

Notes to the Financial Statements for the Year ended December 31, 2019

1- Incorporation and Activities:

FFaisal Islamic Bank - Sudan was established in Khartoum by Faisal Sudanese Islamic Bank Law for 1977 dated 4 April, 1977, as a public company with a limited liability in accordance with Companies Act 2015 with registration certificate No. 1408 dated 18 August 1977. The Bank provides commercial Banking services according to Islamic rules and principles. Its headquarters is based at Al-Faihaa Building - Ali Abdulatif Street - Khartoum. As of December 31, 2019, the Bank has 42 branches, 41 cash offices, 13 service windows (2018: 39 Branches and 38 Cash Offices). Number of ATMs machines was 199 in 2019 (2018:180), all operating in Sudan.

The total number of employees at the end of 2019 was 1,510 (2018: 1,544).

The Bank subsidiaries include the following:

Company	Ownership
1- Islamic Insurance Company	100%
2- Islamic Company for Trade and Services	99.91%
3- Alfaisal Financial Transactions Company	90%
4- Alfaisal Real Estate Company	99.72%

2- Accounting Policies

2-1 Statement of Compliance

The financial statements are prepared in accordance with the standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), in consistence with the Central Bank of Sudan and Shari'a Supervisory Board (SSB) requirements.

2-2 Basis of Preparation

- The functional currency is Sudanese Pound, financial statements have been presented in Sudanese Pounds (SDG).
- The financial statements were prepared in compliance with the historical cost concept except for revaluation at fair value for securities investments which are listed at fair value through income statement and through owners' equity.
- The Bank uses the accrual basis in recording its assets, liabilities, revenues and expenses.
- The accounting policies for the current year are consistent with previous year.

The significant accounting judgments, assumptions and estimates that affect the application of accounting policies are as follows:

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

2- Accounting Policies (Continued)

2-3 The significant accounting judgments

The preparation of these financial statements requires the Bank's management to make judgments, assumptions and estimates that affect the values of assets, liabilities, income and expenses on the financial statements.

Accounting estimates and assumptions depend on accumulated experiences and other factors that effecting it. It is possible that actual results may differ from estimated results. The Bank's management reviews accounting estimates and assumption on regular basis, if changes are affecting only the period of changes, or if the changes are affecting the period of changes and also future periods.

Uncertain Estimates

The significant assumptions concerning future and other sources for uncertain estimates that have significant risks affecting significant changes in the values of assets and liabilities which recognized in the Financial Position at the reporting date, are as follows:

Impairment losses on financing portfolios

The Bank reviews its finance portfolios monthly to determine whether there is impairment in values that require a new provision for impairment. The management has to make a number of judgments about the amount and timing of future cash flows for the purpose of determining the level of provisions required. These judgments are based on assumptions and numerical factors based on varying degree of uncertainties such as negative changes in debts collection or economical and local political situations which affected values negatively.

The Bank's management regularly reviews the mechanism and assumptions used in estimating the amount and timing of future cash flows in order to

reduce the difference between the estimated losses and the actual losses.

Impairment of equity-type instruments through equity

The Bank exercises judgment to consider impairment on equity-type instruments through equity. This includes determination of a significant or prolonged decline in the fair value below its cost or there is any evidence indicates impairments. In making this judgment, the Bank evaluates other factors including the normal volatility in securities price, the financial health of the investee, industry sector performance and cash flows. Fair value of shares and Sukuk not traded in an active market:

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

- Revaluation by external valuers;
- Recent arm's length market transactions;
- Current fair value of an instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Other valuation techniques;
- The Bank determines valuation techniques in regular basis and test their validity either by using current market transactions that are observable for the same instrument or by using other observable data that are available in market.

Going Concern

The Management has tested the Bank ability to continue as going concern and got satisfied that the Bank has the resources to continue as going concern for the foreseeable future. In addition, the Management has no significant evidence of a material uncertainty that may cast significant doubt about the Bank's ability to continue as a going

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Notes to the Financial Statements for the Year ended December 31, 2019

2- Accounting Policies (Continued)

2-3 The significant accounting judgments (Continued)

concern. Therefore, the Bank's financial statements are prepared under the assumption of going concern.

Classification of investments in securities

At the date of acquisition, the Management decides whether to recognize investments in financial securities at amortized cost, or at fair value through profit or loss or at fair value through equity.

2-4 Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and any permanent impairment in depreciation of fixed assets is calculated on a straight line basis over their estimated useful lives, as follows:

Motor Vehicles	15%
Decoration	15%
Furniture and Fixtures	10%
Computer	30%
Building	2.5%

Additions and disposals are depreciated at 50% of the depreciations percentages stated above regardless of the date of acquisition or disposal.

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2-5 Investment Property

Property held for lease or for capital appreciation are classified as property investment. Investment Property is recognized at cost less accumulated depreciation and any impairment (impairment losses) in value.

