<b>816,056</b>	<b>78,791</b>	<b>5,353,766</b>	<b>4,959</b>	<b>14,509,572</b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****8- Investment in Sukuk and financial securities**

Comprise the following equity - type instruments :

		December 2018	December 2017
	<u>Note</u>	<u>SDG'000</u>	<u>SDG'000</u>
<b>Securities at fair value through income statement:</b>			
Shahama certificates	8/1	3,128,513	3,124,255
<b>Securities at fair value through equity:</b>			
Sukuk Ijarah / Mico Investment fund	8/2	20,200	20,000
Liquidity mangement fund	8/3	181,972	155,675
		<u>202,172</u>	<u>175,675</u>
<b>Securities carried at cost:</b>			
Ijarah certificates of the Central Bank of Sudan assets (Shihab 2)	8/4	-	2,050,000
Musharaka certificates of Khartoum Refinery (Shama)	8/5	395	395
Ijarah certificates of Sudanese Electricity Distribution Company (Shasha)	8/6	114,113	114,113
		<u>114,508</u>	<u>2,164,508</u>
Shares in companies listed on the stock market	8/7	30,263	13,246
Shares in companies not listed on the stock market	8/8	88,085	174,629
<b>Total of investments in shares - Self finance</b>		<u>118,348</u>	<u>187,875</u>
<b>Total of Investment in Sukuk and financial securities</b>		<u><u>3,563,541</u></u>	<u><u>5,652,313</u></u>

**8/1- Shahama certificates**

They represent government certificates (Shahama), Which are issued by the Ministry of Finance on behalf of the Government of Sudan and are marketed through Sudan Financial Services Company according to Musharaka contract, which is traded in Khartoum Stock Exchange.

**8/2- Sukuk Ijarah / Mico Investment fund**

MICO Ijarah Investment Fund is a closed medium-term investment fund (determined by age and capital) based on Securitization (Taskiek) of productive assets under the oprating Ijara mode . It is not registered in the Khartoum Stock Exchange and is presented in the financial statements at cost.

**8/3- Liquidity mangement fund**

Is a Sukuk issued by the Liquidity Fund, which was established by the instructions of the Central Bank of Sudan,its an open fund with a variable capital determined in coordination with the Central Bank of Sudan and the Board of Directors of the Fund, these Sukuk are traded between banks working in Sudan and the Fund. The Fund aims to develop the management of interbank liquidity and stimulate the interbank market.

**8- Investment in Sukuk and financial securities (continued )****8/4- Ijarah certificates of Central Bank Sudan assets (Shihab 2)**

Ijarah certificates of assets of the Central Bank of Sudan (Shahab 2) represent an investment in a medium term investment fund issued by the Sudanese Financial Services Company. These certificates are financial instruments invested in buying the assets of the Bank of Sudan and renting for them as operating Ijarah. Investment these fund certificates is exclusively for banks operating in Sudan. Income from rent is distributed monthly.

**8/5- Musharaka certificates of Khartoum Refinery (Shama)**

Ijarah certificates of lease assets of Khartoum Petroleum Refinery, which is traded on Khartoum Stock Exchange and distributed profits every 3 months. The age of the issue is 7 years starting from the date of issue October 2010.

**8/6 Ijarah certificates of Sudanese Electricity Distribution Company (Shasha)**

Ijarah certificates of the Sudanese Electricity Distribution Company assets (SHASHA), represent an investment in a medium term investment fund issued by the Sudanese Financial Services Company. These certificates are financial instruments that are invested in the purchase of the assets of Sudanese Company for the Distribution of Electricity and its lease to the Ministry of Finance. the investments on this fund certificates are traded for individuals, companies and financial institutions the income from rent are distributed annually.

**8/7- Shares in companies listed on the Khartoum Stock Exchange**

Represents contributions in shares of the following companies listed on Khartoum Stock Exchange:

		<b>December 2018</b>	December 2017
	<b>%</b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
National Petroleum Company	4.6%	8,993	5,157
Tawuniya Insurance Company	25.1%	2,138	2,036
Ivory Bank	10.2%	612	612
Al Tadamon Islamic Bank	0.0%	29	8
Al Nile Bank for Commerce and Development	0.0%	3	-
Animal Resources Bank	0.0%	1	1
Faisal Islamic Bank	0.13%	9,177	5,045
Sudanese Free Zones and Markets Company	0.04%	9,185	277
National Labor Bank	0.03%	33	33
Gum Arabic Company	1.1%	92	77
		<b><u>30,263</u></b>	<b><u>13,246</u></b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****8- Investment in Sukuk and financial securities (continued )****8/8- Shares in unlisted companies on the Stock Exchange:**

Represents contributions in share of the following companies unlisted on Khartoum Stock Exchange:

			<b>December 2018</b>	December 2017
		%	<u>SDG'000</u>	<u>SDG'000</u>
White Nile Sugar Company	(8/8/1)	5.62%	1	158,586
Kenana Sugar Company		1.0%	12,000	12,000
Alnakheel for Food industry Ltd. Co.		25.0%	61,741	-
Islamic international Rating Agency		1.5%	11,920	1,647
Microfinance Guarantee Agency (TAYSEER)	(8/8/2)	2.6%	658	658
Sudan academy for banking & financial sciences		9.0%	932	932
Electronic banking services co.,ltd.		1.0%	218	191
Wafra modern storage co.,		11.0%	13	13
Sudan Rural Development Co. Ltd.		7.5%	476	476
International Medical Services Company		6.8%	125	125
Other investments	(8/8/3)		1	1
			<b>88,085</b>	<b>174,629</b>
			<u>SDG'000</u>	<u>SDG'000</u>
<b>(8/8/1) Shares white Nile sugar company</b>			<b>158,586</b>	<b>158,586</b>
<b>Less:</b>				
provision for Impairment			<b>(158,585)</b>	-
<b>Shares value, net</b>			<b>1</b>	<b>158,586</b>
			<u>SDG'000</u>	<u>SDG'000</u>
<b>(8/8/2) Microfinance Guarantee Agency (TAYSEER)</b>				
Microfinance Guarantee Agency (TAYSEER), has been established to support the country's horizontal spread and expansion of microfinance services. The contribution of banks amounts to 100 million payable on four equal installments, the value of each installment is 25 million. The first installment was distributed to the banks at 658 thousand pounds on each bank, constituting 2.6% of the capital				
			<b>December 2018</b>	December 2017
<b>(8/8/3) Other investments</b>			<u>SDG'000</u>	<u>SDG'000</u>
Shares of other companies			503	503
<b>Less:</b>				
provision for Impairment in share value			<b>(502)</b>	<b>(502)</b>
<b>Shares of other companies (Net)</b>			<b>1</b>	<b>1</b>

## Bank of Khartoum

### Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>9- <u>Investment in Mudaraba and Musharaka</u></b>	<b>Note</b>		
Mudaraba		411,123	320,661
Musharaka		149	137,521
		<u>411,272</u>	<u>458,182</u>
Provision for finance & investment risks	7/1	(6,588)	(475)
<b>Investment in Mudaraba and Musharaka, net</b>		<u><u>404,684</u></u>	<u><u>457,707</u></u>

		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>10- <u>Investment property</u></b>			
Balance at beginning of the year		694,199	692,645
Additions		798	1,554
Changes in fair value		2,124,167	-
Balance at end of the year		<u><u>2,819,164</u></u>	<u><u>694,199</u></u>

		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>11- <u>Assets available for sale</u></b>	<b>Note</b>		
Assets owned by the group *		20,898	24,278
Assets acquired		241,238	338,778
Inventory of products for sale	11/1	6,078	116,069
		<u><u>268,214</u></u>	<u><u>479,125</u></u>

\* Represent different lands and assets acquired by the group from clients in settlement of obligations towards the group and are offered for sale.

