

Bank of Khartoum
(Public Limited Liability Company)
Consolidated Financial Statements
for the year ended 31 December 2021

Bank of Khartoum
Consolidated Financial Statements
31 December 2021

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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 statement of consolidated financial position as at December 31, 2021, 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 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 financial position of the Group as at December 31, 2021, 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), as well as International Financial Reporting Standards (IFRS) for matters not covered by (AAOIFI) standards and comply with the applicable laws, regulations and Central Bank of Sudan directives.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and audit standards issued by AAOIFI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and we have fulfilled our ethical responsibilities in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

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

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 15% of the total assets of the Group at December 31, 2021 thus it forms a significant component of the Group's financial position and the determination of provisions for impairment related thereto is considered a key audit matter.

Guidelines set by the Central Bank of Sudan (CBOS) require recognition of general provision for impairment calculated at 1% of the total 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 period. 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 of finance transactions. In addition, we assessed and tested 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 respect to collection procedures, follow-up of past due accounts and assessment of future cash flows that may require recognition of specific provisions in accordance with CBOS guidelines.

We tested samples of the financing portfolio and the calculations of the provision for finance losses according to the relevant AAOIFI standards and the Central Bank of Sudan guidelines. Audit procedures also included assessing the adequacy of disclosures in the consolidated financial statements as at December 31, 2021.

Currency exchange differences

Foreign currency exchange differences have been considered key audit matter due to their material impact on the financial statements at and for the years ended December 31, 2021 and 2020.

Our audit procedures focused on reviewing management assessment of foreign exchange risk and the adequacy of the policies and measures implemented to monitor the Group's exposure and any related possible losses.

Our procedures also included verification of the Group's compliance to relevant AAOIFI and IFRS standards as well as the directives of the Central Bank of Sudan especially the directives that obligate the Bank to deduct the foreign currency revaluation gains from retained earnings and be disclosed separately in the statement of financial position.

We have also examined reclassification of certain material account balances resulting from foreign currency differences during 2021 and the related 2020 comparative figures, to ensure that these matters have been brought to the attention of the relevant regulatory authority and the concurrence this authority with the Bank's treatment of those differences.

Other Information Included in the Group's Annual Report for year 2021

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the other information, if we conclude that there is a material misstatement therein, we are required to report the matter to those charged with governance.

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 laws, regulations and Central Bank of Sudan directives, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or

conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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





Mubarak Ali Ibrahim CPA - CGMA
Date: 17 April 2022

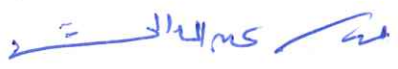


Bank of Khartoum
Consolidated Statement of Financial Position
As at 31 December 2021

	Note	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
ASSETS			
Cash and balances with banks and financial institutions	5	609,784,688	168,569,208
The Central Bank of Sudan receivables	6	5,317,121	6,700,972
Investment accounts with banks and financial institutions	7	97,748,691	10,910,287
Deferred sales receivables and other finances, net	8	143,147,350	27,947,612
Investment in Sukuk and financial securities	9	24,829,415	11,146,012
Investment in associate	10	61,741	61,741
Investment in Mudaraba and Musharaka, net	11	5,721,275	180,185
Investment property	12	28,218,273	14,177,396
Assets available for sale	13	1,879,159	426,532
Other assets	14	16,057,443	8,811,807
Intangible assets, net	15	1,374,286	1,407,772
Property and equipment, net	16	11,565,044	5,726,337
TOTAL ASSETS		945,704,486	256,065,861
LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Current accounts	17	373,330,393	70,292,705
Margins on letters of credit & guarantee	18	17,330,773	582,452
Other liabilities	19	26,972,833	8,625,579
Provisions	20	7,392,367	693,211
Total liabilities		425,026,366	80,193,947
EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS	21	454,222,115	157,002,301
SHAREHOLDERS' EQUITY			
Share capital	22	1,016,645	1,016,645
Share premium		50,473	50,473
Reserves	23	55,977,567	11,872,609
Retained earnings		4,016,908	986,018
Total shareholders' equity of the parent company		61,061,593	13,925,745
Non-controlling interest		5,394,412	4,943,868
Total shareholders' equity		66,456,005	18,869,613
TOTAL LIABILITIES, EQUITY OF UNRESTRICTED INVESTMENT ACCOUNT HOLDERS AND SHAREHOLDERS' EQUITY		945,704,486	256,065,861


Mohamed Al Sharif
Chairman of the Board of
Directors


Hatim Osman Elias
Member of the Board of
Directors


Moustafa Abdalla El Hassan
Group Chief Executive
Officer


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

Bank of Khartoum

Consolidated Income Statement

For the year ended 31 December 2021

	Note	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Income from:			
Deferred sales receivables	24	15,847,816	3,342,823
Investments	25	4,034,253	1,945,760
Total income from deferred sales and investments		19,882,069	5,288,583
Less: Return to unrestricted investment account holders	21 & 26	(4,536,940)	(1,795,971)
Net income from deferred sales and investments		15,345,129	3,492,612
Net profit from foreign exchange transactions	27	629,231	(413,338)
Income from banking services	28	13,091,018	1,622,163
Other income	29	2,072,854	708,916
Total revenue		31,138,232	5,410,353
Net profit from foreign currency revaluation		37,124,274	1,722,443
Total operating income		68,262,506	7,132,796
Expenses:			
Staff cost	30	(13,449,465)	(2,403,414)
General and administrative expenses	31	(11,106,145)	(2,376,854)
Provision for finance and investment risk	8/1 & 8/2	(2,352,236)	(719,482)
Bank of Sudan penalties		-	(640)
Total expenses		(26,907,846)	(5,500,390)
Net profit before zakat and tax provisions		41,354,660	1,632,406
Zakat provision	20	(1,104,008)	(54,955)
Tax provision	20	(5,685,278)	(394,325)
Net profit for the year		34,565,374	1,183,126
Attributable to:			
Equity holders of the parent company		39,790,293	1,119,377
Non-controlling interest		(5,224,919)	63,749
Net profit for the year		34,565,374	1,183,126
Earnings per share (SDG)	32	44.88	1.54


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Bank of Khartoum

Consolidated Statement of Changes in Equity


For the year ended 31 December 2021

	Share Capital SDG'000	Share Premium SDG'000	Statutory Reserves SDG'000	General Banking Risk Reserve (a) SDG'000	Fair Value Revaluation reserve SDG'000	Fixed assets revaluation reserve SDG'000	Foreign currency revaluation reserve SDG'000	Foreign currencies translation reserve (b) SDG'000	Retained earnings SDG'000	Attributable to equity holders of the parent Company SDG'000	Non- controlling interest SDG'000	Total Equity SDG'000
At 01 January 2021	1,016,645	50,473	402,273	254,602	113,477	9,752,566	1,354,499	(4,808)	986,018	13,925,745	4,943,868	18,869,613
Prior year adjustments	-	-	-	-	-	-	-	-	(29,764)	(29,764)	(10)	(29,774)
Profit for the year	-	-	-	-	-	-	-	-	39,790,293	39,790,293	(5,224,919)	34,565,374
Net changes in fair value	-	-	-	-	53,343	11,871,879	117,543	(4,637,125)	-	7,405,640	5,705,794	13,111,434
Dividends paid	-	-	-	-	-	-	-	-	(30,321)	(30,321)	(30,321)	(60,642)
Transfer to reserves	-	-	615,354	802,874	-	-	35,281,090	-	(36,699,318)	-	-	-
At 31 December 2021	<u>1,016,645</u>	<u>50,473</u>	<u>1,017,627</u>	<u>1,057,476</u>	<u>166,820</u>	<u>21,624,445</u>	<u>36,753,132</u>	<u>(4,641,933)</u>	<u>4,016,908</u>	<u>61,061,593</u>	<u>5,394,412</u>	<u>66,456,005</u>

