

AL SALAM BANK - Sudan

(Public Company)

UNAUDITED

FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2010

WITH THE EXTERNAL AUDITORS' REVIEW REPORT

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

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

Introduction

We have reviewed the accompanying condensed Statement of Financial Position of ALSALAM BANK (the Bank), as of 30th of September 2010, and the related condensed statements of income, cash flows and changes in equity for the nine months then ended.

The Bank's management is responsible for the preparation and presentation of these financial statements in accordance with financial accounting standards issued by 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.

Scope of Review

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.

Conclusion

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 Standards issued by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34.

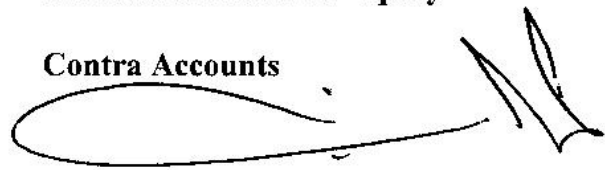

Mubarak El-Awad Mohamed
27 October 2010
Khartoum



AL SALAM BANK**CONDENSED STATEMENTS OF FINANCIAL POSITION**

AS AT SEPTEMBER 30, 2010

	Notes	September 2010 SDG Unaudited	December 2009 SDG Audited
Assets			
Cash and cash equivalents		85,491,192	132,074,970
Cash reserve with central bank		29,482,421	6,637,363
Sales receivables (net)		350,597,732	336,706,254
Investments in securities and shares held for trading	3	94,269,144	97,647,507
Investments in securities and shares held to maturity	4	86,780,898	42,000,000
Mudaraba financing	5	376,774,591	342,577,833
Musharaka financing	6	14,781,871	-
Investments in shares available for sale	7	13,620,459	12,925,677
Investments in real estate		50,462,200	50,462,200
Other Assets		38,468,226	27,379,863
Fixed assets		36,363,356	37,639,693
Total assets		1,177,092,090	1,086,051,360
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		206,440,393	117,299,565
Other liabilities		31,870,377	22,163,312
Provisions		6,251,889	10,624,327
Total liabilities		244,562,659	150,087,204
Equity of unrestricted investment account holders		601,300,592	623,666,800
Owners' equity			
Paid up capital		277,758,000	254,000,000
Reserves		32,526,915	28,151,371
Retained earnings		20,943,923	30,145,985
Total owners' equity		331,228,839	312,297,356
Total liabilities, unrestricted investment accounts and owners' equity		1,177,092,090	1,086,051,360
Contra Accounts	11	843,027,164	903,317,276



Abd Albaseet Hamza El Hassan

Member Of The Board Of Director



Osman Mokhtar

General Manager

AL SALAM BANK

CONDENSED INCOME STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	For three Months ended 30 September		For nine Months ended 30 September	
	2010	2009	2010	2009
	SDG	SDG	SDG	SDG
Income	Unaudited	Unaudited	Unaudited	Unaudited
Deferred sales	11,536,944	11,995,387	30,658,140	29,901,750
Income from investments	4,099,715	5,160,522	13,323,657	19,789,659
Unrealized re-measurement gains on investments	(4,363,145)	(2,724,444)	(6,030,787)	1,650,378
	11,273,515	14,431,465	37,951,010	51,341,787
Less: Return on unrestricted investment accounts	(9,761,325)	(2,475,488)	(20,290,410)	(21,407,481)
Bank's share in income from investments (as Mudarib and as fund owner)	1,512,190	11,955,977	17,660,600	29,934,306
Income from banking services	4,101,133	477,924	7,470,356	5,001,086
Gain/ loss on sale of foreign currency	781,980	284,040	1,132,347	1,910,273
Other income	450,416	194,434	1,563,080	941,323
Total Bank's revenue	6,845,719	12,912,375	27,826,383	37,786,988
Less:				
Staff cost	(3,455,952)	(3,081,790)	(8,273,234)	(7,279,255)
Operation expenses	(3,032,264)	(2,553,367)	(10,141,142)	(10,307,027)
Investment provision	(1,500,000)	(7,720,000)	(1,500,000)	(11,567,800)
Total expenses	(7,988,216)	(13,355,157)	(19,914,377)	(29,154,082)
Net operation (loss) profits	(1,142,498)	(442,782)	7,912,006	8,632,906
Gain from revaluation of foreign currencies	2,756,644	4,185,061	12,784,345	26,677,389
Net income before provision for zakah and tax	1,614,147	3,742,279	20,696,351	35,310,295
Zakah provision for the period	(721,071)	(1,385,110)	(3,399,775)	(3,999,314)
Business Profit Tax provision for the period	(785,124)	(706,955)	(1,129,376)	(2,345,603)
Net income for the period	107,952	1,650,214	16,167,201	28,965,378
Basic earning per share	0.001	0.017	0.147	0.290

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

AL SALAM BANK**CONDENSED STATEMENT OF CASH FLOWS**

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	<i>September 2010</i>	<i>September 2009</i>
	<i>SDG</i>	<i>SDG</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Cash follows from operating activities		
Net income for the period	16,167,201	28,965,378
Adjustments for:		
Depreciation of fixed assets	2,244,633	1,961,538
Provisions	(4,372,438)	2,057,404
	14,039,396	32,984,321
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	(22,845,058)	(143,609)
Sales receivables (net)	(13,891,478)	(37,384,413)
Investments	(90,381,164)	(76,378,342)
Other assets	(11,088,363)	9,236,075
Current accounts	89,140,828	9,475,589
Equity of unrestricted investment accounts	(22,366,208)	61,720,015
Distributed profits	-	(21,854,000)
Other liabilities	9,707,065	(3,447,246)
Prior years adjustments	-	(3,676,543)
Cash from/(used in) operations	(61,724,378)	(62,452,474)
Net cash from/(used in) operating activities	(47,684,982)	(29,468,153)
Cash follows from investing activities		
Purchases of fixed assets	(968,296)	(2,206,264)
Investments in affiliates	(694,782)	-
Net cash from/(used in) investing activities	(1,663,078)	(2,206,264)
Cash follows from financing activities		
Reserves	2,764,282	5,295,965
Net cash from financing activities	2,764,282	5,295,965
Increase / Decrease in cash and cash equivalents for the period	(46,583,778)	(26,378,452)
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	85,491,192	51,835,204

