AL SALAM BANK - Sudan

(Public Company)

UNAUDITED

CONDENSED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 2011

Review report and interim Financial Statements
for the period ended 30 September 2011

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Chartered Certified Accountants

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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), for the three months ended on 30th of September 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.

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

Mubarak Elawad & Co.
02 NOV 2011
Chartered Certified Accountants

Mubarak El-Awad Mohamed – FCCA, FCMA
Partner
Khartoum
2 November 2011

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صندوق بريد ٣١٢٠
شارع عبيد ختم . الخرطوم - السودان
تلفون : ٢٨٩٨١٠ ٨٣ (١) ٢٤٩+
تلفون: ٥١٣٥ ٣٩٩ (١٥) ٢٤٩+
فاكس : ٢٨٩٨١١ ٨٣ (١) ٢٤٩+

AL SALAM BANK

CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2011

	Notes	September 2011 SDG Unaudited	December 2010 SDG Audited
Assets			
Cash and cash equivalents		184,483,123	152,876,430
Cash reserve with Central Bank of Sudan		44,033,654	27,139,558
Sales receivables (net)		281,584,968	303,807,991
Investments in securities and shares held for trading	3	83,418,838	119,374,802
Investments in securities and shares held to maturity	4	97,028,706	95,852,097
Mudaraba financing and agencies	5	497,481,346	454,675,463
Musharaka financing	6	18,427,969	31,155,920
Investments in shares available for sale	7	14,980,214	14,386,235
Investments in real estate		61,699,735	61,000,000
Other Assets		41,263,428	41,250,835
Fixed assets		34,173,575	35,925,705
Total assets		1,358,575,456	1,337,445,036
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		282,815,727	281,766,448
Other liabilities		148,271,197	36,527,000
Provisions		7,145,363	11,585,019
Total liabilities		438,232,287	329,878,467
Equity of unrestricted investment account holders		557,503,246	642,443,328
Owners' equity			
Paid up capital		277,758,000	277,758,000
Reserves		53,253,626	48,400,560
Retained earnings		31,828,296	38,964,681
Total owners' equity		362,839,923	365,123,241
Total liabilities, unrestricted investment accounts and owners' equity		1,358,575,456	1,337,445,036
Contra Accounts	11	881,337,171	878,371,710

Hussein Mohammed Salem Al Miza
Vice Chairman

Osman Mokhtar
General Manager

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

AL SALAM BANK

CONDENSED STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2011

	Notes	September 2011	December 2010
		SDG	*SDG*
Assets		Unaudited	Audited
Cash and cash equivalents		**184,483,123**	152,876,430
Cash reserve with Central Bank of Sudan		**44,033,654**	27,139,558
Sales receivables (net)		**281,584,968**	303,807,991
Investments in securities and shares held for trading	3	**83,418,838**	119,374,802
Investments in securities and shares held to maturity	4	**97,028,706**	95,852,097
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Hussein Mohammed Salem Al Miza
Vice Chairman

Osman Mokhtar
General Manager

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

CONDENSED INCOME STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	for the three months ended 30 September		*for the nine months ended 30 September*	
	2011	*2010*	***2011***	*2010*
	SDG	*SDG*	***SDG***	*SDG*
	Unaudited	Audited	**Unaudited**	Audited
Income				
Deferred sales	**10,428,917**	11,536,944	**31,694,299**	30,658,140
Income from investments	**8,311,222**	4,099,715	**17,795,374**	13,323,657
Unrealized re-measurement (losses) / gains on investments	**(3,260,623)**	(4,363,145)	**(4,587,095)**	(6,030,787)
Total income from finance and investments	**15,479,516**	11,273,514	**44,902,578**	37,951,010
Less: Return on unrestricted investment accounts	**(7,061,383)**	(9,761,325)	**(15,184,149)**	(20,290,410)
Bank's share in income from investments (as Mudarib and as fund owner)	**8,418,133**	1,512,189	**29,718,429**	17,660,600
Income from banking services	**5,268,320**	4,101,133	**9,165,039**	7,470,356
Gain/ loss on sale of foreign currency	**337,312**	781,980	**1,947,964**	1,132,347
Other income	**642,158**	450,416	**1,926,685**	1,563,080
Total Bank's revenue	**14,665,923**	6,845,718	**42,758,117**	27,826,383
Expenses				
Staff cost	**(4,400,458)**	(3,455,952)	**(13,226,783)**	(8,273,234)
Operation expenses	**(3,351,933)**	(3,032,264)	**(11,917,024)**	(10,141,142)
Investment provision	**(151,586)**	(1,500,000)	**(949,954)**	(1,500,000)
Total expenses	**(7,903,977)**	(7,988,216)	**(26,093,761)**	(19,914,376)
Net profits from operations	**6,761,946**	(1,142,498)	**16,664,356**	7,912,007
Gain / (losses) from revaluation of foreign currencies	**605,247**	2,756,644	**12,740,147**	12,784,345
Net income before provision for zakah and tax	**7,367,193**	1,614,146	**29,404,503**	20,696,352
Zakah provision for the period	**(1,289,035)**	(721,071)	**(3,788,581)**	(3,399,775)
Business Profit Tax provision for the period	**(751,163)**	(785,124)	**(1,213,797)**	(1,129,376)
Net income for the period	**5,326,995**	107,951	**24,402,125**	16,167,201
Basic(loss) earning per share	**0.048**	0.001	**0.222**	0.147