2-6 Foreign Currencies

Transactions in foreign currencies are recorded at the prevailing exchange rate on the transaction date. Monetary assets and liabilities at the balance sheet date, denominated in foreign currencies, are translated at the exchange rates prevailing at the balance sheet date. Foreign Currency differences related to normal bank transactions in investments denominated in foreign currencies, whether gains or losses, are treated as revaluation differences. Gains or losses on foreign exchange are credited or charged to the income statement.

2-7 Revenue recognition

2-7-1 Profit and loss of Murabaha, Mugawla and Istisna

The profits and losses from Murabaha, Mugawala and Istisna transactions are recognized on a proportionate basis over the period of the credit.

2-7-2 Profit and losses of Mudaraba Financing

Mudaraba profits / losses recognized in the income statement at the time of liquidation or to the extent of profits being distributed or at declaration date or when such profits can reasonably be estimated. In case of losses, the capital of Mudaraba is deducted by the incurred losses due on.

2-7-3 Musharaka

The profits / losses from Musharaka transactions are recognized at the time of the liquidation.

2-7-4 Income from Mudaraba with other Banks and Financial Institutions

Income from finance portfolios with other banks and financial institutions is recognized in accordance with the Mudaraba contract on an accrual basis.

2-7-5 Profit from investment Deposits

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

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

2- Accounting Policies (Continued)

2-7 Revenue recognition (Continued)

2-7-6 Profit from Investments at Amortized Cost

Income from investment in sukuk and financial securities held at amortized cost is recognized on an accrual basis.

2-7-7 Profit Investments Recognition in Shares

The Bank recognizes dividends from companies, in which it has invested, including subsidiaries when declared.

2-7-8 Income of banking services

Income from banking services is recognized at the time the related services are provided and the amount of revenue can be reliably measured.

2-8 Provision for doubtful debts

The provision for doubtful debts is based on the assessment of collectability of each debt and in accordance with the directives of the Central Bank of Sudan and the Bank's policy.

2-9 Cash and cash equivalents

For the purpose of preparation of the statement of cash flows, cash and cash equivalents consist of cash with banks (current accounts) and balances with Central Bank of Sudan and (excluding Statutory Reserve).

2-10 Liabilities

Provisions are recognized when the Bank has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2-11 Measurement of investments & finance

2-11-1 Sales receivable

Sales receivable are measured at cost, at the end of the financial year on the basis of cost or net cash

value expected, whichever is less, so that it is reduced with deferred profits and a provision of depreciation, which is calculated according to the circular of the Central Bank of Sudan.

2-11-2 Mudaraba

Mudaraba is measured by the amount paid or the amount placed under the disposition of the Mudarib less the portion of the Mudaraba capital recovered from the Mudarib (if any), at the end of the year.

2-11-3 Musharaka

Musharaka is measured by the historical cost less provision for finance losses (if any), at the end of the year.

2-11-4 Investment at FV through equity

Investments at FV through equity are measured at fair value. Change in fair value is recognized in the statement of shareholder's equity.

2-11-5 Securities held at fair value through income statement

Investments which are classified "for trading" are initially recognized at fair value. At the end of the period, held-for-trading securities and shares are re-measured at fair value, unless fair value cannot be reliably measured in which case they are measured at cost less impairment. Gains or losses resulting from the re-measurement at fair value are reported in the income statement.

2-11-6 Securities held at amortized cost

Investments held at amortized cost are initially recognized at cost, including acquisition charges associated with the investment. At the balance sheet date securities held to maturity are measured at amortized cost less provision for impairment in value-if any.

The attached notes (1 - 48) form and integral part of these financial statements

Notes to the Financial Statements for the Year ended December 31, 2019

2- Accounting Policies (continued)

2-11 Measurement of investments & finance (continued)

2-11-7 Investments deposits in banks and financial institutions

Investment accounts at banks and financial institutions are recorded on a Mudaraba basis at cost less any provision for impairment-if any.

2-12 Zakat and Tax treatment

The Bank is subject to the Zakat and Tax regulations prescribed by the Sudanese authorities and Sharia's supervisory board by 2.579% from the Zakat Base. In terms of tax, the Bank is subject to a profit tax of 30% (2018: 30%) of the tax base.

2-13 Return on Unrestricted Investment Accounts

The return on unrestricted investment accounts is calculated on a yearly basis. The Bank allows the owners of investments deposits accounts to withdraw funds from their investment accounts before the agreed period. However, in case of Mudaraba for a fixed period, the Bank (as Mudarib) has the right to enforce Mudaraba deposit until the end of agreed period.

Profits of unrestricted investment accounts and equity owners are distributed on share basis. The profits of holders of unrestricted investment accounts are credited to their accounts after the approval of Sharia's Supervisory Board and the regulators. Revenues are shared by unrestricted accounts holders except for return on Banking services and other revenues. Direct investment expenses are charged to the return on investment before dividends. The Bank bears all administrative expenses.

2-14 Earnings prohibited by Shari'a Law

The Bank is committed to avoid stating in income

statement recognition of any income generated from any activities not compatible with the provisions of Islamic Shari'a law. Accordingly, all income generated from any activities not compatible with the provisions of Islamic Shari'a is credited to a charity account where the Bank uses these funds for various social, charitable and donations activities except for building of mosques.

