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بانقا وشركاه
محاسبون ومراجعون قانونيون

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شارع عطبرة
عمارة التاكا - الدور الثاني
ص.ب. ١٦٠٣ - الخرطوم
جمهورية السودان

Financial statement review report
Al-Salam Bank – Sudan

Review scope

We have reviewed the accompanying balance sheet of Al-Salam bank as of June,30,2016 and the related statement of income , cash flow and change in equity for the six months then ended , in accordance with standards for review services . All information included in these financial statements is representation of Al-Salam Bank management.

Review was conducted in accordance with the interim financial statements review standards which include inquiries of the bank personnel and analytical procedures applied to financial data.

Review is less in scope than audit with generally accepted auditing standards , The objective of which is the expression of opinion regarding the financial statements taken as a whole .Accordingly we do not express such opinion .

Opinion

Based on the review we are not aware of any material modification that should be made to the accompanying financial statements in order for them to be in conformity with accounting standards issued by Accounting and Auditing Organization for Islamic financial institution and international reporting standard number (34).

Khartoum Shawal 15, 1437
July, 20, 2016



Adam Abdullah Hussein

Adam Abdullah Hussein (CPA)
Allied Accountants – Banaga & Co

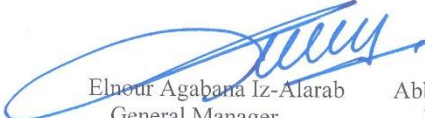
AL SALAM BANK

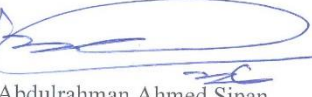
CONDENSED STATEMENTS OF FINANCIAL POSITION

As At JUNE 30, 2016

	Note	June 30, 2016 Unaudited SDG	December 31, 2015 Audited SDG
Assets:-			
Cash and cash equivalents		200,328,741	332,563,068
Deferred sales receivables (net)		556,738,080	567,741,758
Other finance		28,397,863	-
Investments held to maturity	(3)	238,070,000	225,495,500
Investments in Mudaraba	(4)	230,680,662	233,141,689
Musharaka financing	(5)	79,781,671	32,949,127
Investments available for sale	(6)	136,256,779	125,563,611
Investments in property		513,209,220	513,209,220
Other assets		54,477,621	32,217,448
Fixed assets (net)		83,563,637	61,372,639
Total Assets		2,121,504,274	2,124,254,060
Liabilities, Unrestricted investment accounts and Owners' Equity:-			
Liabilities:-			
Current Account		454,570,159	441,338,501
Other liabilities		131,480,521	168,221,796
Provisions and accruals		40,972,814	30,097,276
Total Liabilities		627,023,494	639,657,573
Unrestricted investment accounts holders		430,306,024	447,280,399
Owners' Equity:-			
Paid up capital	(8)	326,229,750	310,668,350
Reserves		556,517,821	553,826,670
Retained earnings		181,427,185	172,821,068
Total Owners' equity		1,064,174,756	1,037,316,088
Total Liabilities, Unrestricted investment accounts and Owners' equity		2,121,504,274	2,124,254,060
Contra accounts:-	(10)	116,496,705	309,872,251

The accompanying notes (1) to (10) form an integral part of these Statements





Elnour Agabana Iz-Alarab Abbas Elbakhiet Musa Abdulrahman Ahmed Sinan
 General Manager Board member Board member

AL SALAM BANK

CONDENSED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2016

	For Three Months Ended 30 June		For Six Months Ended 30 June	
	2016 SDG	2015 SDG	2016 SDG	2015 SDG
Income				
Deferred sales	18,564,744	16,919,151	37,645,994	35,439,588
Income from investments	19,250,113	19,709,914	30,519,088	29,385,250
Unrealized investment gains	-	-	-	2,626,386
Total income from financing and investments	37,814,857	36,629,065	68,165,082	67,451,224
Less: Return on unrestricted investment accounts	(8,525,709)	(7,765,511)	(15,526,976)	(15,606,311)
Bank's share in income from investments (as Mudarib and as fund owner)	29,289,148	28,863,554	52,638,106	51,844,913
Income from banking services	1,578,230	2,570,086	2,969,680	3,453,425
Gain on exchange of foreign currency	4,489,709	175,812	4,572,134	225,902
Gain / (losses) from revaluation of foreign currencies	(23,038)	(158,438)	(65,688)	6,720
Other income	496,138	927,217	1,095,142	1,259,156
Total Bank's revenue	35,830,187	32,378,231	61,209,374	56,790,116
Expenses				
Staff cost	(9,097,394)	(7,450,365)	(16,896,402)	(13,910,577)
Operation expenses	(4,872,440)	(2,741,618)	(8,974,986)	(8,561,526)
Depreciation	(978,549)	(803,616)	(1,961,100)	(1,695,361)
Provision for investment & finance	3,460,155	(89,592)	681,609	(2,738,984)
Central Bank of Sudan penalties	(1,000)	(10,000)	(1,000)	(10,000)
Total expenses	(11,489,228)	(11,095,191)	(27,151,879)	(26,916,448)
Net operation profits	24,340,959	21,283,040	34,057,495	29,873,668
Provision for Zakah	(2,130,872)	70,288	(3,318,775)	(3,966,447)
Provision for business Profit Tax	(3,279,873)	(1,239,235)	(3,885,923)	(1,504,415)
Net income for the period	18,930,214	20,114,093	26,852,797	24,402,806
Basic earning per share	0.158	0.174	0.221	0.211