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

FOR THE NINE MONTHS ENDED SEPTEMBER 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	-	16,173,264	-	-	-	16,173,264
Distributed profits	23,758,000	(23,758,000)				-
Reserves	-	(1,617,326)	1,617,326	-	2,758,218	2,758,218
Balance as At September 30, 2010	277,758,000	20,943,923	14,964,273	8,858,471	8,704,171	331,228,839
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	-	28,965,378	-	-	-	28,965,378
Prior years adjustments		(3,676,543)				(3,676,543)
Distributed profits		(21,854,000)				(21,854,000)
Reserves	-	(2,896,537)	2,896,537	-	5,295,965	5,295,965
Balance as 31 September 2009	254,000,000	36,363,912	13,982,391	4,341,810	8,903,806	317,591,919

AL SALAM BANK

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 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).

	September 2010 SDG	December 2009 SDG
3) Investments in securities and shares held for trading	Unaudited	Audited
Quated Investments		
Shahama securities	52,500,000	54,250,000
Sudatel shares	2,389,493	4,400,990
AL Salam bank – Bahrain shares	11,110,700	11,639,842
King Abdalla city shares	2,743,051	3,137,653
	68,743,244	73,428,485
Unquated Investments		
Investment funds	1,143,005	1,084,485
Aman –Dubai shares	2,771,873	2,629,958
Al salam first real estate fund	21,611,022	20,504,579
	25,525,900	24,219,022
	94,269,144	97,647,507

AL SALAM BANK
NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	September 2010	December 2009
4) Investments in securities and shares held to maturity	SDG	SDG
	Unaudited	Audited
Shahama securities	54,780,898	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	86,780,898	42,000,000
5) Mudaraba Investment and Agencies	September 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Mudaraba with corporate & customers	13,671,200	13,304,480
Mudaraba with financial institutions	111,795,003	91,438,851
Wakala with financial institutions	264,753,588	250,527,775
	390,219,791	355,271,106
Less : provision for finance losses	(13,445,200)	(12,693,273)
	376,774,591	342,577,833
6) Musharka financing	September 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Musharaka	14,931,183	-
Less : provision for finance losses	(149,312)	-
	14,781,871	-
7) Investments in shares available for sale	September 2010	December 2009
Ownership percentage	SDG	SDG
	Unaudited	Audited
Alsalam Algeria Bank 5%	13,570,459	12,875,677
Al Salam Real Estate Company 50%	50,000	50,000
	13,620,459	12,925,677
8) Investments Analysis	September 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Local Investments (note 8/1)	261,375,587	181,661,370
Investments in GCC counties (note 8/2)	361,743,117	351,569,771
Forgin Investments (Al Salam Bank - Algeria)	13,570,459	12,875,677
	636,689,163	546,106,818
8/1 Local Investments	September 2010	December 2009
Investments in securities and shares held for trading purposes	SDG	SDG
	Unaudited	Audited
Shahama securities	52,500,000	54,250,000
Sudatel shares	2,389,493	4,400,990
Al salam First Real Estate Fund	21,611,022	20,504,579
	76,500,515	79,155,569

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

	September 2010 SDG	December 2009 SDG
	Unaudited	Audited
Investments in securities and shares held to maturity		
Shahama securities	54,780,898	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	86,780,898	42,000,000
Mudaraba investment		
Mudaraba with Local Banks	32,404,103	9,993,601
Mudaraba with Customers (net)	396,000	-
	32,800,103	9,993,601
	September 2010 Unaudited SDG	December 2009 Audited SDG
Musharka financing		
Net Musharaka	14,781,871	-
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	261,375,587	181,661,370
8/2 Investments in GCC countries	September 2010 SDG	December 2009 SDG
	Unaudited	Audited
Investments in securities and shares held for trading purposes		
AL Salam Bank – Bahrain shares	11,110,700	11,639,842
King Abdalla City shares	2,743,051	3,137,653
Investment funds	1,143,005	1,084,485
Aman –Dubai shares	2,771,873	2,629,958
	17,768,629	18,491,938
investment with banks		
Emirates Islamic Bank	66,700,900	70,059,851
AL Salam Bank – Bahrain	12,520,000	11,879,000
Abu Dhabi Islamic Bank	264,753,588	250,527,775
	343,974,488	332,466,626
Mudaraba with Customers (net)	-	611,207
	343,974,488	333,077,833
Total	361,743,117	351,569,771

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

9) Segmental information

The total finance for the period ending 30 September 2010 amounted to SDG 383,108,427 (December 2009: SDG 373,042,627) and it was distributed according to economic sector as follows:

	September 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Manufacturing	49%	49%
Transportation	4%	6%
Trading	3%	4%
Agriculture	6%	4%
Other sectors	38%	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 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 .

11) Contra accounts

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

	September 2010	December 2009
	SDG	SDG
	Unaudited	Audited
Letters of credit	9,935,579	75,940,880
Letters of guarantee	833,091,585	827,376,396
	843,027,164	903,317,276