AL SALAM BANK – Sudan

(Public Company)

UNAUDITED

CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED

30 JUNE 2011

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

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

Mubarak Elawad & Co.
16 JUL 2011
Chartered Certified Accountants

Mubarak El-Awad Mohamed – FCCA, FCMA
Partner
Khartoum
16 July 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 JUNE 30, 2011

	Notes	*June 2011*	December 2010
		SDG	*SDG*
Assets		**Unaudited**	Audited
Cash and cash equivalents		**68,202,109**	152,876,430
Cash reserve with central bank		**26,984,543**	27,139,558
Sales receivables (net)		**310,287,166**	303,807,991
Investments in securities and shares held for trading	3	**120,128,311**	119,374,802
Investments in securities and shares held to maturity	4	**55,233,662**	95,852,097
Mudaraba financing	5	**460,470,899**	454,675,463
Musharaka financing	6	**22,851,675**	31,155,920
Investments in shares available for sale	7	**14,978,046**	14,386,235
Investments in real estate		**61,654,535**	61,000,000
Other Assets		**42,609,566**	41,250,835
Fixed assets		**34,431,658**	35,925,705
Total assets		**1,217,832,170**	1,337,445,036
Liabilities, unrestricted investment accounts holders and owners' equity			
Liabilities			
Current accounts		**210,603,085**	281,766,448
Other liabilities		**80,800,114**	36,527,000
Provisions		**5,145,505**	11,585,019
Total liabilities		**296,548,704**	329,878,467
Equity of unrestricted investment account holders		**563,783,733**	642,443,328
Owners' equity			
Paid up capital		**277,758,000**	277,758,000
Reserves		**52,747,510**	48,400,560
Retained earnings		**26,994,223**	38,964,681
Total owners' equity		**357,499,733**	365,123,241
Total liabilities, unrestricted investment accounts and owners' equity		**1,217,832,170**	1,337,445,036
Contra Accounts	11	**879,898,023**	878,371,710

Mr. Hussein Mohammed AL Meeza
Vice Chairman

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, 2011

	for three months ended 30 June		*for six months ended 30 June*	
	2011	*2010*	***2011***	*2010*
	SDG	*SDG*	***SDG***	*SDG*
	Unaudited	Unaudited	**Unaudited**	Unaudited
Income				
Deferred sales	**13,267,599**	8,156,189	**21,265,382**	19,121,196
Income from investments	**5,505,873**	3,871,140	**9,484,152**	9,223,942
Unrealized re-measurement (losses) / gains on investments	**(167,457)**	(2,553,362)	**(1,326,472)**	(1,667,643)
Total income from finance and investments	**18,606,015**	9,473,967	**29,423,062**	26,677,496
Less: Return on unrestricted investment accounts	**(3,539,255)**	(4,044,958)	(8,122,766)	(10,529,085)
Bank's share in income from investments (as Mudarib and as fund owner)	**15,066,760**	5,429,009	**21,300,296**	16,148,411
Income from banking services	**427,089**	489,701	**3,896,719**	3,369,223
Gain/ loss on sale of foreign currency	**532,403**	157,135	**1,610,652**	350,367
Other income	**615,316**	417,093	**1,284,527**	1,112,664
Total Bank's revenue	**16,641,568**	6,492,938	**28,092,194**	20,980,665
Expenses				
Staff cost	**(3,888,071)**	(2,523,037)	**(8,826,325)**	(4,817,282)
Operation expenses	**(3,713,865)**	(3,446,615)	**(8,565,091)**	(7,108,878)
Investment provision	**(798,368)**	-	**(798,368)**	_
Total expenses	**(8,400,304)**	(5,969,652)	**(18,189,784)**	(11,926,160)
Net operation profits	**8,241,264**	523,286	**9,902,410**	9,054,505
Gain / (losses) from revaluation of foreign currencies	**(11,690,368)**	12,412,725	12,134,900	10,027,701
Net income before provision for zakah and tax	**(3,449,104)**	12,936,011	**22,037,310**	19,082,206
Zakah provision for the period	(1,098,359)	(1,322,036)	(2,499,546)	(2,678,704)
Business Profit Tax provision for the period	(462,635)	(239,053)	(462,635)	(344,251)
Net income for the period	**(5,010,097)**	11,374,922	**19,075,130**	16,059,251
Basic(loss) earning per share	(0.046)	0.103	0.173	0.146

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 SIX MONTHS ENDED JUNE 30, 2011

	June 2011	June 2010
	SDG	*SDG*
Cash follows from operating activities	**Unaudited**	Unaudited
Net income for the period	**19,075,130**	16,059,249
Adjustments for:		
Depreciation of fixed assets	**1,969,522**	1,480,300
Provisions	**(6,439,514)**	(2,310,849)
	14,605,138	15,228,700
Changes in operating assets, liabilities and unrestricted investment accounts:		
Cash reserve with Central Bank of Sudan	**155,015**	(14,049,173)
Sales receivables (net)	**(6,479,175)**	(4,628,464)
Investments	**41,719,200**	(46,516,210)
Other assets	**(1,358,731)**	(15,411,051)
Current accounts	**(71,163,363)**	151,250,528
Equity of unrestricted investment accounts	**(78,659,595)**	(43,349,703)
Other liabilities	**44,273,114**	(732,632)
Paid dividends	**(29,098,297)**	-
	(100,611,832)	26,563,296
Net cash (used in)/ from operating activities	**(86,006,694)**	41,791,996
Cash follows from investing activities		
Purchases of fixed assets	**(475,475)**	(719,220)
Investments in affiliates	**(591,811)**	-
Net cash (used in) investing activities	**(1,067,286)**	(719,220)
Cash follows from financing activities		
Reserves	**2,399,659**	2,236,811
Net cash from/ (used) financing activities	**2,399,659**	2,236,811
Decrease in cash and cash equivalents for the period	**(84,674,321)**	43,309,587
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	**68,202,109**	175,384,557

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

AL SALAM BANK

CONDENSED STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE SIX MONTHS ENDED JUNE 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	-	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**
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	−	16,059,249	−			16,059,249
Reserves	−	(468,433)	468,433	−	2,236,811	2,236,811
Balance as at June 30, 2010	**277,758,000**	**21,978,802**	**13,815,380**	**8,858,471**	**8,182,764**	**330,593,417**

The attached notes 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).