The accompanying notes (1) to (10) form an integral part of these financial statements

Elnour Agabana Iz Alarab
General Manager

Abbas Elbakhiet Musa
Board member

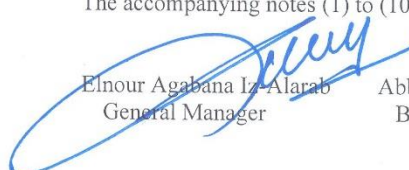
Abdulrahman Ahmed Sinan
Board member

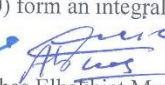
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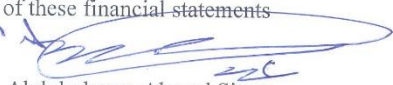
**CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	JUNE, 30,2016	JUNE, 30,2015
	<u>Unaudited</u> <u>SDG</u>	<u>Unaudited</u> <u>SDG</u>
Cash follows from operating activities		
Net income for the period	26,852,797	24,402,806
Adjustments for:		
Depreciation of fixed assets	1,961,100	1,695,361
Provisions	(7,256,887)	(13,996,705)
	21,557,010	12,101,462
Changes in operating assets, liabilities and unrestricted investment accounts:		
Deferred sales receivables (net)	(17,394,185)	22,186,536
Investments	(56,946,017)	(140,585,873)
Other assets	(4,127,748)	(50,981)
Current accounts	13,231,658	91,832,120
Unrestricted investment accounts	16,974,375	8,664,995
Other liabilities	36,741,276	13,945,847
Cash (used in) operations	<u>(118,951,943)</u>	<u>(4,007,356)</u>
Net cash (used in) operating activities	<u>(97,394,933)</u>	<u>8,094,106</u>
Cash follows from investing activities		
Purchases of fixed assets	(24,152,098)	(8,052,821)
Investments in affiliates	(10,693,168)	-
Net cash (used in) investing activities	<u>(34,845,266)</u>	<u>(8,052,821)</u>
Cash follows from financing activities		
Reserves	5,872	6,690
Net cash from (used) financing activities	<u>5,872</u>	<u>6,690</u>
Decrease in cash and cash equivalents for the period	(132,234,327)	47,975
Cash and cash equivalents at the beginning of the period	<u>332,563,068</u>	<u>210,083,666</u>
Cash and cash equivalents at the end of the period	<u>200,328,741</u>	<u>210,131,641</u>

The accompanying notes (1) to (10) form an integral part of these financial statements


Elnour Agabana Iqbal
General Manager


Abbas Elbakhiet Musa
Board member

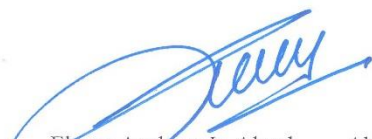

Abdulrahman Ahmed Sinan
Board member

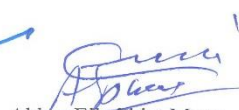
AL SALAM BANK

**CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Paid up capital	Retained earnings	Statutory reserve	Property revaluation reserve	Foreign Invts valuation reserve	Foreign assets reserve	Total
	SDG	SDG	SDG	SDG	SDG	SDG	SDG
Balance as at January 1, 2015	310,668,350	119,222,754	50,021,505	336,873,784	51,490,804	98,720,078	966,997,275
Net income for the period	-	62,270,053	-	-	-	-	62,270,053
Reserves	-	(8,671,739)	6,227,005	-	8,048,760	2,444,734	8,048,760
Balance as at January 1, 2016	310,668,350	172,821,068	56,248,510	336,873,784	59,539,564	101,164,812	1,037,316,088
Bounce Share 5%	15,561,400	(15,561,400)	-	-	-	-	-
Net income for the period	-	26,852,797	-	-	-	-	26,852,797
Reserves	-	(2,685,280)	2,685,280	-	5,871	-	5,871
Balance as at JUNE , 30, 2016	<u>326,229,750</u>	<u>181,427,185</u>	<u>58,933,790</u>	<u>336,873,784</u>	<u>59,545,435</u>	<u>101,164,812</u>	<u>1,064,174,756</u>

The accompanying notes (1) to (10) form an integral part of these financial statements


Elmour Agabana Iz-Alarab
General Manager


Abbas Elbakhiet Musa
Board member


Abdulrahman Ahmed Sinan
Board member

AL SALAM BANK

**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

(1) Incorporation and activities

Al Salam Bank (the Bank) was established as a public company with a limited liability in Khartoum on December 28, 2004 under companies law 1925 with registration certificate No. 23335. The Bank is providing commercial banking services according to Islamic rules and principles. The Bank started its commercial operations on May 2005, Providing its services from the head office, which is located at Aljamhoria street and Alhuria street junction and Alsalam Rotana branch which is placed in Alsalam Rotana Hotel (Africa street) , Barlaman Branch at Hamza blazza Brلمان Street .