	Share Capital SDG'000	Share Premium SDG'000	Statutory Reserves SDG'000	General Banking Risk Reserve (a) SDG'000	Fair Value Revaluation reserve SDG'000	Fixed assets revaluation reserve SDG'000	Foreign currency revaluation reserve SDG'000	Foreign currencies translation reserve (b) SDG'000	Retained earnings SDG'000	Attributable to equity holders of the parent Company SDG'000	Non- controlling interest SDG'000	Total Equity SDG'000
At 01 January, 2020	1,016,645	50,473	278,373	253,382	76,196	1,906,079	(87,887)	(152,726)	1,787,982	5,128,517	421,934	5,550,451
Prior year adjustments	-	-	10	1,220	(9,649)	-	16,232	154,526	(178,697)	(16,358)	15,688	(670)
Profit for the year	-	-	-	-	-	-	-	-	1,119,377	1,119,377	63,749	1,183,126
Net changes in fair value	-	-	-	-	46,930	7,846,487	(192,600)	(6,608)	-	7,694,209	4,442,497	12,136,706
Transfer to reserves	-	-	123,890	-	-	-	1,618,754	-	(1,742,644)	-	-	-
At 31 December 2020	<u>1,016,645</u>	<u>50,473</u>	<u>402,273</u>	<u>254,602</u>	<u>113,477</u>	<u>9,752,566</u>	<u>1,354,499</u>	<u>(4,808)</u>	<u>986,018</u>	<u>13,925,745</u>	<u>4,943,868</u>	<u>18,869,613</u>

(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.


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Chairman of the Board of
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Member of the Board of
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Bank of Khartoum

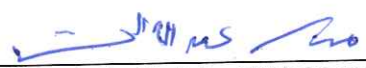
Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Cash flows from operating activities			
Net profit for the year		34,565,374	1,183,126
Adjustments for non-cash items:			
Depreciation and amortization	31	851,391	342,107
Provision for end of service benefits	20	80,677	29,481
Provision for finance and investment risk		2,352,236	719,482
Zakat provision	20	1,104,008	54,955
Tax provision	20	5,685,278	394,325
Net fair value changes in reserves		7,405,640	7,694,209
Gain on revaluation of shahama certificates		-	(719,133)
Prior year adjustment		(29,774)	(670)
Gain on disposal of fixed assets	29	(71,075)	(57,576)
		<u>51,943,755</u>	<u>9,640,306</u>
Changes in operating assets and liabilities			
The Central Bank of Sudan receivables		1,383,851	(6,700,972)
Increase in deferred sales receivables and other finances		(117,488,538)	(5,476,469)
Increase in other assets		(7,245,636)	(1,228,047)
Increase in current accounts		303,037,688	31,851,178
Increase (decrease) in margins on letters of guarantee and credit		16,748,321	(137,723)
Increase in other liabilities		18,347,254	5,415,236
Net cash flows from operations		<u>266,726,695</u>	<u>33,363,509</u>
Zakat paid	20	(98,845)	(14,735)
Movement in end of service benefits	20	552,716	6,943
Tax paid	20	(624,678)	(211,057)
Net cash flows from operating activities		<u>266,555,888</u>	<u>33,144,660</u>
Cash flows from investing activities			
Increase in investment accounts with banks and financial institutions		(86,838,404)	(6,645,519)
(Increase) decrease in investment Mudaraba and Musharaka		(5,541,090)	496,617
Increase in investment Sukuk and financial securities		(13,746,839)	(4,845,582)
Investment property		(14,040,877)	(11,367,314)
Increase in assets available for sale		(1,452,627)	(48,151)
Net movement in non controlling interest		5,675,473	4,442,497
Purchase of tangible and intangible assets, net		(6,585,537)	(3,298,116)
Net cash used in investing activities		<u>(122,529,901)</u>	<u>(21,265,568)</u>
Cash flows from financing activities:			
Increase in unrestricted investment account holders		297,219,814	101,996,127
Dividend from a subsidiary		(30,321)	-
Net cash flows from financing activities		<u>297,189,493</u>	<u>101,996,127</u>
Net change in cash and cash equivalents		<u>441,215,480</u>	<u>113,875,219</u>
Cash and cash equivalents at beginning of the year	5	168,569,208	54,693,989
Cash and cash equivalents at end of the year		<u>609,784,688</u>	<u>168,569,208</u>


Mohamed Al Sharif
 Chairman of the Board of
 Directors


Hatim Osman Elias
 Member of the Board of
 Directors


Moustafa Abdalla El Hassan
 Group Chief Executive
 Officer

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

Bank of Khartoum

Statement of Changes in Restricted Investments

For the year ended 31 December 2021

For the year ended 31 December 2021

	Financial Portfolios SDG' 000	Restricted Deposits For Banks SDG' 000	Total Restricted investments SDG' 000
Balance at 1 January 2021	102,481	1,070,000	1,172,481
Additions during the year	-	1,210,000	1,210,000
Withdrawals during the year	(14,615)	(1,020,000)	(1,034,615)
Profit for the year	11,898	-	11,898
Bank's share as Mudarib	(993)	-	(993)
Profit distributions	(9,715)	-	(9,715)
Administrative expenses	(1,190)	-	(1,190)
Balance at 31 December 2021	<u>87,866</u>	<u>1,260,000</u>	<u>1,347,866</u>

For the year ended 31 December 2020

	Financial Portfolios SDG' 000	Restricted Deposits For Banks SDG' 000	Total Restricted investments SDG' 000
Balance at 1 January 2020	127,812	1,640,000	1,767,812
Additions during the year	-	1,000,000	1,000,000
Withdrawal during the year	(25,330)	(1,570,000)	(1,595,330)
Total profit for the year	21,275	-	21,275
Bank's share as Mudarib	(2,128)	-	(2,128)
Profit distributions	(19,148)	-	(19,148)
Balance at 31 December 2020	<u>102,481</u>	<u>1,070,000</u>	<u>1,172,481</u>

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 1 January 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 economic activities in accordance with the Islamic Sharia'a Principles, laws and regulatory requirements for banking and finance in Sudan.

The Bank 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 128 local branches (31 December 2020: 120) (covering Khartoum and main cities of Sudan) and two international branches in Bahrain and United Arab Emirates.

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

Name	Nature of business	Effective ownership
Subsidiaries		
A2Z for Company for Sale by Installment Ltd.	Trading	100%
National Trading and Services Company Ltd.	Trading	100%
Sanabel for Financial Securities Company Ltd.	Financial services	100%
Canar Telecommunication Company. Ltd.	Telecommunication	98%
Wahat Al Khartoum Urban Development Co. Ltd.	Real Estate	60%
Irada Microfinance Company. Ltd.	Financial Services	80%
Alfahad Valuable Assets in Transit Company. Ltd.	Services	50%
Associates		
AlNakheel for Food Industry Co. Limited	Services	25%

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 Sharia'a rules and principles as determined by the Sharia'a Supervisory Committee of the Group 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 Group 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 securities classified as investments at fair value through income statement and investments at fair value through equity which have been measured at fair value. The Group uses the accrual basis in recording its revenues and expenses.

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2- Basis of preparation (continued)

2/3- Functional and presentation currency

The consolidated financial statements are presented in the Sudanese Pound ("SDG") which is the functional currency of the Group and all values are rounded to nearest SDG'000 except when otherwise indicated.

2/4- Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries and associate as at 31 December 2021. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of income from the date of acquisition or up to the date of disposal, as appropriate. A change in the Group's ownership of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Share of non-controlling interest represents the portion of net income and net assets not held by the Group and are presented separately in the consolidated statement of income and within owners' equity in the consolidated statement of financial position, separately from the equity attributable to shareholders of the Parent. Transactions with the non-controlling interest are handled in the same way as transactions with external parties.

2/5- Judgments and significant accounting estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. The most significant uses of judgments and estimates are as follows:

2/5/1- Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

2/5/2- Estimates and assumptions

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.

2/5/3- Provision for finance and investment risk

Assets measured at historical cost are valued to determine whether there is any impairment in value when individually assessed 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 of the Group 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.

