

AL SALAM BANK – Sudan

(Public Company)

UNAUDITED

FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2012

**Review report and interim Financial Statements
for the period ended 30 June 2012**

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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 June 2012, and the related condensed statements of income, cash flows and changes in equity for the six months 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.

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 condensed financial statements are free of material misstatement. A review is limited primarily to enquiries of bank personnel and analytical procedures applied to financial data and thus provides 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 condensed financial statements are not presented fairly, in all material respects, in accordance with the financial accounting standards issues by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and the International Accounting Standard No.34.

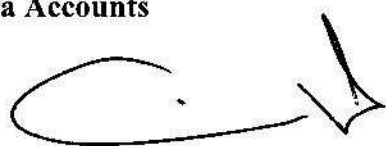


Mubarak El-Awad Mohamed – FCCA, FCMA
Partner
Khartoum
7 August 2012

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

AS AT JUNE 30, 2012

		<i>June 2012</i>	<i>December 2011</i>
		<i>SDG</i>	<i>SDG</i>
Assets		Unaudited	Audited
Cash and cash equivalents		285,420,726	218,864,582
Cash reserve with central bank		74,249,780	40,311,392
Sales receivables (net)		380,511,828	279,898,990
Investments in securities and shares held for trading	3	43,141,643	19,510,499
Investments in securities and shares held to maturity	4	205,177,000	131,114,000
Mudaraba financing	5	907,584,383	483,944,702
Musharaka financing	6	31,765,046	28,656,262
Investments in shares available for sale	7	28,770,705	14,980,214
Investments in real estate		252,552,701	162,780,490
Other Assets		42,345,922	22,416,397
Fixed assets		34,926,526	33,605,916
Total assets		2,286,446,260	1,436,083,444
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		405,955,680	309,467,140
Other liabilities		171,803,074	64,347,462
Provisions		5,467,697	13,838,764
Total liabilities		583,226,451	387,653,366
Equity of unrestricted investment account holders		1,115,485,480	671,154,163
Owners' equity			
Paid up capital		277,758,000	277,758,000
Reserves		188,075,667	58,147,260
Retained earnings		121,900,662	41,370,655
Total owners' equity		587,734,329	377,275,915
Total liabilities, unrestricted investment accounts and owners' equity		2,286,446,260	1,436,083,444
Contra Accounts	11	1,791,452,665	878,909,513


Mr. Abd Albaseet Hamza El Hassan**Member Of The Board Of Director**

Mr. Osman Mokhtar**General Manager**

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

CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2012

	<i>For three months ended 30 June</i>		<i>For six months ended 30 June</i>	
	<i>2012</i>	<i>211</i>	<i>2012</i>	<i>2011</i>
	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>	<i>SDG</i>
	Unaudited	Unaudited	Unaudited	Unaudited
Income				
Deferred sales	11,924,697	13,267,599	18,519,947	21,265,382
Income from investments	27,676,064	5,505,873	41,570,114	9,484,152
Unrealized re-measurement (losses) / gains on investments	5,816,115	(167,457)	8,139,723	(1,326,472)
Total income from finance and investments	45,416,876	18,606,015	68,229,784	29,423,062
Less: Return on unrestricted investment accounts	(4,063,103)	(3,539,255)	(8,126,205)	(8,122,766)
Bank's share in income from investments (as Mudarib and as fund owner)	41,353,773	15,066,760	60,103,579	21,300,296
Income from banking services	4,118,951	427,089	5,239,022	3,896,719
Gain/ loss on sale of foreign currency	179,159	532,403	357,947	1,610,652
Other income	7,873,437	615,316	8,420,216	1,284,527
Total Bank's revenue	53,525,320	16,641,568	74,120,764	28,092,194
Expenses				
Staff cost	(4,698,527)	(3,888,071)	(9,059,946)	(8,826,325)
Operation expenses	(4,056,847)	(3,713,865)	(11,212,585)	(8,565,091)
Investment provision	(23,521,639)	(798,368)	(23,521,639)	(798,368)
Total expenses	(32,277,013)	(8,400,304)	(43,794,170)	(18,189,784)
Net operation profits	21,248,307	8,241,264	30,326,594	9,902,410
Gain / (losses) from revaluation of foreign currencies	95,808,019	(11,690,368)	95,828,594	12,134,900
Net income before provision for zakah and tax	117,056,326	(3,449,104)	126,155,188	22,037,310
Zakah provision for the period	(737,879)	(1,098,359)	(1,903,909)	(2,499,546)
Business Profit Tax provision for the period	(1,102,493)	(462,635)	(1,102,493)	(462,635)
Net income for the period	115,215,954	(5,010,097)	123,148,786	19,075,130
Basic(loss) earning per share	10.474	(0.455)	11.195	1.174