(2) Basis of preparation

a) Accounting Standards

The interim condensed financial statements have been prepared in accordance with the Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), and the international Accounting Standard no (34) and the requirements of the Central Bank of Sudan and the banks' Shari'a Supervisory Board (SSB).

b) Accounting Policies

The interim condensed financial statements should be read with financial statements as at December 31,2015 and its attached notes. The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and also the results for the period ended 30,June, 2016 are not indicative of the results that may be expected for the year ended 31 December 2016.

c) Functional currency

The functional currency of these condensed financial statements is Sudanese Geneih (SDG).

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**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

(3) Investments held to maturity

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Shahama securities	<u>238,070,000</u>	<u>225,495,500</u>
	<u>238,070,000</u>	<u>225,495,500</u>

(4) Mudaraba Investment and Agencies

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Mudaraba with corporate & customers	<u>200,150,238</u>	<u>178,163,729</u>
Mudaraba with financial institutions	<u>66,511,400</u>	<u>91,411,154</u>
	<u>266,661,638</u>	<u>269,574,883</u>
Less : Provision for financing risk	<u>(35,980,976)</u>	<u>(36,433,194)</u>
	<u>230,680,662</u>	<u>233,141,689</u>

(5) Musharka financing

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Musharaka	<u>80,544,320</u>	<u>33,281,946</u>
Less : Provision for financing risk	<u>(762,649)</u>	<u>(332,819)</u>
	<u>79,781,671</u>	<u>32,949,127</u>

AL SALAM BANK

**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

(6) Investments available for sale

	Ownership percentage	<u>June 30,2016</u>	<u>December 31,2015</u>
		<u>Unaudited</u>	<u>Audited</u>
		<u>SDG</u>	<u>SDG</u>
Aman insurance - Bahrain		7,117,979	7,117,979
Foreign investment funds		2,465,530	2,428,229
Assets acquired by banks for Musharaka finance		18,419,950	7,769,950
Inter bank liquidity management fund		13,746,000	13,746,000
Al Salam Real Estate Company	50%	50,000	50,000
Alsalam bank- Bahrain		47,260,724	47,260,724
King Abdullah city		11,831,046	11,825,179
Alsalam Algeria Bank	5%	35,365,550	35,365,550
		<u>136,256,779</u>	<u>125,563,611</u>

(7)Investments Analysis

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Local Investments (note 8/1)	1,027,446,103	936,950,332
Investments in GCC countries (note 8/2)	135,186,679	133,933,221
Foreign Investments (Al Salam Bank - Algeria)	35,365,550	35,365,550
	<u>1,197,998,332</u>	<u>1,106,249,103</u>

AL SALAM BANK**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016****(7/1) Local Investments**

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Shahama securities	238,070,000	225,495,500
Inter Bank Liquidity Managment Fund	13,746,000	13,746,000
Mudaraba with Local Banks	-	2,000,000
Mudaraba with Customers (net)	164,169,262	141,730,535
Net Musharaka	79,781,671	32,949,127
Al Salam Real Estate Company	50,000	50,000
Assets acquired by banks for Musharaka Finance	18,419,950	7,769,950
Local land	<u>513,209,220</u>	<u>513,209,220</u>
	<u>1,027,446,103</u>	<u>936,950,332</u>

(7/2) Investments in GCC countries

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
AL Salam Bank – Bahrain	47,260,724	47,260,724
King Abdullah City shares	11,831,046	11,825,179
Foreign investment funds	2,465,530	2,428,229
Aman insurance - Bahrain	7,117,979	7,117,979
UBAF bank	15,752,700	-
Abu Dhabi Islamic Bank	<u>50,758,530</u>	<u>65,301,110</u>
	<u>135,186,679</u>	<u>133,933,221</u>

AL SALAM BANK

**NOTES TO CONDENCED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

8/ capital

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Paid up capital	<u>326,229,750</u>	<u>310,668,350</u>
	<u>326,229,750</u>	<u>310,668,350</u>

The authorized share capital of the bank comprises of 100 million share with nominal value of SDG 2,54 each ,the bank issued bonus shares amounted to SDG 23,758,000 , 32,910,350 and 15,561,400 in year 2010 , 2013 and 2016 which represent 10% , 5% and 5% of total issued numbers of shares respectively.

(9) Statutory reserve

As required by the Central Bank of Sudan, 10 % of net profit has been transferred to a statutory reserve. The Bank may resolve to discontinue such periodical transfers when the reserve equals 100% of the paid up share capital. 10% from the profit of the period was transferred to the statutory reserve.

(10) Contra accounts

The contra accounts which are not included in the statement of financial position.

	<u>June 30,2016</u>	<u>December 31,2015</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>SDG</u>	<u>SDG</u>
Letters of credit	<u>24,086,412</u>	<u>128,360,022</u>
Letters of guarantee	<u>92,410,293</u>	<u>181,512,229</u>
	<u>116,496,705</u>	<u>309,872,251</u>