#### 11/1- Inventory available for sale

		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
Inventory of products offered for sale		73,898	116,069
<b>Less:</b>			
Impairment provision		(67,820)	-
		<u><u>6,078</u></u>	<u><u>116,069</u></u>

## Bank of Khartoum

### Notes to the Consolidated Financial Statements

#### For the year ended at 31 December 2018

		December 2018	December 2017
12- <u>Other assets</u>	<u>Note</u>	<u>SDG'000</u>	<u>SDG'000</u>
Staff loans		54,070	33,393
Prepaid expenses	12/1	233,904	101,355
Accrued income	12/2	425,472	75,272
Mobile telephone payment service	12/3	50,604	19,209
Debtors	12/4	40,060	38,137
Receivable to subsidiaries	12/5	5,404,477	1,156,019
Receivable from the government	12/6	26,313	49,141
Stationery and other stocks		146,665	94,132
Incentives	12/7	1,362,829	209,079
Deferred Tax Assets	12/8	413,291	156,870
Accounts under settlement, net	12/9	1,511,107	61,546
		<u>9,668,792</u>	<u>1,994,153</u>

#### 12/1- Prepaid expenses

Represent rental payments for branches and ATM locations paid in advance which will be amortized to expense on accrual basis according to maturity dates.

#### 12/2- Accrued income

Represent accrued (uncollected ) profits from investment in securities (Shahama + Sarh), in addition to the revenues of the investment in Irada company (Mudaraba ).

#### 12/3- Mobile telephone payment service

This represent the portion paid by the Bank to purchase balances within the Bank's electronic payment system.

#### 12/4- Debtors

Represent deffered amounts in favor of the Bank against the sale of assets owned by the Bank. The amounts shall be repaid on due dates in accordance with the agreements concluded. The balance includes SDG 4.8 MM receivable from National Trading and Services Company Ltd (subsidiary).

#### 12/5- Receivable from subsidiaries

Represent receivable accounts in the subsidiaries' records.

#### 12/6- Receivable from the government

Represent claims on the Government arising from the purchase of Bank of Khartoum, which are reconciled periodically.

#### 12/7- Incentives

Represents foreign currency remittances made by Sudanese overseas and other buyers and sellers. According to the instructions of the Central Bank this accounts has been opened to record these remittances and settle the incentive approved by the Central Bank.

## Bank of Khartoum

### Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

#### 12- Other assets (continued )

##### 12/8- Deferred Tax Assets

Represent a temporary tax differences between accounting profit and taxable profit for items of expenses and provisions that are not taxable during the year ended, are added or edited at the end of each year.

	<b>Tax provision</b>	Deferred Tax Assets	<b>Provision Expense</b>
	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Balance at 31 December 2017	(279,989)	156,870	-
Taxes calculated during the year	(380,535)	-	380,535
Utilized ser during the year	292,289	-	-
Transferred to deferred tax assets	-	256,421	(256,421)
<b>Balance at 31 December 2018</b>	<b>(368,235)</b>	<b>413,291</b>	<b>124,113</b>
	Note 18	Note 12	

##### 12/9- Accounts under settlement, net

	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
	December 2018	December 2017
Accounts under settlement *	1,918,591	61,546
Less: impairment provision	(407,484)	-
	<b>1,511,107</b>	<b>61,546</b>

\* This amount includes accounts under settlement and amounts covered by lawsuits filled by the Bank against third parties who failed to meet their contractual obligations towards the Bank. Impairment provision has been made based on merits and legal status of each indebted case at 31 December 2018

#### 13- Intangible assets, net

Details as follows:

	<b>Computer Software</b>	Goodwill	<b>Total</b>
	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
<b>01 January 2018</b>	<b>127,404</b>	182,605	<b>310,009</b>
Additions during the year	18,954	-	18,954
Amortization of the year	(29,032)	-	(29,032)
<b>31 December 2018</b>	<b>117,326</b>	182,605	<b>299,931</b>
<b>01 January 2017</b>	<b>123,713</b>	182,605	<b>306,318</b>
Additions during the year	27,304	-	27,304
Amortization of the year	(23,613)	-	(23,613)
<b>31 December 2017</b>	<b>127,404</b>	182,605	<b>310,009</b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****14- Property ,plant and equipment, net**

	<b>Land and Buildings</b>	<b>Furniture and Equipment</b>	<b>Motor Vehicles</b>	<b>Capital Work in Progress</b>	<b>Total</b>
<b><u>Cost:</u></b>					
<b>At 01 January 2018</b>	707,294	1,347,272	69,296	399,731	2,523,593
Additions	174,996	289,388	10,330	958,098	1,432,812
Disposal	-	(698)	(3,073)	-	(3,771)
Transfer from capital work in progress *	12,468	268,172	29,164	(309,804)	-
Transfer to other receivables balances (note 12/9)	-	-	-	(146,390)	(146,390)
<b>As at 31 December, 2018</b>	<b>894,758</b>	<b>1,904,134</b>	<b>105,717</b>	<b>901,635</b>	<b>3,806,244</b>
<b><u>Depreciation:</u></b>					
<b>At 01 January 2018</b>	24,186	578,222	27,344	-	629,752
Depreciation charge for the year	2,968	136,350	12,107	-	151,425
Disposal	-	(102)	(1,629)	-	(1,731)
<b>As at 31 December, 2018</b>	<b>27,154</b>	<b>714,470</b>	<b>37,822</b>	<b>-</b>	<b>779,446</b>
<b><u>Net book value</u></b>					
<b>31 December, 2018</b>	<b>867,604</b>	<b>1,189,664</b>	<b>67,895</b>	<b>901,635</b>	<b>3,026,798</b>

\* Represents additions to capital work in progress at branches, ATMs and other which is capitalized when the project is finalized and put to intended use.

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****14- Property ,plant and equipment, net (continued)**

	<b>Land and Buildings</b>	<b>Furniture and Equipment</b>	<b>Motor Vehicles</b>	<b>Capital Work in Progress</b>	<b>Total</b>
<b><u>Cost:</u></b>					
<b>At 01 January 2017</b>	336,300	1,118,230	54,113	238,780	1,747,423
Additions *	364,295	55,395	1,043	363,391	784,124
Disposal	(620)	(6,604)	(730)	-	(7,954)
Transfer from capital work in progress **	7,319	180,251	14,870	(202,440)	-
<b>As at 31 December, 2017</b>	<b><u>707,294</u></b>	<b><u>1,347,272</u></b>	<b><u>69,296</u></b>	<b><u>399,731</u></b>	<b><u>2,523,593</u></b>
<b><u>Depreciation:</u></b>					
<b>At 01 January 2017</b>	21,464	481,702	19,187	-	522,353
Depreciation charge for the year	2,722	96,690	8,663	-	108,075
Disposal		(170)	(506)		(676)
<b>As at 31 December, 2017</b>	<b><u>24,186</u></b>	<b><u>578,222</u></b>	<b><u>27,344</u></b>	<b><u>-</u></b>	<b><u>629,752</u></b>
<b><u>Net book value</u></b>					
<b>31 December, 2017</b>	<b><u>683,108</u></b>	<b><u>769,050</u></b>	<b><u>41,952</u></b>	<b><u>399,731</u></b>	<b><u>1,893,841</u></b>

\* Additions on Lands includes amount of SDG 352,313 thousands, represent revaluation result for the year 2017.