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

FOR THE SIX MONTHS ENDED JUNE 30, 2012

	<i>June 2012</i>	June 2011
	<i>SDG</i>	<i>SDG</i>
	Unaudited	Unaudited
Cash follows from operating activities		
Net income for the period	123,148,786	19,075,130
Adjustments for:		
Depreciation of fixed assets	1,467,150	1,969,522
Provisions	(8,371,067)	(6,439,514)
	116,244,869	14,605,138
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with central bank	(33,938,388)	155,015
Sales receivables (net)	(100,612,838)	(6,479,175)
Investments	(614,214,820)	41,719,200
Other assets	(19,929,525)	(1,358,731)
Current accounts	96,488,540	(71,163,363)
Equity of unrestricted investment accounts	444,331,317	(78,659,595)
Paid dividends	(30,303,900)	(29,098,297)
Other liabilities	107,455,611	44,273,114
Cash (used in) operations	(150,724,003)	(100,611,832)
Net cash (used in) operating activities	(34,479,134)	(86,006,694)
Cash follows from investing activities		
Purchases of fixed assets	(2,787,760)	(475,475)
Investments in affiliates	(13,790,491)	(591,811)
Net cash (used in) investing activities	(16,578,251)	(1,067,286)
Cash follows from financing activities		
Reserves	117,613,529	2,399,659
Net cash from financing activities	117,613,529	2,399,659
Decrease in cash and cash equivalents for the period	66,556,144	(84,674,321)
Cash and cash equivalents at the beginning of the period	218,864,582	152,876,430
Cash and cash equivalents at the end of the period	285,420,726	68,202,109

AL SALAM BANK
CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2012

	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, 2012	277,758,000	41,370,655	20,921,654	28,103,280	9,122,326	377,275,915
Proposed dividends		(30,303,900)				(30,303,900)
Net income for the period	–	123,148,786	–			123,148,786
Reserves	–	(12,314,879)	12,314,879		117,613,528	117,613,528
Balance as at June 30, 2012	277,758,000	121,900,662	33,236,533	28,103,280	126,735,854	587,734,329
Balance as at January 1, 2011	277,758,000	38,964,681	16,965,233	19,396,271	12,039,056	365,123,241
Dividends paid	–	(29,098,297)	–	–	–	(29,098,297)
Net income for the period		19,075,130			2,399,659	21,474,789
Reserves	–	(1,907,513)	1,907,513	–		–
Balance as at June 30, 2011	277,758,000	27,034,001	18,872,746	19,396,271	14,438,715	357,499,733

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

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

FOR THE SIX MONTHS ENDED JUNE 30, 2012

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 located in Alsalam Rotana Hotel (Africa street) in addition to, Al-Morada branch- Omdurman.

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 31,2011 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 2012 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).

	June 2012	December 2011
	SDG	SDG
3) Investments in securities and shares held for trading	Unaudited	Audited
Quated Investments		
Sudatel shares	2,227,492	2,658,144
AL Salam bank – Bahrain shares	23,351,160	9,439,919
King Abdalla city shares	9,405,519	3,132,751
	34,984,171	15,230,814
Unquated Investments		
Investment funds	2,291,043	1,230,071
Aman –Dubai shares	5,866,429	3,049,614
	8,157,472	4,279,685
	43,141,643	19,510,499

