

AL SALAM BANK - Sudan

(Public Company)

UNAUDITED FINANCIAL STATEMENTS 30 JUNE 2010

**Review report and interim Financial Statements
for the period ended 30 June 2010**

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**REVIEW REPORT TO THE SHAREHOLDERS OF
ALSALAM BANK (Public Company).**

Introduction

We have reviewed the accompanying statement of financial position of ALSALAM BANK (the Bank). As of 30th of June 2010, and the related statements of income, cash flows and changes in equity and the related notes for the quarter then ended.

The Bank's management is responsible for the preparation and presentation of these financial statements in accordance with the Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34 which addresses the interim financial reporting in accordance with the Shariah requirements. Our responsibility is to issue a report on these financial statements based on our review.

Review Scope

We conducted our review in accordance with the International Standard on Review Engagements 2410. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free to material misstatement. A review is limited primarily to enquiries of bank personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements are not presented fairly, in all material respects, in accordance with the Accounting and Auditing Organization For Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34.



Mubarak El-Awad Mohamed – FCCA, FCMA
Partner
Khartoum
9 August 2010

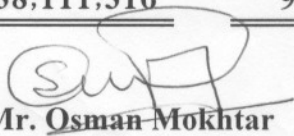
AL SALAM BANK
INTERIM STATEMENTS OF FINANCIAL POSITION

AS AT JUNE 30, 2010

	Notes	June 2010 SDG Unaudited	December 2009 SDG Audited
Assets			
Cash and cash equivalents		175,384,557	132,074,970
Cash reserve with central bank		20,686,536	6,637,363
Sales receivables (net)		341,334,718	336,706,254
Investments in securities and shares held for trading	3	97,651,963	97,647,507
Investments in securities and shares held to maturity	4	63,923,077	42,000,000
Mudaraba financing	5	366,165,016	342,577,833
Musharaka financing	6	436,781	-
Investments in shares available for sale	7	13,490,390	12,925,677
Investments in real estate		50,462,200	50,462,200
Other Assets		42,790,914	27,379,863
Fixed assets		36,878,613	37,639,693
Total assets		1,209,204,765	1,086,051,360
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		268,550,093	117,299,565
Other liabilities		21,430,680	22,163,312
Provisions		8,313,478	10,624,327
Total liabilities		298,294,251	150,087,204
Equity of unrestricted investment account holders		580,317,097	623,666,800
Owners' equity			
Paid up capital		277,758,000	254,000,000
Reserves		31,994,107	28,151,371
Retained earnings		20,841,310	30,145,985
Total owners' equity		330,593,417	312,297,356
Total liabilities, unrestricted investment accounts and owners' equity		1,209,204,765	1,086,051,360
Contra Accounts	11	838,111,316	903,317,276


 Mr. Abd Albaset Hamza El Hassan

Member Of The Board Of Director


 Mr. Osman Mokhtar

General Manager

AL SALAM BANK

INTERIM CONDENSED INCOME STATEMENT

FOR THE PERIOD ENDED JUNE 30, 2010

	For three Months ended 30 June		For six Months ended 30 June	
	June 2010	June 2009	June 2010	June 2009
	SDG	SDG	SDG	SDG
Income	Unaudited	Unaudited	Unaudited	Unaudited
Deffered sales	8,156,189	10,224,120	19,121,196	17,906,363
Income from investments	3,871,140	8,946,905	9,223,942	14,629,137
Unrealized re-measurement gains on investments	(2,553,362)	5,275,324	(1,667,643)	4,374,822
	9,473,968	24,446,349	26,677,496	36,910,322
Less: Return on unrestricted investment accounts	(4,044,958)	(8,932,728)	(10,529,085)	(18,931,993)
Bank's share in income from investments (as Mudarib and as fund owner)	5,429,010	15,513,621	16,148,411	17,978,329
Income from banking services	489,701	772,598	3,369,223	4,523,162
Gain/ loss on sale of foreign currency	157,135	190,187	350,367	1,626,233
Other income	417,093	562,127	1,112,664	746,889
Total Bank's revenue	6,492,939	17,038,533	20,980,665	24,874,613
Less:				
Staff cost	(2,523,037)	(2,626,342)	(4,817,282)	(4,197,465)
Opration expenses	(3,446,615)	(3,443,043)	(7,108,878)	(7,753,660)
Investment provision	-	(3,847,800)	-	(3,847,800)
Total expenses	(5,969,652)	(9,917,185)	(11,926,161)	(15,798,925)
Net operation profits	523,287	7,121,348	9,054,504	9,075,688
Gain/ loss from revaluation of foreign currencies	12,412,725	11,443,303	10,027,701	22,492,328
Net income before provision for zakah and tax	12,936,012	18,564,651	19,082,205	31,568,016
Zakah provision for the period	(1,322,036)	(863,528)	(2,678,704)	(2,614,204)
Business Profit Tax provision for the period	(239,053)	(1,262,822)	(344,251)	(1,638,648)
Net income for the period	11,374,922	16,438,301	16,059,249	27,315,164
Basic earning per share	0.114	0.164	0.146	0.273