\*\* Represents additions to capital work in progress at branches, ATMs and other which is capitalized when the project is finalized, and put to intended use.

Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

	December 2018	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
<b>15- <u>Current accounts</u></b>		
Current accounts - local	19,317,314	9,754,054
Current accounts - foreign	10,010,765	2,284,640
	<u>29,328,079</u>	<u>12,038,694</u>

	December 2018	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
<b>16- <u>Margins of letters of credit &amp; guarantee</u></b>		
Cash margins against letters of credit	5,565,980	925,040
Cash margins against letters of guarantee	321,162	21,608
	<u>5,887,142</u>	<u>946,648</u>

	December 2018	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
<b>17- <u>Other liabilities</u></b>		
Accrued liabilities	1,069,232	449,352
Transfers	21,589	13,685
Accrued expenses	436,537	104,032
Balances under custody	264,590	281,170
Accureds liabilites to insurance companies	9,544	8,588
Accureds liabilites to Dura portfolio	40	40
Creditors on subsidiaries records	4,827,403	835,684
Other liabilities	468,058	145,890
	<u>7,096,993</u>	<u>1,838,441</u>

**17/1- Accrued liabilities**

These include SDG 891,068 Thousands representing cheques drawn on customer accounts have not yet been deducted from their accounts.

**17/2- Balances under custody**

These include SDG 68,9 Millions representing prior years shareholders profits under distribution.

**17/3- Creditors on subsidiaries records**

Represent Creditors balances on Subsidiaries records.

**17/4- Other liabilities**

Comprise settlement of mobile electronic payment accounts, cards, settlement of accounts of the national switch and points of sale in addition to economic housing portfolio, the people welfare fund, shortage and surpluses, increase, decrease in ATMs and safes.

## Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

18- Provisions

	December 2017	Additions during the year	Used during the year	Foreign currency difference	December 2018
	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>
Zakat provision	22,319	68,529	(36,245)	-	54,603
Provision for end of service benefits	32,203	17,776	(9,402)	123,592	164,169
Provision for court cases	520	-	-	-	520
Tax Provision (note 12/8)	279,989	380,535	(292,289)	-	368,235
	<u>335,031</u>	<u>466,840</u>	<u>(337,936)</u>	<u>123,592</u>	<u>587,527</u>

19- Equity of unrestricted investment accounts holdersa- By Types

	December 2018	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
Savings accounts	23,774,041	12,246,439
Customer investment accounts	12,313,811	4,166,180
Investment accounts - Central Bank of Sudan	245,000	270,000
Investment accounts - Other Banks	2,240,427	14,256
	<u>38,573,279</u>	<u>16,696,875</u>
Share of profit	698,269	515,886
Undistributed profit from prior years	13,237	3,704
	<u>39,284,785</u>	<u>17,216,465</u>

b- By Sector

	December 2018	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
Government	287,670	324,827
Non-Banking financial institutions	145,293	7,500
Individuals	27,964,633	14,024,966
Companies	7,690,256	2,055,326
Investment accounts - Central Bank of Sudan	245,000	270,000
Investment accounts - Other Banks	2,240,427	14,256
	<u>38,573,279</u>	<u>16,696,875</u>
Share of profit	698,269	515,886
Undistributed profit	13,237	3,704
	<u>39,284,785</u>	<u>17,216,465</u>

## Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

	<b>December 2018</b>	December 2017
	<b><u>SDG'000</u></b>	<u>SDG'000</u>
<b>20- Share capital</b>		
Authorized share capital	<b>2,000,000</b>	1,000,000
Paid up share capital	<b>1,016,645</b>	753,070

Paid up share capital is divided into 770,185,543 ordinary shares of SDG 1.32 each.

The Board of directors recommended during their meeting dated 29 April 2018 to distribute a bonus share of 35% and cash dividends of 18% of paid-up capital after the approval of the Central Bank of Sudan, and the Annual General Meeting (AGM) of the group.

In its Extraordinary General Meeting held on 29 April 2018 an increase in the authorized share capital to 2 Billion Sudanese Pounds has been approved. The group has addressed the concerned authorities to obtain the necessary approvals. The above changes were officially recorded at the registrar of companies on 11 November 2018.

	<b>December 2018</b>	December 2017
	<b>%</b>	%
<b><u>Shareholders' structure</u></b>		
Dubai Islamic Bank	<b>%29.49</b>	%29.49
Mr. Fadl Mohammed Khair Mohammed	<b>%22.76</b>	%21.61
The Islamic Development Bank	<b>%4.41</b>	%4.41
Abu Dhabi Islamic Bank	<b>%3.21</b>	%3.21
Mr. Salah bin Rashid bin Abdulrahman Al Rashed	<b>%2.47</b>	%2.47
Shares less than 2%	<b>%35.44</b>	%36.58
	<b>%100.00</b>	%100.00

	<b>December 2018</b>	December 2017
	<b><u>SDG'000</u></b>	<u>SDG'000</u>
<b>21- Reserves</b>		
<b>Represents the following reserves:</b>		
Statutory reserve	<b>267,886</b>	233,203
General banking risk reserve	<b>442,371</b>	182,251
Fair value reserve	<b>57,546</b>	35,864
Fixed assets revaluation reserve	<b>1,892,420</b>	505,189
General reserve	<b>363,056</b>	311,032
Foreign currency translation reserve	<b>(157,148)</b>	(5,871)
Foreign currency revaluation reserve	<b>230,421</b>	(146,862)
	<b>3,096,552</b>	1,114,806

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>22- <u>Income from Deferred sales receivables</u></b>			
Murabaha Income		1,392,160	897,956
Mugawala income		1,058,889	430,888
Deferred sales income		101,054	131,811
Ijara income		1,008	1,516
		<u>2,553,111</u>	<u>1,462,171</u>
		December 2018	December 2017
	<u>Note</u>	<u>SDG'000</u>	<u>SDG'000</u>
<b>23- <u>Income from investments</u></b>			
Income from Investments with banks and financial institutions	23/1	6,603	3,665
Income from Investment in Sukuk and financial securities	23/2	686,749	501,289
Income from Investment in Mudaraba and Musharaka	23/3	74,884	41,194
		<u>768,236</u>	<u>546,148</u>
		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>23/1- <u>Income from investment accounts with banks and financial institutions</u></b>			
Profit from investment accounts with Banks		6,603	3,665
		<u>6,603</u>	<u>3,665</u>
		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>23/2- <u>Income from investment in Sukuk and financial securities</u></b>			
Shahama revenue		512,345	350,032
Shihab revenue		132,050	38,950
Shama revenue		118	-
Sarh revenue		15,120	-
Sukuk of Ijarah Investment Fund		2,558	1,120
Investment portfolio return		15,347	27,540
Liquidity management fund return		9,211	83,647
		<u>686,749</u>	<u>501,289</u>
		December 2018	December 2017
		<u>SDG'000</u>	<u>SDG'000</u>
<b>23/3- <u>Income from investment in Mudaraba and Musharaka</u></b>			
Mudaraba income		64,834	41,194
Musharaka income		10,050	-
		<u>74,884</u>	<u>41,194</u>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