The attached notes from 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, 2011

	Note	***September 2011***	September 2010
		SDG	*SDG*
Cash follows from operating activities		**Unaudited**	Unaudited
Net income for the period		**24,402,125**	16,167,201
Adjustments for:			
Depreciation of fixed assets		**2,839,405**	2,244,633
Provisions		**(4,439,656)**	(4,372,438)
		22,801,874	14,039,396
Changes in operating assets, liabilities and unrestricted investment accounts:			
Cash reserve with Central Bank of Sudan		**(16,894,096)**	(22,845,058)
Sales receivables (net)		**22,223,023**	(13,891,478)
Investments		**4,001,788**	(90,381,164)
Other assets		**(12,593)**	(11,088,363)
Current accounts		**1,049,279**	89,140,828
Equity of unrestricted investment accounts		**(84,940,082)**	(22,366,208)
Other liabilities		**111,744,197**	9,707,065
Paid dividends		**(29,098,297)**	-
		8,073,219	(61,724,378)
Net cash (used in)/ from operating activities		**30,875,093**	(47,684,982)
Cash follows from investing activities			
Purchases of fixed assets		**(1,087,275)**	(968,296)
Investments in affiliates	7	**(593,979)**	(694,782)
Net cash (used in) investing activities		**(1,681,254)**	(1,663,078)
Cash follows from financing activities			
Reserves		**2,412,854**	2,764,282
Net cash from/ (used) financing activities		**2,412,854**	2,764,282
Increase (decrease) in cash and cash equivalents for the period		**31,606,693**	(46,583,778)
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		**184,483,123**	85,491,192

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

AL SALAM BANK

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011

	Paid up capital	Retained earnings	Statutory reserve	Property revaluation reserve	Investement revaluation reserve	Total
	SDG	*SDG*	*SDG*	*SDG*	*SDG*	*SDG*
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	-	24,402,125	-		2,412,854	26,814,979
Reserves	-	(2,440,212)	2,440,212			
Balance as at September 30, 2011	**277,758,000**	**31,828,296**	**19,405,445**	**19,396,271**	**14,451,910**	**362,839,923**
Balance as at January 1, 2010	254,000,000	30,145,986	13,346,947	8,858,471	5,945,953	312,297,357
Dividends paid	23,758,000	(23,758,000)				-
Net income for the period	-	16,173,264	-			16,173,264
Reserves	-	(1,617,326)	1,617,326	-	2,758,218	2,758,218
Balance as at September 30, 2010	**277,758,000**	**20,943,924**	**14,964,273**	**8,858,471**	**8,704,171**	**331,228,839**

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

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) the accounting policies used in preparation of these condensed financial statements are consistent with those used for financial statements for the year ended 31 December 2010, 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).