3 - Regulatory and supervisory body

The Bank's activities are subject to the supervision, regulation and control of the Central Bank of Sudan. The Bank complies with the rules and circulars issued by the Central Bank of Sudan.

4- Shari'a Supervisory Board (SSB)

The Bank's business activities are subject to the supervision of the Shari'a Supervisory Board, which has been appointed by General Assembly. The Shari'a Supervisory Board has the power and authority to direct, review and supervise the activities of the Bank to ensure that they are in compliance with shari'a rules and principles. This includes issuing an annual report to shareholders' General Assembly.

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

5- Cash and Cash Equivalents

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Treasury Cash (local)	492,204	49,770
Treasury Cash (Foreign)	45,240	65,054
Central Bank of Sudan -Local Current Account	8,047,574	5,847,687
Central Bank of Sudan -Foreign Current Account	13,198,932	15,134,894
Cash with Foreign Correspondent Banks	5,224,968	1,939,672
	27,008,918	23,037,076

6- Central Bank of Sudan - Statutory Cash Reserve

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Local Currency	5,273,099	1,714,620
Foreign Currency	781,976	797,499
	6,055,075	2,512,119

7- Sales Receivable

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Murabaha	8,294,631	8,467,123
Mugawla Governmental Institutions	11,652,942	15,259,934
Istisna'a	5,172,988	360,721
	25,120,561	24,087,779
Less: Deferred Profits	(5,918,714)	(5,136,675)
Less: Provision for Financing Risk (37)	(267,356)	(217,445)
Net Sales Receivable	18,934,491	18,733,659

8- Other Financing

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Ijara	378	236
Non-Performing Letters of Credit	-	91,043
Documents under collection	495,582	266,281
	495,960	357,560
Less: Provision for Financing Risk (37)	(38,011)	(112,518)
Other Financing (net)	457,949	245,041

9- Securities at Fair Value through Income Statement

Represents investments in Sudatel.

10- Securities at Amortized Cost

		December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Shahama (10/1)		916,344	1,045,437
Shasha Securities (10/2)		203,099	203,099
Governmental Securities (Sarh) (10/3)		7,261	20,038
Shama		16,750	12,126
Sudatel Investments Fund		28,505	-
Stock Investment Fund		20,000	-
		1,191,959	1,280,700

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

10/1 Shahama Securities

Represents securities issued by the Ministry of Finance and are based on the Musharaka contract. The certificates are traded at Khartoum Stock Exchange (KSE). The certificates earn an investment return ranging between 14% to 19% since launching in 1999 to 2019.

10/2 Shasha

Represents an investment as a Mudaraba in a fund managed by Sudan Financial Services Company Limited. The fund's contributions are allocated to the purchase of the assets of the Electricity Distribution Company, which will be leased to the Ministry of finance with a four - year operating lease, at the end of which the fund's assets will be liquidated at market prices prevailing at the date of liquidation. The return on investment is expected to be within 5% per annum.

10/3 Government Investment Securities

These bonds are issued by The Ministry of Finance and are distributed through Sudan Financial Services Company. The maturity of these bonds is from 2 to 6 years. These bonds are Ijara contracts invested in assets management. The profits distributed every 3 months and these bonds are quoted and listed in Khartoum Stock Exchange.

11- Investment at FV Through Equity

	Ownership %	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
National petroleum company	2.62%	4,163	4,759
Al Shamal Islamic Bank	0.075%	145	145
Nile Bank for Development and Trade	0.001%	5	20
Grain Mills -Atbara	5.56%	1,391	1,391
Electronic Banking Services Company (EBS)	0.001%	102	102
Financial and Banking Systems Company (FBS)	9.70%	714	714
Faisal Islamic Bank - Egypt	2.19%	426,064	391,723
Microfinance Guarantee Agency		1,316	-
Liquidity Management Inter-Banks Fund (11/1)		153,613	123,111
		587,513	521,966

11/1 Liquidity Management Fund

It is a fund aimed at managing the liquidity among banks, to which all banks operating in Sudan contribute, and it is managed by the Financial Investment Bank with a capital of SDG 1,200,000,000 divided into 1,200,000 instruments with a nominal value of the instrument of SDG 1000. These instruments are not listed on the Khartoum Stock Exchange. The purpose of the fund is to cover the current accounts of banks in local currency at the Central Bank of Sudan under specific regulations. Instruments are assessed on a daily basis by the Fund and the dividend is distributed semi-annually.

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Notes to the Financial Statements for the Year ended December 31, 2019

12- Mudaraba

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Companies	130,000	30,000
Local Banks	350,000	122,862
Finance Portfolios	63,879	65,824
	543,879	218,686
Provision for investments Risk	(2,187)	(2,187)
	541,692	216,499

13- Musharaka

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Companies	-	242,864
Individuals	789,621	397,150
	789,621	640,014
Provision for investments Risk	(11,468)	(11,468)
	778,153	628,546

14- Property Investment

Represents piece of land owned by the Bank through settlement of non performing debts belong to Federal Ministry of Finance.