	<b>December 2018</b>	December 2017
	<b><u>SDG'000</u></b>	<u>SDG'000</u>
<b>24- <u>Return to unrestricted investment account holders</u></b>		
Unrestricted investment account holders share of profit before deduction of the Bank's share as Mudarib	<b>1,462,928</b>	751,405
Bank's share as Mudarib	<b>(450,008)</b>	(276,942)
Unrestricted share of investment account holders in profit after deduction of the Bank's share as Mudarib	<b>1,012,920</b>	474,463
Support provided by the Bank's shareholders from their share as Mudarib	<b>207,427</b>	154,144
Share of unrestricted investment account holders after the shareholders' support	<b>1,220,347</b>	628,607
<b><u>Dividend distribution rate:</u></b>		
Savings accounts	<b>%6.08 - %8.13</b>	%5.78 - %7.89
Annual deposit accounts - Sudanese pound	<b>%15.18</b>	%15.10
Annual deposit accounts - Foreign currency	<b>%0.80</b>	%3.75

	<b>December 2018</b>	December 2017
	<b><u>SDG'000</u></b>	<u>SDG'000</u>
<b>25- <u>Income from banking services</u></b>		
Commissions on letters of credit	<b>798,104</b>	565,093
Commissions from communications (Telecom subsidiary company)	<b>300,556</b>	222,848
Commissions on letters of guarantee	<b>199,481</b>	33,886
Cash management fees	<b>94,196</b>	55,613
Commissions on transfers	<b>80,443</b>	60,136
Commission from current accounts	<b>8,191</b>	3,792
Commission of electronic channels	<b>1,946</b>	5,017
Communication commissions	<b>1,209</b>	1,149
Commission from insurance companies and agencies	<b>628</b>	719
Commission from cheque collections	<b>26</b>	11
	<b>1,484,780</b>	948,264

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

	<b>December 2018</b>	December 2017
<b>26- <u>Other income</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Rent received	<b>51,535</b>	27,247
Insurance and storage fee	<b>1,108</b>	2,472
Revenue from disposal of fixed assets	<b>14,470</b>	503
Miscellaneous income	<b>50,225</b>	58,809
Dividends on investment in shares of companies	<b>1,362</b>	10,834
	<b><u>118,700</u></b>	<b><u>99,865</u></b>

		<b>December 2018</b>	December 2017
<b>27- <u>Staff costs</u></b>	<b><u>Note</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Salaries and wages		<b>558,890</b>	235,473
Overtime		<b>16,977</b>	8,134
Travelling		<b>31,084</b>	17,840
Medical care		<b>33,155</b>	15,028
Staff bonus		<b>308,214</b>	120,572
Social insurance		<b>42,304</b>	23,507
Hospitality		<b>36,124</b>	8,325
End of service benefits	<b>18</b>	<b>17,776</b>	3,454
Training		<b>27,885</b>	10,080
		<b><u>1,072,409</u></b>	<b><u>442,413</u></b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018**

	<b>December 2018</b>	December 2017
	<b><u>SDG'000</u></b>	<u>SDG'000</u>
<b>28- <u>General and administrative expenses</u></b>		
Rent	83,356	41,899
Insurance	21,462	9,923
Government dues	18,623	11,842
Electricity, water and fuel	31,507	19,548
Maintenance and cleaning	105,498	55,398
Services	77,690	45,151
Postage	2,008	3,031
Cash management expenses	14,172	19,894
Travel havemnt expenses	29,728	16,555
Consulting and professional services services	42,231	14,698
Legal fees	19,522	2,584
Board of Directors expenses	43	536
Board of Directors meetings allowance	35,177	19,487
Sharia Supervisory Board's expenses	1,764	384
Archive expenses	725	13
Printing & stationery	19,068	10,037
Newspapers & magazines	789	438
Communication & internet	127,446	58,642
Hospitality	34,026	7,751
Marketing and advertising	106,017	63,177
Donations	11,283	9,242
Subscriptions	7,011	1,610
Electronic channels expenses	33,252	15,384
Bank Deposit Security Fund fees	17,224	9,562
Operating losses	377	15,570
Miscellaneous expenses	123,767	12,732
Commission paid	28,459	10,336
Amortization & Depreciation	180,457	131,688
	<b><u>1,172,682</u></b>	<u>607,112</u>
	<b><u>1,172,682</u></b>	<u>607,112</u>
	<b>December 2018</b>	December 2017
<b>29- <u>Other Provision</u></b>	<b><u>Note</u></b>	<u>SDG'000</u>
Impairment in the value of other receivables balances	<b>12/9</b>	407,483
Impairment in the value of Investment in white Nile sugar company	<b>8/8/1</b>	158,586
Impairment in the value of Crop stocks for sale (Salam)	<b>11/1</b>	67,820
		<b><u>633,889</u></b>
		<u>-</u>

## Bank of Khartoum

### Notes to the Consolidated Financial Statements

#### For the year ended at 31 December 2018

#### 30- Earnings per share

Earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year (excluding bonus shares).

	<b>December 2018</b>	December 2017
	<u>SDG'000</u>	<u>SDG'000</u>
<b>Net income for the year</b>	<b>1,529,087</b>	836,346
<b>Earnings per one share</b>		
Weighted average number of shares outstanding during the year	<u><b>770,185,543</b></u>	<u>570,507,810</u>
Earnings per share (Sudanese pound )	<u><b>1.99</b></u>	<u>1.47</u>

\*The Bank has not issued any financial instruments that have an impact on the earnings per share when used, and therefore there is no need to calculate diluted earnings per share.

#### 31- Distribution of Finance as by sector

	<b>December 2018</b>	December 2017
<b>Sector</b>	<u><b>%100</b></u>	<u>%100</u>
Agricultural	<b>%28</b>	%32
Industrial	<b>%23</b>	%13
Transportation	<b>%1</b>	%1
Export & Import	<b>%11</b>	%17
Local Trading	<b>%3</b>	%17
Real Estate	<b>%13</b>	%13
Other	<b>%21</b>	%7
	<u><b>%100</b></u>	<u>%100</u>

#### 32- Contingent Liabilities

	<b>December 2018</b>	December 2017
<b>Note</b>	<u><b>SDG'000</b></u>	<u>SDG'000</u>
Contingent liabilities related to financing	<b>32/1 14,631,466</b>	4,848,562
Contingent liabilities not related to financing	<b>32/1 131,591</b>	140,748
<b>Total Contingent Liabilities</b>	<u><b>14,763,057</b></u>	<u>4,989,310</u>

	<b>December 2018</b>	December 2017
<b><u>32/1- Contingent Liabilities related to financing</u></b>	<u><b>SDG'000</b></u>	<u>SDG'000</u>
Letters of credit	<b>13,393,153</b>	4,469,636
Letters of guarantee	<b>1,238,313</b>	378,926
<b>Total</b>	<u><b>14,631,466</b></u>	<u>4,848,562</u>

**Concentration of Finance as per sectors (continued )****32/2- Contingent Liabilities not related to financing**

	December 2018	December 2017
<b>a- <u>Assets invested in restricted investment accounts</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Mugawala	120,655	129,799
Salam	10,936	10,949
<b>Total</b>	<b>131,591</b>	<b>140,748</b>

	December 2018	December 2017
<b>b- <u>Classification of restricted investment accounts holders by sector</u></b>	<b><u>SDG'000</u></b>	<b><u>SDG'000</u></b>
Banking, financial and banking institutions	131,591	140,748
	<b>131,591</b>	<b>140,748</b>

**Unrestricted Investment Accounts**

The Bank manages restricted investment accounts on a fiduciary basis as a mudarib.