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

FOR THE SIX MONTHS ENDED JUNE 30, 2012

	June 2012	December 2011
4) Investments in securities and shares held to maturity	<i>SDG</i>	<i>SDG</i>
	Unaudited	Audited
Shahama securities	163,177,000	119,114,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities	30,000,000	
Government securities (Sarh)	10,000,000	10,000,000
	205,177,000	131,114,000
5) Mudaraba Investment and Agencies	<i>SDG</i>	<i>SDG</i>
	Unaudited	Audited
Mudaraba with customers - Individulas	194,799,095	104,698,970
Mudaraba with financial institutions	180,881,287	102,774,305
Wakala with financial institutions	561,658,468	291,973,377
	937,338,850	499,446,652
Less : provision for finance losses	(29,754,467)	(15,501,950)
	907,584,383	483,944,702
6) Musharka financing	<i>SDG</i>	<i>SDG</i>
	Unaudited	Audited
Musharaka	32,085,905	28,945,719
Less : provision for finance losses	(320,859)	(289,457)
	31,765,046	28,656,262
7) Investments in shares available for sale	<i>SDG</i>	<i>SDG</i>
Ownership percentage	Unaudited	Audited
Alsalam Algeria Bank 5%	28,720,705	14,930,214
Al Salam Real Estate Company 50%	50,000	50,000
	28,770,705	14,980,214
8) Investments Analysis	<i>SDG</i>	<i>SDG</i>
	Unaudited	Audited
Local Investments (note 8/1)	723,499,529	326,252,497
Investments in GCC counties (note 8/2)	726,771,244	368,397,407
Forgin Investments (Al Salam Bank - Algeria)	28,720,705	14,930,214
	1,478,991,478	709,580,118
8/1 Local Investments	<i>SDG</i>	<i>SDG</i>
Investments in securities and shares held for trading purposes	Unaudited	Audited
Sudatel shares	2,227,492	2,658,144
	2,227,492	2,658,144

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

FOR THE SIX MONTHS ENDED JUNE 30, 2012

	June 2012	December 2011
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held to maturity		
Shahama securities	173,177,000	120,114,000
Ijara securities (shihab)	2,000,000	2,000,000
Government securities (sarh)	30,000,000	–
	205,177,000	122,114,000
Mudaraba investment		
Mudaraba with Local Banks	56,682,662	9,993,601
Mudaraba with Customers (net)	165,044,628	–
	221,727,290	9,993,601
	June 2012	December 2011
	Unaudited	Audited
	SDG	SDG
Musharka financing		
Net Musharaka	31,765,046	28,656,262
Investments in shares available for sale		
Al Salam Real Estate Company	50,000	50,000
Investments in real estate		
Local land	252,552,701	162,780,490
Total	713,499,529	326,252,497
8/2 Investments in GCC countries	June 2012	December 2011
	SDG	SDG
	Unaudited	Audited
Investments in securities and shares held for trading purposes		
AL Salam Bank – Bahrain shares	23,351,160	9,439,919
King Abdalla City shares	9,405,519	3,132,751
Investment funds	2,291,043	1,230,071
Aman –Dubai shares	5,866,429	3,049,614
	40,914,151	16,852,355
investment with banks		
Emirates Islamic Bank	103,999,425	59,571,675
Almashreq Dubai- Bader Ismalic Bank	20,199,200	–
Abu Dhabi Islamic Bank	561,658,468	291,973,377
	685,857,093	351,545,052
Total	726,771,244	368,397,407

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

FOR THE SIX MONTHS ENDED JUNE 30, 2012

9) Segmental information

The total finance for the period ending 30 June 2012 amounted to SDG 613,921,501 (December 2011: SDG 420,392,952) and it was distributed according to economic sector as follows:

	June 2012	December 2011
	Unaudited	Audited
Manufacturing	49%	43%
Transportation	2%	4%
Trading	7%	4%
Agriculture	4%	10%
Other sectors	38%	39%
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 net 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 2012	December 2011
	SDG	SDG
	Unaudited	Audited
Letters of credit	110,548,567	19,197,336
Letters of guarantee	1,680,904,098	859,712,177
	1,791,452,665	878,909,513