The attached notes 1 to 11 form an integral part of these condensed financial statements.

AL SALAM BANK
INTERIM STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED JUNE 30, 2010

	<i>June 2010</i>	<i>June 2009</i>
	<i>SDG</i>	<i>SDG</i>
	Unaudited	Unaudited
Cash follows from operating activities		
Net income for the period	16,059,249	27,315,164
Adjustments for:		
Depreciation of fixed assets	1,480,300	1,281,753
Provisions	(2,310,849)	1,384,174
	15,228,700	29,981,091
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	(14,049,173)	542,891
Sales receivables (net)	(4,628,464)	(38,972,283)
Investments	(46,516,210)	(33,882,286)
Other assets	(15,411,051)	(8,338,533)
Current accounts	151,250,528	18,574,199
Equity of unrestricted investment accounts	(43,349,703)	57,033,275
Other liabilities	(732,632)	1,800,530
Cash from/(used in) operations	26,563,296	(3,242,207)
Net cash from/(used in) operating activities	41,791,996	26,738,884
Cash follows from investing activities		
Purchases of fixed assets	(719,220)	(743,959)
Investments in affiliates	-	(1,346,749)
Net cash from/(used in) investing activities	(719,220)	(2,090,708)
Cash follows from financing activities		
Reserves	2,236,811	(17,520,877)
Net cash from financing activities	2,236,811	(17,520,877)
Increase / Decrease in cash and cash equivalents for the period	43,309,587	7,127,299
Cash and cash equivalents at the beginning of the period	132,074,970	78,213,656
Cash and cash equivalents at the end of the period	175,384,557	85,340,955

AL SALAM BANK**INTERIM STATEMENT OF CHANGES IN OWNERS' EQUITY**

FOR THE PERIOD ENDED JUNE 30, 2010

	Paid up capital	Retained earnings	Statutory reserve	Property revaluation reserve	Investment revaluation reserve	Total
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
Balance as at January 1, 2010	254,000,000	30,145,986	13,346,947	8,858,471	5,945,953	312,297,357
Net income for the period	-	16,059,249	-	-	-	16,059,249
Distributed profits	23,758,000	(23,758,000)				-
Reserves	-	(1,605,925)	1,605,925	-	2,236,811	2,236,811
Balance as At March 31, 2010	277,758,000	20,841,310	14,952,872	8,858,471	8,182,764	330,593,417
Balance as at January 1, 2009	254,000,000	35,825,614	11,085,854	4,341,810	3,607,841	308,861,119
Net income for the period	-	27,315,164	-	-	-	27,315,164
Distributed profits		(21,854,000)				(21,854,000)
Reserves	-	(2,731,516)	2,731,516	-	4,333,123	4,333,123
Balance as31 March2009	254,000,000	38,555,262	13,817,370	4,341,810	7,940,964	318,655,406

AL SALAM BANK

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2010

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).

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 the Central Bank of Sudan and the banks' Shari'a Supervisory Board (SSB).

b) Accounting Policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2009.

The interim condensed financial statements should be read with financial statements as at December 31.2009 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 2010 are not indicative of the results that may be expected for the year ended 31 December 2010.

c) Functional and Presentation currency

The functional currency is Sudanese Geneih (SDG).