15- Investment in subsidiaries

	Ownership	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Islamic for Trade and Services Company	99.99%	50,000	50,000
Islamic Insurance Company (Sudan)	99.98%	49,995	24,995
AL-Faisal Financial Services Company	90.0%	45,000	45,000
AL-Faisal Real Estate Company	99.72%	50,000	50,000
		194,995	169,995

16- Other Assets

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Murabaha Assets	56,379	840,384
Company Staff loans	289,235	282,017
Accrued revenue	82,116	201,799
Medicines Import Account	285,185	299,339
Central Bank of Sudan Window	480,573	480,274
Prepayments (16/1)	49,445	36,213
Accrued rent	1,736	447
Customers Remittances	85	28,015
Other Receivables (16/2)	1,404,526	437,379
Advanced Profit on Unrestricted Investment Accounts (16/3)	-	203,847
	2,649,280	2,809,714

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Notes to the Financial Statements for the Year ended December 31, 2019

16/1 Prepayments

Prepaid rents
Prepaid expenses

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
36,167	27,197
13,278	9,016
49,445	36,213

16/2 Other receivables

Indebtedness of Service leavers
Mobile phones top up
Debts under settlement (16/2/1)
Magnetized Cheques Value
Electricity of SEDC
National Switch Claims
Inventory - Printing & stationery
End of Service Benefits (16/2/2)
Interest-free loans
Clearance Checks under collection
Other Debts
Tana Company Limited
Inter-branches
Provision for doubtful debts

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
18,516	8,941
22,291	2,362
1,082,255	88,696
-	1,272
6,000	1,308
16	-
1,418	515
-	111,062
10,000	8,517
67,402	97,975
82,023	26,099
139,353	210,780
833	-
(25,581)	(120,147)
1,404,526	437,379

16/2-1 Debts under settlement

Debts under settlement include amount of 20 million Euro reserved in favor of Sudapet case.

16/2-2 End of Service benefits

During the year 2018 the Bank's management decided to discontinue duplication in granting the employees end of service benefits with a commitment to pay social insurance to the social insurance fund. This resulted in debt balance which will be amortized over two years in accordance with the approval of the Central Bank of Sudan starting from the year 2018.

16/3 Advanced Profit on Unrestricted Investment Accounts

Represents balances forwarded from previous years and has no future benefits. The balance will be amortized over two years in accordance with Central Bank of Sudan approval, starting from the year 2018. The amount has been completely amortized.

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

17- Fixed Assets

Description	Motor, Vehicles and Motor and Motor Cycle	Decoration of buildings	Furnitures, Fittings & Equipments	Information Technology equipment	Freehold land and buildings	Assets Under Construction	Total
	SDG (000)	SDG (000)	SDG (000)	SDG (000)	SDG (000)	SDG (000)	SDG (000)
Cost at:							
January 1st, 2019	174,937	246,015	185,632	262,177	595,044	187,106	1,650,911
Additions	22,022	71,146	42,586	98,846	207,300	201,968	643,867
Disposals	(5,353)			(237)			(5,590)
At December 31, 2019	191,606	317,160	228,218	360,786	802,343	389,074	2,289,188
Depreciation at:							
At January 1st, 2019	73,267	62,523	58,576	147,552	28,689	-	370,607
Charge for the year	27,892	42,238	20,693	46,740	9,577	-	147,140
Disposals	(4,090)	-	-	(213)	-	-	(4,303)
At December 31, 2019	97,069	104,762	79,268	194,079	38,266	-	513,444
Net Book Value at:							
At December 31, 2019	94,537	212,399	148,950	166,708	764,077	389,074	1,775,744
At December 31, 2018	101,670	183,491	127,057	114,625	566,355	187,106	1,280,303

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Notes to the Financial Statements for the Year ended December 31, 2019

18- Intangible Assets

Cost at 1 January	
Additions	
Disposals	
Cost at 31 December	
Amortization at January 1st:	
Charge for the year	
Reclassification	
Amortization at 31 December	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
45,925	17,676
6,503	28,250
-	-
52,429	45,926
11,520	6,276
4,918	3,538
-	1,706
16,438	11,520
35,991	34,405

19- Current and Saving Customers' Accounts

Current deposits (local)	
Current deposits (foreign)	
Savings deposits (local)	
Savings deposits (foreign)	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
20,534,259	17,552,502
5,904,352	3,152,301
3,137,412	2,702,483
62,122	73,749
29,638,145	23,481,035

20- Other Liabilities

Margins of Letters of Credit	
Margins of Letters of Guarantee	
Bills Payable (Local)	
Bills Payable (Foreign)	
Creditors	
Customers Transfer	
Accrual Expenses	
On-Demand Deposits	
Pending Customers Payments	
Central Bank of Sudan Window	
Private Switch Claims	
Differences in Migration of Balances	
Central Bank of Sudan	
Medicines Import Account	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
39,488	182,113
330,858	683,801
759,692	821,552
10,523	29,994
14,539	8,658
197,119	422,119
79,164	85,589
83,168	32,702
568,524	451,316
912,125	966,099
17,616	33,330
-	15,444
1,168,103	-
336,100	347,267
4,517,019	4,079,985