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

2- Basis of preparation (continued)

2/5- Judgments and significant accounting estimates (continued)

2/5/3- Provision for finance and investment risk (continued)

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.

2/5/4- 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 discounted cash flows are 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, if any.

2/5/5- Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Group's investments in its associate is accounted for using the equity method.

Unrealised profits and losses resulting from transactions between the Group and the associate are eliminated to the extent the Group's interest in the associate.

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 date of the consolidated financial position. Realized and unrealized gains or losses on foreign exchange transactions are recorded as profit or loss on foreign exchange transactions in the consolidated income statement.

According to the directives of the Central Bank of Sudan unrealized gains recognized by the Bank 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 and balances with banks and financial institutions.

3/3- Investments in Sukuk and financial securities

Based on FAS 33, investment 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 Group are classified as equity instruments under FAS 33 and are subject to the following policies:

3/3/1- Investments at fair value through consolidated income statement

Comprise 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.

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3- Summary of significant accounting policies (continued)

3/3- Investments in Sukuk and financial securities (continued)

3/3/2- Investments 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 any 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 off, the cumulative gain or loss recognized in equity is transferred to the consolidated income statement.

3/3/3- Investments at cost

Comprise 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 income statement upon disposal or impairment of such investments.

3/3/4- Investments at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated income statement when the asset is derecognised, modified or impaired.

3/4- Deferred sales receivable

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

3/4/1- Murabaha, Deferred Sales and Ijara

Assets acquired for the purpose of selling by murabaha or murabaha for the purchase ordered or deferred sales are measured and recognized at historical cost 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.

3/4/2- Salam

Salam is recognized when the capital is paid (in cash, or in kind) to the Group's customer or put at the customer's disposal. The capital is measured at the amount paid or at the fair value of the asset provided from the Group.

If the Group's customer fails to deliver whole or part of the goods or if the goods are defective, the Bank 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 / year at the amount paid or put at the disposal of the mudarib. This amount is reduced by the amounts recovered 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 liquidation or identified investment risk, if any. Foreign currency musharaka investments are translated at exchange rates prevailing on the date of the consolidated financial statements.

3/6- Other investments

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

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3- Summary of significant accounting policies (continued)

3/7- Other assets

Other assets are measured at cost net of impairment, if any. Allowance for impairment is estimated when collection of the asset is not probable. The amounts are written off when the management of the Group believes that collection is not possible.

3/8- 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 and experience in property valuation.

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 derecognized 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 income statement in the year 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.

3/9- Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included 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.

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 subject to revaluation are stated in the consolidated statement of financial position at fair value less accumulated depreciation or any permanent impairment in value at date of revaluation. Revaluation is carried out periodically to ensure that carrying values of land and buildings do not differ significantly from fair values (note 16).

Property and equipment are depreciated on the straight-line basis over their useful lives taking into 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- Income 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 consolidated 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- Profits or losses from Salam

Profits 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 sold. The difference between the amount of the salam and the net selling price of the goods is recognized as a gain or loss in the consolidated income statement.

3/12/3- Profit or losses from Mudaraba

Mudaraba profits / losses are recognized in the consolidated 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 Mudaraba contracts

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

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3- Summary of significant accounting policies (continued)

3/12- Income from financing and investing activities (continued)

3/12/6- Profit for deposits with banks and financial institutions

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

3/12/7- Income from investment in sukuk and financial securities

Income from investment in Sukuk and financial securities held at cost is recognized on accrual basis. The Group recognizes its share of profit from investment in shares of companies, when dividends are declared.

3/12/8- Income from 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 Group's policy. Changes in provision for doubtful debts is recognized in the consolidated income statement. General provision for banking risks is recognized in equity based on approval by the Central Bank of Sudan.

3/14- Zakat

The Group 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 Group pays its Zakat obligation in full to the Chamber of Zakat.

3/15- Taxation

The Group 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 the investment contract. Profit distribution rates generally range as follows:

- 65% - 95% for average of saving accounts.
- 80% 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 consolidated income statement.

3/18- End of service benefits

The Group 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.

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

4- Sharia'a Supervisory Board

The Group's business activities are subject to the supervision of a Sharia'a Supervisory Board (the "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 Board also issues an annual report to the shareholders.

5- Cash and balances with banks and financial institutions

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Cash in hand and ATMs /Local Currency		11,910,717	5,449,004
Cash in hand and ATMs /Foreign Currency		54,124,108	2,016,054
Current accounts with the Central Banks /Local Currency		234,494,219	104,041,502
Current accounts with the Central Banks /Foreign Currency		41,460,778	2,121,433
Cash with foreign correspondent banks		134,377,499	14,951,610
Subtotal		476,367,321	128,579,603
Local currency cash reserve with the Central Bank of Sudan	5/1	114,744,283	31,103,430
Foreign currency cash reserve with the Central Bank of Sudan	5/1	14,178,500	2,293,959
Cash reserve with the Central Bank of Emirates		4,494,584	6,592,216
		609,784,688	168,569,208

5/1- Cash reserve with the Central Bank of Sudan

These represent balances of the reserve held by the Central Bank of Sudan.

6- The Central Bank of Sudan receivables

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
The Central Bank of Sudan window account	6/1	1,036,074	3,023,119
Due from the Central Bank of Sudan	6/2	4,281,047	3,677,853
		5,317,121	6,700,972

6/1- These represent balances due to the Bank for opening letters of credit for importation of wheat, petroleum products and hajj based on explicit guarantee provided by the Central Bank of Sudan. The Central Bank of Sudan pays through its share of the Bank's purchases of foreign currency.

6/2- These receivables are obligations guaranteed by the Central Bank of Sudan.

7- Investment accounts with banks and financial institutions

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Investment accounts with local banks and financial institutions	6,530,266	4,823,170
Investment accounts with foreign banks and financial institutions	54,399,875	6,087,117
Investment account with Central Bank of UAE	36,818,550	-
	97,748,691	10,910,287

7/1- These represent investment accounts with banks and financial institutions that are invested on the basis of unrestricted mudaraba and wakala in accordance with the requirements of Islamic Sharia'a.

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8- Deferred sales receivables and other finances

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Murabaha		123,701,122	25,960,786
Deferred sales		65,306,919	3,012,449
Salam		98,108	98,123
Mugawala		11,691,241	6,631,884
Ijarah		81,526	24,629
		<u>200,878,916</u>	<u>35,727,871</u>
Less: Deferred profit	8/3	(42,117,683)	(5,656,047)
		<u>158,761,233</u>	<u>30,071,824</u>
Less: Provision for finance & investment risks, net	8/1 & 8/3	(15,613,883)	(2,124,212)
Deferred Sales receivables, net	8/3	<u>143,147,350</u>	<u>27,947,612</u>
Other finances			
Defaulted letters of guarantee		6,382	6,382
Defaulted letters of credit		538,883	101,710
		<u>545,265</u>	<u>108,092</u>
Provision for other finance	8/1	(545,265)	(108,092)
Other Finance, net		<u>-</u>	<u>-</u>
Deferred Sales Receivables and other Finance, net	8/3	<u>143,147,350</u>	<u>27,947,612</u>

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8/1- Provision for finance & investments

	General Provision for Sales receivables SDG'000	Provision for other finance SDG'000	Provision for Mudaraba and Musharaka SDG'000	Total SDG'000
2021				
Balance at 1 January 2021	2,124,212	108,092	30,409	2,262,713
Provision during the year	2,580,569	184,634	-	2,765,203
Bad debts reversals during the year	(221,303)	(250,378)	(4,722)	(476,403)
Differences of translation of foreign currencies	11,130,405	502,917	-	11,633,322
Balance at 31 December 2021	<u>15,613,883</u>	<u>545,265</u>	<u>25,687</u>	<u>16,184,835</u>
	Note 8	Note 8	Note 11	
	SDG'000	SDG'000	'SDG'000	SDG'000
2020				
Balance at 1 January 2020	1,548,303	64,138	18,496	1,630,937
Provision during the year	678,857	7,050	11,913	697,820
Differences of translation of foreign currencies	(55,867)	36,904	-	(18,963)
Bad debts write off during the year	(47,081)	-	-	(47,081)
At 31 December 2020	<u>2,124,212</u>	<u>108,092</u>	<u>30,409</u>	<u>2,262,713</u>
	Note 8	Note 8	Note 11	