3) Investments in securities and shares held for trading	**September 2011** ***SDG*** **Unaudited**	December 2010 *SDG* Audited
Shahama securities	**-**	52,000,000
Sudatel shares	**2,182,944**	3,158,992
AL Salam Bank – Bahrain shares	**9,747,347**	12,478,072
King Abdalla City shares	**2,838,221**	2,874,956
Investments in foreign funds	**1,343,321**	1,207,504
Shares of Islamic Insurance & Re-insurance	**3,049,613**	2,928,289
Investments in Al Salam Real Estate Funds	**64,257,392**	44,726,989
	83,418,838	119,374,802

4) Investments in securities and shares held to maturity

	September 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Shahama securities (Shahama)	**95,028,706**	63,852,097
Ijara securities (shihab)	**2,000,000**	2,000,000
Government securities (Sarh)	**-**	30,000,000
	97,028,706	95,852,097

5) Mudaraba Investment and Agencies

	September 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Mudaraba with individuals	**70,988,850**	67,735,446
Mudaraba with banks	**149,929,912**	121,645,246
Wakala with banks	**291,727,354**	279,852,015
	512,646,116	469,232,707
Less : provision for finance losses	**(15,164,870)**	(14,557,244)
	497,481,246	454,675,463

6) Musharka financing

	September 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Musharaka	**18,614,110**	31,470,626
Less : provision for finance losses	**(186,141)**	(314,706)
	18,427,969	31,155,920

7) Investments in shares available for sale

	Ownership percentage	September 2011	December 2010
		SDG	*SDG*
		Unaudited	Audited
Alsalam Bank Algeria	5%	**14,930,214**	14,336,235
Al Salam Real Estate Company	50%	**50,000**	50,000
		14,980,214	14,386,235

8) Investments Analysis

	September 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Local Investments (note 8/1)	**379,335,276**	392,342,309
Investments in GCC counties (note 8/2)	**378,771,218**	369,765,973
Forgin Investments (Al Salam Bank - Algeria)	**14,930,214**	14,336,235
	773,036,708	776,444,517

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

8/1 Local Investments

	September 2011	December 2010
Investments in securities and shares held for trading purposes	*SDG*	*SDG*
	Unaudited	Audited
Shahama securities	-	52,000,000
Sudatel shares	2,182,944	3,158,992
Al salam Real Estate Fund	64,257,392	44,726,989
	66,440,336	99,885,981
Investments in securities and shares held to maturity		
Shahama securities (Shahama)	95,028,706	63,852,097
Ijara securities (shihab)	2,000,000	2,000,000
Government securities (Sarh)	-	30,000,000
	97,028,706	95,852,097
Mudaraba investment		
Mudaraba with Local Banks	46,840,679	36,662,865
Mudaraba with Customers	88,847,851	67,735,446
	135,688,530	104,398,311
Musharka financing		
Musharaka (net)	18,427,969	31,155,920
	18,427,969	31,155,920
Investments in shares available for sale		
Al Salam Real Estate Company	50,000	50,000
	50,000	50,000
Investments in real estate		
Local land	61,699,735	61,000,000
	61,699,735	61,000,000
Total	379,335,276	392,342,309

8/2 Investments in GCC countries

	September 2011	December 2010
	SDG	*SDG*
Investments in securities and shares held for trading purposes	Unaudited	Audited
AL Salam Bank shares – Bahrain	9,747,347	12,478,072
King Abdalla City shares	2,838,221	2,874,956
Investmentin foreign funds	1,343,321	1,207,504
Shares of Insurance & Re Insurance Co. - Aman	3,049,613	2,928,289
	16,978,502	19,488,821
Mudaraba - investment with banks		
Emirates Islamic Bank	59,566,762	57,198,637
AL Salam Bank – Bahrain	-	13,226,500
Badr Islamic Bank	10,498,600	-
Abu Dhabi Islamic Bank	291,727,354	279,852,015
	361,792,716	350,277,152
Mudaraba with Customers (net)	361,792,716	350,277,152
Total	378,771,218	369,765,973

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

9) Segmental infromation

The total finance for the nine months period ending 30 September 2011 amounted to SDG 425,687,71 (December 2010: SDG 421,142,112) and it was distributed according to economic sector as follows:

	September 2011	December 2010
	Unaudited	Audited
Manufacturing	**37%**	49%
Transportation	**3%**	6%
Trading	**3%**	4%
Agriculture	**10%**	4%
Other sectors	**47%**	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 nine months 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 transfered to the statutory reserve .

11) Contra accounts

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

	September 2011 *SDG*	December 2010 *SDG*
	Unaudited	Audited
Letters of credit	**17,387,756**	12,100,333
Letters of guarantee	**863,949,415**	866,271,377
	881,337,171	878,371,710