21- Provisions

Zakat Provision	
Board of Directors Remunerations	
Provision for VAT	
Staff Bonus Provision	
Tax Provision	
End of service benefits Provision	
Debit Deposit Balances Provision (Foreign)	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
35,280	33,668
20,285	18,046
-	128
162,417	79,238
174,095	270,325
5,140	-
440	-
397,658	401,405

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Notes to the Financial Statements for the Year ended December 31, 2019

22- Unrestricted Investment Accounts

	Note	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Investment deposits-Local Currency		11,217,734	8,596,714
Investment Deposits-Foreign Currency		10,247,275	10,956,795
		21,465,009	19,553,509
Unrestricted Investment Accounts Return for the Year	(22/1)	1,576,077	1,458,350
Less:		23,041,086	21,011,859
Profit paid during the year		(3,000)	(2,510)
Holder's share in Deposit Security Fund Provision	(22/2)	-	-
		23,038,086	21,009,348

22/1 Return of Unrestricted Investment Accounts

	Note	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Return of Unrestricted Investment Accounts - foreign currency	(22/1-1)	367,220	424,551
Return of Unrestricted Investment Accounts - local currency	(22/1-1)	1,208,857	1,033,799
Total return		1,576,077	1,458,350

22/1-1 Subsidies of unrestricted investment account holders by the bank

During the year, the Bank subsidized the return of unrestricted investment account with a total amount of SDG 201,225.

22/2 The share of investment account holders in the Deposits Security Fund

The Bank had borne the cost of contribution by unrestricted investment account holders in the Deposits Security Fund.

23- Share Capital

	Note	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Authorized Capital	(23/1)	2,000,000	2,000,000
Paid-up Capital		1,100,000	1,000,000

23/1 Authorized Capital

The Authorized capital is Two billion Sudanese Pounds divided into Two billion shares worth one Sudanese Pounds per share.

24- Reserves

	Note	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Statutory reserve	(24/1)	198,014	191,091
Fixed Assets Revaluation Reserve	(24/2)	6,112	6,112
General reserve	(24/3)	9,226	9,226
Foreign Currencies Revaluation Reserve	(24/4)	1,110,451	1,339,029
Fair Value Reserve	(24/5)	80,398	26,635
		1,404,201	1,572,093

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Notes to the Financial Statements for the Year ended December 31, 2019

24/1 Statutory Reserve

As required by the Banking Regulation Law of 2003 and the Central Bank of Sudan Circular dated 7 April 2007, 10% of net profit should be transferred to a statutory reserve. The Bank may resolve to discontinue such annual transfers when the reserve equals to 100% of the paid up capital.

24/2 Fixed Assets Revaluation Surplus reserve

The lands held for investment purposes by the Bank were revaluated in 2001 by a licensed Sudanese Consultancy Firm.

24/3 General Reserve

According to Article (61/B) of the Statute of the Bank part of the Bank net profits is set aside from time to time as general reserve. The General Assembly may stop this reserve when it is equivalent to the paid-up capital.

24/4 Foreign Currencies Reserve

In accordance with the requirements of the Central Bank of Sudan. Profits arising from the Revaluation of foreign currencies should be deducted from retained profits and disclosed separately under the name of Foreign Currencies Revaluation Reserve in the Statement of Financial Position and Statement of Changes in Equity.

24/5 Fair value reserve

It is the change in the fair value of investments in fair value through equity:

Faisal Islamic Bank of Egypt
Al Shamal Islamic Bank
Nile Bank
National Petroleum Company
Liquidity Fund

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
	54,957	13,144
	-	8
	(15)	16
	(597)	3,899
	(582)	-
	53,763	17,066

25- Contra accounts

Obligations of documentary credits
Bills for collection - Investment
Returned Bills - Investment
Obligations of guarantees
Bad debts - written off

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
	1,232,946	486,622
	3,091,426	3,279,880
	32,085	34,363
	725,109	17,769
	42,915	17,334
	5,124,481	3,835,967

26- Income from Sales Receivable

Murabaha
Mugawala
Istisna'a

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
	1,118,517	1,436,300
	1,415,140	1,214,019
	159,775	10,003
	2,693,433	2,660,323

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

27- Income from Investment

Profit from securities
Musharaka
Mudaraba
Ijara
Income from portfolios investment

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
146,598	41,372
120,590	97,639
37,131	3,723
52	72
2,160	2,335
306,531	145,140

28- Income from Banking services

Letters of credit
Documentary Collections
Transfers
Letters of Guarantee
Return on foreign currency
Other commissions

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
608,028	191,989
7,108	3,784
9,912	13,269
13,758	8,006
103,144	395,157
87,470	40,508
829,420	652,713

29- Income from Bank's self -investments

Subsidiaries
Other companies

Note

(29/1)