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8/2- Provision for finance & investment risks, net

	Provision for impairment in share value SDG'000	Provision for impairment in share value (white Nile sugar company) SDG'000	Inventory available for sale provision (salam) SDG'000	Impairment in the value of other assets SDG'000	Total SDG'000
Balance at 01 January 2021	41,127	158,585	67,820	804,875	1,072,407
Provision during the year	-	-	-	63,436	63,436
At 31 December 2021	41,127	158,585	67,820	868,311	1,135,843
	Note 9/10/3	Note 9/10/1	Note 13/2	Note 14/9	
	Provision for impairment in share value	Provision for impairment in share value(white Nile sugar company)	Inventory available for sale provision (salam)	Impairment in the value of other assets	Total
	SDG'000	SDG'000	'SDG'000	'SDG'000	SDG'000
Balance at 01 January 2020	502	158,585	67,820	804,875	1,031,782
Provision during the year	40,625	-	-	-	40,625
At 31 December 2020	41,127	158,585	67,820	804,875	1,072,407
	Note 9/10/3	Note 9/10/1	Note 13/2	Note 14/9	

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

8/3 Deferred sales receivables and other finances by sector

	Murabaha	Deferred sales	Salam	Mugawala	Other	Total
	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000
31 December 2021						
Governments and quasi-government	43,148,451	50,501,889	82,976	7,201,443	-	100,934,759
Non-Banking financial institutions	-	-	-	126,110	-	126,110
Agricultural	2,676,329	6,710	3,508	697,141	-	3,383,688
Industrial	18,339,327	53,329	-	1,488,682	-	19,881,338
Transportation	11,629,498	153,878	-	-	103	11,783,479
Export & Import	17,404,719	356,444	-	1,894	-	17,763,057
Local Trade	45,981	-	-	-	-	45,981
Real Estate (Building & construction)	217,414	55,968	-	17,406	-	290,788
Other	30,239,403	14,178,701	11,624	2,158,565	81,423	46,669,716
Total Deferred sales receivable	123,701,122	65,306,919	98,108	11,691,241	81,526	200,878,916
Less: Deferred Profit	(21,218,383)	(18,872,845)	-	(2,019,587)	(6,868)	(42,117,683)
Less: provision for finance & investment risks	(8,263,150)	(2,660)	(98,108)	(7,249,752)	(213)	(15,613,883)
	94,219,589	46,431,414	-	2,421,902	74,445	143,147,350
	Murabaha	Deferred sales	Salam	Mugawala	Other	Total
	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000	SDG'000
31 December 2020						
Governments and quasi-government	789,062	-	82,976	4,675,065	-	5,547,103
Non-Banking financial institutions	-	-	-	233,920	-	233,920
Agricultural	1,331,867	-	3,508	883,702	-	2,219,077
Industrial	7,442,875	84,666	-	234,197	-	7,761,738
Transportation	380,458	249,510	-	-	103	630,071
Export & Import	3,094,554	314,193	-	5,142	-	3,413,889
Local Trade	104,385	-	-	-	-	104,385
Real Estate (Building & construction)	4,789	2,092,396	-	-	-	2,097,185
Other	12,812,796	271,684	11,639	599,858	24,526	13,720,503
Total Deferred sales receivable	25,960,786	3,012,449	98,123	6,631,884	24,629	35,727,871
Less: Deferred Profit	(3,080,803)	(1,097,365)	-	(1,455,491)	(22,388)	(5,656,047)
Less: provision for finance & investment risks	(839,580)	(4,359)	(98,123)	(1,181,941)	(209)	(2,124,212)
	22,040,403	1,910,725	-	3,994,452	2,032	27,947,612

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9- Investment in Sukuk and financial securities

Comprise the following instruments :

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Securities at fair value through income statement:			
Shares in companies listed on the stock market	9/1	82,920	49,251
		82,920	49,251
Securities at fair value through equity:			
Sukuk Ijarah / Mico Investment fund	9/2	20,200	20,200
Ijarah certificates Sudatel	9/3	30,000	30,000
Liquidity management fund	9/4	881,250	731,721
		931,450	781,921
Securities carried at cost / amortised cost:			
Shahama certificates	9/5	11,772,331	8,563,385
Ijarah certificates of the Central Bank of Sudan assets (Shihab 2)	9/6	850,000	850,000
AWG fund ijara sukuk		700,000	-
Musharaka certificates of Khartoum Refinery (Shama)	9/7	395	395
Investment in sovereign sukuks - foreign branches		10,045,109	552,868
Ijarah certificates of Sudanese Electricity Distribution Company (Shasha)	9/8	114,113	114,113
Sukuk Ijarah of Ministry of Finance (Sarh)	9/9	204,692	204,692
		23,686,640	10,285,453
Shares in companies not listed on the stock market	9/10	128,405	29,387
Total of investments in shares - Self finance		128,405	29,387
Total of Investment in Sukuk and financial securities		24,829,415	11,146,012

9/1- Shares in companies listed on the Khartoum Stock Exchange

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

	%	31 Dec 21 SDG'000	31 Dec 20 SDG'000
National Petroleum Company	4.60%	47,759	21,490
Tawuniya Insurance Company	9.00%	9,126	3,783
Al Tadamon Islamic Bank	0.00%	48	42
Al Nile Bank for Commerce and Development	0.00%	5	5
Animal Resources Bank	0.00%	1	1
Faisal Islamic Bank	0.13%	10,095	10,095
Sudanese Free Zones and Markets Company	0.04%	15,739	13,688
National Labor Bank	0.03%	39	39
Gum Arabic Company	1.10%	88	88
Others		20	20
		82,920	49,251

9/2- Sukuk Ijarah / Mico Investment fund

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9- Investment in Sukuk and financial securities (continued)

9/3- Ijarah certificates (Sudatel)

These represent Ijarah certificates of Sudatel Building for a period of five years starting from July 2019, and are listed on the Khartoum Stock Exchange. The related rental income will be distributed on a monthly basis.

9/4- Liquidity management fund

This represents Sukuk issued by the Liquidity Fund ("Fund"), which was established on the instructions of the Central Bank of Sudan. It is an open-ended fund with a variable capital determined in coordination with the Central Bank of Sudan and the Board of Directors of the Fund. This Sukuk is traded between banks operating in Sudan and the Fund. The Fund aims to develop the management of interbank liquidity and stimulate the interbank market.

9/5- Shahama certificates

These 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 on Khartoum Stock Exchange.

9/6- 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 in these fund certificates is exclusively for banks operating in Sudan. Income from rent is distributed on a monthly basis.

9/7- Musharaka certificates of Khartoum Refinery (Shama)

These represent Ijarah certificates of leased assets of Khartoum Petroleum Refinery which is traded on Khartoum Stock Exchange and distributes profits every 3 months. The initial tenor of the issue is 7 years starting from the date of issue October 2010. The certificates were renewed in October 2018.

9/8- Ijarah certificates of Sudanese Electricity Distribution Company (Shasha)

These represent 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 with the related rental income distributed on annual basis.

9/9- Sukuk Ijarah of Ministry of Finance (Sarh)

These represent government certificates issued by the Sudan Financial Services Company on the basis of the restricted Mudaraba contract in favor of the Ministry of Finance and National Economy and are invested in the assets based on Ijarah contract. The profit of certificates are distributed every three months and are traded on Khartoum Stock Exchange.