These transactions are regulated by the Central Bank of Sudan. The financial statements of these accounts and the assets related to them are not included in the consolidated financial statements.

The maximum risk to the Bank is limited to its share of profit as Mudarib in return for the management of the accounts.

The Bank does not guarantee the account holders equities and liabilities other than operational risk represented by non-compliance with investment terms and restrictions.

The accounts are invested individually as specified by the account holders and are not organised in the form of mutual fund.

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****33- Related parties 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 first degree family members and relatives. The following table details the balances of related parties as at 31 December 2018.

Nature of the relationship	2018				
	subsidiaries	Shareholders	Board of Directors	Senior Management	Total
Items of the statement of financial :	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>
Deferred sales receivables	63,370	285,440	-	-	348,810
Mudaraba and Musharaka	2,774,674	-	-	-	2,774,674
Staff finance	-	-	-	6,301	6,301
<b>Total</b>	<b>2,838,044</b>	<b>285,440</b>	<b>-</b>	<b>6,301</b>	<b>3,129,785</b>
Current accounts, deposits and insurance	197,525	-	-	547.00	198,072
Credits and Guarantees	5,101	767	-	-	5,868
- <b>Items of the statement of profit or loss</b>					
Income from finance and investment	2,295	-	-	-	2,295
Board of Directors meetings allowance	-	-	(21,375)	-	(21,375)
<b>Total</b>	<b>2,295</b>	<b>-</b>	<b>(21,375)</b>	<b>-</b>	<b>(19,080)</b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****33- Related parties transactions (continued)**

Nature of the relationship	2017				
	subsidiaries	Shareholders	Board of Directors	Senior Management	Total
	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>
<b>- Items of the statement of financial :</b>					
Deferred sales receivables	63,370	-	298,985	-	362,355
Mudaraba and Musharaka	689,338	-	20,000	-	709,338
Staff finance	-	-	-	4,868	4,868
<b>Total</b>	<b>752,708</b>	<b>-</b>	<b>318,985</b>	<b>4,868</b>	<b>1,076,561</b>
Current accounts, deposits and insurance	916,214	-	163,753	1,578	1,081,545
Credits and Guarantees	2,352	-	18,822	-	21,174
<b>- Items of the statement of profit or loss</b>					
Income from finance and investment	-	-	31,164	-	31,164
Board of Directors meetings allowance	-	-	(14,864)	-	(14,864)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>16,300</b>	<b>-</b>	<b>16,300</b>

## Bank of Khartoum

### Notes to the Consolidated Financial Statements

For the year ended at 31 December 2018

#### 34- Segment Information

##### 34/1- Declared Segments

The declared Segment are defined on the basis of internal reports on the components of the group that are regularly reviewed by the responsible entity of making the operational decisions of the Group with a objective to allocating resources to the sector and evaluating its performance. The Group's Segment are divided into five main sectors as follows:

<u>Segment</u>	<u>institution</u>
Banking and Financial Services Segmant	Bank of Khartoum Irada Microfinance Co. Ltd Sanabil for Financial Securities Company Ltd. Sudacash for Exchange Ltd.
Telecommunications Segmant	Canar Telecommunications Co. Ltd
Services Segmant	Alfahad Valuable Assets in Transit Co. Ltd National Trading and Services Company Ltd.
CommercialSegmant	A2Z for Company for Sale by Installment Ltd
Real Estate Investment Segmant	Wahat AlKhartoum Urban Development Co. Ltd

	Banking and Financial Services Segmant		Telecommunications Segmant		Commercial & Services Segmant		Real Estate Investment Segmant		Exclusion of Inter-Segmant Balances		Total	
	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017
Net operating revenue	4,647,667	1,927,950	555,041	296,566	139,512	60,905	64,945	37,043	(149,713)	(1,894)	5,257,452	2,320,570
Operating expenses	(3,050,371)	(1,005,681)	(329,337)	(155,319)	(115,144)	(15,001)	(59,525)	(33,270)	18,654	-	(3,535,723)	(1,209,271)
<b>Profit before income tax and zakat</b>	<b>1,597,296</b>	<b>922,269</b>	<b>225,704</b>	141,247	<b>24,368</b>	45,904	<b>5,420</b>	3,773	<b>(131,059)</b>	(1,894)	<b>1,721,729</b>	1,111,299
Zakat provision											(68,529)	(23,159)
tax provision											(124,113)	(251,794)
<b>Profit for the year</b>											<b>1,529,087</b>	836,346
	Banking and Financial Services Segmant		Telecommunications Segmant		Commercial & Services Segmant		Real Estate Investment Segmant		Exclusion of Inter-Segmant Balances		Total	
	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017	<u>2018</u>	2017
Segment assets	90,947,901	37,992,274	6,290,240	1,663,638	353,058	278,901	2,841,270	702,702	(12,760,080)	(4,954,144)	87,672,389	35,683,371
Segment liabilities	86,359,335	34,839,176	5,348,340	922,090	108,036	192,282	1,876,467	545,033	(11,507,653)	(4,123,302)	82,184,526	32,375,279

**35- Capital adequacy**

The Bank monitors capital adequacy using the rates and weights set by the Central Bank of Sudan , the Islamic Financial Services Board and Basel Committee standards. These ratios measure capital adequacy by comparing eligible capital with financial position assets and liabilities by using weights to determine the weighted balances to reflect their relative risks.

	Qualified Capital(SDG'000 ' )		Capital adequacy ratio ( %)	
	December 2018	December 2017	December 2018	December 2017
Basic capital	2,219,681	2,334,347	12%	16%
Basic and support capital	2,731,702	2,637,654	15%	20%

The Central Bank of Sudan circular requires all banks operating in Sudan to maintain a risk ratio of weighted assets (Basel II) of not less than 12%. Given that Basel II risk ratios are not less than 8%.

The first tranche of the capital, which is the basic capital, includes the paid up capital, the issuance payment, the legal reserve and the profits at the end of the year, minus other specific discounts as per the requirements of the Central Bank.