(29/2)

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
14,558	1,170
26,728	9,162
41,286	10,332

29/1 Subsidiaries

Al-Faisal Real-estate Company
AL-Faisal Financial Services Company
Islamic Company for Trade and Services
Islamic Insurance Company (Sudan)

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
-	345
4,009	825
170	-
10,379	-
14,558	1,170

29/2 Other companies

Grain Mills -Atbara
Al Shamal Islamic Bank
National Petroleum Company
Sudanese Bricks Company
Faisal Islamic Bank of Egypt

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
145	358
37	28
241	622
82	-
26,223	8,154
26,728	9,162

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

30- Other income

Rental from Owned Real-estate	
Sales of Fixed Assets	
Recovery of bad debts	
Miscellaneous income	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
54,978	35,437
15,342	13
1,881	1,411
32,726	17,586
104,927	54,447

31- Staff Cost

Salaries and wages	
Overtime	
Travelling Tickets	
Staff Uniform	
Workers Uniform	
Eids Grants	
Medical Insurance	
Social Collective Solidarity for staff	
Marriage Grants and Social Allowances	
Social Insurance	
Staff Bonus	
Total of Staff Cost	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
209,249	130,002
10,745	21,085
101,669	67,950
83,268	52,334
12,000	6,259
57,693	39,082
65,975	42,761
4,240	4,457
1,459	1,086
44,839	32,726
160,831	78,574
751,968	476,314

32- General and Administrative Expenses

Rents	
Electricity & Water	
Board of Directors Expenses	
Maintenance & Repairs of Vehicles	
Security	
Maintenance	
Post, Telegraph and Telephone	
Subscriptions	
Stationery & Printings	
Gasoline for Generator	
Insurance	
Government's dues and fees	
Core Bank Expenses	
ATM Expenses	
Bank's Charges	
Cash Expenses	
Expenses of the Central Archive	
Computer Expenses	
Meal subsidies	
Advertising	
Audit fees	

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
68,856	54,191
14,257	13,677
23,951	10,023
17,701	13,003
15,058	10,683
17,438	11,537
1,612	1,178
2,331	1,540
13,227	7,473
2,198	1,995
27,222	19,643
5,287	3,717
6,616	-
36,067	28,857
1,920	5,093
9,802	4,673
1,434	1,645
18,904	12,500
22,247	13,351
36,969	39,454
1,400	750

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

32- General and Administrative Expenses (continued)

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Annual General Meeting Expenses	1,014	1,378
Hospitality Expenses	4,031	3,363
SSB Remuneration	550	270
Subscription to Bank Deposits Security Fund	61,751	56,412
Board of Directors Remuneration	20,022	17,783
Donations	10,097	4,520
Motor Cycles Expenses	105	125
Court Fees	1,635	2,915
Cleaning Expenses	7,194	3,974
VAT	49,240	2,969
Clearing and Treasury Operating Expenses	7,747	8,448
Faisal Cultural Center Expenses	8,995	6,942
Contributions and Expenses of the Banking Network	17,583	14,876
Capital Increase Expenses	-	4,627
Training	26,245	17,209
Work Travel and Missions	27,046	19,834
Consultations	7,028	9,829
Bank's Strategic Plan Expenses	8,243	-
Miscellaneous Expenses	1,383	1,532
	604,406	431,988

33- Contingent Liability

Sudapet Company Limited has filed a lawsuit against the Bank claiming the amount of 20 million Euros as the result of the bank failure to meet its obligation towards Sudapet.

The bank has paid the amount of SDG 113,827,600 which according to the bank's legal advisor's opinion is sufficient to meet the outcome of this case. The case is still under court proceedings.

34- Earning per Share

	December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
Net profit the year	69,227	1,440,281
The average number of shares	1,000,000	1,000,000
Earning per Share	0.07	1.44

35- Concentration of investments

Finance volume for the year ended December 31, 2019 amounted to SDG 27,581.9 Million (2018: SDG 24,981.9 million), and it has been distributed to economic sectors as shown below:

	2019	2018
Agriculture	0.4%	1%
Export	6.2%	2%
Industrial	11.5%	13%
Transportation	6.8%	4%
Trade	2.7%	4%

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

35- Concentration of investments (continued)	2019	2018
Real estate	0.9%	3%
Micro Finance and social development finance *	63.7%	64%
Services	0.7%	0%
Other Sectors	7%	7%
Total	100%	100%

* Social development financing includes (universities, infrastructure, development, health, cooperative unions, hygiene projects and services).

36- Social responsibility

The Bank has supported various segments of society, through donations to mosques, universities, hospitals and needy individuals. These donations amounted to SDG10.1 million (2018: SDG4.5 million).

During the year, the Bank has trained its staff both domestically and externally, where training expenses amounted to SDG26.2 million (2018 -SDG17.2 million). The Bank also provided deposits and withdrawals services free of charge for corporate wages and salaries through its ATMs network for a wide range of governmental units. The Bank continued contributing to the community development by allocating an amount of about SDG9 million for Al Faisal Cultural Center as operational expenses (2018: SDG7 million).