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

9- Investment in Sukuk and financial securities (continued)

9/10- Shares in unlisted companies on the Stock Exchange:

These represents investment in shares of the following unlisted companies:

		31 Dec 21 SDG'000	31 Dec 20 SDG'000
	%		
White Nile Sugar Company (9/10/1)	5.62%	1	1
Kenana Sugar Company	1.00%	12,000	12,000
Islamic International Rating Agency	1.50%	112,671	13,819
Microfinance Guarantee Agency (TAYSEER) (9/10/2)	2.60%	1,316	1,316
Sudan academy for banking & financial sciences	9.00%	932	932
Electronic banking services co. ltd.	1.00%	217	217
Ivory Bank	10.20%	612	612
Wafra modern storage co. ltd.	11.00%	13	13
Sudan Rural Development Co. Ltd.	7.50%	642	476
Other investments (9/10/3)		1	1
		<u>128,405</u>	<u>29,387</u>

9/10/1- Shares white Nile sugar company

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Cost		158,586	158,586
Less: provision for Impairment	8/2	(158,585)	(158,585)
Shares value, net		<u>1</u>	<u>1</u>

9/10/2- Microfinance Guarantee Agency (TAYSEER)

Microfinance Guarantee Agency (TAYSEER), has been established to support the country's horizontal spread and expansion of microfinance services. The contribution of all banks amounts to 100 million payable on four equal installments, the value of each installment is SDG 25 million.

9/10/3- Other investments

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Shares of other companies		41,128	41,128
Less: provision for impairment in share value	8/2	(41,127)	(41,127)
Shares of other companies - net		<u>1</u>	<u>1</u>

10- Investment in associate

The Bank holds 25% investment in AlNakheel for Food Industry Co. Limited (the "associate"). The associate has not yet started commercial operations.

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Balance at end of the year	<u>61,741</u>	<u>61,741</u>

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

11- Investment in Mudaraba and Musharaka

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Mudaraba		1,972,086	189,524
Musharaka		3,774,876	21,070
		5,746,962	210,594
Provision for finance & investment risks	8/1	(25,687)	(30,409)
Investment in Mudaraba and Musharaka, net		5,721,275	180,185

12- Investment property

	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Balance at beginning of the year	14,177,396	2,810,082
Changes in fair value	14,040,877	11,367,314
Balance at end of the year	28,218,273	14,177,396

13- Assets available for sale

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Assets acquired	13/1	1,255,178	241,238
Inventory of products for sale	13/2	623,981	185,294
		1,879,159	426,532

* This mainly represents various lands and assets acquired by the Group from clients in settlement of obligations towards the Group and other inventory items of subsidiaries.

13/1- This include financing to Itgan Advanced Business Company Ltd. amounting to SDG 1,013,940 thousand which was subsequently cancelled and was reclassified from deferred sales receivables during the year. The Bank has a claim against the collateralized land which is currently in the name of Blue Nile Company. The Blue Nile Company is government owned and therefore, no provision is required against this amount.

13/2- Inventory available for sale

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Inventory of products offered for sale		691,801	253,114
Less: Impairment provision	8/2	(67,820)	(67,820)
		623,981	185,294

14- Other assets

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Staff loans		1,787,202	618,442
Prepaid expenses	14/1	1,891,460	402,920
Accrued income	14/2	5,248,851	1,832,915
Mobile telephone payment service	14/3	3,168,713	21,034
Security deposit	14/4	1,000,000	100,048
Debtors		1,774,221	448,685
Receivable from the government	14/5	10,803	12,104
Stationery and other stocks		598,163	292,323
Foreign Exchange Difference Account	14/6	-	4,531,660
Deferred Tax Assets	14/7	252	413,200
Accounts under settlement	14/8	577,778	54,848
Cases under investigation, net	14/9	-	83,628
		16,057,443	8,811,807

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14- Other assets (continued)

14/1- Prepaid expenses

These mostly represent rental payments for branches and ATM locations paid in advance which will be amortized to the income statement on accrual basis according to respective maturity dates.

14/2- Accrued income

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Accrued income on investments	3,336,918	1,464,120
Accrued income on placements	1,455,654	348,755
Accrued income on financing	449,157	-
Other accrued income	7,122	20,040
	5,248,851	1,832,915

14/3- Mobile telephone payment service

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

14/4- Security deposit

This represents a refundable security deposit to the Sudanese Electricity Distribution Company Ltd.

14/5- Receivable from the government

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

14/6- Foreign Exchange Difference Account

These represent temporary FX differences on foreign currencies related to previous years that have been utilized to import strategic commodities and financing Hajj and Omrah operations upon requirement from and in favor of government authorities. These difference are matched with dues under settlement from the Central Bank of Sudan denominated in foreign currency. The Bank has expensed the balance in full during the year (note 27).

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Suspended FX differences	5,035,179	5,035,179
Suspended FX expense	(5,035,179)	(503,519)
Net foreign currency differences	-	4,531,660

14/7- 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 modified at the end of each year. Deferred tax relating to the Bank has been expensed in full during the year.

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Balance at beginning of the year	413,200	413,651
Net movement	(47)	(451)
Deferred tax asset expense	(412,901)	-
Balance at end of the year	252	413,200

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

14- Other assets (continued)

14/8- Accounts under settlement

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Receivable from UNAMID		116,839	-
Pre-operating expenses related to associated company	14/8/1	170,225	25,735
CBoS auction account		63,623	-
Receivable from Western Union		-	16,116
Interday settlement account		227,091	12,997
		<u>577,778</u>	<u>54,848</u>

14/8/1- This relates to pre-operating expenses of an associated company (refer note 10), which will be capitalized once the project is completed as per the shareholders' agreement.

14/9- Cases under investigation, net

	<u>Note</u>	<u>31 Dec 21 SDG'000</u>	<u>31 Dec 20 SDG'000</u>
Cases under investigation		868,311	888,503
Less: Impairment in the value of other assets	14/9/1	(868,311)	(804,875)
		<u>-</u>	<u>83,628</u>

14/9/1- This account includes amounts covered by lawsuits filed 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 case as at 31 December 2021.

15- Intangible assets, net

	<u>Computer Software SDG'000</u>	<u>Goodwill SDG'000</u>	<u>Total SDG'000</u>
Details as follows:			
01 January 2021	1,225,167	182,605	1,407,772
Additions during the year	1,033,875	-	1,033,875
Disposals during the year	(914,001)	-	(914,001)
Amortization of the year	(153,360)	-	(153,360)
31 December 2021	<u>1,191,681</u>	<u>182,605</u>	<u>1,374,286</u>
01 January 2020	109,864	182,605	292,469
Additions during the year	1,194,045	-	1,194,045
Disposals during the year	(545)	-	(545)
Amortization of the year	(78,197)	-	(78,197)
31 December 2020	<u>1,225,167</u>	<u>182,605</u>	<u>1,407,772</u>

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16- Property and equipment, net

	Land and Buildings SDG'000	Furniture and Equipment SDG'000	Motor Vehicles SDG'000	Capital work in Progress SDG'000	Total SDG'000
Cost:					
At 01 January 2021	1,988,756	2,938,421	177,945	1,868,497	6,973,619
Additions	24,480	1,524,871	490,314	1,245,019	3,284,684
Disposals	(19,307)	(7,139)	(2,299)	(8,947)	(37,692)
Revaluations	3,286,371	-	-	-	3,286,371
Transfer from capital work in progress *	-	293,048	263,373	(556,421)	-
Balance at 31 December 2021	5,280,300	4,749,201	929,333	2,548,148	13,506,982
Depreciation:					
At 01 January 2021	48,804	1,128,855	69,623	-	1,247,282
Charge for the year	4,656	403,652	289,723	-	698,031
Disposal	-	(3,004)	(371)	-	(3,375)
Balance at 31 December 2021	53,460	1,529,503	358,975	-	1,941,938
Net book value					
Balance at 31 December 2021	5,226,840	3,219,698	570,358	2,548,148	11,565,044

* 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.