The second tranche of the capital, which is the basic and supporting capital, includes the elements of the basic capital in addition to the fair value reserve and specific percentages of the financing allocations, minus other specific discounts according to the requirements of the Central Bank

The Bank has adopted the capital adequacy standard issued by the Islamic Financial Services Board (IFSB) (Basel II compliant) as required by the Central Bank of Sudan. The Bank used the Basel II standard method, which was approved by the Islamic Financial Services Board and the Central Bank of Sudan, to calculate risk weighted assets and regulatory capital requirements of the initial pillar (including credit, market and operating risks). Quarterly reports are sent to the Central Bank of Sudan on the Bank's capital adequacy ratio.

	Risk weighted assets ('SDG'000)	
	'SDG'000	'SDG'000
Credit risk	12,501,307	6,029,282
Market risk	8,357,439	713,370
Operational risk	2,914,878	1,497,622
<b>Total initial pillar - risk weighted assets</b>	<b>23,773,625</b>	<b>8,240,274</b>

**Goals of Capital management**

The Bank's objectives of capital management, which is a more comprehensive concept than that described in the "Equity" in the statement of financial position:

- Compliance with capital adequacy requirements set by the Central Bank of Sudan;
- Maintain the Bank's ability to continue and increase returns to shareholders and provide necessary assurance on the principle of continuity;
- Maintain a strong capital base to support the development of the Bank's business.

### **36- Financial Risk management**

#### **36/1- Introduction**

The risk management process is important for the Bank's continued profitability and each individual within the Bank is responsible for managing risks related to its responsibilities.

The Bank is exposed to a variety of risks including:

Credit risk

Liquidity risk

Market risk

Operational risk

Independent external risks of business risks such as changes in environment, technology and business are monitored

Regulations and laws through the Bank's strategic planning process.

#### **36/1/1- Risk Management Structure**

The Board of Directors is responsible for the identification and control of risks through the Risk Management Committee of the Board and the Risk Department, as well as the responsibility of all relevant units and departments for independent risk management and control.

##### **Board of Directors**

The Board of Directors is responsible for developing the overall risk management framework and for adopting risk management strategies, methods and policies.

##### **The Risk Management Committee**

It is formed by the Board of Directors which is generally responsible for the development of risk management strategies, mechanisms, policies and limits, as well as to provide assurance to the Board of Directors on the application of those strategies and policies. It is also responsible for managing core risks as well as managing and monitoring risk decisions.

##### **Risk Management Department**

The Risk Management Department is responsible for applying and following risk management procedures to ensure that risks remain within their acceptable limits as authorized by the Board of Directors and the Risk Management Committee emanating from the Board of Directors. The department is responsible for ensuring compliance with all risk limits, monitoring risk exposures and implementing controls issued by the supervisory authorities (the Central Bank of Sudan). As well as its responsibility for recommending, approving credit facilities, managing credit portfolios and their risks, credit risk, market risk, operational risk and overall risk control.

##### **Asset and Liability Management Committee**

The Asset and Liability Management Committee is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the management of market risk and liquidity risk to which the Bank is exposed.

**36- Financial Risk management (continued)**

**36/1- Introduction (continued)**

**36/1/1- Risk Management Structure (continued)**

**Internal Audit Department**

The Bank's risk management processes are reviewed periodically by the Internal Audit Department, which examines the adequacy of the procedures and the extent of the Bank's compliance with them. The Internal Audit Department discusses the results of all evaluations with management and reports on all findings and recommendations to the Audit Committee of the Board.

**36/1/2- Risk assessment and reporting systems**

The Bank measures risk using conventional and quantitative methods of credit risk, liquidity risk, market risk and operational risk. The Bank also applies stress testing procedures to measure and analyze the results of events expected to occur.

Risk exposures are monitored in accordance with periodic reports submitted to the Board of Directors that reflect the level of risk that the Bank can accept, with a greater focus on selected sectors.

The information collected from the relevant units is reviewed for analysis and identification of potential risks. This information is provided and explained to the Executive Management and Risk Management Committee of the Board of Directors. Specialized reports are submitted to the managers of the concerned departments and are presented on a regular basis commensurate with the fluctuations and events that may affect those risks. The report includes total exposure to credit risk, exceptions to limits, liquidity risk, operational loss and changes in other risks. A detailed report is prepared on a monthly basis on the business sector, customers and geographic risks that may occur. Senior management assesses on monthly basis the provision for financing portfolio and the capital adequacy ratio.

**36/1/3- Risk reduction**

Within the overall risk management framework, the Bank uses different methods to manage exposures arising from changes in credit risk, liquidity risk, market risk (including foreign exchange risk and equity price risk) and operational risk.

The Bank seeks to manage its exposure to credit risk by diversifying its financing and investment activities to avoid concentrations of unwarranted risks relating to individuals and groups of customers in specific business locations or segments. The Bank uses a good study of the financing process and the customer benefiting from the financing as well as guarantees that are met in order to reduce the credit risk that the Bank may face.

In order to prevent liquidity risk, management has diversified its sources of finance as well as asset management through liquidity available to the Bank, taking into consideration the maintenance of sufficient liquid assets (cash and cash equivalents).

Market risk is managed on the basis of pre-allocation of assets over different asset classes and continuous assessment of market conditions with respect to movements and changes in foreign exchange rates, reference profit rates and equity markets.

In order to manage all other risks, the Bank has developed a detailed risk management framework to help identify and use of resources in optimal way to minimize risks.

**36- Financial Risk management (continued)**

**36/1- Introduction (continued)**

**36/1/4- Risk concentrations**

Concentrations arise when a number of different parties engage in similar activities or activities in the same geographical area or when they have similar economic characteristics which makes their ability to meet their contractual obligations directly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments that may affect a particular business segment or geographical area.

**36/2- Credit Risk**

In order to avoid excessive concentration of risks, the Bank's policies and procedures and compliance with the CBB's own risk management regulations include maintaining a diversified portfolio. Concentration risk is monitored and managed in a specific credit risk portfolio accordingly

**Credit risk measurement**

The Bank assesses the likelihood of each party using different analytical tools: In the corporate sector, the analysis is based on historical data, customer reputation, business environment, and business sector, as well as the use of the credit rating agency to obtain the customer's credit position in the banking sector. Using the financial analysis ratios of the financial statements for the last three years at least according to the internally developed analysis form as well as the study of future financial flows. For the financing of individuals, funding is granted to the various segments according to approved criteria: age, type of activity, work period, credit history, monthly income of the customer and the maximum deduction of the monthly installment for net Customer Income.

**Guarantees**

The Bank uses a range of policies and procedures to reduce credit risk. Guarantees are one of the most traditional methods of granting credit facilities in order to reduce the risk of non-compliance. The Bank is committed to applying the regulations issued by the Central Bank regarding the acceptance and fulfillment of guarantees. The following are the main types of collateral for financing assets:

- Financial instruments such as deposits and traded investment certificates.
- Mortgage assets such as real estate, equipment, vehicles and inventory
- Mortgage residential, commercial and industrial.
- Commercial guarantees.

**Risks of credit commitments**

The Bank provides letters of credit to its customers in which the Bank is obliged to make specific payments when the customer fails to meet its obligations to third parties. The Bank is exposed to similar risks associated with Islamic financing and investment assets, which are mitigated through the mentioned monitoring processes and policies

**36- Financial Risk management (continued)**

**36/1- Introduction (continued)**

**36/2/1- Guarantees and other credit enhancements**

The amount and type of collateral required depends on the credit risk assessment of the counterparty where the controls issued by the central bank are applied to accept the types of collateral and the relevant valuation criteria.