	June 2010 SDG	December 2009 SDG
3) Investments in securities and shares held for trading	Unaudited	Audited
Quated Investments		
Shahama securities	56,300,000	54,250,000
Sudatel shares	2,591,993	4,400,990
AL Salam bank – Bahrain shares	10,532,612	11,639,842
King Abdalla city shares	2,946,116	3,137,653
	72,370,721	73,428,485
Unquated Investments		
Investment funds	1,132,049	1,084,485
Aman –Dubai shares	2,745,305	2,629,958
Al salam first real estate fund	21,403,888	20,504,579
	25,281,242	24,219,022
	97,651,963	97,647,507

AL SALAM BANK
NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2010

	June 2010	December 2009
4) Investments in securities and shares held to maturity	SDG	SDG
	Unaudited	Audited
Shahama securities	31,923,077	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	63,923,077	42,000,000
5) Mudaraba Investment and Agencies	SDG	SDG
	Unaudited	Audited
Mudaraba with corporate & customers	13,544,000	13,304,480
Mudaraba with financial institutions	104,003,183	91,438,851
Wakala with financial institutions	261,865,833	250,527,775
	379,413,016	355,271,106
Less : provision for finance losses	(13,248,000)	(12,693,273)
	366,165,016	342,577,833
6) Musharka financing	SDG	SDG
	Unaudited	Audited
Musharaka	441,193	-
Less : provision for finance losses	(4,412)	-
	436,781	-
7) Investments in shares available for sale	SDG	SDG
Ownership percentage	Unaudited	Audited
Alsalam Algeria Bank 5%	13,440,390	12,875,677
Al Salam Real Estate Company 50%	50,000	50,000
	13,490,390	12,925,677
8) Investments Analysis	SDG	SDG
	Unaudited	Audited
Local Investments (note 8/1)	220,796,919	181,661,370
Investments in GCC counties (note 8/2)	359,559,760	351,569,771
Forgin Investments (Al Salam Bank - Algeria)	13,440,390	12,875,677
	593,797,069	546,106,818
8/1 Local Investments	SDG	SDG
Investments in securities and shares held for trading purposes	Unaudited	Audited
Shahama securities	56,300,000	54,250,000
Sudatel shares	4,400,990	4,400,990
Al salam First Real Estate Fund	21,403,888	20,504,579
	82,104,878	79,155,569

AL SALAM BANK**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2010

	June 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held to maturity		
Shahama securities	29,873,077	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	61,873,077	42,000,000
Mudaraba investment		
Mudaraba with Local Banks	25,473,983	9,993,601
Mudarabat with Customers (net)	396,000	-
	25,869,983	9,993,601
	June 2010	December 2009
	Unaudited	Audited
	SDG	SDG
Musharka financing		
Net Musharaka	436,781	-
Investments in shares available for sale		
Al Salam Real Estate Company	50,000	50,000
Investments in real estate		
Local land	50,462,200	50,462,200
Total	220,796,919	181,661,370
8/2 Investments in GCC countries	June 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held for trading purposes		
AL Salam Bank – Bahrain shares	12,150,353	11,639,842
King Abdalla city shares	3,237,020	3,137,653
Investment funds	1,132,049	1,084,485
Aman –Dubai shares	2,745,305	2,629,958
	19,264,727	18,491,938
investment with banks		
Emirates Islamic Bank	66,029,201	70,059,851
AL Salam Bank – Bahrain	12,400,000	11,879,000
Abu Dhabi Islamic Bank	261,865,832	250,527,775
	340,295,033	332,466,626
Mudaraba with Customers (net)	-	611,207
	340,295,033	333,077,833
Total	359,559,760	351,569,771

AL SALAM BANK**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS**

FOR THE PERIOD ENDED JUNE 30, 2010

9) Segmental information

The total finance for the period ending 30 June 2010 amounted to SDG 352,067,489 (December 2009: SDG 373,042,627) and it was distributed according to economic sector as follows:

	June 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Manufacturing	49%	49%
Transportation	5%	6%
Trading	4%	4%
Agriculture	5%	4%
Other sectors	37%	37%
Total	100%	100%

10) Statutory reserve

As required by the Central Bank of Sudan, 10 % of net profit attributable to the shareholders for the period has been transferred to a statutory reserve. The Bank may resolve to discontinue such annual 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 .

11) Contra accounts

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

	June 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Letters of credit	12,106,544	75,940,880
Letters of guarantee	826,004,772	827,376,396
	838,111,316	903,317,276