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

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

16- Property and equipment, net (continued)

	Land and Buildings SDG'000	Furniture and Equipment SDG'000	Motor Vehicles SDG'000	Capital work in Progress SDG'000	Total SDG'000
Cost:					
At 01 January 2020	885,249	2,389,902	107,923	1,429,923	4,812,997
Liquidation of a subsidiary	-	(256)	-	-	(256)
Additions	104,059	173,507	15,182	899,408	1,192,156
Disposals	-	(1,039)	(1,760)	(24,694)	(27,493)
Revaluations	996,215	-	-	-	996,215
Transfer from capital work in progress *	3,233	376,307	56,600	(436,140)	-
Balance at 31 December 2020	<u>1,988,756</u>	<u>2,938,421</u>	<u>177,945</u>	<u>1,868,497</u>	<u>6,973,619</u>
Depreciation:					
At 01 January 2020	30,448	903,092	51,403	-	984,943
Liquidation of a subsidiary	-	(175)	-	-	(175)
Charge for the year	18,356	226,681	18,873	-	263,910
Disposal	-	(743)	(653)	-	(1,396)
Balance at 31 December 2020	<u>48,804</u>	<u>1,128,855</u>	<u>69,623</u>	<u>-</u>	<u>1,247,282</u>
Net book value					
Balance at 31 December 2020	<u><u>1,939,952</u></u>	<u><u>1,809,566</u></u>	<u><u>108,322</u></u>	<u><u>1,868,497</u></u>	<u><u>5,726,337</u></u>

* 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.

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

17- Current accounts

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Current accounts - local	166,820,992	44,822,176
Current accounts - foreign	206,509,401	25,470,529
	373,330,393	70,292,705

18- Margins of letters of credit & guarantee

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Cash margins against letters of credit	16,832,859	525,301
Cash margins against letters of guarantee	497,914	57,151
	17,330,773	582,452

19- Other liabilities

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Bills payable	19/1	10,160,600	4,240,320
Accrued expenses		7,023,950	1,220,392
Balances under custody	19/2	1,945,243	600,162
Electronic channel payables	19/3	2,188,011	846,319
Accrued liabilities to insurance companies		61,282	15,669
Other liabilities	19/4	5,593,747	1,702,717
		26,972,833	8,625,579

19/1- Bills payable

This includes the following:

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Demand draft	9,903,624	4,161,469
Others	256,976	78,851
	10,160,600	4,240,320

19/2- Balances under custody

This includes the following:

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Miscellaneous custodians	84,097	388,287
Stamp accounts	890,452	89,932
Dividends	58,933	59,240
SEDC payable	84,579	7,415
Others	827,182	55,288
	1,945,243	600,162

19/3- Electronic channel payables

These comprise settlement of mobile electronic payment accounts, cards, settlement of accounts of the national switch and points of sale and other electronic transfers.

19/4- Other liabilities

These mainly comprise unclaimed deposits, cash margins, financing payables and other payables.

Bank of Khartoum

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

20- Provisions

	1 Jan 21 SDG'000	Charged during the year SDG'000	Paid during the year SDG'000	Foreign currency difference SDG'000	31 Dec 21 SDG'000
Zakat provision	85,594	1,104,008	(98,845)	-	1,090,757
Provision for end of service benefits	153,553	80,677	(193,617)	746,333	786,946
Provision for court cases	520	-	-	-	520
Tax Provision	453,544	5,685,278	(624,678)	-	5,514,144
	693,211	6,869,963	(917,140)	746,333	7,392,367

21- Equity of unrestricted investment accounts holders

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
a- By Types		
Savings accounts- local	375,588,378	139,027,955
Savings accounts- foreign	27,229,861	5,619,006
Customer investment accounts	35,936,975	9,937,179
Investment accounts - Central banks and other banks	14,180,558	1,581,279
	452,935,772	156,165,419
Share of profit charged during the year	4,536,940	1,795,971
Profit paid during the year	(3,250,597)	(959,089)
	454,222,115	157,002,301

22- Share capital

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Authorized share capital	2,000,000	2,000,000
Paid up share capital	1,016,645	1,016,645

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

22/1- The Board of Directors has proposed holding an Extraordinary General Meeting prior to the Annual General Meeting of the Bank to increase the authorized share capital of the Bank from SDG 2 billion to SDG 10 billion.

22/2- The Board of Directors has approved the issue of one bonus share for every one equity share held (in the ratio of 1:1) by the Bank's shareholders as on 'Record Date'.

Shareholders' structure

	31 Dec 21 %	31 Dec 20 %
Dubai Islamic Bank	29.49%	29.49%
Ministry of Finance and Economic Planning	22.76%	0.00%
Mr. Fadl Mohammed Khair Mohammed	0.00%	22.76%
The Islamic Development Bank	4.41%	4.41%
Abu Dhabi Islamic Bank	3.21%	3.21%
Mr. Salah bin Rashid bin Abdulrahman Al Rashed	2.47%	2.47%
The Sharjah Islamic Bank	2.22%	2.22%
Shares less than 2%	35.44%	35.44%
	100.00%	100.00%

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

23- Reserves

Represents the following reserves:

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Statutory reserve	1,017,627	402,273
General banking risk reserve	1,057,476	254,602
Fair value revaluation reserve	166,820	113,477
Fixed assets revaluation reserve	21,624,445	9,752,566
Foreign currency revaluation reserve	36,753,132	1,354,499
Foreign currency translation reserve	(4,641,933)	(4,808)
	55,977,567	11,872,609

24- Income from deferred sales receivables

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Murabaha income	11,561,286	2,644,750
Mugawala income	682,726	538,619
Deferred sales income	3,598,117	157,035
Ijara income	5,687	2,419
	15,847,816	3,342,823

25- Income from investments

	Note	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Income from Investments with banks and financial institutions	25/1	726,296	157,053
Income from Investment in Sukuk and financial securities	25/2	2,462,421	1,646,015
Income from Investment in Mudaraba and Musharaka	25/3	845,536	142,692
		4,034,253	1,945,760

25/1- Income from investment accounts with banks and financial institutions

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Profit from investment accounts with Banks	726,296	157,053
	726,296	157,053

25/2- Income from investment in Sukuk and financial securities

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Shahama revenue	1,883,609	1,384,199
Shihab revenue	96,900	89,300
Sudatel revenue	6,448	5,580
AWG Ijarah sukuk revenue	81,667	-
Sovereign sukuks - foreign branches	205,933	3,027
Shasha revenue	5,706	5,706
Shama revenue	53	53
Sarh revenue	47,079	47,078
Sukuk of Ijarah Investment Fund	3,456	46,501
Investment portfolio return	114,837	36,763
Liquidity management fund return	16,733	27,808
	2,462,421	1,646,015

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

25- Income from investments (continued)

25/3- Income from investment in Mudaraba and Musharaka

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Mudaraba income	89,199	100,780
Musharaka income	756,337	41,912
	845,536	142,692

26- Return to unrestricted investment account holders

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Unrestricted investment account holders share of profit before deduction of the Bank's share as Mudarib	4,705,822	3,528,381
Bank's share as Mudarib	(168,882)	(1,734,721)
Unrestricted share of investment account holders in profit after deduction of the Bank's share as Mudarib	4,536,940	1,793,660
Support provided by the Bank's shareholders from their share as Mudarib	-	2,311
Share of unrestricted investment account holders after the shareholders' support	4,536,940	1,795,971

Dividend distribution rate:

Savings accounts	3.7%	3.99%-4.91%
Annual deposit accounts - Sudanese pound	14.00%	14.91%
Annual deposit accounts - Foreign currency	0.09%	1.97%

27- Net profit from foreign exchange transactions

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Net profit from dealing in foreign currencies	5,160,892	90,181
Suspended FX expense	(4,531,661)	(503,519)
	629,231	(413,338)

28- Income from banking services

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Commissions on letters of credit	7,447,072	864,422
Commissions on letters of guarantee	151,207	24,707
Cash management fees	542,046	20,140
Commissions on transfers	1,335,166	176,566
Commission from current accounts	330,145	53,253
Commission of electronic channels	831,546	52,290
Communication commissions	2,180,990	391,008
Commission from insurance companies and agencies	57,420	25,730
Commission from cheque collections	71,561	10
Other commissions	143,865	14,037
	13,091,018	1,622,163