37- Provision for Investment and Financing Risk

Description	Murabaha	Musharaka	Mugawala	Investment funds and financing portfolio	other investments	total
	SDG (000)	SDG (000)	SDG (000)	SDG (000)	SDG (000)	SDG (000)
2019						
Balance as at January 1st	112,850	11,468	104,595	2,187	112,518	343,618
Adjustment (previous year)	15,233	-	-	-	-	15,233
Charged during the year	34,678	-	-	-	-	34,678
Recovered during the year	-	-	-	-	(213)	(213)
Provision written-off	-	-	-	-	(74,295)	(74,295)
	162,761	11,468	104,595	2,187	38,011	319,021
2018						
Balance as at January 1st	79,399	9,220	69,373	629	13,765	172,386
charged during the year	33,471	2,248	35,175	1,558	21,094	93,545
Recovered during the year	(20)	-	-	-	-	(20)
Foreign currency revaluation difference	-	-	47	-	77,660	77,707
	112,850	11,468	104,595	2,187	112,519	343,618

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

37- Provision for Investment and Financing Risk (Continued)

Provisions for the year were classified as follows:

Classified
Un-Classified
Total

December 31, 2019 SDG (000)	December 31, 2018 SDG (000)
193,360	47,356
125,661	296,262
319,021	343,618

38- Related party transactions

These represent transactions with related parties i.e. shareholders, board of directors and senior management of the bank, and companies of which they are principal shareholders, these transactions are conducted in an arm length basis. Balances with related parties included in the balance sheet are as follows:

For the year 2019

Financial Position Items:	Major Shareholders Board of Directors & Subsidiaries	Top Management	Total as at December 31, 2019
	SDG (000)	SDG (000)	SDG (000)
Murabahat	-	-	-
Musharkat	6,354	-	6,354
Mudarabat	30,000	-	30,000
Loans	4,703	-	4,703
Current & Investment accounts	-	-	-
Contra Account	-	-	-
Letters of credit	87,424	-	87,424
Letters of Guarantee	-	-	-
Total	128,481	-	128,481

For the year 2018

Financial Position Items:	Major Shareholders Board of Directors & Subsidiaries	Top Management	Total as at December 31, 2018
	SDG (000)	SDG (000)	SDG (000)
Murabahat	-	-	-
Musharkat	-	-	-
Mugawalat	-	-	-
Mudarabat	30,000	-	30,000
Loans	-	-	-
Current & Investment accounts	-	-	-
Contra Account	-	-	-
Letters of credit	-	-	-
Letters of Guarantee	-	-	-
Total	30,000	-	30,000

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

39- Credit risk

Analysis of investments concentration by economic sector is provided in note (35).

40- Liquidity risk

Liquidity risk is the risk that the bank will be unable to meet its funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To mitigate this risk, Management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a healthy balance of cash, cash equivalents, and readily marketable securities. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date.

Management monitors the maturity profile to ensure that adequate liquidity is maintained.

The following table summarizes the maturity dates of the assets and liabilities of the bank was as follows:

For the year 2019

	Within 3 Months	3 to 6 Months	6 - 12 Months	More than a year	Total
Assets:					
Cash and cash equivalents	27,008,918	-	-	-	27,008,918
Central Bank of Sudan Statutory cash reserve	-	-	-	6,055,075	6,055,075
Sales receivables	3,606,167	1,970,771	4,529,387	8,828,166	18,934,491
Other Financing	-	-	-	457,948	457,948
Securities held at fair value through income statement	-	-	-	11,889	11,889
Securities held at amortized cost	397,865	25,000	500,741	268,353	1,191,959
Investment Securities at FV through equity	158,839	1,000	10,000	417,673	587,512
Mudaraba Investments	-	130,000	-	411,692	541,692
Musharaka Investments	-	-	778,153	-	778,153
Investment Property	-	-	-	119,661	119,661
Investment in subsidiaries	-	-	-	194,995	194,995
Other Assets	981	-	-	2,648,299	2,649,280
Net Fixed assets	-	-	-	1,775,744	1,775,744
Net Intangible Assets	-	-	-	35,991	35,991
Total assets	31,172,770	2,126,771	5,818,281	21,225,486	60,343,309

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

40- Liquidity risk (continued)

For the year 2019

	Within 3 Months	3 to 6 Months	6 - 12 Months	More than a year	Total
liabilities:					
Current and saving customers' accounts	13,046,672	4,348,891	5,798,521	6,444,061	29,638,145
Other liabilities	1,711,884	1,295,128	-	1,510,007	4,517,019
Provisions	209,375	-	-	187,330	396,705
Total liabilities	14,967,931	5,644,019	5,798,521	8,141,398	34,551,868
Unrestricted investment account holders	654,189	218,063	330,266	21,835,568	23,038,086
Shareholders' equity					
Paid up Capital	-	-	-	1,100,000	1,100,000
Reserves	-	-	-	1,404,296	1,404,296
Retained earnings	-	-	-	249,058	249,058
Total liabilities, unrestricted investment accounts holders and shareholders' equity	15,622,120	5,862,082	6,128,787	32,730,320	60,343,309