The following are the main types of collateral obtained:

- For Islamic financing and investment facilities for companies, mortgage on real estate, inventory, leased assets and trade receivables.
- With regard to Islamic financing and investment facilities for individuals, mortgage on assets and mortgages on real estate.

The Bank also accepts guarantees from the holding companies in exchange for the Islamic financing and investment assets provided to their subsidiaries.

**36/2/2- Evaluation of impairment**

The main considerations for assessing the destruction are attributed to the period of time for the customer to default on the post-maturity financing as the financing is classified and the proportion of provisions is calculated based on the period of default in accordance with the Central Bank regulations. Finance guarantees have a major importance when calculating provisions where provisions are reduced based on the type and value of the guarantee.

The extent to which provisions for impairment of Islamic financing and investment assets are to be assessed on a monthly basis and reviewed separately for each portfolio.

**36/3- Liquidity risk and financing management**

Liquidity risk is the risk that the Bank will be unable to meet its financial obligations when due under normal and critical circumstances. To mitigate these risks, the Bank has provided a variety of financing sources as well as its core deposit base and asset management with liquidity in mind and monitoring future cash flows and liquidity on a daily basis. The procedure includes the assessment of the expected cash flows and the existence of a high quality assurance that may be used to ensure additional funding when needed.

The Bank maintains a portfolio of highly diversified and liquid assets that can be easily liquidated in the event of a sudden drop in cash flows. The Bank also has limits on committed credit facilities that can be used to meet its liquidity needs. In addition, the Bank maintains necessary deposits with central bank. The liquidity position is assessed and managed according to multiple scenarios, taking into consideration the concentration of exceptional factors related to the market in general and the Bank in particular.

The high quality of the asset portfolio ensures the availability of liquidity as well as bank funds and fixed customer deposits that help to form a stable source of finance. So that the bank will be able to obtain the necessary funds to cover the needs of the customers and meet its funding requirements.

The principal instrument (as well as other means) used to monitor liquidity is the analysis of the maturity profile of assets and liabilities, which are monitored over successive time periods for all types of currencies used. Whereby recommendations are made on the management of accumulated negative cash over successive time periods (as presented in the report denominated in Sudanese pound).

**36- Financial Risk management (continued)**

**36/3- Liquidity risk and financing management (continued)**

**36/3/1- Liquidity risk management procedures**

The Bank's liquidity risk management procedures, which are monitored by the various risk management teams, include:

- The position of daily financing, which is managed by monitoring future cash flows to ensure that the obligations can be met. This includes the provision of funds when they are due or financed by customers.
- Maintaining a highly liquid asset portfolio that can easily be liquidated as collateral in the event of a sudden drop in cash flows.
- Monitoring the liquidity position of the financial center against internal and regulatory requirements.
- Managing the position of concentrations of maturity dates for Islamic financial and investment portfolios.
- Monitoring the position of daily liquidity rates under daily reports and review ratios according to the controls of the Central Bank

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****36/3/2 - Funding Methodology**

Liquidity sources are regularly reviewed by management to maintain a wide variety of currencies, geographical areas, service providers, products and conditions.

The table below (Note 35/3/2) shown the contractual maturities of assets and liabilities of the group which 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.

**Maturities of assets and liabilities as of December 2018**

	within 3 months	3-6 months	6 months to one year	Over one year	Total
	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG'000</u>	<u>SDG -000</u>	<u>SDG -000</u>
<b>ASSETS</b>					
Cash, balances with banks and CBOS	37,510,942	-	-	-	<b>37,510,942</b>
Investment accounts with banks and financial institutions	451,420	23,312	380,319	-	<b>855,051</b>
Sales receivables	6,257,819	5,326,792	8,514,522	9,156,139	<b>29,255,272</b>
Investment in Sukuk and financial securities	1,340,844	678,906	1,405,243	138,548	<b>3,563,541</b>
Investment in mudaraba and musharaka	115,293	35,000	48,237	206,154	<b>404,684</b>
Investment in real estate	-	-	-	2,819,164	<b>2,819,164</b>
Available for sale investments	6,077	-	20,898	241,239	<b>268,214</b>
Other assets	2,027,555	1,985,083	4,233,334	1,422,819	<b>9,668,792</b>
Intangible fixed assets	-	-	-	299,931	<b>299,931</b>
Property ,plant and equipment	-	-	-	3,026,798	<b>3,026,798</b>
<b>Total assets</b>	<b>47,709,950</b>	<b>8,049,093</b>	<b>14,602,553</b>	<b>17,310,792</b>	<b>87,672,389</b>
<b>LIABILITIES</b>					
Current accounts	11,017,922	3,676,414	4,901,885	9,731,858	<b>29,328,079</b>
Margins of letter of credits & letter of guarantee	3,710,864	1,374,247	759,031	43,000	<b>5,887,142</b>
Other liabilities	2,142,802	1,687,213	3,101,193	165,784	<b>7,096,993</b>
Provisions	88,793	85,893	197,410	215,430	<b>587,526</b>
<b>Total liabilities</b>	<b>16,960,381</b>	<b>6,823,767</b>	<b>8,959,519</b>	<b>10,156,072</b>	<b>42,899,740</b>
<b>Unrestricted investment accounts holders</b>	<b>13,030,625</b>	<b>10,299,872</b>	<b>8,772,203</b>	<b>7,182,085</b>	<b>39,284,785</b>
<b>Total equity attributable to shareholders of the Group</b>	-	-	-	4,815,751	<b>4,815,751</b>
<b>Non-controlling interest</b>	-	-	-	438,591	<b>438,591</b>
<b>Total liabilities, unrestricted investment account holders' equity and equity</b>	<b>29,991,006</b>	<b>17,123,639</b>	<b>17,731,722</b>	<b>22,592,499</b>	<b>87,438,867</b>

**Bank of Khartoum****Notes to the Consolidated Financial Statements****For the year ended at 31 December 2018****36/3/2- Funding Methodology (continued)**

