

AL SALAM BANK - Sudan

(Public Company)

UNAUDITED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2011

**Review report and interim Financial Statements
for the period ended 31 March 2011**

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

We have reviewed the accompanying condensed statement of financial position of ALSALAM BANK (the Bank), for the three months ended on 31th of March 2011, and the related condensed statements of income, cash flows and changes in equity for the quarter then ended.

The Bank's management is responsible for the preparation and presentation of these condensed financial statements in accordance with the 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 condensed financial statements based on our 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 condensed 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed financial statements are not presented fairly, in all material respects, in accordance with the accounting standards issues by 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

5 May 2011

AL SALAM BANK
CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT MARCH 31, 2011

	Notes	March 2011 SDG Unaudited	December 2010 SDG Audited
Assets			
Cash and cash equivalents		138,334,410	152,876,430
Cash reserve with central bank		25,201,739	27,139,558
Sales receivables (net)		318,872,767	303,807,991
Investments in securities and shares held for trading	3	137,096,268	119,374,802
Investments in securities and shares held to maturity	4	61,160,667	95,852,097
Mudaraba financing	5	463,500,567	454,675,463
Musharaka financing	6	43,718,748	31,155,920
Investments in shares available for sale	7	15,613,755	14,386,235
Investments in real estate		61,568,337	61,000,000
Other Assets		46,468,192	41,250,835
Fixed assets		35,026,549	35,925,705
Total assets		1,346,561,999	1,337,445,036
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		235,265,593	281,766,448
Other liabilities		70,070,662	36,527,000
Provisions		7,394,528	11,585,019
Total liabilities		312,730,783	329,878,467
Equity of unrestricted investment account holders		667,086,263	642,443,328
Owners' equity			
Paid up capital		277,758,000	277,758,000
Reserves		57,443,867	48,400,560
Retained earnings		31,543,086	38,964,681
Total owners' equity		366,744,953	365,123,241
Total liabilities, unrestricted investment accounts and owners' equity		1,346,561,999	1,337,445,036
Contra Accounts		914,511,003	878,371,710

Hussein M. S. Almizza
Vice-chairman

Osman Mokhtar
General Manager

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

AL SALAM BANK**CONDENSED INCOME STATEMENT**

FOR THE THREE MONTHS ENDED MARCH 31, 2011

	<i>March 2011</i>	March 2010
	<i>SDG</i>	<i>SDG</i>
	Unaudited	Unaudited
Income		
Deferred sales	7,997,783	10,965,007
Income from investments	3,978,279	5,352,802
Unrealized re-measurement (losses) / gains on investments	(1,159,015)	885,719
Total income from finance and investments	10,817,047	17,203,528
Less: Return on unrestricted investment accounts	(4,583,511)	(6,484,127)
Bank's share in income from investments (as Mudarib and as fund owner)	6,233,536	10,719,401
Income from banking services	3,469,630	2,879,522
Gain/ loss on sale of foreign currency	1,078,249	193,232
Other income	669,211	695,571
Total Bank's revenue	11,450,626	14,487,726
Expenses		
Staff cost	(4,938,254)	(2,294,245)
Operation expenses	(4,851,226)	(3,662,263)
Total expenses	(9,789,480)	(5,956,508)
Net operation profits	1,661,146	8,531,218
Gain / (losses) from revaluation of foreign currencies	23,825,268	(2,385,024)
Net income before provision for zakah and tax	25,486,414	6,146,194
Zakah provision for the period	(1,401,187)	(1,356,668)
Business Profit Tax provision for the period	-	(105,199)
Net income for the period	24,085,227	4,684,328
Basic earning per share	0.219	0.043

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011

	<i>March 2011</i>	March 2010
	<i>SDG</i>	<i>SDG</i>
	Unaudited	Unaudited
Cash follows from operating activities		
Net income for the period	23,324,624	4,684,327
Adjustments for:		
Depreciation of fixed assets	1,015,964	733,056
Provisions	(4,189,155)	1,748,729
	20,151,433	7,166,112
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	1,937,819	(4,154,797)
Sales receivables (net)	(15,064,775)	(5,759,165)
Investments	(3,994,001)	(29,902,699)
Other assets	(5,217,357)	(15,076,370)
Current accounts	(46,500,855)	19,765,578
Equity of unrestricted investment accounts	24,642,935	(1,968,037)
Other liabilities	33,543,662	13,772,929
Prior years adjustments	(29,098,300)	-
Cash (used in) operations	(39,750,872)	(23,322,561)
Net cash (used in) operating activities	(19,599,439)	(16,156,449)
Cash follows from investing activities		
Purchases of fixed assets	(116,808)	(292,342)
Investments in affiliates	(1,460,558)	-
Net cash (used in) investing activities	(1,577,366)	(292,342)
Cash follows from financing activities		
Reserves	6,634,785	(348,018)
Net cash from/ (used) financing activities	6,634,785	(348,018)
Decrease in cash and cash equivalents for the period	(14,542,020)	(16,796,809)
Cash and cash equivalents at the beginning of the period	152,876,430	132,074,970
Cash and cash equivalents at the end of the period	138,334,410	115,278,161