For the year 2018

	Within 3 Months	3 to 6 Months	6 - 12 Months	More than a year	Total
Assets:					
Cash and cash equivalents	23,037,077	-	-	-	23,037,077
Central Bank of Sudan Statutory cash reserve	-	-	-	2,512,119	2,512,119
Sales receivables	562,117	559,132	1,556,614	16,511,617	19,189,480
Other Financing	-	-	-	-	-
Securities held at fair value through income statement	-	-	-	11,498	11,498
Securities held at amortized cost	513,697	435,739	20,000	311,264	1,280,700
Investment Securities at FV through equity	-	-	-	521,966	521,966
Mudaraba Investments	-	216,499	-	-	216,499
Musharaka Investments	-	-	628,546	-	628,546
Investment Property	-	-	-	119,661	119,661
Investment in subsidiaries	-	-	-	169,995	169,995
Other Assets	-	34,405	1,164,566	1,399,963	2,598,934
Net Fixed assets	-	-	-	1,280,303	1,280,303
Net Intangible Assets	-	-	-	34,405	34,405
Total assets	24,112,891	1,245,775	3,369,726	22,872,791	51,601,184

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

40- Liquidity risk (continued)

For the year 2018

	Within 3 Months	3 to 6 Months	6 - 12 Months	More than a year	Total
Liabilities:					
Current and saving customers' accounts	17,610,776	3,913,506	750,555	1,206,198	23,481,035
Other liabilities	1,460,746	255,333	749,686	1,614,220	4,079,985
Provisions	-	-	-	401,405	401,405
Total liabilities	19,071,522	4,168,839	1,500,241	3,221,823	27,962,425
Unrestricted investment account holders	-	-	-	21,009,348	21,009,348
Shareholders' equity					
Paid up Capital	-	-	-	1,000,000	1,000,000
Reserves	-	-	-	1,572,093	1,572,093
Retained earnings	-	-	-	57,317	57,317
Total shareholders' equity	-	-	-	-	2,629,410
Total liabilities, unrestricted investment accounts holders and shareholders' equity	19,071,523	4,168,839	1,500,241	26,860,581	51,601,184

41- Market Risk

Market risk is the risk that the value of the bank's assets and share prices will fluctuate as a result of change in the return on the financial Instruments and foreign currency prices Internationally and Locally. The Board of Directors of the Bank set limits of the value of risk that could be accepted which is being monitored continuously by the bank's assets and liabilities committee.

42- Share Prices Risk

Shares price risk is that the value of shares will fluctuate as a result of changes in the market prices of the shares. The Board of Directors of the Bank sets limits on the amounts and types of shares to be acquired for investment purposes. The investment committee of Bank regularly monitors these limits.

43- Profit margin risk

As Islamic financial institution the Bank exposures to fluctuations of its assets, income compared to the cost of liabilities, The Bank proves the income of some of its assets on time proportion basis, accordingly the Board of Directors sets certain limits on profit margin risk.

44- Currency Risk

- Currency risk is the risk that the value of financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk is managed on the basis of limits determined by the Board of Directors.
- These limits are monitored continuously to ensure that the net exposure is kept on an acceptable level.
- A major part assets and liabilities in foreign currency is denominated in US Dollars and other foreign Currencies.
- The net position of assets and liabilities denominated in foreign current at December 31, is as follows:

The attached notes (1 - 48) form and integral part of these financial statements



Notes to the Financial Statements for the Year ended December 31, 2019

44- Currency Risk (continued)

Assets
Liabilities
Net Foreign Currency Position

	2019 USD	2018 USD
Assets	491,817,875	414,867,664
Liabilities	418,801,710	348,953,947
Net Foreign Currency Position	73,016,165	65,913,717

45- Zakat

The Bank paid all its Zakat for the year ended December 31, 2018 and made the required provision for the year 2019, the Bank's management considers that the final estimate will not differ substantially from the provision made.

46- Business Profit Tax (BPT)

The Bank paid part of the business profits tax for the year ended 31 December 2018 and made sufficient provision for the year ended December 31, 2019, the Bank's management considers that the final estimate will not vary substantially from the provision made for the year.

47- Capital adequacy

The Bank monitors the risks of its assets in accordance with the requirements issued by Central Bank of Sudan.

Core capital
Total risk weighted assets (on and off - balance sheet)
The bank's capital adequacy ratio
Minimum capital adequacy ratio required

	2019 SDG (000)	2018 SDG (000)
Core capital	1,212,553	1,274,904
Total risk weighted assets (on and off - balance sheet)	10,811,717	10,589,456
The bank's capital adequacy ratio	11.22%	12%
Minimum capital adequacy ratio required	12%	12%

48- Comparative Figures

Certain comparative amounts have been re-classified to conform with current year classification. This re-classification did not affect the comparative year net profits or equity or cash flows statement for 2018.