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

29- Other income

	31 Dec 21	31 Dec 20
	SDG'000	SDG'000
Rent received	478,179	103,955
Insurance and storage fee	668	1,858
Gain on disposal of fixed assets	71,075	57,576
Miscellaneous income	1,494,851	540,077
Dividends from subsidiaries	29,212	3,580
Loss from equity investments	(6,228)	(3,155)
Bad debts recovery	5,097	4,932
Loss on liquidation / disposal of a subsidiary	-	93
	<u>2,072,854</u>	<u>708,916</u>

30- Staff costs

	Note	31 Dec 21	31 Dec 20
		SDG'000	SDG'000
Salaries and wages		6,742,032	1,292,491
Overtime		121,433	18,054
Travelling		1,201,961	92,135
Medical care		495,332	122,456
Staff bonus		4,092,683	696,805
Social insurance		505,136	110,895
Hospitality		161,288	54,090
End of service benefits	20	80,677	29,481
Training		48,923	(12,993)
		<u>13,449,465</u>	<u>2,403,414</u>

31- General and administrative expenses

	31 Dec 21	31 Dec 20
	SDG'000	SDG'000
Rent	730,981	167,058
Insurance	131,162	63,798
Government dues	120,168	22,845
Electricity, water and fuel	651,937	54,095
Maintenance and cleaning	2,387,643	389,559
Services	668,357	234,427
Postage	30,626	6,321
Cash management expenses	343,404	19,330
Travel expenses	288,061	44,753
Consulting and professional services	372,716	71,279
Legal fees	117,322	18,796
Board of Directors and Sharia'a expenses	328,217	67,192
Archive expenses	9,580	624
Printing & stationery	333,104	53,924
Newspapers & magazines	5,123	1,904
Communication & internet	908,762	222,654
Hospitality expenses	105,758	30,474
Marketing and advertising	278,526	111,655

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

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Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

31- General and administrative expenses (continued)

	31 Dec 21 SDG'000	31 Dec 20 SDG'000
Donations	40,801	10,603
Subscriptions	115,237	10,101
Electronic channels expenses	872,845	102,113
Bank Deposit Security Fund fees	142,000	90,306
Operating losses and other expenses	15,499	15,526
Deferred tax expense	412,901	-
Miscellaneous expenses	669,181	142,100
Commission paid	174,843	83,310
Depreciation & amortization	851,391	342,107
	11,106,145	2,376,854

32- 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).

	31 Dec 21	31 Dec 20
Net income for the period (SDG'000)	34,565,374	1,183,126
Weighted average number of shares outstanding during the year	770,185,543	770,185,543
Earnings per share (Sudanese pound)	44.88	1.54

*The Group 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.

33- Contingent liabilities

	Note	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Contingent liabilities related to financing	33/1	66,584,817	5,726,604
Contingent liabilities not related to financing	33/2	1,347,866	1,172,481
Total contingent liabilities		67,932,683	6,899,085

33/1- Contingent liabilities related to financing

	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Letters of credit	45,438,166	3,584,968
Letters of guarantee	21,146,651	2,141,636
Total	66,584,817	5,726,604

33/2- Contingent liabilities not related to financing

	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Restricted investment accounts	1,347,866	1,172,481
Total	1,347,866	1,172,481

Bank of Khartoum

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For the year ended 31 December 2021

33/3- Restricted Investment Accounts

The Group 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 exposure is limited to the Group's share of profit as Mudarib in return for the management of the accounts. The Group does not guarantee the account holders equities and liabilities other than operational risk represented by non-compliance with investment terms and restrictions.

The Group manages an investment portfolio named "Economic Housing Portfolio" as the lead bank with a number of banks participating under Mudaraba contract. The balance of the portfolio at 31 December 2021 amounted to SDG 87,866 thousand (31 December 2020: SDG 102,481 thousand).

The Bank also manages an investment deposit for the term of 365 days restricted to investment in financial securities through Sanabel for Financial Securities company (subsidiary). The balance at 31 December 2021 amounted to SDG 1,200 million (31 December 2020: 1,020 million). In addition, the Bank manages another deposit amounting SDG 60 million (31 December 2020: 50 million) restricted to investment through Irada Microfinance Company (subsidiary).

Changes in the restricted investment accounts above are shown in the Statement of Changes in Restricted Investments, which is part of the basic set of financial statements as per AAOIFI standards.

Assets that these funds are invested in as well as classification by sector at 31 December are as follows:

a- Assets invested in restricted investment accounts

	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Mugawala	77,561	92,163
Salam	10,305	10,318
Mudaraba	1,260,000	1,070,000
Total	1,347,866	1,172,481

b- Classification of restricted investment accounts holders by

	31 Dec 21 SDG' 000	31 Dec 20 SDG' 000
Banks and financial institutions	1,347,866	1,172,481
	1,347,866	1,172,481

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34- Related party balances and 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 and transactions of related parties as at and during the year ended 31 December 2021.

Nature of the relationship	31 December 2021			
	Shareholders SDG'000	Board of Directors SDG'000	Senior Management SDG'000	Total SDG'000
- Balances:				
Deferred sales receivables	194,732	-	-	194,732
Mudaraba and Musharaka	-	-	-	-
Staff finance	-	-	289,632	289,632
Total	194,732	-	289,632	484,364
 Current accounts, deposits and insurance	 986,062	 -	 -	 986,062
 Credits and Guarantees	 21,142	 -	 -	 21,142
- Transactions:				
Income from finance and investments	-	-	-	-
Board of Directors meetings allowance	-	327,937	-	327,937
Total	-	327,937	-	327,937

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

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34- Related party balances and transactions (continued)

	31 December 2020			
Nature of the relationship	Shareholders SDG'000	Board of Directors SDG'000	Senior Management SDG'000	Total SDG'000
- Balances:				
Deferred sales receivables	55,627	-	-	55,627
Mudaraba and Musharaka	-	-	-	-
Staff finance	-	-	-	-
Total	55,627	-	-	55,627
Current accounts, deposits and insurance	18,053	-	-	18,053
Credits and Guarantees	1,083	331,761	-	332,844
- Transactions:				
Board of Directors meetings allowance	-	55,000	-	55,000
Total	-	55,000	-	55,000

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

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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 guidelines. These ratios measure capital adequacy by comparing eligible capital with risk weighted assets.

	Qualified Capital ('SDG'000)		Capital adequacy ratio (%)	
	31 Dec 21	31 Dec 20	31 Dec 21	31 Dec 20
Basic capital	15,160,838	2,395,712	7.14%	7.63%
Basic and support capital	30,421,405	4,043,913	14.33%	12.87%

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%. According to Islamic Financial Services Board ("IFSB") standard to be implemented by CBoS.

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

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

Investments in financial institutions' equities are not deducted from the Bank's regulatory capital as this poses minimum systemic risk to the Bank. This treatment is in conformity to Basel II and IFSB rules on eligible capital.

The Bank has adopted the capital adequacy standard issued by the 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	
	31 Dec 21	31 Dec 20
	SDG'000	SDG'000
Credit risk	128,067,687	24,661,816
Market risk	106,837,567	9,803,408
Operational risk	36,541,085	5,734,255
Total initial pillar - risk weighted assets	271,446,339	40,199,479

Capital management objectives

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; and
- 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 Group's continued profitability and each individual within the Group is responsible for managing risks related to its responsibilities.

The Group is exposed to a variety of risks including:

Credit risk

Liquidity risk

Market risk

Operational risk

External independent risks such as changes in environment, technology, business, regulations and laws are monitored through the Group's strategic planning process.

36- Financial Risk management (continued)

36/1- Introduction (continued)

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 Group 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 Group'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 Group is exposed.

Internal Audit Department

The Group's risk management processes are reviewed periodically by the Internal Audit Department, which examines the adequacy of the procedures and the extent of the Group'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 Group measures risk using conventional and quantitative methods of credit risk, liquidity risk, market risk and operational risk. The Group 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 Group 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 mitigation

Within the overall risk management framework, the Group 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 attached notes from 1 to 38 form part of these consolidated financial statements

Bank of Khartoum

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For the year ended at 31 December 2021

36- Financial Risk management (continued)

36/1- Introduction (continued)

36/1/3- Risk mitigation (continued)

The Group 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 Group 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 Group 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 Group, 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 Group has developed a detailed risk management framework to help identify and use of resources in optimal way to minimize risks.