AL SALAM BANK
CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2011

	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, 2011	277,758,000	38,964,681	16,965,233	19,396,271	12,039,056	365,123,241
Distributed profits	-	(29,098,300)	-			(29,098,300)
Net income for the period	-	24,085,227	-			30,720,012
Reserves	-	(2,408,523)	2,408,523			-
Balance as at March 31, 2011	277,758,000	31,543,086	19,373,755	19,396,271	12,039,056	366,744,953
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	-	4,684,327	-	-	-	4,684,327
Reserves	-	(468,433)	468,433	-		-
Balance as at March 31, 2010	254,000,000	34,361,880	13,815,380	8,858,471	5,945,953	316,981,684

AL SALAM BANK

NOTES TO CONDENSED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011

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 interim condensed financial statements should be read with financial statements as at December 31,2010 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 31 March 2011 are not indicative of the results that may be expected for the year ended 31 December 2011.

c) Functional and Presentation currency

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

	March 2011 SDG	December 2010 SDG
	Unaudited	Audited
3) Investments in securities and shares held for trading		
Quated Investments		
Shahama securities	46,323,900	52,000,000
Sudatel shares	2,402,993	3,158,992
AL Salam bank – Bahrain shares	13,104,506	12,478,072
King Abdalla city shares	3,031,632	2,874,956
	64,863,031	70,512,020
Unquoted Investments		
Investment funds	1,310,894	1,207,504
Aman –Dubai shares	3,179,019	2,928,289
Al salam first real estate fund	66,984,057	44,726,989
	71,473,970	48,862,782
	136,337,001	119,374,802

AL SALAM BANK
NOTES TO CONDENSED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2011

	March 2011	December 2010
4) Investments in securities and shares held to maturity	SDG	SDG
	Unaudited	Audited
Shahama securities	29,160,667	63,852,097
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	61,160,667	95,852,097
5) Mudaraba Investment and Agencies	March 2011	December 2010
	SDG	SDG
	Unaudited	Audited
Mudaraba with corporate & customers	73,381,074	67,735,446
Mudaraba with financial institutions	102,107,698	121,645,246
Wakala with financial institutions	303,813,940	279,852,015
	479,302,712	469,232,707
Less : provision for finance losses	(15,802,145)	(14,557,244)
	463,500,567	454,675,463
6) Musharka financing	March 2011	December 2010
	SDG	SDG
	Unaudited	Audited
Musharaka	44,160,352	31,470,626
Less : provision for finance losses	(441,604)	(314,706)
	43,718,748	31,155,920
7) Investments in shares available for sale	March 2011	December 2010
Ownership percentage	SDG	SDG
	Unaudited	Audited
Alsalam Algeria Bank 5%	15,563,755	14,336,235
Al Salam Real Estate Company 50%	50,000	50,000
	15,613,755	14,386,235
8) Investments Analysis	March 2011	December 2010
	SDG	SDG
	Unaudited	Audited
Local Investments (note 8/1)	379,801,966	181,661,370
Investments in GCC counties (note 8/2)	386,533,354	351,569,771
Forgin Investments (Al Salam Bank - Algeria)	15,563,755	12,875,677
	781,899,075	546,106,818
8/1 Local Investments	March 2011	December 2010
Investments in securities and shares held for trading purposes	SDG	SDG
	Unaudited	Audited
Shahama securities	46,323,900	54,250,000
Sudatel shares	2,402,993	4,400,990
Al salam First Real Estate Fund	66,984,057	20,504,579
	115,710,950	79,155,569

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011

	March 2011	December 2010
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held to maturity		
Shahama securities	29,160,667	10,000,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	30,000,000
	61,160,667	42,000,000
Mudaraba investment		
Mudaraba with Local Banks	40,014,335	9,993,601
Mudaraba with Customers (net)	57,578,929	-
	97,593,264	9,993,601
	March 2011	December 2010
	Unaudited	Audited
	SDG	SDG
Musharka financing		
Net Musharaka	43,718,748	-
Investments in shares available for sale		
Al Salam Real Estate Company	50,000	50,000
Investments in real estate		
Local land	61,568,337	50,462,200
Total	379,801,966	181,661,370
8/2 Investments in GCC countries	March 2011	December 2009
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held for trading purposes		
AL Salam Bank – Bahrain shares	13,104,506	11,639,842
King Abdalla City shares	3,031,632	3,137,653
Investment funds	1,310,894	1,084,485
Aman –Dubai shares	3,179,019	2,629,958
	20,626,051	18,491,938
investment with banks		
Emirates Islamic Bank	62,093,363	70,059,851
AL Salam Bank – Bahrain	-	11,879,000
Abu Dhabi Islamic Bank	303,813,940	250,527,775
	365,907,303	332,466,626
Mudaraba with Customers (net)	-	611,207
	365,907,303	333,077,833
Total	386,533,354	351,569,771

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011

9) Segmental information

The total finance for the period ending 31 March 2011 amounted to SDG 455,170,446 (December 2010: SDG 421,142,112) and it was distributed according to economic sector as follows:

	March 2011	December 2010
	Unaudited	Audited
Manufacturing	%46	%49
Transportation	%3	%6
Trading	%4	%4
Agriculture	%9	%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.

	March 2011	December 2010
	SDG	SDG
	Unaudited	Audited
Letters of credit	16,043,018	12,100,333
Letters of guarantee	898,467,985	866,271,377
	914,511,003	878,371,710