maturities of assets and liabilities as of December 2017

	<b>within 3 months</b>	<b>3-6 months</b>	<b>6 months to one year</b>	<b>Over one year</b>	<b>Total</b>
	<b><u>SDG' 000</u></b>	<b><u>SDG' 000</u></b>	<b><u>SDG' 000</u></b>	<b><u>SDG' 000</u></b>	<b><u>SDG' 000</u></b>
<b>ASSETS</b>					
Cash, balances with banks and CBOS	9,433,811	-	-	-	9,433,811
Investment accounts with banks and financial institutions	133,641	20,000	105,000	-	258,641
Sales receivables	2,035,170	2,217,528	3,928,325	6,328,549	14,509,572
Investment in Sukuk and financial securities	784,806	929,029	1,680,603	2,257,875	5,652,313
Investment in mudaraba and musharaka	10,170	310,696	132,883	3,958	457,707
Investment in real estate	-	-	-	694,199	694,199
Available for sale investments	-	-	140,347	338,778	479,125
Other assets	412,775	376,555	495,593	709,230	1,994,153
Intangible fixed assets	-	-	-	310,009	310,009
Property ,plant and equipment	-	-	-	1,893,841	1,893,841
<b>Total assets</b>	<b>12,810,373</b>	<b>3,853,808</b>	<b>6,482,751</b>	<b>12,536,439</b>	<b>35,683,371</b>
<b>LIABILITIES</b>					
Current accounts	3,102,503	3,102,504	3,723,005	2,110,682	12,038,694
Margins of letter of credits & letter of guarantee	225,062	225,063	496,523	-	946,648
Other liabilities	635,443	421,753	747,413	33,832	1,838,441
Provisions	75,371	65,714	161,618	32,328	335,031
<b>Total liabilities</b>	<b>4,038,379</b>	<b>3,815,034</b>	<b>5,128,559</b>	<b>2,176,842</b>	<b>15,158,814</b>
<b>Unrestricted investment accounts holders</b>	<b>5,053,688</b>	<b>4,299,705</b>	<b>7,643,072</b>	<b>220,000</b>	<b>17,216,465</b>
<b>Total equity attributable to shareholders of the Group</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,203,079</b>	<b>3,203,079</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,013</b>	<b>105,013</b>
<b>Total liabilities, unrestricted investment account holders' equity and equity</b>	<b>9,092,067</b>	<b>8,114,739</b>	<b>12,771,631</b>	<b>5,704,934</b>	<b>35,683,371</b>

**36- Financial Risk management (continued)**

**36/4- Market risk**

Market risk arises from changes in market prices such as profit rates, foreign exchange rates, equity prices and associated volatility. The objective of market risk management is to limit the value of potential losses in respect of open positions that may result from unexpected changes in profit rates, foreign exchange rates or equity prices. The Bank is exposed to the risk of using a variety of financial instruments including securities, foreign currencies, equities and commodities.

The Bank uses a flexible approach to market risk. The Bank uses flexible special models that help keep pace with current market practices in order to assess its position and obtain market-specific information to regulate market risk

The market risk management framework includes the following elements:

- setting limits to ensure that acceptable risks do not exceed the total value of risk and concentration criteria established by senior management;
- Conducting an independent evaluation based on market prices, settlement of the centers and monitoring the timely reduction of losses related to the commercial centers.

Policies, procedures and limits have been established to ensure that the Bank's market risk management policy is applied in day-to-day operations. These procedures are reviewed periodically to ensure consistency with the Bank's overall market risk management policy. In addition to the procedures and internal regulations adopted, the Bank shall comply with the rules and regulations issued by the Central Bank of Sudan issued in this regard.

**36/4/1- Profit margin risk**

The Bank is not exposed to any risk of re-pricing customer deposits because, in accordance with Islamic Shari'a, the Bank does not provide contractual rates of return to depositors or investment account holders. The return due to depositors and investment account holders is based on the Mudaraba principle whereby depositors and investment account holders agree to participate in profit and bear losses (as capital) of the Bank's Mudaraba assets portfolio within a certain period.

**36/4/2- Profit rate risk**

Profit rate risk arises from the possibility that changes will affect profit rate, which in turn affects future profitability or fair values of financial instruments. The Bank is exposed to profit rate risk as a result of gaps between the amounts of assets and liabilities and financial instruments outside the financial position at their maturity date or re-pricing within a given period of time. The Bank manages these risks through risk management strategies.

The effective profit rate (effective yield) of a financial instrument that is of a economic nature is the rate used to calculate the present value to determine the carrying amount of the financial instrument. This is the current rate of a variable-rate financial instrument or instrument recorded at fair value. The historical rate of a financial instrument is the rate at which a fixed rate is recorded at amortized cost

For the year ended at 31 December 2018

**36- Financial Risk management (continued)****36/4- Market risk (continued)****36/4/3- Foreign exchange risk**

Foreign exchange risk is the risk that the value of a financial instrument will change due to changes in foreign exchange rates. The Bank is also exposed to foreign exchange risk in transactions denominated in currencies other than the Sudanese pound. The Bank monitors the level of exposure to these risks as a whole for each currency on a daily basis.

The Bank has significant revenues in its subsidiaries and overseas branches and is therefore exposed to the risk of fluctuations in foreign exchange rates used to transfer revenues.

The following table summarizes the foreign exchange risk in accordance with the foreign currency balances of the major currencies:

	<b>Dollars</b>	<b>Euro</b>	<b>UAE Dirham</b>
	<b>surplus/(deficit)</b>	<b>surplus/(deficit)</b>	<b>surplus/(deficit)</b>
<b>ASSETS</b>	<b>162,633,300</b>	<b>44,367,838</b>	<b>1,014,402,545</b>
<b>LIABILITIES</b>	<b>(111,045,298)</b>	<b>(88,587,186)</b>	<b>(13,506,435)</b>
<b>December 2018'</b>	<b>51,588,002</b>	<b>(44,219,348)</b>	<b>1,000,896,110</b>
ASSETS	148,537,603	55,275,303	879,410,022
LIABILITIES	(137,080,511)	(141,796,799)	(535,083,174)
December 2017'	11,457,092	(86,521,496)	344,326,848

The following are the exchange rates prevailing for the major currencies during the year:

	<b>December 2018</b>		<b>December 2017</b>	
	<b>*Closing price</b>	<b>*Average price</b>	<b>*Closing price</b>	<b>*Average price</b>
<b>US Dollar</b>	47.500	32.967	8.912	7.612
<b>Euro</b>	54.279	38.613	10.688	8.671
<b>UAE Dirham</b>	12.933	8.976	2.426	2.237

**36/4/5- Equity price risk**

Equity price risk is the risk that the fair values of equities will decline due to changes in equity indices and the value of individual equity prices. Non-commercial equity price risk arises from the investment portfolio.

**36/5- Operational risk**

Operational risk is the potential exposure to financial or other damage resulting from the inefficiency or failure of internal processes, persons and systems or from external events

**36- Financial Risk management (continued)**

**36/5- Operational risk (continued)**

The Bank has developed a detailed operational risk framework. This framework clearly defines the functions and responsibilities of individuals / units in the various departments of the Bank that perform the various tasks related to operational risk management. The Operational Risk Management Framework ensures that operational risks are identified, monitored, managed and reported properly. Key elements of this framework include the development of a loss database, identification of key risk indicators, risk analysis and reporting on operational risk management.

Each new product is subject to risk review and approval procedures where all related risks are identified and evaluated by separate divisions of the unit presenting the product and exposed to risks. Adjustments to existing products are also subject to similar processes as business and support units are responsible for operational risk management in their functional areas. Units within the Bank's management framework grantees operational risk management in within their business units.

Regular risk management practices include identification and analysis of potential risk areas by monitoring operational risk losses in the various divisions reported by the coordinators, key risk indicators, self-assessment of risk control and risk-related events in general. These used to adopt and apply recommendations for mitigation and finally prepare materials for periodic awareness of operational risks in order to enhance the general culture of the Bank's environment.

In addition to the responsibility of the department to develop and update the policies and procedures of the business continuity plan, the department performs an assessment and analysis of the risks resulting after each test periodically through monitoring during the implementation of the plan by the business continuity plan team.

**37- Comparative figures**

Certain prior figures have been reclassified to match the presentation of the current period .This process has no impact on the statement of income and the statement of equity.

**38- Approval of financial statements**

These financial statements were approved by the Board of Directors and authorized for issue on 27 May 2019.