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

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Notes to the Consolidated Financial Statements

For the year ended at 31 December 2021

36- Financial Risk management (continued)

36/2- Credit Risk (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 Group 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 Group will be unable to meet its financial obligations when due under normal and critical circumstances. To mitigate these risks, the Group 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 Group 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 Group also has limits on committed credit facilities that can be used to meet its liquidity needs. In addition, the Group 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 Group in particular.

The high quality of the asset portfolio ensures the availability of liquidity as well as Group funds and fixed customer deposits that help to form a stable source of finance. So that the Group 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).

36/3/1- Liquidity risk management procedures

The Group's liquidity risk management procedures, which are monitored by the various risk

- 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.

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For the year ended at 31 December 2021

36- Financial Risk management (continued)

36/3/1- Liquidity risk management procedures (continued)

- 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.

36/3/2- Funding Methodology

Maturities of assets and liabilities as of 31 December 2021

	within 3 months SDG'000	3-6 months SDG'000	6 months to one year SDG'000	Over 1 year / no fixed maturity SDG'000	Total SDG'000
ASSETS					
Cash and balances with banks and financial institutions	603,030,607	3,486,803	-	3,267,278	609,784,688
The Central Bank of Sudan receivables	5,317,121	-	-	-	5,317,121
Investment accounts with banks and financial institutions	92,350,243	1,949,757	3,447,691	1,000	97,748,691
Deferred sales receivables, net	39,100,889	10,966,123	25,040,282	68,040,056	143,147,350
Investment in Sukuk and financial securities	4,855,110	3,184,386	4,351,406	12,438,513	24,829,415
Investment in associate	-	-	-	61,741	61,741
Investment in mudaraba and musharaka	1,510,082	50	4,211,143	-	5,721,275
Investment property	-	-	-	28,218,273	28,218,273
Available for sale investments	-	-	623,980	1,255,179	1,879,159
Other assets	8,637,376	6,436,745	923,002	60,320	16,057,443
Intangible assets	-	-	-	1,374,286	1,374,286
Property and equipment	-	-	-	11,565,044	11,565,044
Total assets	754,801,428	26,023,864	38,597,504	126,281,690	945,704,486
LIABILITIES					
Current accounts	198,304,904	57,433,889	54,307,301	63,284,299	373,330,393
Margins on letter of credits & letter of guarantee	15,067,723	1,129,446	1,133,604	-	17,330,773
Other liabilities	15,863,327	8,647,848	2,461,658	-	26,972,833
Provisions	-	-	-	7,392,367	7,392,367
Total liabilities	229,235,954	67,211,183	57,902,563	70,676,666	425,026,366
Unrestricted investment accounts holders	131,851,511	110,488,097	108,389,239	103,493,268	454,222,115
Total equity attributable to shareholders of the Group	-	-	-	61,061,593	61,061,593
Non-controlling interest	-	-	-	5,394,412	5,394,412
Total liabilities, unrestricted investment account holders' equity and equity	361,087,465	177,699,280	166,291,802	240,625,939	945,704,486

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

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Notes to the Consolidated Financial Statements

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- 36- Financial Risk management (continued)
 36/3- Liquidity risk and financing management (continued)
 36/3/2- Funding Methodology (continued)
 Maturities of assets and liabilities as of 31 December 2020

	within 3 months	3-6 months	6 months to one year	Over 1 year / no fixed maturity	Total
	SDG' 000	SDG' 000	SDG' 000	SDG' 000	SDG' 000
ASSETS					
Cash and balances with banks and financial institutions	161,976,992	-	-	6,592,216	168,569,208
The Central Bank of Sudan receivables	6,700,972	-	-	-	6,700,972
Investment accounts with banks and financial institutions	6,788,343	1,490,117	2,631,827	-	10,910,287
Deferred sales receivables and other finances, net	2,653,093	4,565,396	7,556,421	13,172,702	27,947,612
Investment in Sukuk and financial securities	3,053,031	3,962,720	2,645,585	1,484,676	11,146,012
Investment in associate	-	-	-	61,741	61,741
Investment in mudaraba and musharaka	-	-	-	180,185	180,185
Investment property	-	-	-	14,177,396	14,177,396
Available for sale investments	-	-	185,293	241,239	426,532
Other assets	301,994	290,864	6,544,399	1,674,550	8,811,807
Intangible assets	-	-	-	1,407,772	1,407,772
Property and equipment	-	-	-	5,726,337	5,726,337
Total assets	181,474,425	10,309,097	19,563,525	44,718,814	256,065,861
LIABILITIES					
Current accounts	33,368,001	10,070,374	13,427,165	13,427,165	70,292,705
Margins on letter of credits & letter of guarantee	327,348	170,189	5,177	79,738	582,452
Other liabilities	7,210,297	490,851	777,747	146,684	8,625,579
Provisions	-	-	-	693,211	693,211
Total liabilities	40,905,646	10,731,414	14,210,089	14,346,798	80,193,947
Unrestricted investment accounts holders	71,092,967	22,839,140	32,668,760	30,401,434	157,002,301
Total equity attributable to shareholders of the Group	-	-	-	13,925,745	13,925,745
Non-controlling interest	-	-	-	4,943,868	4,943,868
Total liabilities, unrestricted investment account holders' equity and equity	111,998,613	33,570,554	46,878,849	63,617,845	256,065,861

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

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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 Group is exposed to the risk of using a variety of financial instruments including securities, foreign currencies, equities and commodities.

The Group uses a flexible approach to market risk. The Group 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 Group's market risk management policy is applied in day-to-day operations. These procedures are reviewed periodically to ensure consistency with the Group's overall market risk management policy. In addition to the procedures and internal regulations adopted, the Group 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 Group is not exposed to any risk of re-pricing customer deposits because, in accordance with Islamic Sharia'a, the Group 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 Group'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 Group 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 Group 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.

36/4/3- Foreign exchange

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

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Notes to the Consolidated Financial Statements

For the year ended at 31 December 2021

36- Financial Risk management (continued)

36/4- Market risk (continued)

36/4/3- Foreign exchange risk (continued)

The Group 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:

	US Dollars	Euro Amount in Actual Currency	UAE Dirham	Saudi Riyal
	-----surplus/(deficit)-----			
Assets	100,491,188	82,917,672	681,452,498	1,364,004,037
Liabilities	(244,516,795)	(77,637,882)	(382,868,016)	(119,996,550)
31 December 2021	<u>(144,025,607)</u>	<u>5,279,790</u>	<u>298,584,482</u>	<u>1,244,007,487</u>
Assets	168,891,172	214,596,187	1,103,329,822	82,532,674
Liabilities	(127,173,969)	(213,705,303)	(111,404,483)	(74,197,218)
31 December 2020	<u>41,717,203</u>	<u>890,884</u>	<u>991,925,339</u>	<u>8,335,456</u>

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

	31 Dec 21		31 Dec 20	
	Closing price	Average price	Closing price	Average price
US Dollar	450.68	398.10	55.14	54.58
Euro	509.59	468.70	67.75	62.61
UAE Dirham	122.73	108.41	15.01	14.86
Saudi Riyal	120.01	106.12	14.71	14.55

36/4/4- 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.

The Group has developed a detailed operational risk framework. This framework clearly defines the functions and responsibilities of individuals / units in the various departments of the Group 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 Group'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 Group's environment.

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

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For the year ended at 31 December 2021

36- Financial Risk management (continued)

36/5- Operational risk (continued)

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 of the prior year's figures have been re-classified to conform to the presentation adopted in the current year. Such reclassification does not affect previously reported consolidated profit for the year or the consolidated shareholders' equity.

38- Approval of consolidated financial statements

These consolidated financial statements were approved by the Board of Directors and authorized for issue on 14 April 2022.