	June 2011	December 2010
	SDG	*SDG*
3) Investments in securities and shares held for trading	**Unaudited**	Audited
Quated Investments		
Shahama securities	**35,997,138**	52,000,000
Sudatel shares	**2,286,895**	3,158,992
AL Salam Bank – Bahrain shares	**10,045,983**	12,478,072
King Abdalla City shares	**3,243,711**	2,874,956
	51,573,727	70,512,020
Unquated Investments		
Investment funds	**1,257,351**	1,207,504
Aman –Dubai shares	**3,049,171**	2,928,289
Al salam First Real Estate Fund	**64,248,062**	44,726,989
	68,554,584	48,862,782
	120,128,311	119,374,802

4) Investments in securities and shares held to maturity

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Shahama securities (Shahama)	53,233,662	63,852,097
Ijara securities (shihab)	2,000,000	2,000,000
Government securities (Sarh)	-	30,000,000
	55,233,662	95,852,097

5) Mudaraba Investment and Agencies

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Mudaraba with corporate & individuals	70,988,850	67,735,446
Mudaraba with financial institutions	112,959,803	121,645,246
Wakala with financial institutions	291,684,996	279,852,015
	475,633,649	469,232,707
Less : provision for finance losses	(15,162,750)	(14,557,244)
	460,470,899	454,675,463

6) Musharka financing

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Musharaka	23,082,500	31,470,626
Less : provision for finance losses	(230,825)	(314,706)
	22,851,675	31,155,920

7) Investments in shares available for sale

	Ownership percentage	June 2011	December 2010
		SDG	*SDG*
		Unaudited	Audited
Alsalam Algeria Bank	5%	14,928,046	14,336,235
Al Salam Real Estate Company	50%	50,000	50,000
		14,978,046	14,386,235

8) Investments Analysis

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Local Investments (note 8/1)	334,982,383	181,661,370
Investments in GCC counties (note 8/2)	385,356,699	351,569,771
Forgin Investments (Al Salam Bank - Algeria)	14,928,046	12,875,677
	735,267,128	546,106,818

8/1 Local Investments

Investments in securities and shares held for trading purposes

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Shahama securities	35,997,138	54,250,000
Sudatel shares	2,286,895	4,400,990
Al salam First Real Estate Fund	64,248,062	20,504,579
	102,532,095	79,155,569

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

	June 2011 *SDG*	December 2010 *SDG*
Investments in securities and shares held to maturity	**Unaudited**	Audited
Shahama securities (Shahama)	**53,233,662**	10,000,000
Ijara securities (shihab)	**2,000,000**	2,000,000
Government securities (Sarh)	–	30,000,000
	55,233,662	42,000,000
Mudaraba investment		
Mudaraba with Local Banks	**36,884,316**	9,993,601
Mudaraba with Customers (net)	**55,826,100**	–
	92,710,416	9,993,601

	June 2011 Unaudited SDG	December 2010 Audited SDG
Musharka financing		
Net Musharaka	**22,851,675**	–
Investments in shares available for sale		
Al Salam Real Estate Company	**50,000**	50,000
Investments in real estate		
Local land	**61,654,535**	50,462,200
Total	**335,032,383**	181,661,370

8/2 Investments in GCC countries

	June 2011 *SDG*	December 2009 *SDG*
Investments in securities and shares held for trading purposes	**Unaudited**	Audited
AL Salam Bank – Bahrain shares	**10,045,983**	11,639,842
King Abdalla City shares	**3,243,711**	3,137,653
Investment funds	**1,257,351**	1,084,485
Aman –Dubai shares	**3,049,171**	2,629,958
	17,596,216	18,491,938
Mudarab - investment with banks		
Emirates Islamic Bank	**59,573,287**	70,059,851
AL Salam Bank – Bahrain	–	11,879,000
Badr Islamic Bank	**16,502,200**	–
Abu Dhabi Islamic Bank	**291,684,996**	250,527,775
	367,760,483	332,466,626
Mudaraba with Customers (net)	–	611,207
	367,760,483	333,077,833
Total	**385,356,699**	351,569,771

9) Segmental infromation

The total finance for the six months period ending 30 June 2011 amounted to SDG 425,835,587 (December 2010: SDG 421,142,112) and it was distributed according to economic sector as follows:

	June 2011	December 2010
	Unaudited	Audited
Manufacturing	**38%**	49%
Transportation	**3%**	6%
Trading	**4%**	4%
Agriculture	**14%**	4%
Other sectors	**41%**	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 six 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.

	June 2011	December 2010
	SDG	*SDG*
	Unaudited	Audited
Letters of credit	**16,146,092**	12,100,333
Letters of guarantee	**863,751,931**	866,271,377
	879,898,023	878,371,710